

Modelling Indicators of Land Governance

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Aims

- To examine the variations in land governance between countries using published data
- To review the quality of the sources available and their limitations
- To determine what correlations exist between different measures of land governance
- To establish what associations exist between land governance and other aspects of governance and corporate governance

Indicators of land governance

- Corruption, bribery and state capture
- Speed, cost and number of processes required to register property and secure construction permits
- Security of property rights
- Efficiency and transparency of commercial property markets

Sources of data

- **Corruption:** Transparency International *Global Corruption Barometer Report*, World Economic Forum *Global Competitiveness Report*
- **Efficiency of property regulations:** World Bank *Doing Business*
- **Security of property rights:** World Economic Forum *Global Competitiveness Report*, Heritage Foundation *Index of Economic Freedom*
- **Market efficiency and transparency:** Jones Lang LaSalle *Global Real Estate Transparency Index*

Some key data issues



- Different sources cover different countries eg TI 69, World Bank 183 –just 38 countries feature in all sources
- Some sources use panels of experts eg Heritage Foundation, JLL – is there bias amongst the experts?
- Some sources use large scale sample surveys eg TI, WEF – do respondents calibrate their answers relative to other countries correctly?
- Do sources measure *quality* of governance? eg WB Doing Business emphasis on numbers

Corruption in land matters



- Corruption in land matters is highly correlated with bribery in other public services
- Bribery higher where there is greater certainty of outcome
- Payment of bribes, tipping and gifts overwhelmingly regarded as being unacceptable
- Countries with serious bribery problem also have problems with grand or political corruption
- Perceptions of corruption in land matters associated with wastefulness in government and poor corporate governance in firms

Bribe paying culture clusters

Data: TI and WEF



Cluster 1	Cluster 2	Cluster 3	Cluster 4	Cluster 5	Cluster 6
Cambodia	Azerbaijan Cameroon Ghana Morocco Senegal Zambia	Armenia Bolivia Indonesia Kenya Lebanon Mongolia Pakistan Uganda Ukraine	India Kuwait Moldova Nigeria Panama Russia Thailand	Austria Brunei Canada Denmark Finland Georgia Hong Kong Iceland Japan Korea Luxembourg Netherlands Norway Poland Singapore Switzerland UK USA	Argentina Bosnia-Herzegovina Bulgaria Chile Colombia Croatia Czech Republic Greece Hungary Israel Lithuania Macedonia FYR Malaysia Peru Philippines Portugal Romania Salvador Serbia Spain Turkey Venezuela

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Session TS07B

Efficiency of property regulations



- Poor correlations between number, time and cost for registering property and for construction permits, and between them
- Some correlation between number of procedures to register property and perception of seriousness of corruption in land matters
- Some correlation between time and costs of dealing with construction permits and perception of seriousness of corruption in land matters

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Security of property rights



- WEF and Heritage Foundation data are highly correlated
- BUT significant differences in the distributions of the data with Heritage Foundation being skewed with a greater proportion of lower values
- Heritage Foundation data significantly correlated with business, investment and financial “freedoms”
- Some evidence that security of property rights is associated with ease of registration

Market transparency



- Sub-indices in JLL Index highly correlated
- Skewness in performance management and market fundamental sub-indices suggest it is harder to improve valuations and availability of market data than market processes
- Strong correlation between market transparency and World Bank Voice and Accountability indicator ie freedom of information
- Correlations between market transparency and WEF institutional strength indicators, corporate governance, business sophistication and education

Conclusions



- Corruption in land matters associated with corruption in government generally and wastefulness in public expenditure
- Quality of governance may be more important than ease of compliance with regulations
- Improving property market information appears to be more difficult than improving regulatory, legal and transactions processes
- Property market transparency is associated with quality of business management, business sophistication, the efficiency of goods and labour markets and the governance of business



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Future work



- This is an initial paper - we have not used all the statistical results we have produced.
- Further statistical analysis have been undertaken using multivariate techniques eg factor analysis and further cluster analysis to explore the relationships
- More exploration is needed:
 - Clusters are not stable although there is a core of OECD countries
 - Factor analysis - initial results suggest variance explained by one factor, “good governance”



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