

Land Governance Agenda for Sustainable Real Estate Market - Implemented reforms, existing challenges, necessary reforms

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SUMMARY

Over the last twenty years ECA region has experienced significant changes from absence of ownership rights and land market to establishment of private ownership through streamlined policy reforms. It's been well acknowledged that Real Estate Market is one of the key drivers of economic development, improved livelihood and economic prosperity. The level of real estate market development varies from country to country in ECA region. While in most of the countries real estate market is more developed in urban areas, it's significantly undeveloped in the rural area which has a significant impact on large number of population. The reason for poorly developed real estate market differs according to countries(e.g. lack of private ownership on land, poor regulatory framework, land fragmentation, access to finance, nonperforming irrigation infrastructure, lack of investments, etc) however there are still overarching challenges that ECA countries face, i.e. inefficient land administration system and land policy.

Operational Real Estate Market requires sustainable and efficient land administration system as well as streamlined land policy. It's important to note that according to the Doing Business Report 2016 seven countries from ECA region are among the top 10 in registering property.

Therefore, review and analysis of last 20 years of progress and achievements made by these countries in response to property rights is very important.

Implemented reforms

The first wave of the reforms implemented in post-soviet countries was establishment of private ownership through introduction of legal framework and massive privatization of urban as well as agriculture land/real estate. The second wave was establishment of the land administration systems to ensure registration of rights and development of cadastral systems while the third wave covers development of land management system and land governance monitoring.

Existing Challenges and required reforms for sustainable real estate market development

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. East European countries still maintain dual registration system, which creates serious challenges to secure registration of property and one stop shop services. Number of them retains independent agencies for land/real estate registration and registration of rights (Croatia, Bulgaria, Estonia). Justification for having two separate agencies often relate to the

historic practice in these countries. The "two-agency" approach to land administration is sometimes called the "Austro-Hungarian System" since it was spread throughout Eastern Europe under the Hapsburg Empire. However current international best practice suggests financially sustainable unified registration system which has demonstrated its efficiency.

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, e.g. Georgia which has one of the best land registration systembut only 25% of land is registered.

Transparency and access to information -Lack of transparency and limited access to information creates favorable environment for corruption and malfeasance in land administration and land management institutions 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. Lack of land consolidation policy and regulatory framework supports market stagnation and does not provide incentives to market operators for increased transactions.

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 these 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 -Usually 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. Therefore, consideration of gender perspectives in land relations and prevention of possible discrimination can have a significant positive impact on real estate market operation.