How Land Administration Systems Determining Land Market Efficiency

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Background to research

- **Problem** – if we are to achieve the growing needs for efficient land markets (ELM), we need to be sure that the systems formulating LM are efficient by themselves.

- **Literature** on land market efficiency tends to focus on:
  - Efficient LM is a cornerstone for social and economic development,
  - Efficient LM can be best formulated through formal and efficient land administration systems (LAS),
  - LA is a combination of a comprehensive land information systems (LIS) responsible for formulating efficient LM.

- **Literature** has tend to focus on having an integrated LAS to achieve efficiency in LM.

- **This paper** seeks to shade the light on the role that LASs play in determining LME
Efficiency

- Efficiency is associated with producing a high quality product at low cost and in a reasonable short time to meet customer satisfaction
- Inefficient system will fail to produce competitive product
- System efficiency is a function of the system components
- Overall system efficiency depends upon the efficiency of each individual component

Efficiency in LA

Deininger K. (2007) remarks to improve efficiency in LAS:

- “Document land rights at an appropriate level, by recording these rights in an up-to-date records in a cost effective way.
- Increase accessibility and transparency of land administration, by using modern technology (i.e. internet) and partnerships with the private sector.
- Make land administration financially self-sustaining to independent from political pressure and to be able to charge the customers the amount that they are willing to pay.
- Eliminate institutional fragmentation, which enables monitoring effectively the service delivery to be able to ensure the availability of the needed services and to compare standards of service delivery.
- Invest in capacity building and regulate the role of other actors”.
Transferring LA services into ISO standards

Peter Van Oosterom et al, (2006:3) pointed out that standardizing LA services will lead to:

- Reducing transaction procedures
- Enabling more access to information, and
- Facilitating controlling the illegal transactions

FIG took the initiative:

- These standards will be ready as international standards in June 2011

Benefits arising from efficient LAS

- Guaranteeing ownership,
- Guaranteeing security of tenure and real estate loans (i.e. mortgages);
- Facilitating efficient land transfer and the operation of land markets;
- Supporting management of assets; and
- Providing basic information on the processes of physical planning, land development and environmental control in order to reduce land disputes; facilitate rural land reform; and protect State lands.

Inefficiency in LAS create opportunities for corruption
Efficiency in LM

Fama (1970) classes of efficiency (The Informational Efficiency)

- **Weak form efficiency**: happened when the existing information are not enable stakeholders to build a clear vision about price future changes depending on it.

- **Semi-strong efficiency**: happened when stakeholders can build a clear vision about future events depending on the publicly available information.

- **Strong form efficiency**: happened when all stakeholders can access all information whether publicly available or not.

"the market can be said to be efficient if the price reflects all that is known about a commodity" (Grover R., 2009)

Commodity

<table>
<thead>
<tr>
<th>Price reflects all that is known about a commodity</th>
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<td>Efficient Land Market</td>
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Elements of the model

- **Commodity:**
  Commodity price embodied all knowledge about the commodity

- **The price:**
  The price will change (positively or negatively) if new information appears

- **Land market:**
  Land market efficiency associated with informational efficiency

Conclusions

- The presented paper sees that LA is a combination of land information systems
- LAS is a prerequisite for building efficient LM
- The quality of LAS and the information derived from it need to be reliable
- Availability and reliability of market data can guaranteeing LME
MANY THANKS