Land Market Management Seminar

Tehran, 23 May 2009

From simple to complex land markets

Jude Wallace
Themes

1 The land administration approach
2 Formal and informal markets
3 Stages of building land markets
4 Missing ingredients
5 The adventure of creativity
LAND ADMINISTRATION APPROACH
Formal land markets generate economic wealth

Informal land markets fail to generate sufficient national wealth to fund government
Informal land markets

- Ineffective government involvement
- Inefficient tax collection
- Unstructured, ad hoc processes for trading
- Insider trading
- Little transparency
- No complex commodities
- Shallow participation – one level and few players
- Poor integration of tenures for resources, services, credit and land

Land and buildings are still expensive
Formal land markets

- High government involvement through formal LA agencies
- High tax yields
- Transparent processes
- Open trading through reliable government LA systems
- Many kinds of products and complex commodities
- Deep participation by many participants
- Integrated tenures for rights, restrictions and responsibilities in land, resources, credit, infrastructure
- Vibrant, successful and wealth creating
Land administration systems support formalisation by

1. building processes and institutions that reflect five stages of land market development
2. “passporting” commodities in each stage.
Evolution of Land Markets

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<thead>
<tr>
<th>Stage</th>
<th>Preliminary Stages</th>
<th>Market Stages</th>
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<tr>
<td>1</td>
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<td>Private Ownership</td>
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<td>Land Transfer</td>
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<td>Dynamic Land Trading and Security</td>
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160 +/- COUNTRIES

Land Distribution
Simple Land Market
Mature Property Market
Evolution of Land Markets

Stage:
- Preliminary Stages:
  1. Land
  2. Land Rights
- Market Stages:
  3. Land Trading
  4. Land Market
  5. Complex Commodities Market

Features:
- Societal Resources
- Secure Tenures
- Initial grants
- Private Ownership
- Land Transfer
- Land securitisation
- Dynamic Land Trading and Securitisation
- Added Investment
- Parcellation procedures
- Financial Instruments
- Dynamic trading in Complex Commodities
- Secondary Securitisation
- Corporatisation of Land Ownership

Result:
- Minimum Social Stability
- Initial Resource Distribution
- Resource Reallocation
- Wealth Generator
- Multiplier Effect

Land Distribution:
- Simple Land Market
- Mature Property Market

30 countries
The successful countries provide comprehensive land administration systems

• Laws and policies
• Registers
• Cadastres
• SDIs

The countries encourage people to invent new commodities

**Primary commodities of land and buildings**

**Secondary and derivative complex commodities**
BUILDING

COMPLEX

COMMODITIES
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**Features**
- Societal Resources
- Secure Tenures
- Initial grants
- Private Ownership
- Land Transfer
- Land securitisation
- Dynamic Land Trading and Securitisation
- Added Investment
- Parcellation procedures
- Financial Instruments
- Dynamic trading

**Result**
- Land Distribution
- Simple Land Market
- Mature Property Market

**Diagram**
- 1. Reliable Land Administration System
- 2. Broad opportunity for owners' decisions
- 3. Property regime management
- 4. Mature cognitive capacity
- 5. Ancillary functionalities
Tools for a complex market

1. Reliable Land Administration System

2. Broad opportunity for owners’ decisions

3. Property regime management

4. Mature cognitive capacity

5. Ancillary Functionalities
   - Securitisation
   - Corporatisation
   - Separation
Each of these five tools is multi-faceted, complicated and a system in itself

They all interact

They must be globally compliant
Tool 4. Cognitive capacity

Commitment
Participation
Transparency
Inventiveness
Abstract thinking
Shared understanding
Tool 3: Property Regime Management

1. Cognitive capacity
2. Legal order
3. Tenure systems
4. A system of good governance
   - Subsidiarity
   - Transparent information
MATURE TENURE SYSTEMS
Immature tenure systems distribute physical land

One particular land right

Article XX
One of XX kinds of land use

Article X
One of XX kinds of owners

Article XX
One of XX periods of time

Article XX
One of XXX methods of acquisition and allocation
Tool 2: Opportunities for Owners’ Decisions - Good Governance

2 key principles

1. Subsidiarity -
   - Capacity for decisions is as close as possible to the impact point
   - Protection of the owner’s capacity to make key decisions

2. Information transparency
Tool 5. Ancillary Functionalities

Investment, banking and finance systems related to land to

- Distribute profit and risk
- Allow multiple layers of investment

EG. Modern Islamic banking and finance – credit tenures compliant with *sharia* law.
ISLAMIC CREDIT
TENURES with
global impact
Thank you