

FIG Working Week
17 - 21 May, Bulgaria
From the wisdom of the ages
to the challenges of modern world
SOFIA 2015

A Joint UN-Habitat GLTN and FIG session
CoFLAS: Progress Report

An Assessment of the likely Return on Investment of
A LAS Reform and Financing Implication of the Reform

CheeHai TEO
Tuesday, 19 May 2015,
Sofia, Bulgaria

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**Costing and Financing of Land Administration Services (CoFLAS)
in Developing Countries**

Financing LAS

Governments with development partner support can fund the development of LAS – but the maintenance/operations need to be sustainable

Possible strategies for financing LAS:

- Full funding by government as a public service
- Setting fees and charges to fully or partially recover the cost of providing LAS services
- Transferring core parts of LAS delivery to others such as local government or private sector service providers
- Separating the regulatory and service provision LAS functions > PPP

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Factors to be considered prior to PPP:

- The feasibility of including systematic registration in any public-private partnership
- Appropriate allocation of risk - alignment of the estimated cost of the investment to the projected revenue from providing LAS services
- Clear measurable indicators for service, cost and access to be:
 - agreed up-front
 - regularly monitored during implementation
- Government must be able to manage and monitor the performance of the private operator
- The private party to be very familiar with the social and political sensitivities in providing LAS services
- The need to ensure that any contracting for a public-private partnership is conducted in an open, transparent manner

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Revenue from LAS

Possible sources of revenue to government:

- Annual property taxes
 - Effective identification of properties and assessment of taxes
 - Efficient collection of taxes
- Transaction taxes, fees and charges
 - Need to balance affordability with cost
- Sale/licensing of data/information
 - Can limit use of LAS data for NSDI and SEG

Even with well-developed LASs there is a tension between the objective of recovering the cost of providing services and the need to ensure that land services are accessible and affordable for all sectors in society

Lack of a complete set of records makes it impossible to consider recovering the cost of land services from user fees and charges in a manner that is not a major barrier for participation in the formal system, particularly for the poor and vulnerable.

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Revenue from LAS

The information from the questionnaires:

- The property turnover ranged from 3.0% in the Netherlands to 6.1% in Sweden (Thailand 4.9% with a register of > 34 million)
- The revenue from registered transfer as a percentage of total revenue ranged from 52.2 to 67.6% of revenue (67.6% in the Netherlands, 52.2% in Peru, 54.0% in Sweden and 67.6% in Thailand).
- The revenue from registered mortgages as a percentage of total revenue was
 - 30.9% in the Netherlands (excluding survey and other revenue),
 - 32.9% in Peru
 - 37.4% in Sweden (excluding capital gain/stamp duty and other revenue)
 - 33.2% in Thailand (excluding survey, capital gain/stamp duty and other revenue)

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CoFLAS tables provide basis for estimating:

- Annual taxes (land properties, condominiums)
- Transaction taxes and duties
 - Range of market conditions (property turnover 3% to 10%)
 - Expected fees for registration (fixed, ad valorem – range of %)
 - Expected revenue by transaction (transfers, mortgages, other)
 - Summary tables of expected annual revenue based on average values (urban properties, rural properties, condominiums)

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Bird and Slack (2003) document a comparative study of land and property tax in 25 countries and note that land and property tax is an important source of revenue at the sub-national level, but in the case of developing countries the contribution of property tax to sub-national revenue had been decreasing in the period from 1970 to 1990.

Sub-National Property Tax as Share of Sub-National Revenue (%) 1970s 1980s 1990s

	1970s	1980s	1990s
OECD Countries	17.4	17.0	17.9
(number of countries)	(16)	(17)	(16)
Developing Countries	27.6	24.3	19.1
(number of countries)	(21)	(27)	(24)
Transition Countries	6.7	8.51	8.8
(number of countries)	(1)	(4)	(20)
All Countries	22.8	20.4	15.6
(number of countries)	(38)	(48)	(59)

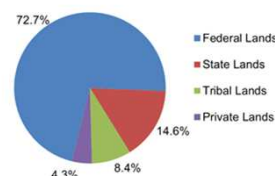


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Grand County, Utah consists largely of public lands—87 percent of the county is a mix of state and federal lands managed by different agencies for a range of users and purposes. Management of these extensive lands is important to local businesses because of the close tie between public lands resources and local economic activity.

Today, more than 1/3 of families have a member that works in a tourism and recreation business related to public lands, and nearly 2/3 of local residents indicate that public lands are “extremely important” to their business.



(The Economic Value of Public Lands in Grand County, Utah Headwaters Economics, March 2015)



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A review shows several types of conceptual frameworks proposed for economic impact evaluation in land registration. These frameworks try to establish linkages between major project outcomes and their anticipated impacts. The following four frameworks, which seem most suitable for the purpose:

- A. Financial Development and Growth Linkages - Byamugisha
- B. Land Registries/Cadastre and Land Market Linkage - Dale & Baldwin
- C. Investment Climate Linkage - World Development Report (WDR) of 2005
- D. Added Value Through Registration Service Linkage – European Bank for Reconstruction and Development (EBRD)

*("Economic Impact of 20 Years of ECA Land Registration Projects"
Suha Satana, Mika-Petteri Torhonen, Aanchal Anand and Gavin Adlington, 2003)*

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The economic impact of ECA land registration projects is summarized:

<i>Country and Project</i>	<i>Anticipated Main Outcomes and Impacts (PADs)</i>	<i>Realized Main Outcomes and Impacts (ICRs)</i>
Armenia Land Titling Project	Secure property rights, increase efficiency of real estate markets	Property rights registered, increase mortgage activities, lower interest rates
Azerbaijan Real Estate Registration	Restore farm productivity through nationwide property registration	Regional cadastre offices established, increased secondary land market transactions, 66% reduction time to register property
Bosnia and Herzegovina Land Registration Project	Develop transparent land markets	Significant reduction in time to register property, increase in mortgage market activity, fiscal impact of US\$13 million

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<i>Country and Project</i>	<i>Anticipated Main Outcomes and Impacts (PADs)</i>	<i>Realized Main Outcomes and Impacts (ICRs)</i>
Bulgaria Registration and Cadastre Project	Secure property rights, develop efficiency property markets	Established joint ICT system for land and property registration, reduced transaction cost and time, close to 400% increase in number of transactions and mortgages
Croatia Real Property Registration and Cadastre Project	Develop efficient real estate markets	84% reduction inland register backlog, 90% reduction in time to register a mortgage, 93% reduction in time to register a transaction, increase in property tax collection of EUR 4.74 mil.

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This is a 2.22x increase over the initial project costs and implies a return on investment (ROI) of 122%. Furthermore, assessing the economic impact of projects that specifically targeted first registration, the estimated total short-term and long-term benefit to the economy of a single registration is estimated at US\$ 16.13. In other words, registering one million properties in the ECA region leads to an estimated economic benefit of just over US\$ 16 million in the target country.

(However, note that these are preliminary findings of an on-going analysis and there a number of caveats to consider including poor data availability and reliability, inability to attribute economic impact to land projects alone, and difficulty in measuring certain impacts associated with productivity and efficiency gains)

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The Hindu Succession Act 1956 is a codified law dealing with the matters of succession of a deceased dying intestate and it applies to any person who is a Hindu by religion in any of its forms or development. The Act also applies to any person who is a Buddhist, Jaina or Sikh by religion. The general rules of succession under the Hindu Succession Act 1956 for a male who dies intestate is that heirs known as Class I heirs succeed in preference to heirs in other classes.

After an amendment to the Hindu Succession Act 1956 in the year 2005, more descendants, specially females, have been elevated as Class I heirs in respect of property left behind by a Hindu male, who has died intestate ie without making a Will.

(Economic Times, Jun 13, 2008)

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“We find that the HSAA significantly increased women’s likelihood to inherit land, although it did not fully compensate for the underlying gender inequality. At the same time, the finding of a significant increase in girls’ educational attainment after the HSAA suggest that the Act led to genuine improvement in women’s socio-economic status, rather than a substitution away from human capital to physical capital transfers by parents to their daughters following the legislative amendment.”

*(Inheritance Law Reform and Women’s Access to Capital: Evidence from India’s Hindu Succession Act”
Klaus Deininger, Aparajita Goyal, Hari Nagarajan, 2010)*

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*“that the deserving and suitably qualified rural people should be given every encouragement to own economically viable farms in **planted land development and settlement schemes** provided with all essential public utilities and social amenities, adequate management training, extension facilities and suitable processing and marketing arrangements in order to raise manifold the level of living from \$50 - \$ 150 per month level to about \$300 per month, and to evolve them into progressive and knowledgeable farmers so that the rural people could take their **rightful place and role in the community**”*

The Land Development Ordinance 1956
came into force on 1st July 1956

The Land (Group Settlement Areas) Act 1960
came into force on 30th May 1960

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In 2006, net income is approximately \$850 per month, and

11.5% earned more than \$2,000 per month.

24% have completely built a new house;

71% made renovations to their houses

97% of the settlers aspire to see their children obtain education at university level



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The image displays 17 Sustainable Development Goals (SDGs) arranged in a grid. Each goal card includes a number, a title, and a brief description. The goals are:

- GOAL 1:** END POVERTY IN ALL FORMS AND EVERYWHERE
- GOAL 2:** END HUNGER, ACHIEVE FOOD SECURITY AND IMPROVED NUTRITIONAL STATUS AND PROMOTE SUSTAINABLE AGRICULTURE
- GOAL 3:** ENSURE HEALTHY LIVES AND PROMOTE WELL-BEING FOR ALL AT ALL AGES
- GOAL 4:** ENSURE INCLUSIVE AND EQUITY QUALITY EDUCATION FOR ALL AND PROMOTE LIFELONG LEARNING OPPORTUNITIES
- GOAL 5:** ACHIEVE GENDER EQUALITY AND EMPOWER ALL WOMEN AND GIRLS
- GOAL 6:** ENSURE AVAILABILITY AND SUSTAINABLE MANAGEMENT OF WATER AND SANITATION FOR ALL
- GOAL 7:** ENSURE ACCESS TO AFFORDABLE, RELIABLE, SUSTAINABLE AND MODERN ENERGY
- GOAL 8:** PROMOTE RESILIENT, INCLUSIVE AND SUSTAINABLE ECONOMIC GROWTH AND EMPLOYMENT AND INNOVATION FOR ALL
- GOAL 9:** BUILD INFRASTRUCTURE, PROMOTE RESILIENT AND INCLUSIVE INDUSTRIALIZATION AND INNOVATION
- GOAL 10:** REDUCE INEQUALITIES WITHIN AND AMONG COUNTRIES
- GOAL 11:** MAKE CITIES AND HUMANS INCLUSIVE, SAFE, RESILIENT AND SUSTAINABLE
- GOAL 12:** ENSURE SUSTAINABLE CONSUMPTION AND PRODUCTION PATTERNS
- GOAL 13:** TAKE URGENT ACTION TO COMBAT CLIMATE CHANGE AND ITS IMPACTS
- GOAL 14:** CONSERVE AND SUSTAINABLY USE THE OCEANS, SEAS AND UNDERSEA ECOSYSTEMS FOR SUSTAINABLE DEVELOPMENT
- GOAL 15:** PROTECT, RESTORE AND PROMOTE SUSTAINABLE USE OF TERRESTRIAL ECOSYSTEMS, FORESTS, FRESHWATER ECOSYSTEMS AND OCEANS
- GOAL 16:** PROMOTE PEACE AND JUSTICE FOR ALL AND EFFECTIVE, ACCOUNTABLE AND INCLUSIVE INSTITUTIONS AT ALL LEVELS
- GOAL 17:** PARTNER FOR ACTION TO IMPLEMENT SUSTAINABLE DEVELOPMENT GOALS AND TRANSFORM OUR WORLD

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