

FIG/World Bank Conference

Sustainable Real Estate Markets-Policy Framework and Necessary Reforms

Land Governance Agenda for Sustainable Real Estate Market

Implemented reforms, existing challenges, necessary reforms

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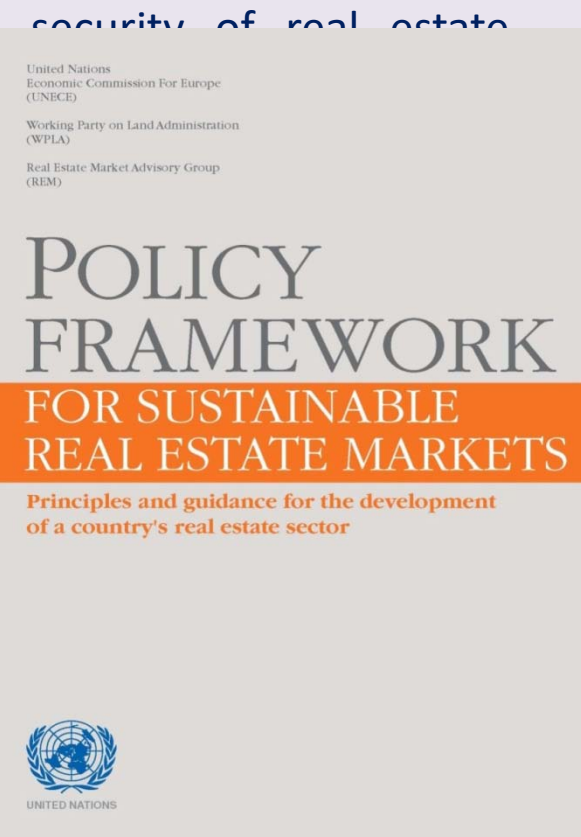
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The presentation covers

- **The Key Principles for Development of Sustainable Real Estate Market**
- **Land market development status**
- **Main constrains to efficient operation of land market**
- **Core Principles for Land Administration**
- **ECA Success Stories in Land Administration**
- **Establishment of Land Governance Monitoring System**

The Key Principles for Development of Sustainable Real Estate Market

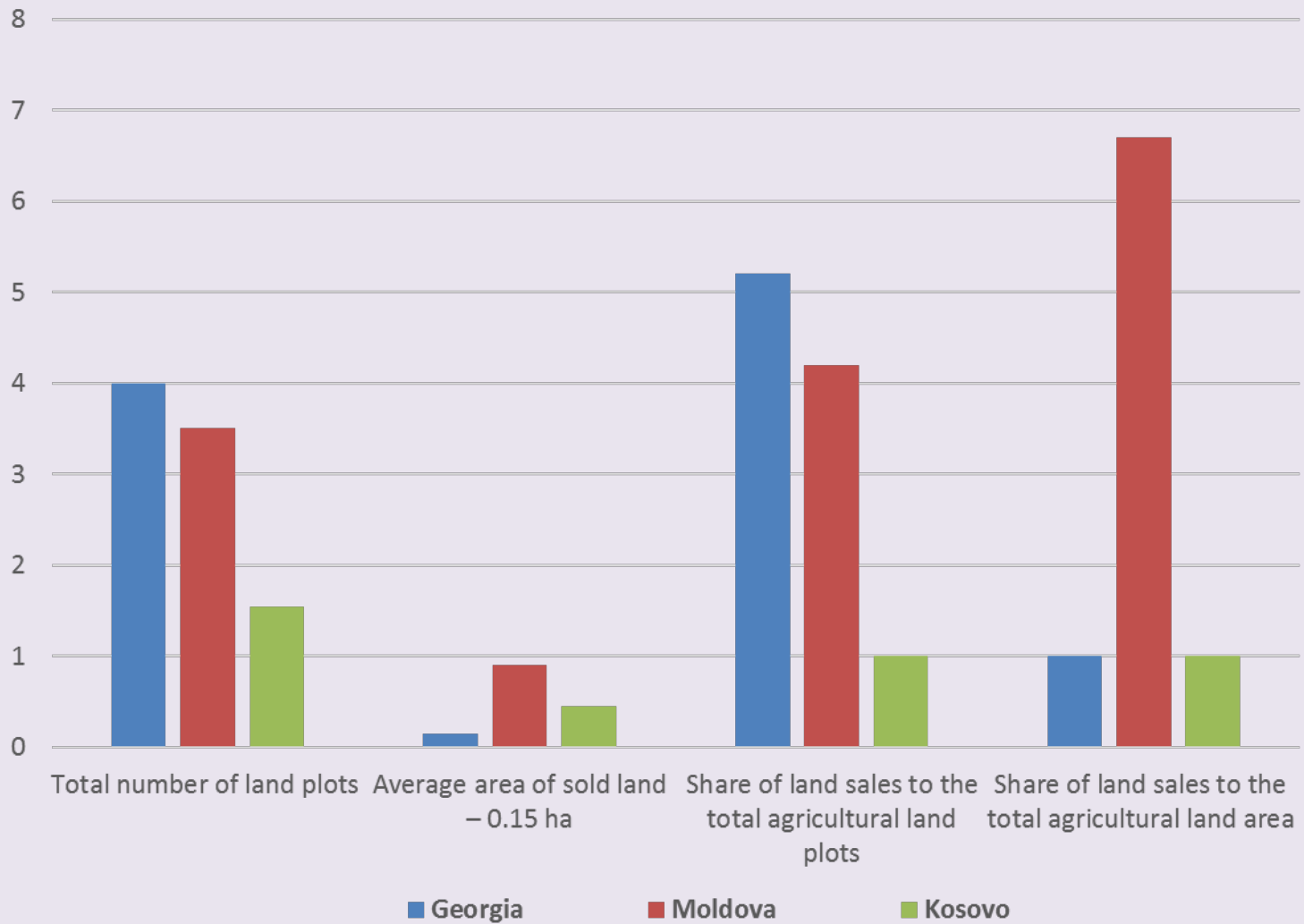
- **Integrated Legal Framework** - An integrated national legal system should be established and harmonized with the existing regional and international norms for the real estate sector.
- **Efficient Land registry and Cadaster** - The security of real estate transactions should be enhanced by identifying and protecting property rights.
- **Efficiency of Services** - An efficient and transparent real estate market should be consistent with legal and voluntary regulations, international rules and best practices.
- **Prerequisites for Development of Sound Real Estate Market** - A well-developed real estate sector contributes to the utilization of underused resources into productive capital, hence creating employment opportunities and reducing poverty.
- **Good Governance** - Governments need to develop sound decision making. In order to create sound business climate for real estate markets, these should be based on universal principles and investment rules.



The Key Principles for Development of Sustainable Real Estate Market

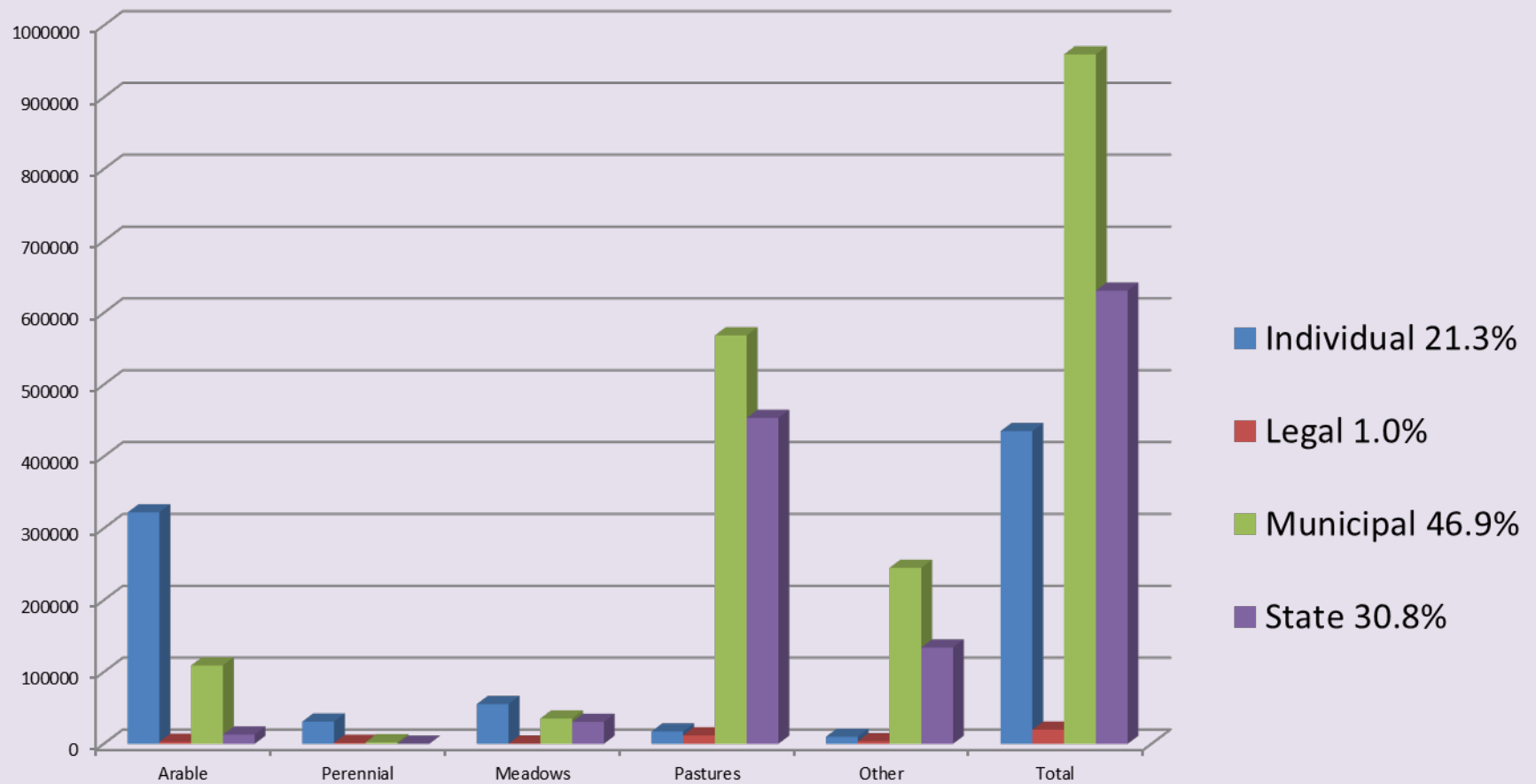
- **Sustainable Financing** - Access to credit and mortgages as well as microfinance for low-income earners are essential elements of a healthy real estate market.
- **Transparency and Advanced Financial Products** - Transparency and appropriate valuation of real estate assets used as collateral for advanced financial products can produce social and economical benefits and reduce the probability of future financial crises.
- **Property Valuation** - Property appraisal criteria based on commonly shared valuation standards should be promoted, as it is essential to purchasing and selling activities, access to loans and the application of equitable taxation.
- **Social housing** - Social housing should be considered as an integral part of the real estate market, as means to promote economic growth, urban development, reduction in housing pressure, and as a policy option to address the problem of informal settlements.
- **Training and Capacity Building** - To guarantee an efficient real estate market with high quality professional services and building products.

Land Market Data



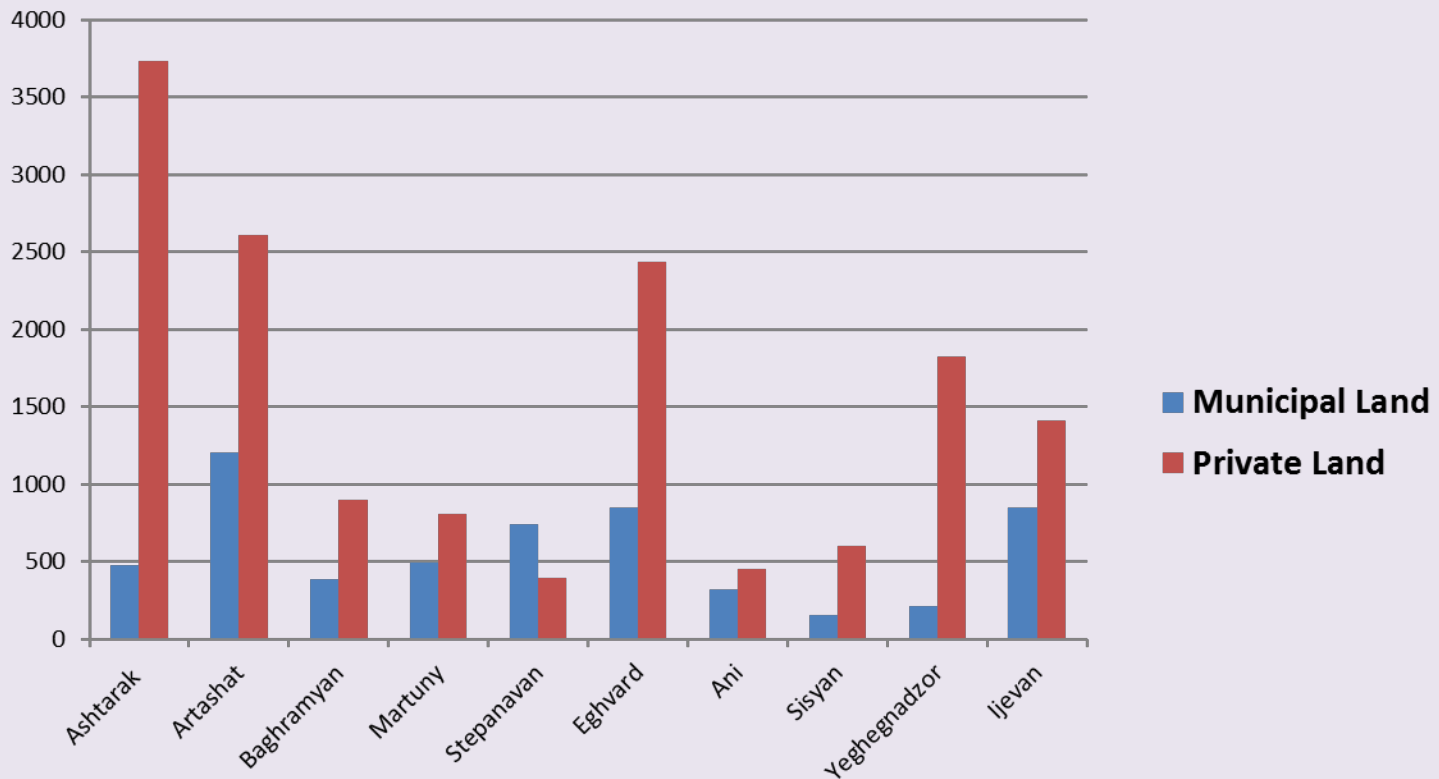
Land ownership structure

Agriculture Land Ownership in Armenia



Regional differences in Land Prices

Average Price of Land in Armenia by District
2015 ('000 AMD/ha)



Main constrains for efficient operation of land market

- **Institutional fragmentation of land administration system** - Some ECA countries are still challenged by institutional fragmentation of land administration system on a horizontal (Ukraine) or vertical (Kosovo) level.
- **Sustainability of the registration institution** - Sovereignty and self-financing, based on quality service delivery, has proved to be international best practice for institutional arrangement of property registry and the few countries are already well benefiting from this system (Lithuania, Georgia)
- **Completeness of the land registry** - low level of registered property in some countries constrain effective land policy development and land market operation
- **Transparency and access to information** - Lack of transparency and limited access to information creates favorable environment for corruption and malfeasance that impedes effective land market operation
- **Land Fragmentation** - Socially oriented agriculture land privatization resulted in high level land fragmentation with average 04-06 ha land parcel in some ECA countries

Main constrains for efficient operation of land market

- **Underdeveloped land lease market** – Stimulation of lease market operation will significantly contribute to economic development, especially in countries where there is no land ownership but the use right with right to inherit and alienate (Tajikistan)
- **Access to finance** - ability to access affordable credit is a critical factor for real estate market development, especially for small businesses that often lack the capital required for growth and expansion.
- **Lack of land governance monitoring** - The countries don't have a well-established system for real estate market data collection and land governance. As a result, they don't practice regular monitoring on key indicators that correspond to the functional areas of land governance. LGAF as a tool for monitoring was implemented in Croatia, Georgia, Moldova and Ukraine.
- **Gender mainstreaming in sustainable real estate market development** - The legislation in the countries in the region does not contain restrictions to acquisition of property rights based on gender, however the practice of realization of these rights may sometimes have characteristics of discrimination

Phases of Post Soviet Land Reform

- **First phase of reforms – Privatization of Land/Real Estate**
 - Privatization of apartments, state enterprises, Agriculture Land; non-agriculture/urban land
- **Second phase of reforms – institutional changes, establishment of cadastre and registration systems**
 - Development of relevant legal framework and regulations;
 - Establishment of registration and cadastre institution
- **Third phase of reforms – Development of Land Management systems**
 - Development of Urban and Rural Planning;
 - Development of Land use Monitoring System

Core Principles for Land Administration

- **Land administration should be separate from land management function;**
 - It should be differentiated between land administration (cadastre and registration) and land management functions (land use monitoring, urban/agricultural land use planning, land sale)
- **Registration Institution should operate as unified entity and be self-financed;**
 - Agricultural and nonagricultural land, buildings; Public, private, municipal property should be registered in one institution;
 - Land Administration institution should be self-financed
- **Institution should be independent in internal decision making;**
 - The Institution should operate as an independent, unified body which is free in internal decision making
- **Number of functions should be delegated to private sector**
 - Private sector is an important market player in providing cadastre and registration services

ECA Success Stories in Land Administration

Case of Georgia

- **Property registration was conducted by number of agencies**
 - State Department of Land Management - Land/Real Estate registration, mainly Agriculture Land, Cadastre;
 - Bureau of Technical Inventory - Urban Areas and Apartments;
 - Chamber of Notaries - Lien Registry
- **Registration Procedures**
 - Registration Procedures and Timeline were not defined by Legislation. The system was bureaucratic with extremely high level of corruption
- **Land management and land administration functions were not separated;**
 - The same agency was in charge of property registration and land use control
- **Registration system was not under the vertical management scheme;**
 - Registrars were appointed by the approval of Local Governors
- **Financing**
 - Registry was funded by State Budget;
 - Registry Staff were not motivated and poorly paid

ECA Success Stories in Land Administration Case of Georgia

Implemented Reform

- **Institutional**

Establishment of National Agency for Property Registry – all registration institutions like State Department of Land Management, Bureau of Technical Inventory, Chamber of Notary (for Lien registry) were integrated into one Agency. NAPR became a legal entity of public law with some independence from government vertical; Registrar became independent from local government and responsible on its decision

- **Legal**

New laws and regulations were enacted that specified registration procedures and service timelines. According to the new law, registration of municipal and church property, as well as object under construction can be registered; Law also defines rights on property subject to independent rights like pipelines, line constructions.

- **Administrative**

Agency selected qualified professionals who were offered increased salaries. Self-financed system was developed and VIP service was introduced

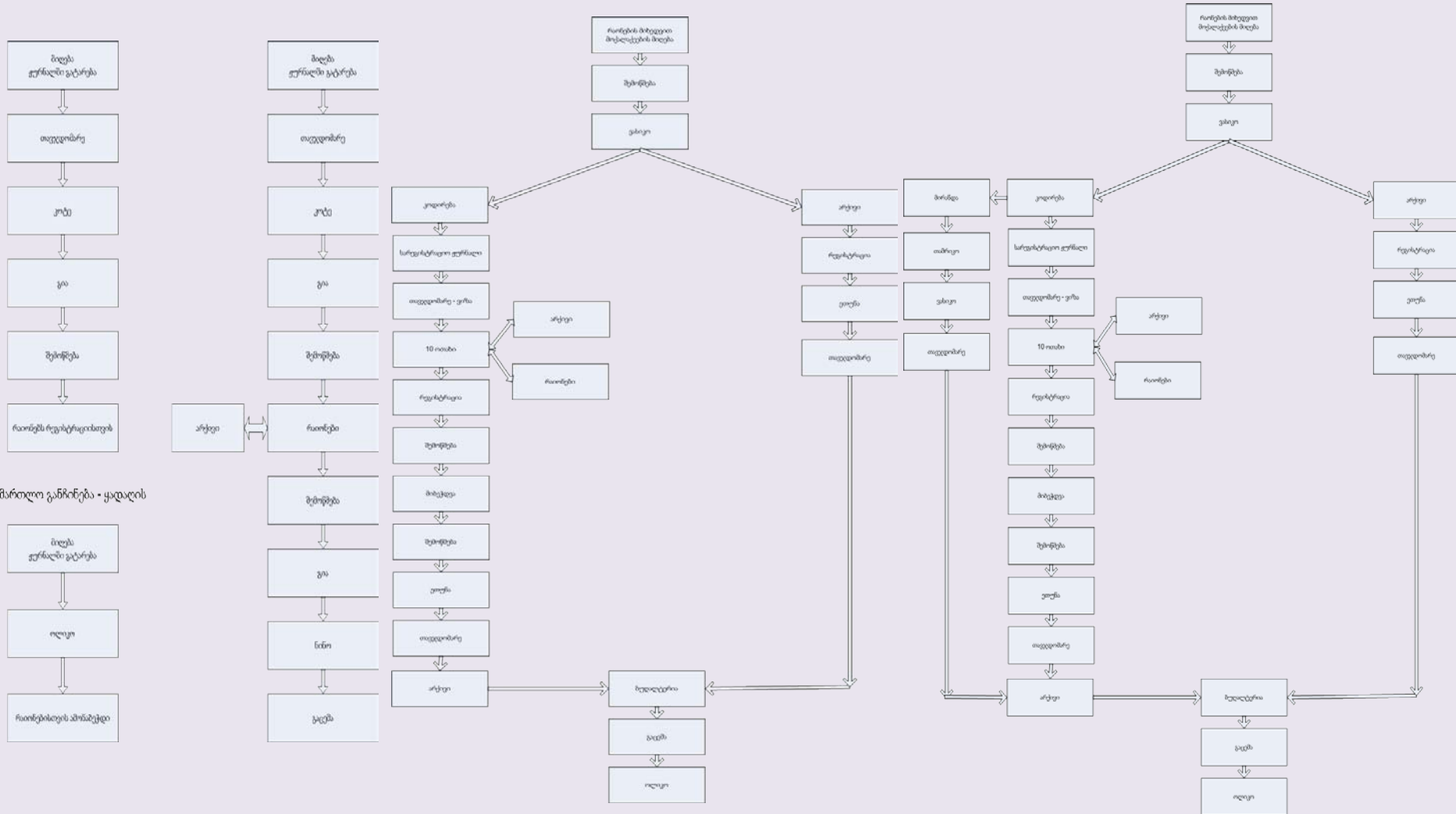
- **Technological**

Based on Registration Software developed by NAPR, E-Registration System was introduced that ensured accessibility to public information through internet as well as established opportunity for conducting online operations

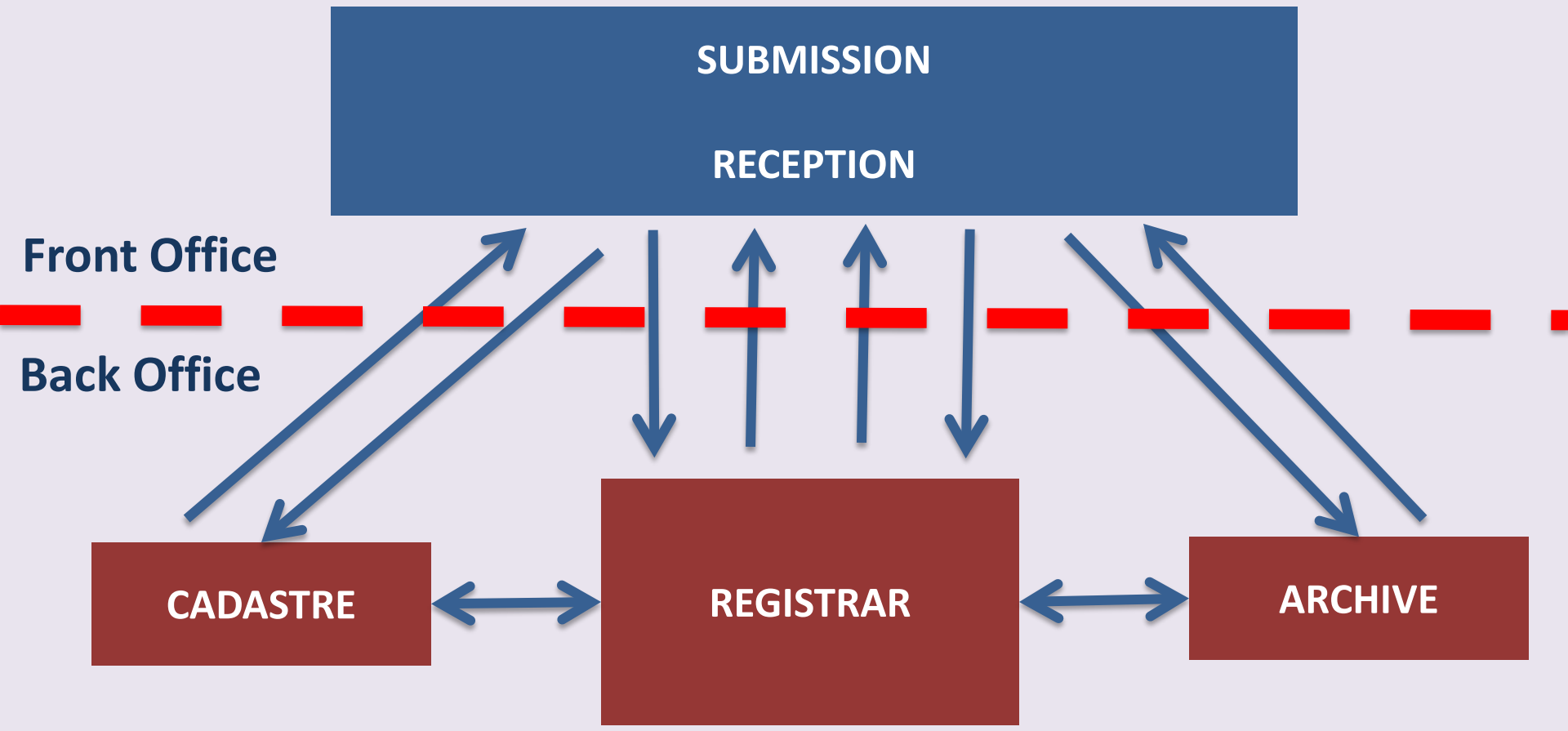
Document Flow in Tbilisi Registration Office

Terra
DeNovo

Before

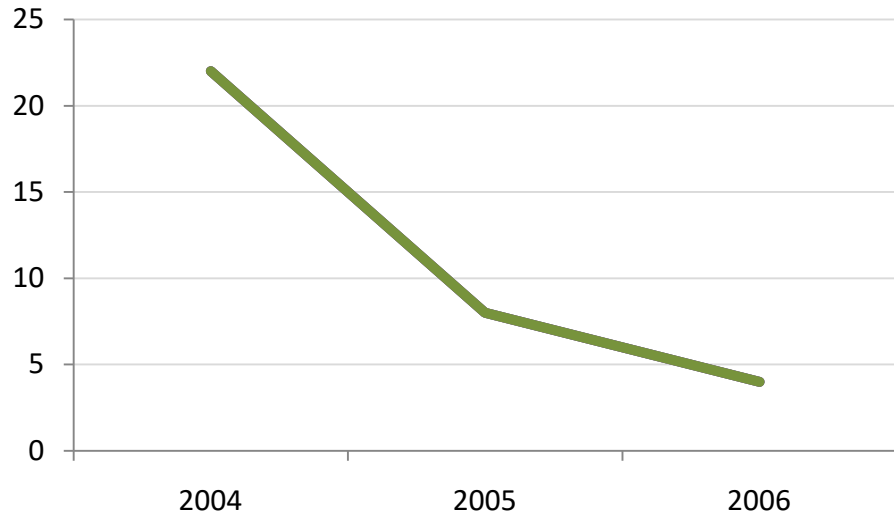


Document Flow in Tbilisi Registration Office

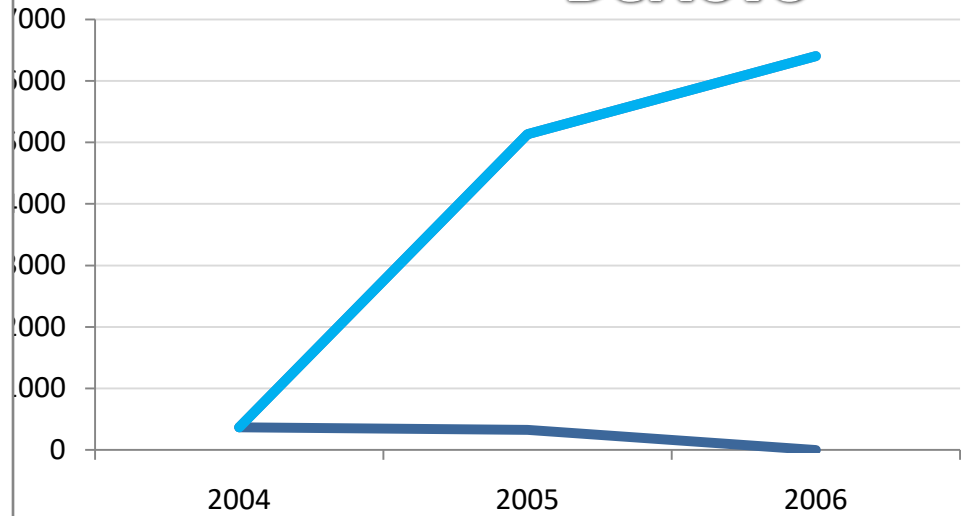


Results of the Reform

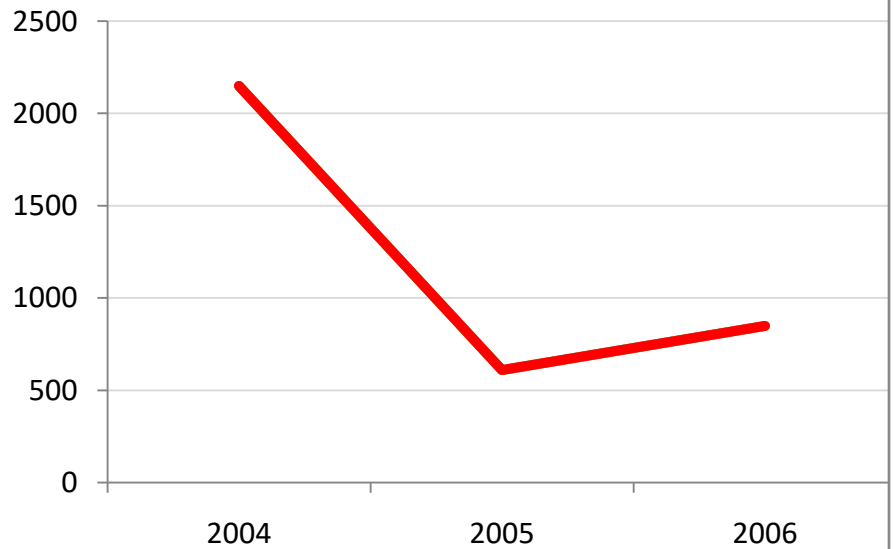
Steps for registration in the registry



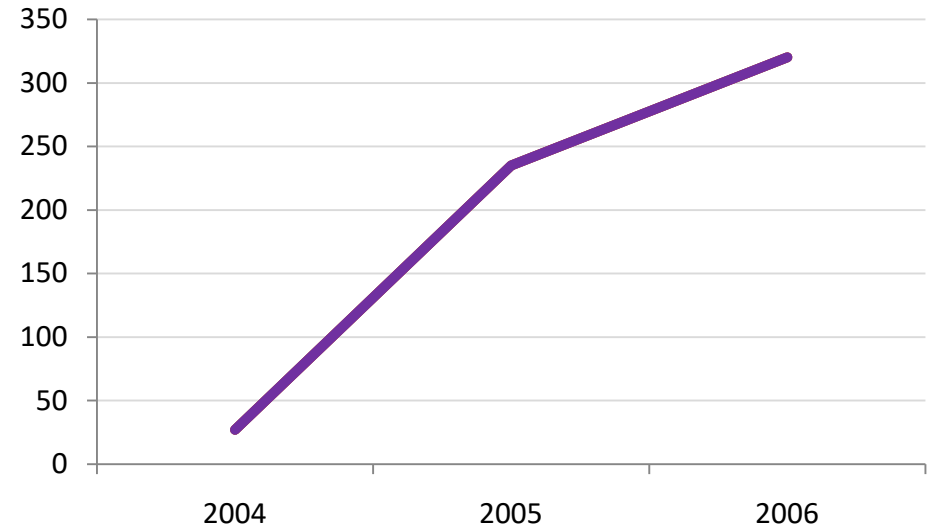
Income of the registry in thousands USD



Number of employees



Average salary in USD



Impacts at country level

Doing Business Ranking	
Country	Registering Property
New Zealand	1
Lithuania	2
Georgia	3
Estonia	4
Slovak Republic	5
Kyrgyz Republic	6
Belarus	7
Russian Federation	8
Denmark	9
United Arab Emirates	10

Seven countries from ECA region are listed in the top 10 property registries

LGAF - Diagnostic tool to assess the status of land governance at country level using a participatory process and is comprehensive

- **Georgia:** LGAF Implemented in 2011, 2012
Land Governance Monitoring 2013
- **Ukraine:** LGAF Implemented in 2012; Land Governance Monitoring started in 2014
- **Moldova:** LGAF implemented in 2013
- **Croatia:** LGAF Completed in 2016
- **Serbia:** Ongoing

Land Governance (LG) Monitoring

What is Land Governance (LG) Monitoring:

Land Governance (LG) Monitoring is a regular automated reporting system on key indicators that correspond to the functional areas of land governance. It relies on existing administrative data from various sources as a primary source of information

Why LG Monitoring?

- Keep track of progress with LGAF recommendations
- M&E of reform programs and international project, benchmarking and targeting
- Evidence based policy making
- Evidence based decision making by local and national governments
- Evidence based decision making by private sector (investment, location, migration)
- Transparency and accountability of land governance
- Better business climate and investment attractiveness
- Administrative data quality and quality of public service
- Quality of property rights protection

Land Governance (LG) Monitoring

Monitoring Indicators

- Number (and prices where possible) of registered transactions of different types;
- Receipts of land tax revenue;
- Share of communal, private, and state land mapped;
- Cases of expropriation and privatization;
- Number of land-related conflicts in the courts;
- Share of agricultural/residential land registered and mapped in women's/men's name or in joint ownership

Example of analytical results from Georgia pilot implementation

An increase in share of registered land by one percentage point is associated with:

- An increase in individual land tax revenue by about 10%;
- Higher number of land sales transactions (by 1.9%) and land mortgages (by 2.6%);
- Higher individual land prices (1.9% increase in an average land price)

Thank you for your attention

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