Urban And City Management (Distance Learning) Course

Module Six: Urban Land
TABLE OF CONTENTS

1. INTRODUCTION
   1.1 Welcome
   1.2 Aims of Module Six
   1.3 Learning objectives
   1.4 Lesson plan
   1.5 Before you begin …

2. CONTEXT

3. THE MAJOR POLICY AREAS AFFECTING LAND SUPPLY AND USE
   3.1 Land supply
      3.1.1 Urban plans, planning procedures and codes
      3.1.2 Land development and infrastructure regulations
      3.1.3 Public land supply
      3.1.4 Impacts of land supply deficiencies
      3.1.5 Possible actions to prevent land supply deficiencies
   3.2 Land Tenure - property rights and tenure security
      3.2.1 Most common problems encountered
      3.2.2 Impacts of unclear property rights
      3.2.3 Possible actions to establish clear property rights and tenure security
      3.2.4 program options for land regularization and property rights
   3.3 Land registration for a better land management
      3.3.1 Most common problems encountered
      3.3.2 Impacts of lack of reliable and complete land registration
      3.3.3 Possible actions to establish clear property rights and tenure security
   3.4 Land as a source of revenue for cities: taxation
      3.4.1 Most common factors hampering property taxation
      3.4.2 Possible actions to improve taxation

4. CONCLUDING REMARKS

Acknowledgements: This workbook was prepared by Deniz Baharoglu, PhD from The Institute for Housing and Urban Development Studies (I H S) based in Rotterdam. Ms Baharoglu serves as a trainer and consultant on land and housing, urban poverty, and community development and has directed various capacity building and technical advisory programs in Albania, Belarus, China and Ghana.
1. INTRODUCTION

1.1 Welcome

Welcome to Module Six of the Urban and City Management (Distance Learning) Course.

In Module Six we introduce you to urban land and the critical role it has to play in the development of a sustainable city. Land supply, land tenure, land registration and land as a source of revenue are all explored through theory and case study.

1.2 Aims of Module Six
In this module we aim to develop an appreciation of the critical role land has to play in the development of a city.

1.3 Learning objectives
At the end of this workbook you will be able to:

• Describe how land use impacts on the economic and social aspects of a city
• Outline the issues surrounding land tenure
• Describe the elements of an effective land registration system
• Describe how land can contribute to revenue raising at the local government level
• Describe how land use regulations can be used to help achieve the city’s goals

In order to accomplish these objectives we have developed the following lesson plan for this workbook.

1.4 Lesson plan
In Section Two the workbook briefly outlines the context for land management in the urban context before moving into the detail of the major policy areas affecting land supply and management in Section Three.

Section Three explores the issues surrounding land supply include land development and infrastructure regulations, public land supply and the impacts of land deficiencies. Land tenure issues are considered and the most common problems highlighted including the impact of unclear land property rights and tenure insecurity. In the section on land registration for better land management the workbook outlined the most common problems encountered, their impacts and possible actions to address these issues. The final part of section Three looks at land as a source of revenue for cities. This final part of the section complements the module on revenue raising (Module 9).
1.5 Before you begin…

Before you begin the workbook we would like you to reflect a little on your own situation. Please complete the following activity.

Activity 1: In your city …

1. What are the three major land related issues currently facing your city? Please provide a brief description of the impact each of these problems is having on the effectiveness of your city.

A.

B.

C.
2. CONTEXT

Why is land management an important issue for city leaders?

- There are economic and social benefits resulting from effective land management. The price and availability of land influences the quality of housing, living conditions, commercial and industrial prospects, and the level of investment in infrastructure and public services.

- The cost of poor or no land management is potentially very high and includes illegal settlements, lack of productive investment, and poor infrastructure.

The issue of how to ensure that urban land markets serve the economic and social needs of urban inhabitants and enterprises remains one of the most complex and perhaps the most complex tasks of urban governments

UNCHS 1996

So how should land be managed in the urban context?

"...inappropriate government legislation, administration or intervention in urban land markets (can) contribute as much to economic, social and environmental costs as no management"

UNCHS (1996).

Land has a unique nature by being both an economic asset and a means for social goals. Economic value of urban land is an important factor that land management strategies should consider, and development of land markets should be among the objectives of land management. Nevertheless, land can not be treated as an ordinary asset controlled by individuals and subject only to market forces. Land should also be used in the interest of society as a whole, to achieve social goals like decreasing inequalities in access to land and tenure security, and empowerment of the urban poor.
3. MAJOR POLICY AREAS AFFECTING LAND SUPPLY & MANAGEMENT

The major policy areas affecting land supply and management can be classified into four groups:

1. Land supply: planning procedures, rules and development standards
2. Land Tenure – property rights and tenure security
3. Land registration
4. Land taxation: land as a source of revenue source for cities

In this section we will explore each of these four areas and discuss possible policy interventions. Before embarking into discussions on each of these topics, let us to see the interactions between different inputs including, policy tools/interventions, in land supply and management.

Diagram 1: Land supply and management
3.1 Land supply

3.1.1 Urban plans – planning procedures and codes

The most common land related difficulty facing cities is the lack of land to meet increasing demand. Ironically, in most countries, although there is sufficient land, it is the serviced and planned land supply that is inadequate.

Urban planning is a tool to make land available for urban development in line with health and environmental standards, and to enable utilization of land in the most efficient way.

In addition to planning (i.e. rules regulating the availability of land through zoning and density decisions), land ownership structure and transactions are regulated through various tools, including titling, land registration, and taxation.

**Urban planning is the basic and most critical tool of urban land supply.** Nevertheless, there are often complaints in rapidly growing cities about the poor impact and limited usefulness of urban planning.

Urban Plans (e.g. master or structure plans) have generally been criticized for:

- being too centralized;
- being an isolated process and undertaken without reference to the parallel task of planning investments;
- failing to consult with the people affected;
- taking too long and thus not keeping up with constantly shifting circumstances on the ground;
- being inappropriate for the current context – urban plans have failed to adapt to real needs.

Activity 2:

1. When you consider the master plans (city plans defining development zones and densities and land use decisions) of your city, do you think that they are realistic and provide useful guidance for urban land provision?

2. If not, in what way are they unhelpful? Do you have other criticisms about master plans?

3. Could your city effectively manage urban land supply without master plans? Why or why not?
In land supply the most common problems encountered are:

- Long and cumbersome planning procedures
- Restrictive planning codes and regulations (e.g. land use and zoning regulations), which are not relevant to the actual needs (Box 1).

These deficiencies in planning lead to serious constraints in land supply, and insufficiencies in the operations of land markets.

**Box 1  Restrictive planning codes**

In Serpong, Indonesia a master plan for the year 2005 requires that an unusually high proportion of the total planned area for development (65%) be devoted to non-residential purposes, and that permitted densities for residential areas be only 100 persons per hectare (well below the typical 300 persons-per-hectare density in Indonesian cities). The residential area of the proposed master plan area is some 65 square kilometers, five times that which would be required had standards more reflective of prevailing land-use patterns been specified, and necessitating for more expensive and extensive infrastructure.


A similar situation exists in Seoul, Korea, where rural-to-urban land conversion is severely restricted because of rigidly enforced greenbelt regulations and master plan provisions that limit residential development to only 25% of the total land area. This has resulted in explosive increases in the price of the land and housing, severely decreased housing affordability, and persistent housing shortages. Seoul has only half as many housing units as it has households.

Source: World Bank 1993

**Activity 3:**

1. What are the steps for producing a master plan in your city?

2. How is the demand for land for different functions estimated?

3. When you consider the density and land use regulations, do you notice any regulations which are not relevant to the needs and circumstances of your city?
3.1.2 Land development and infrastructure regulations

Unrealistically high standards for sub-divisions, project infrastructure and construction and an inflexible regulatory framework for providing services can add unnecessary costs. They can also cause serviced land scarcity and thus impede development of a city.

Regulations include lot size, density, building codes, and infrastructure standards. Such regulations are usually justified on the basis of principles of physical design or on aesthetic or health and safety grounds. They are however, rarely subjected to cost benefit analysis.

Regulations and standards applied in industrial countries are adopted by professional elites (such as architects, engineers, and planners) in many developing countries with little regard for their economic merits or costs, and demands and needs of the society. (Box 2).

Furthermore, in many cases delays in infrastructure provision due to cumbersome procedures and inflexible regulations would lead to speculative price premiums for the serviced land (Box 3), as well as land and property price increases. (Box 4).

Box 2 Minimum standards in India, Uttar Pradesh

In the state of Uttar Pradesh, India, the minimum standards established under the Regulations of Building Operations Act of 1958 and the rules of 1960, in force at the time of a 1983 study, specified minimum plot size and infrastructure standards that were affordable only by urban households with incomes at or above the 95th percentile in income distribution of the state. More liberal regulations were proposed in 1982. These would have made the minimum permitted development affordable only to households at or above the 87th percentile. Furthermore, in Uttar Pradesh and a number of other Indian states, alternative standards lower than those permitted for public sector development are not allowed for the private sector.

Source: World Bank 1993

Box 3 Adjudicating public land in Peru

The process of adjudicating public land (a high proportion of the Peruvian urban land market) and receiving approvals for urbanization plans, building permits, and occupancy permits can require up to seven years. Legal costs of land adjudicating alone are over US$2,000 for a plot (in a country where per capita GNP was US$620 in 1989). Thus much of the urban population as well private sector avoid the formal land market and procedures.

Source: De Soto 1986
Box 4 Ambitious standards in a site and services project – Cali, Colombia

In Cali, Colombia in the early 90s a project was designed to provide 28,000 lots of 60sqm each, with basic services, to be developed by self construction. In a second stage 22,500 lots would be serviced in a similar fashion and be developed as multifamily housing. In January 1993 when the mayor presented the project to the city council, the market price of the land was 365 pesos/sqm. In August of the same year, after subdivision regulations were set and enforced by the municipal government, the price increased to 1,580 pesos/sqm. (constant pesos of Dec/88). The specific regulations established were too ambitious to target low income groups: the reserve 15% of the total area for community centers and open space; 15-20% for vehicular roads; another 15-20% for sidewalks, provision of one parking space for every ten lots, sewerage, electricity connections, public telephones. Price increases can partly be explained due to the planning process and development standards. Another factor was the legal complications in the use of municipal domain to acquire land. Price of the land continued to increase and reached a peak of 3,600 pesos/sqm. Thereby, housing units were sold to low and middle income families, but not to the poorest as initially targeted.

Source: Ortiz, A 1999.

Activity 4:

1. Is there a problem with the supply of serviced land in your city? Why or why not?

2. When you consider the regulations and procedures of servicing land, what are the major bottlenecks?
Some useful definitions ….

The most common forms of land use regulation and control are: (i) zoning; (ii) subdivision regulations; (iii) building regulations; (iv) urban planning.

| **Zoning** | Zoning is the demarcation of a city by ordinances and the establishment of regulations to govern the use of the zoned land (Courtney 1983). Zoning is the division of a community into districts or zones in which certain activities are prohibited and others are permitted (Fischel 1985). It is an attempt to organize and systematize the growth of urban areas into categories, classes, or districts of land in the community. |
| **Subdivision** | Subdivision regulations govern the development of raw land for residential or other purposes and prescribe standards for lot sizes, layout, street improvements, and procedures for dedicating private land for public purposes. |
| **Building regulations** | Building regulations limit or define the way new structures are to be built and the materials to be used. Building regulations are one of the oldest and most common methods for controlling land development. |
| **Urban planning** | It is the process by which decisions are made regarding the global configuration of a city and its projections for expansion. The plan is the reference framework which used for the application and the use of regulatory instruments mentioned above. |

### 3.1.3 Public land supply

There are various examples that show how public land is not used effectively.

*In transition countries*, extensive public ownership of urban land and unclear transfer procedures limit the effective land supply, which constrains the development of the construction sector and the private sector’s ability to respond effectively to the need. (Box 5)

*In developing countries*, public land owned by national authorities (e.g. treasury land or crown land) can be a major problem since cities may not have the right to plan and develop them. It may also be difficult for national authorities to control and protect its land all over the country. In some countries the public sector may not even know the amount of land that they own since there may not be land inventories.

In many countries (e.g. Pakistan, Turkey, Egypt) public land owned by central government agencies is occupied and subdivided by informal agents and sold to the poor people informally. Both the poor people and public authorities can be the losers of this situation. The poor may be evicted by public authorities and they have had to pay for land where they do not have tenure security and adequate infrastructure. Public authorities also lose as they cannot raise revenue from the illegally occupied land.

---

**Box 5  Land supply in Armenia**

In major cities of Armenia more than 50% of urban land is public property and supply is controlled by municipalities. Predominant ownership by municipalities restricts the freedom of people and private entrepreneurs in land choice and acquisition, distorts real estate prices and prevents development of land markets. Mechanisms through which the municipal land and other real estate is made available are not clear for many people. Although urban land, especially in inner city zones, commands high values and hence comprises a substantial potential resource for municipalities, authorities have been conservative in privatizing the urban land stock. In 1991, upon passage of the new land code, only plots up to the prescribed limit, i.e. 400 sq m (which is well above the affordability of the majority of the population) in urban areas-associated with single family houses built through private resources -were privatized and registered to owners.

Ambiguous division of labor among the authorities:
Urban land is still under the responsibility of Ministry of Agriculture, while urban housing is the prime responsibility of Ministry of Housing and Urban Development. This contradictory situation often leads to delays and gaps in decision making and implementation regarding the matters of urban land.

The land supply system imposes constraints on the private builder: Although leasing municipal land provides builders with a cost advantage and keeps down housing prices, it also imposes constraints. First, the procedures take a long time; second, leasing does not provide the company with the right to collateralize the land; third, the builder is dependent on the local authority’s decision to allocate particular land sites for development; fourth, the selection and allocation criteria used by local authorities are not clear and transparent. If there is more than one prospective buyer for the same land, selection criteria are not divulged to them. There are municipal land sales, so-called “internal auctions” or “internal competitions”, where only some large companies are involved and make offers for a particular land plot.

Informal sector note on Armenian Housing and Earthquake Zone issues - World Bank 1997
Activity 5:

1. What percentage of land in your city is owned by public agencies*?

2. What is the role of your municipality/organization in managing public land?

3. Do you think that the public land in your city is used and managed in an efficient way? Why or why not?

* Public land is land that belongs to:
  (i) Central government
  (ii) Local authorities (municipalities)
3.1.4 Impacts of land supply deficiencies

There are a number of impacts when there is not enough land available to meet the demands of the population:

- **Increases in land prices and land speculation:**

  Especially in rapidly growing cities, a limited supply of planned and serviced land can lead to increases in land prices, and can thus lead to land speculation. (Box 6). Increasing land prices and speculative activities hamper healthy operations of land markets, and constraint development of the real estate and construction sectors.

- **Decreasing affordability and accessibility:**

  High standards which add to the cost and scarcity of land decrease the accessibility of lower income groups and micro and small scale entrepreneurs to land. Lack of accessibility to land increases the vulnerability of the urban poor (see the module on Urban Poverty).

- **Informal settlements outside the planned areas:**

  Decreasing accessibility to formal land markets will lead to informal solutions. People who are excluded from formal land markets will tend to be accommodated in informal settlements.

- **Increasing densities within the planned area:**

  Limited supply of land for new developments increases the density in already planned and developed areas. Higher densities in already planned areas (within built up areas) can be an economic (efficient) use of existing infrastructure, but after a certain level (when the existing infrastructure can not serve for more density) it can lead to urban service deficiencies.

- **Decreasing productivity of cities:**

  Increasing land prices and insufficient urban services (both in formal and informal areas) will hinder the productivity of the private sector as well as households.

- **Unnecessary burdens on public budget:**

  Planning and service standards set without taking the user needs and priorities into consideration will not only lead to insufficient service provision, but also to inefficient use of scarce resources and place unnecessary burdens on public budgets.
Box 6  Land premiums due to limited supply of serviced land

The land development multiplier is defined as the average ratio between the median land price of a developed plot at the urban fringe in a typical subdivision and the median price of raw undeveloped land in an area currently being developed - i.e. having planning permission. If there are no bottlenecks or delays in infrastructure provision, this multiplier should reflect the cost of infrastructure provision and other overhead costs of development.

The average of 33 Third World Cities is 5.5. This means that price of a developed plot at the urban fringe is more than five times higher than the price of an adjacent undeveloped plot. The ratio is 10.0 in Cairo and Istanbul. The highest ratio in the list is in Lilongwe, Malawi: 16.6. It is followed by Harare - Zimbabwe, where the ratio is 15.0. It is 12.5 in Accra. The average of 11 developed western cities is 2.4. In Washington D.C. for example, the ratio is 2.0.

By assuming that the supply of serviced land is more responsive to the demand in the developed countries than in the developing ones, the difference between the multipliers can be explained as the rough estimated extra premium created by the scarcity of serviced land.

In short, in cities like Accra, Istanbul and Cairo people pay extra premiums for infrastructure which is higher than the actual cost of the infrastructure. Bottlenecks in infrastructure provision create deficiencies in market operations and generates extra costs for. households, and private developers as well as public sector developers.

Source: Land and housing indicators – WB and UNDP

Activity 6:

1. What is the price of a serviced medium sized plot at the urban periphery of your city?

2. What is the price of a un-serviced land at the same location?

3. Is there a difference? Why?
3.1.5 Possible actions to prevent land supply deficiencies
Actions to address land supply deficiencies include the following:

Planning
- *Review and if necessary, adjust planning regulations:* Obviously densities and greenbelts are necessary to ensure the development of cities in accordance with health and safety regulations. However, master plans also need to be demand oriented. Such regulations need to be reviewed in view of the current demand and affordability of users.

Infrastructure development
- *Infrastructure standards should be made relevant to the effective demand:* Flexible and realistic design standards can keep the costs of services low, and reduce bottlenecks in supply. Users can then make their own tradeoffs between cost and quality of services. (Box 7).

- *Flexibility should also be extended to building and construction material standards, and construction codes:* These regulations should be revised with the objective of identifying those which add to the cost of construction and can be eliminated without jeopardizing minimum safety requirements.

- *Procedures to apply for and acquire construction and occupancy permits should also be made simple* to support development of housing and other forms real estate.

<table>
<thead>
<tr>
<th>Box 7</th>
<th>Liberalization of minimum development standards in the Philippines</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>In 1982 in the Philippines, the parliament passed a law authorizing the Ministry of Human Settlements to liberalize the land development and building standards, to allow both the National Housing Authority and private developers to undertake subdivision projects, which would not have been possible before. Following liberalization, minimum development standards now allow, among others, individual lots of only 36 sq m. with two-meter wide paths, open drainage facilities, and core shell housing with a minimum floor area of 24 sq m.</td>
</tr>
<tr>
<td></td>
<td>Source: A Durand-Lasserve &amp; V. Clerc 1996</td>
</tr>
</tbody>
</table>
Public land supply

- Occupied public land should be sold (even at subsidized rates) to the communities or individuals. Such initiatives may, however, require arrangements with community groups to prevent exploitation through illegitimate claims by people who have not established residences there (Box 8). For example, the National Community Mortgage Program of the Philippine government made it possible for squatters to buy the land that they have occupied for an extended period of time.

Activity 7:

1. Which of the possible actions defined above seem to you necessary and applicable to your city?

2. Which of the actions are not applicable in your city? Why not?

Box 8 Government-promoted squatting in Pakistan

In 1986, the Hyderabad Development Authority (HDA) started an investigation into the low occupancy rate of government land, and observed the functioning of the informal housing sector in Hyderabad. As a result of this HDA decided to carry out an experiment in "government promoted squatting". The government was able to play the role of sub-divider and provide the poor with regularized, though initially unserviced, plots. The Government has adopted the strategy of private informal entrepreneurs (dalal) who have managed to provide the people with serviced plots at an affordable price. The dalal occupies land informally with tacit recognition of State officials, police and other relevant agencies, and subdivides it following government planning regulations to the extent possible. Some plots are held for speculation and sold for commercial use, so that the price of plots for low-income customers is cross-subsidized.

HDA earmarked an open plot and named it "reception area". Families in immediate need of shelter were required to bring their family and belongings and erect a makeshift house. They then move to 80sqm yards to erect a more permanent shelter. The informal sector has not been eliminated completely but continues to provide construction material and advisory services, and to locate and move people to the site. The HDA has thus taken over the role of the sub-divider in illegal subdivisions, and it also does lobbying with the relevant authorities. Since it is a government agency, the HDA is better placed than any subdivider to play this role. In addition, residents do not have to pay the large sum of money that their counterparts in illegal subdivisions do, as fees to subdividers who lobby on their behalf.

Source: A. Durand-Lasserve & V. Clerc 1996
3.2 Land tenure: property rights and tenure security

Unclear land ownership/use rights is a major stumbling block in urban development as it makes:
- Land transaction difficult and/or illegal;
- Prevents revenue generation as property taxes or user fees cannot be charged if the property and/or use rights are not established clearly

3.2.1 Common problems
The most common problems encountered include:
- **Overlap of different systems of land ownership:** There are three broad groupings of land ownership: statutory systems (including common law and civil law), informal systems, and customary systems. The latter two are branches of the statutory systems. The co-existence of these different tenure systems and sub-markets within most cities creates a complex series of relationships. A policy decision in relation to any of the system has major, and often unintended, repercussions on the others.

- **Illegal occupation:** Especially in developing countries, a considerable amount of land is owned/occupied illegally in various different forms. (Box 9).

- **Extensive public ownership of land:** In transition countries, the majority of urban land belongs to the state. Privatization of land is an arduous process, especially in an environment where land values have not been developed, and property rights have not been completely defined and established.

Let’s look at each of these in more detail.

### Box 9 Madagascar: An illustration of many forms of illegality

According to the existing legislation, all urban land occupied before February 15, 1950, and on which site improvement has occurred can be granted full title. In other words, any pretender to a title would have to show evidence of occupation exceeding 40 years.

In this context, occupation of land without legal property rights represents the only alternative for many urban dwellers. In practice, this situation give rise to the following broad categories:

- a) Private registered properties occupied by the owner - legal situation
- b) Housing built on private registered land but belonging to another owner - illegal
- c) Urban land occupied and developed before 1950 - no title, but can be legalized if the owner wishes
- d) Urban land occupied and improved since 1950 - illegal occupation of land belonging to the private domain of the state
- e) Registered land (private state land) occupied by squatters - illegal

It is estimated that 85 percent of new construction activities are carried out informally.

Source: C. Farvaque and P. McAuslan, 1991
3.2.2 Impacts of unclear property rights

The impact of unclear property rights is potentially very significant. Consequences include:

- **Limited land transactions**: Easy transaction of land is an important condition for the development of land markets, and thus the real estate sector. Without clear property rights, land transactions (at least in formal ways) are restricted.

- **Lack of access to mortgages**: Lack of clear property rights and titles is a major obstacle in getting mortgages which also restricts real estate transactions. There is clear evidence that titling programs have resulted in more mortgages, but it is unclear whether the titles serve as true “collateral” or whether the additional information they provide reduces risks and transaction costs for banks that make the loans. (Box 10).

- **Restrained revenue generation by local authorities**: It is not possible to charge land or real estate tax as long as land ownership or use rights are not defined and established.

- **Restrained investments in land and local economic development**: Generalized illegal dealing in land and lack of ownership titles make it difficult attract serious investors. Funds can not be mobilized, and thus one can not expect development of real estate sector and local economic development.

---

**Box 10 Impact of titling on access to mortgages in Peru**

A pilot titling project in Peru carried out between 1991 and 1993. The registry initially did not include the names of the owners but only the information on the size and location of property in question. This information gap made the lending less attractive. The registro predial and the municipality and Orion (a private sector company lending money to informal settlement residents for construction goods) agreed to develop a better system with uniform methodology. They offer complete packages to clients – residents without proper titles i.e. credit, titling service and technical assistance for the actual housing construction.

The Registro facilitated the credit process by providing information on potential borrowers that was previously unavailable. It is both an easy (taking one week) and low cost ($13) way to register mortgages. Indeed, it is even possible to record default information on loans through the registry. Orion can also include the amount of the loan in the information. In 1995-96 Orion registered 200,000 additional properties. The improvements also led to an efficient mortgage system with 7,000 loans issued at an average of $650. Another indication that the program has been a true success is that banks now use Orion as a source of additional information when making loans to informal people who might be in the Orion system.

Finally, the efficiency and success of the program should allow the securitization of mortgage portfolios at some time in the future. The problem with informal sector credit has always been the lack of information. Orion and the Registro Predial have addressed this problem. However, the ability to repossess property remains an area of uncertainty. No property has been repossessed as yet although there are two cases currently in the court system which should indicate the efficacy of this process.

Source: Avina Institute 1997
- **Insufficient service provision**: In many developing cities settlements without clear titles and permits are not eligible to receive city services and basic infrastructure. In most cases those settlements receive services in informal ways which not only prevents adequate service provision, but also makes it more expensive both for users and service providers.

- **Increases the vulnerability of the urban poor**: In many cities the majority of poor people live in settlements without tenure security and such an illegitimacy make them more vulnerable.

**Activity 8:**

1. What are the different forms of land ownership in your city?

2. Is illegal occupation of public land widespread in your city? What percentage of land is illegally occupied?

3. How does your city deal with illegal occupations?
3.2.3 Possible actions to establish clear property rights and tenure security

Property and tenure security actions include:

- **Provide tenure security to the urban poor**: Systems should be flexible. Use rights or protected tenancy rights given initially can be gradually upgraded to full ownership rights, depending on the needs and priorities of communities.

There are two basic approaches in dealing with informally occupied urban land:

(i) Providing property right (ownership); or

(ii) Providing use rights, but not changing the tenure status.

In the former approach, in addition to providing tenure security to urban poor, the objectives include supporting development of land and housing markets by establishing property rights, and increasing the local revenue basis. In the latter approach, the objectives are tenure security and mobilizing community resources for home improvements.

Choice between these different approaches should be made with reference to local social circumstances, land ownership structure, and priorities of residents. (Boxes 11 and 12).

---

**Box 11 Tenure security without title – Free hold titles may not be a desired option**

During the 1980s, the government of Pakistan offered freehold titles to about 100,000 households living in Karachi’s squatter settlements. Consequently only 10% eventually took up the offer; the remainder presumably considered the administrative charge for the title deeds not worth paying (i.e., it did not confer sufficient benefit over their de facto situation), or they did not wish to expose themselves to paying property taxes.

In another case, in Cairo, (Egypt) residents of a squatter settlement rejected offers of freehold titles because they considered the cost too high; yet the offer of titles, together with the provision of services, was sufficient to stimulate considerable investment in house construction and improvement and a substantial increase in land values.


---

**Box 12 Priorities of the poor**

In conditions of dire poverty, such as in the tenements gardens of Colombo, (Sri Lanka) or in places where people are not committed to staying in the urban area and prefer to invest in housing in their home-villages, for example in Papua New Guinea, improved tenure has not necessarily led to increased housing investment. In places where squatters feel relatively secure, they may be reluctant to accept legal tenure for fear of future taxation or of identifying themselves to the authorities, as has been observed in Mexico City.


---

1 UNCHS - Habitat has launched a "tenure security program". To obtain more information contact: UNCHS - Shelter Branch Tenure Security Program. P.O. Box 30030 Nairobi, Kenya, www.unchs.org
• **Sell with clear title:** Plots made available by the state should be sold or allowed to be used with clear use/ownership rights.

• **Abolish the site improvement requirement:** The obligation to make improvements to a property and to have the authorities approve the work before receiving a clear title is a common approach in various countries. Abolishing such a rule will provide low income people with the flexibility of starting to develop the land in accordance with their financial ability, and would eliminate the danger of losing the land. Furthermore, this measure would lubricate real estate markets and contribute to transparency of land transactions. For example, in many African countries the sale of unimproved land, though illegal, is widely practiced, would then be allowed. (Farvaque-Vitkovic and Godin 1998). The regulatory framework should be adjusted to the common practice. For example, aware that the obligation to improve land prior to receiving definitive title or selling a plot is regularly evaded, Burkina Faso has virtually eliminated it, as part of its reform on land tenure law. (Op.cit).

### 3.2.4 Program options for land regularization and property rights

• **Urban upgrading projects:** Some urban upgrading projects include a land regularization component, in addition to the provision of a package of services comprising water, sewerage systems, road access, footpaths, solid waste collection and drainage\(^2\). The land regularization component usually includes cadastral work, land titling and registration. The main objective of regularizing property rights in this context, is to incorporate informal forms of land tenure (squatter settlements) into formal land and housing systems. (Ortiz, A. 1998).

• **National Land Administration Projects:** In the case of national land administration projects, the idea is to design, implement and maintain a land information system. Clarifying property rights is a byproduct of the process. In fact, land titling is done only upon demand of households. In cases where households do not demand this service, the physical characteristics of the parcels are recorded in the system as well as the land occupation status. Thus, information collection process is systematic, as opposed to sporadic, but titling is a demand driven process. (Op. cit.).

---

\(^2\) In one form of upgrading, a package of services (generally comprising clean water supply, sewerage, street lighting, improvements in streets and footpaths, solid waste collection, and drainage) is provided to raise the well-being of a targeted community (defined by geographical areas or neighborhoods). In addition to physical improvements, income-earning opportunities, health clinics, school facilities, and community centers can be included in such packages. Some urban upgrading projects also include land regularization. For example, most of the Kampung Improvement Projects (KIP) in Indonesia did not include land titling and registration (World Development Report 1999/2000).

Where to obtain more information:: PRSP toolkit – Urban Poverty Chapter.  www.worldbank.org/urban
Activity 9:

1. Would some of the above suggestions be effective in your country and city? Why or why not?

2. If yes, which of the possible actions need to be a priority for your city?

3. Do you think any other actions would be necessary to solve the particular property rights problems in your city?
3.3 Land registration for a better land management

Land registration is the process of recording information about land parcels for the purposes of property rights and land transactions. Thus one of the primary functions of land registration is to facilitate the process of transfer of property rights over land between parties, and therefore to monitor land markets.

3.3.1 Most common problems encountered

Institutional problems:

- **Lack of sufficient skilled staff:** Many countries do not have enough skilled staff, and therefore, huge backlogs exist in title registration, surveying of land or in valuation for tax purposes. (Boxes 13 and 14).

- **Lack of coordination:** Various agencies involved in titling and land registration can be poorly coordinated, and thus make reliable recording difficult.

- **Co-existence and overlap of different systems:** In some countries different systems overlap, (e.g. in Albania the Ottoman registration system, the Communist period registration, and the Muslim societies systems overlap; in Zanzibar, the civil registration code and Islam regulations overlap) (Box 11). This makes it difficult to have reliable records of land transactions and protect property rights. By the same token, in countries which were colonized at

<table>
<thead>
<tr>
<th>Box 13</th>
<th>Land Registration Problems in Zanzibar</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land registration in Zanzibar was essentially a system of voluntary deeds registration. It was only when such lands changed hands that entries would appear in the register, if one of the parties (usually the purchaser) wished to have the transfer registered. The registrar was not required to make a thorough investigation on the legal position of the vendor or the root of the title. In many cases, property boundaries were defined with reference to the names of adjoining owners, and no survey plan was attached to the deeds. In 1989 the government took steps to establish land administration machinery by creating the Commission for Land and Environment with three departments: (a) Departments of Land; (b) Department of Survey and Urban Planning; (c) Department of Environment. Three pieces of legislation were enacted to facilitate land registration process: the Land Survey Act (specifically designed to facilitate the involvement of private surveyors and to introduce flexibility in survey standards for title registration), the Land Adjudication Act, and the Registered Land Act. The new legislation and machinery established a framework for a comprehensive land registration system. Among the constraints was the inadequacy of the required skills at all levels of management. Another problem was that Zanzibar (a predominantly Islamic Society) widely preferred the Islamic way of inheritance, and in some respects the registration program went against that tradition. Furthermore, large numbers of uncontrolled settlements in urban areas posed an intimidating dilemma with regard to where and how to start. In addition there were not enough funds to tackle the problem of such magnitude</td>
<td></td>
</tr>
</tbody>
</table>

Source: UNCHS (1990)
some stage in their recent history, there is inevitably a residual influence of the colonial land registration and cadastral and mapping systems. Such developing countries cannot afford the relatively expensive systems which the colonists introduced, yet for vested interests, government officials are often adverse to making these systems more flexible and lower costs. This results in a relatively expensive and slow system which is still influenced by the colonial heritage and a parallel informal system used by the wider community. (Williamson, I. 2000).

**Box 14 Huge organizations in Thailand**

Land titling and registration projects demands great numbers of skilled people. Often the public sector has difficulties in finding the required numbers of staff. In Thailand for example, there are over 500 offices operated by 13,000 staff. About 2,000 of those staff members undertake adjudication, survey, and title issuance functions, supported by about 2,500 temporary workers including drivers and laborers. In provincial and HQ offices there are at least 300 support staff undertaking project related administration and technical functions. This large group has built the capacity to undertake the issuance at a rate of about 800,000 titles per year. Also another 1,200 staff were recruited to staff about 200 new sub-provincial offices. The same situation applies in Indonesia.

Source: Holstein, L (1996)

**Technical problems:** High standards for surveys imposed by regulations often create bottlenecks in the land registration process. Or in some countries registration systems are outdated (Farvaque, C. and McAuslan, P. 1991). By the same token, a common fault around the world is that agencies responsible for establishing new property registration systems focus on the technical aspects, such as mapping with high standards, and forget the major aim of land titling and registration i.e. supporting land management.

**Financial problems:** Most land registration programs are highly subsidized. It has often been assumed that land registration should be a public good. Therefore, it is often an expensive system for the public sector. (Farvaque, C. and McAuslan, P. 1991) – (Box 14)

**Motivation problems:** Time consuming procedures and the cost of land registration often prevent individuals from registering their property and transactions.
Activity 10:

1. Is all land (public land and private etc.) in your city registered?

2. Are the land records complete and reliable?

3. What type of recording system is used? What kind of information is entered?

4. What roles do public and private sector agencies play in land cadastre and registration?
3.3.2 Impacts of lack of reliable land registration

As indicated earlier, land titling and registration are among the primary tools of land management for the purposes of monitoring land markets and recording land ownership which is a national resource. Therefore, lack of a reliable system of land registration would lead to various bottlenecks: (some of the problems listed below are also covered in section 3.2.2 – see above)

- *Disputes among individuals in relation to rights and access to land:* an important task for local as well as national authorities is to protect the rights of private individuals. Land registration is a primary and an essential step of protecting the rights.

- *Limited land transactions:* easy transaction of land is an important condition for the development of land markets, and thus the real estate sector.

- *Restrained revenue generation by local authorities:* it is not possible to charge land or real estate tax as long as land ownership or use rights are not defined and established, and land is not registered.

- *Restrained investments in land and local economic development:* generalized illegal dealing in land and lack of ownership titles make it difficult attract serious investors. Funds can not be mobilized, and thus one can not expect development of real estate sector and local economic development.
3.3.3 Possible actions to improve land registration

- **Division of labor between public and private agencies:** Services offered by the state can vary from a “complete package” (as in Thailand – Box 14) that includes searching, contract preparation and registration to a more “private sector involved system”. In the “private sector involved system” the state provides a central depository so transaction records are available for public inspection. (Box 15). The private sector intervenes frequently in the conveyancing process with a large array of actors such as lawyers, real estate agents, assessors, land surveyors, and land developers as happens in the USA, Hong Kong and the Netherlands. There are also cases where the registration function is franchised to private sector. In other words, the function is regulated by governments, and it is delegated to the private sector for delivery (Box 16).

In the provision of a complete package as in Thailand, the issue of sustainability is a major question: “can this large public sector staff mobilization be sustained as land and property markets developed?”.

Services like cadastral survey, legal services with transfers, and registration can be provided by private sector. It is critically important to avoid monopolies in private sector services. Both in Peru and Guatemala for example, notaries carry out the registration. One factor that made titling simpler in Guatemala than in Peru is that Guatemala does not have a monopoly in notary publics. With more competition the distortions are less, the profit margin is lower and there is less inefficiency.

<table>
<thead>
<tr>
<th>Box 15 Private sector land registration in Brazil</th>
</tr>
</thead>
<tbody>
<tr>
<td>The registration of transactions in Brazil is undertaken by private registration offices or Cartorio de Imoveis. There are more than 3,000 such offices in the country. Rio de Janeiro itself, is subdivided into 12 cartorio districts. Transactions of private lands (not public or parastatal lands) are registered there under federal regulation and monitoring. The “Caurara escritura” constitutes the document of transfer or conveyance prepared by the notary and is added to other conveyance abstracts concerning the parcel. The information in the Cartorio de Imoveis is open to the public upon request and a copy of every transfer has to be supplied to the treasury for tax purposes.</td>
</tr>
</tbody>
</table>

Source: Farvaque, C and Mc Auslan P. 1991

<table>
<thead>
<tr>
<th>Box 16 Public sector tasks in relation to property rights and registration (which the private sector should not do)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) provision of a uniform legal framework of real property rights and tenure</td>
</tr>
<tr>
<td>(b) provision of a legal framework of contract law and transfer system of rights</td>
</tr>
<tr>
<td>(c) An efficient court system to enable disputes to be settled and enforced in a timely manner</td>
</tr>
</tbody>
</table>

In all OECD countries these three basic functions have included statutory systems of registration of property rights and subsequent transfers and other dealings

Source: Holstein, L (1996)
• **Cadastre must be complete and all land must be registered:** land registration and titling system must include all rights and restrictions with regard to all lands in a country. This means all state, municipal, private, customary, and forest land should be identified and registered in one cadastral system. Without a complete Cadastre, land can be “stolen” and land tax processes are open to corruption. (Williamson, I 2000).

• **Cost recovery:** Title registration and transaction recording need not to be subsidized by government. In fact, land registers can also bring in substantial transaction fees. (Holstein, L 1996). (Box 17).

However, if transaction fees are established as a percentage of sale price, there is a strong possibility of registering the sale transactions with a lower price than actual, to reduce the amount of fee/transaction tax. The transaction fee should not be a considerable amount. In Turkey for example, as an informal, yet very widespread rule the price of property is registered much lower than the actual price to avoid paying high sale transaction fees.

• **Informal settlements need to be included in registration and thus in land records:** in many developing countries a considerable proportion of public land is occupied and developed illegally. Nevertheless, such land is either not included in the land records or recorded as vacant public land simply because the current occupants do not have official titles. In fact this is a serious lack of information or incorrect information in cities where informal settlements constitute considerable proportions of urban land stock and where informal real estate markets are quite active. Local authorities need to explore ways of incorporating such land into records. (Box 18)

---

**Box 17 Costs of Land Registration in Thailand**

In Thailand, for example, the government spent roughly US$20 for each parcel of land registered. It charged property owners only a small fee (US $4) at the time of the action, thus heavily subsidizing effort. But authorities correctly saw that the government could gain a deal by charging transfer fees as a percentage of the sale price at the time of subsequent land transactions. Because of high turnover (10 percent of properties are sold every year), the government brought in US $ 200 million in 1988 alone.

Source: Farvaque, C and Mc Auslan P. 1991

**Box 18 Registering the informal land in Caracas, Venezuela**

In Caracas, informal real estate markets are quite active and have achieved some degree of recognition by the municipal governments. Illegal occupiers of land plots have developed a parallel information and registration system by notarizing their ownership of the improvements that they have made, called “bienhechuritas”. The transactions are notarized, allowing the compilation of information on informal real estate transactions. Notaries, which are part of the formal judiciary system, recognize these limited property rights and their exchange. Some public service agencies also require this type of record (among other documents) to connect services. In effect such a system is better than a none, and allow a certain degree of enforceability.

Source: Ortiz, A. 1999
- **Tangible benefits for individuals:** As was discussed among the bottlenecks, lack of motivation for registration is a problem in various countries. Therefore, incentives for individuals should be created for title registration. “The hassle and cost of regularization must be balanced by prospects of immediate benefits. Experience has shown that access to housing or small business credit finance alone, is often not a sufficient incentive to title registration. More tangible benefits are needed, namely: improved security of tenure, validation of inheritance rights, and most importantly higher property values” (Serageldin, 1990).

- **Surveying and registration technologies do not have to be highly sophisticated:** There is a whole range of surveying and mapping technologies. These options include, graphical and mathematical surveys, different positioning technologies such as satellite positioning, different mapping technologies such as photomaps and simple cadastral maps. Similarly there are various different methods of registration from the ones using a wide range of technologies to simple methods of paper recording.

Nevertheless, it is important to realize that the success of a cadastral or land administration system is not entirely dependent on its technical sophistication, but whether it protects land rights adequately and permit those rights to be traded, and whether the necessary information is recorded correctly (Williamson 2000).

> “Irrespective of how good a land registration system is, unless it operates in an environment of professionalism, accountability and good governance and in an environment which is accepted by the wider populace, it will not be successful” (Op.cit).

Activity 11:

1. What actions are needed to improve the land registration system in your city? Please give reasons for your response.
3.4 **Land as a source of revenue for cities**

Property taxation is a key source of revenue for local governments. Clear property rights and reliable land records (i.e. cadastre and registers) are essential sources for taxation.

Property ownership (including land) should not only convey rights but responsibilities, primarily tax obligations.

### 3.4.1 Most common factors hampering property taxation

- **Absence of clear property rights:** In transition countries large ownership of land by public agencies and/or complex processes of privatization of urban land leads to difficulties and inevitable delays in establishing clear property rights. In developing countries informal occupation of urban land is a primary matter in establishing property rights or use rights. Furthermore, co-existence of different tenure systems (informal and customary systems) and sub-markets within most cities of developing countries creates a complex series of relationships. (see section 3.2.1).

- **Absence of complete Cadastre and property registration:** As was discussed in the previous two sections (3.2 and 3.3) lack of reliable and complete land registers is a common problem in many countries, and thus hampers the taxation process. Furthermore, for tax purposes, in addition to legal (ownership) Cadastre, “fiscal Cadastre” is needed where values of properties are also registered.

- **Complexities of land value assessments as tax basis:** Value assessment of properties requires technical work (for example, choosing the right indicators/variables for land value equations) and a systematic monitoring of real estate values (as reference values). Surveys of property tax systems show that assessment is generally based on the rental value of a building or piece of land, and that such systems are just as difficult to implement as a property tax based on periodic assessment of each property’s market value. (Farvaque-Vitkovic, C. and Godin, L. 1998). In transition countries since land markets have not developed completely (e.g. Belarus) value assessments are based on technical estimations.

- **The lack of authority and/or political will at local levels:** Local authorities need the authority to levy taxes. At the same time, knowledge and political will are also required to use that authority appropriately. In many countries local authorities do not have the right to levy taxes due to lack of, or incomplete, decentralization policies. In some countries local revenue sources are limited and heavily regulated by central governments. However, in many other countries although local authorities have the fiscal autonomy and rights to levy taxes, they do not exploit the right simply because they are afraid of jeopardizing vote potential and support from the general public.
3.4.2 Possible actions to improve taxation
Since the actions to improve property rights and registration (which would be important foundations/underpinnings of the taxation system) have been discussed in earlier sections (3.2.3 and 3.3.3), here other actions and interventions will be discussed.

- **Transparency and political will**: It is generally agreed that local authorities need to have fiscal autonomy. However, once the autonomy is achieved, the real challenge is to use the authority. Local governments should realize that land is one of the most important assets at local level. Avoiding levying taxes for short term political gains leads to losses in the long run since local revenues are not mobilized. It should be borne in mind that transparency and accountability in levying and collecting taxes are the pre-requisites. (Box 19). On the other hand there are examples, especially in Latin America, where governments have been very anxious to hand out title deeds to the poor so that they can begin to levy taxes on land and property. (Gilbert 2000).

- **Progressive taxation**: Taxation needs to be fair and progressive. More affluent people should pay higher levels of taxes than lower income people (Gilbert 2000). Assessment of land values is a key tool for fair and progressive taxation. Simple and transparent rules need to be employed for assessing land values. Basic principles/factors in assessments should include location and size of the land; and level of available services. In many countries self assessment systems, where occupants or owners fill out forms, are used to assess the value of the property. But this system requires systematic or random on site checks by authorities. Taxation is also a tool to prevent land speculation. Vacant and underutilized land should be taxed so that keeping land for speculative profits should be avoided. This is necessary to discourage the holding of land for speculative reasons especially if rated according to the date of acquisition and the degree of under utilization. (Baken R-J and van der Linden J 1992). (Box 20).

**Box 19. Transparency and political will**
In Tijuana, Mexico, given the city’s rapid population growth, accelerating environmental deterioration, and the difficulty in enhancing tax yields from its citizens, the mayor felt a boldly innovative approach would be essential. His administration developed an Urban Activation Plan, the largest integrated plan for priority infrastructure investments ever proposed by a municipality in the state. The government of Mexico was to fund 25 percent of the cost, the business sector 15 percent, direct beneficiaries 20 percent, and the community at large the remaining 40 percent. The city then held a public referendum (Consulta Publica) to find out if its citizens were willing to pay a share of the cost. The referendum passed with 66 percent of the vote.

Source: The Urban Institute 1995
• **Simple forms of taxation and payment procedures:** Systems should start from a simple and flexible arrangements and can be improved as the property rights and titling systems develop. For example, in countries where property rights have not been developed completely, taxation at occupancy rather than ownership can be more convenient. Residents who do not have ownership titles can be charged user fees.

• **Administrative costs should be kept minimum.** Exhaustive field surveys should be avoided. Attention should be focused on recording necessary information, not on sophisticated cartographic aspects, which would increase the costs.

• **Payment schedules should be made simple and flexible.** Complex and time consuming procedures would be incentives for people to avoid taxation.

• **Regulations should be clear about what is to be taxed**

  The levy can be on:

  (a) Asset ownership: property tax or wealth ownership tax

  (b) Asset appreciation: in this form of taxation the capital itself is not taxed, but rather the increases in the value of land (or any other real estate) is taxed.

  (c) Land transfer taxes

  (d) Use of property taxes: whether or not it is owned by the occupant, use taxes (or urban taxes) can be charged

---

**Box 20  Taxing the land in Latin American cities**

It is obviously vital to increase tax revenues in Latin American cities, and property taxes are a fairly straightforward and effective means of achieving this. Nevertheless, in many Latin American cities the better off are paying very little property tax because cadastral surveys are out of date and tax rates are extremely low. While there is a good case for taxing the poor, this must not be done without first improving the rate of collection from the better off. Preparation of multi-purpose cadastras is essential in every Latin American city. The multipurpose cadastra would include information on legal ownership, the nature of the land use building and infrastructure. In addition, efficient forms of taxation need to be devised which will encourage owners to sell or develop their plots, this is a well developed tradition in most Latin American cities.

Source: Gilbert 2000
Activity 12:

1. Does your city have the authority to levy taxes and collect them?

2. If yes, what system is used to levy land taxes and to collect them?

3. How important is property taxes in your local budget?
   - A primary source of local revenues
   - One of the important resources though not the primary one
   - Not important at all, it comprises just a negligible portion of the local revenues,

4. How are land values established in your city?
4. CONCLUDING REMARKS

This workbook has introduced you to the major issues relating to land management in the urban context. In summary:

**Purpose of land management:** Land is both an economic asset and a means to achieve social goals. Therefore, while development of land markets and their competitiveness should be among the primary objectives of a land management strategy, land cannot be treated only as subject to markets. Access to land and tenure security by the urban poor should also be considered among the primary objectives of land management.

**The regulatory framework in relation to service provision standards, and urban planning codes** are among the tools of land supply and management. However, they are like double-edged knives, and can hamper effective supply of land and its efficient use, which can lead to economic and social losses. Urban land prices and cost of servicing urban land may increase due to inappropriate regulations and unrealistic standards. Urban poor are the most effected group by such deficiencies of land management, as land is an important productive asset for them.

**Property rights** is another important aspect of the regulatory framework. Clear property rights/tenure security either in the form of free-hold titles or use rights etc. are important for the development of land markets, and enables its use in the most productive way especially by the urban poor. Property rights regimes need to be adjusted according to the common practices of societies. Property rights regime should not only convey rights but also responsibilities, primarily tax obligations.

**Property taxation**, including land tax, is/can be a principal source of revenue for local governments. Local fiscal autonomy, political will, and complete and reliable cadastre are the necessary conditions for establishing a functional taxation system.

**Recording information - registration** is not only necessary to protect individual property rights, but to monitor land markets. In a country all land should be registered. Reliable and accurate land registration is a basic tool of land management. Land information systems are systematic registrations of real estate and related data. It is important to remember that good governance and transparency are the pre-requisites of a successful registration system, irrespective of how good and sophisticated a land registration system is.
5. FURTHER READING


Bibliography

Baken, R.J. and J. van der Linden (1992) “Land Delivery for Low Income Groups in Third World Cities”, Aldershot, Avebury


The Enterprise Research Institute (1997) “An Exploration of Issues Related to Land Titling Programs”, Special Report of the seminar organized under the auspices of the AVINA Institute


