

Property rights, access to finance and poverty reduction – the FIG Challenge

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SUMMARY

Property rights and access to finance are closely linked to each other, and they are important tools for reduction of poverty and for the improvement of shelter for the poor. They are also part of the Land Administration Chain.

The Land Administration Chain was a key component of the FIG/UN Habitat seminar held during FIG Working Week 2008 in Stockholm. In this paper we present the concept and the outcome from the seminar.

The main focus however is on the challenges that surveyors and FIG face in contributing to the goals of poverty reduction and improved shelter for the poor. How can FIG develop its important platform as an international organization, working both with other international organizations, towards governments and within the profession? How can surveyors, on the ground, contribute to solutions that work and that empower the poor?

We do not believe these are easy questions, or that there are simple solutions, but try to describe a way forward for FIG to face these challenges. It is our conclusion that FIG has the tools and the structure to make a difference, but that this requires some innovative thinking. In our opinion Commission 9 ought to take on a new role by connecting more with issues related to valuation for the purpose of generating finance and making finance accessible, and to coordinate FIG activities in the field of property rights, access to finance and poverty reduction.

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1. INTRODUCTION

The fact that property rights and access to finance are closely linked to each other is now a well-known fact. They are also connected to the global reduction of poverty and for the improvement of shelter for the poor.

The Land Administration Chain, which was a key component of the FIG/UN Habitat seminar held during FIG Working Week 2008 in Stockholm. Property rights and access to finance are links in this chain. FIG needs to work with all parts of this chain, but the connection from a more traditional surveyor's perspective to the financial sector is perhaps not evident to all.

This constitutes a challenge for FIG. How can the organization, and the individual surveyor, meet this challenge? By looking at the results from the FIG/UN Habitat seminar we believe that a way forward can be identified.

2. WHY IS THIS SO IMPORTANT

2.1 Property rights and access to finance

The importance of property rights in relationship to economic development – and to poverty – has become a well-established fact in recent years. In developed countries this connection was generally taken for granted and really not that was studied or discussed very much. In developing countries on the other hand, the question of property rights was often seen as a technical matter, where e.g. “titling projects” were implemented with the objective of issuing a certain number of titles. These projects often included very little effort in actually making the titles work, i.e. defining, describing and spreading awareness on what can actually produce any benefits of having a title.

Hernando de Soto's work, and especially his book “The Mystery of Capital”, has been of tremendous importance in bringing this connection to the attention at both a political and a general level, no matter the differing opinions concerning his conclusions and figures. The developments that started in Eastern Europe 20 years ago also meant an increased focus on economic development, and what's needed to stimulate such growth. The connection between secure property rights, a functioning financial industry, access to finance and economic development became much more evident than before. Property rights was, it was realised, not just a technical matter but rather something that is part of an infrastructure for growth and sustainability.

2.2 Legal empowerment and improved housing conditions

Many governments, international and donor organisations have spent more resources on issues and projects related to property rights and access to finance than before. The Commission on Legal Empowerment of the Poor, which looked at property rights as one of the fundamental pillars for empowerment, is perhaps the most visible example. Land and property rights are now also seen to be of crucial importance to reconstruction in countries and areas that have been subject to conflicts and devastation.

At the same time, the Millennium Development Goals have also contributed to a greater attention to the need for improved housing conditions for the poor, and for security of tenure. Although, partly due to the global financial crisis, the number of poor without proper access to shelter has not been reduced we have seen an increased focus on how informal settlements can be brought closer to formality. This also has included a more balanced view on different kinds of tenure, where it is more accurate to talk about a continuum of rights rather than a full, traditional title being the only solution. Micro-finance has become part of the picture as well, and several of the major global financial institutions see developing countries as possible markets of great interest.

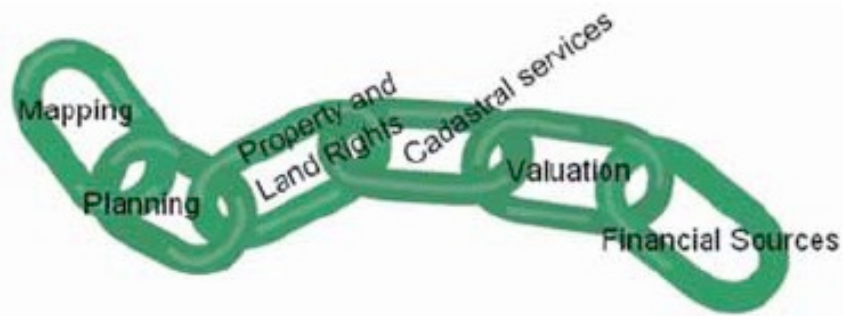
So it has become clear that legally defined and protected rights to property can make economic resources available that contribute to substantially improved housing and living conditions for the poor. And the lack of such rights can make such resources an unrealistic dream. This especially applies to the rapidly growing urban populations around the world.

3. FIG/UN HABITAT IN STOCKHOLM 2008

3.1 The Seminar

During the FIG Working Week in Stockholm in June 2008, a special FIG/UN Habitat seminar was arranged on the theme of “Improving slum conditions through innovative financing”. An important objective in the planning of this event was to bring surveyors and representatives of the financial sector together. Traditionally, these two groups have not been meeting together although they do have a lot of common ground, as described above. As FIG Commission 9 deals with real estate economics, it was a logical step for the Commission to connect these two spheres in order to identify and discuss ways forward. The fact that surveyors have an important role to play in such developments was an underlying theme for the seminar. In fact, surveyors play a key role in linking functioning markets for housing and finance.

The seminar focused on the essential elements of a just and sustainable provision of adequate shelter, from the twin perspectives of land and finance. The Land Administration Chain (which consists of links in which surveyors play a central role – mapping, planning, property and land rights, valuation and financial sources) illustrated this.



3.2 The Content

The programme focused on the main issues of access to land, security of tenure and access to finance. Without security of tenure, the poor face the risk of eviction and are, in a longer perspective, less inclined to invest in improvements of their shelter. Not having access to affordable finance, poor people are caught in a vicious cycle in which affordable housing is inadequate, but adequate housing is unaffordable. The report from the seminar (FIG publication No. 44) is a good source of knowledge based on the outcome of the eight practitioner's dialogues – communication across professional and institutional perspectives – that, together with presentations given to catalyze the dialogues, formed the basic structure of the seminar. The seminar identified the slow process in building up the key institutions that can manage the public systems that provide key public goods, and the vested interests of a wide variety of stakeholders, as two reasons why little has been achieved in the way of linking functioning markets for housing and finance despite 30 years of efforts, political commitment and reiterated priority to the issue. At the same time, there are however visible signs of progress. This was illustrated in the discussions on core issues such as various forms of individual and collective rights, women's equal access to land and finance, spatial planning, security of tenure and innovative financial instruments.



3.3 The Outcome

The seminar report describes three broad areas which would assist poor people in gaining a recognized foothold in the urban development process:

- emphasizing “incremental approaches that suit the poor
- intermediate forms of land title
- incremental construction
- incremental finance
- recognizing that collective approaches that suit the poor are financially viable
- recognizing processes that make land markets work for the poor.

The report was part of FIG’s contribution the fourth World Urban Forum, held in Nanjing, China, in 2008.

4. THE ROLE OF FIG AND SURVEYORS

4.1 FIG

In recent years FIG has become more prominent on a global level, and outside its own membership. FIG has increased its cooperation with organisations such as UN Habitat, FAO and the World Bank, and the cooperation has often been formalised. It has become a well-respected partner in international policy discussions, where FIG has a lot to contribute. A good example is that by stressing the importance of Land governance – as part of the policies needed for an economic development that includes all parts of the population – FIG has put what surveyors do into a much wider framework. FIG has become a voice that international organisations and governments listen to.

It is extremely important that FIG continues on this path, and takes a leading role in bringing our issues into the bigger picture. FIG must show the role that surveyors, and the work they do, have in order to generate economic growth, sustainable development, safety and security and deal with climate change, just to name a few important global issues.

4.2 The surveyor

The role and importance of the surveyor has already been described in this paper. The image within the profession does however vary between individuals, organisations and countries. This means that the more prominent role FIG now has is not always reflected within our own organisations, where there is often a more technical perspective. The focus is however shifting, especially among those who have been exposed to the conditions in other countries and among young surveyors.

In an article in the financial supplement of Svenska Dagbladet, one of Sweden’s main newspapers, published as the FIG Working Week 2008 took place in Stockholm, the headline stated that “Surveyors will solve slum problems”. Even if that is an exaggeration, it shows the kind of role and importance that the profession is given from the outside. This of course also

means that there are expectations in the way of progress and results delivered. It can be debated if the profession is ready to deliver!

5. THE CHALLENGE

This shows that there remains a lot of hard work, both from a policy perspective and a very practical, operational one. FIG has an enormous pool of knowledge and resources that can make a difference, both at a global level and at the local level. But this resource still has to be made more visible, and perhaps mostly so at the more operational level.

The Land Administration Chain is a good illustration of how activities connect with each other and how interdependent they are. There is a need for greater awareness of this fact, and FIG can and should play a key role in achieving this. FIG activities such as the Congresses, Working Weeks, Commission Annual Meetings, etc. are activities that can contribute this. But this will not be enough!

The links in the Land Administration Chain involve a majority of the FIG Commissions. If they are to be linked together we will need to work together. To an increasing extent we have also seen technical sessions at FIG Congresses and Working Weeks that have been joint sessions. Matters become more dependent on each other in a more complex environment, and interests also become broader. And there are certain policy areas which need to involve several aspects and interests!

We believe that the connection between the chains in the Land Administration Chain can and should be used to explain and illustrate how these activities actually depend on each other and how important it is that they grow together. Strengthening one link will not result in much improvement if the other links remain weak.

In order to stimulate such developments we believe that FIG has to develop new ways of working, but building on the strengths of the organisation. The issues of property rights, access to finance and poverty reduction is, we believe, an example of a broader policy area where there is a need for work across a number of FIG Commissions, but with one Commission having a clear coordinating mandate.

When we started discussing the possibility of arranging a joint event between FIG and UN Habitat during the 2008 Working Week, we saw Commission 9 as a natural platform, as this would be an activity that stretched into not only valuation but also what valuations can be used for, i.e. raising capital and making capital accessible. Commission 9 and real estate economics is the logical connection between a more traditional view on the surveying profession and the financial side of land and real property.

Therefore we believe that it is essential that Commission 9 continues to move towards activities that involve more of what valuation can be used for and how this can contribute to better functioning markets, economic development and better living conditions for the poor. Work like valuation for compulsory acquisitions, innovative financing, etc. are examples of

areas where we believe FIG, and Commission 9, can make a difference. In Sweden where there is a strong tradition of cooperation both within the public sector but also between public and private sector, we have a well-established dialogue between the land administration and financial institutions. There are regular meetings, joint development activities, and recognition at the political level that property rights are an important prerequisite for a strong and growing financial market, and that government must play an active role by using tools such as credit guarantees to correct market imperfections or stimulate certain parts of the housing market. The fact that our two organisations – Lantmäteriet and the Housing Credit Guarantee Board – were given a joint task by the Swedish Cabinet to present property rights and housing finance as part of the Swedish input to the fifth World Urban Forum just held in Rio, Brazil, is proof of this. We believe what perhaps is a unique Swedish “offer” ought to be followed by others and that FIG can contribute to such a development.

By moving in the direction described above, and with a task of coordinating FIG activities in the field of property rights, access to finance and poverty reduction – rather than working on valuation standards where there are other organisations better suited for the task – FIG can strengthen its contribution to the global agenda, and its own role.

Another key activity we believe it is important for FIG to develop further is special events, e.g. in cooperation with other organisations like the World Bank, and invited sessions during FIG’s regular activities for broader policy areas such the one discussed in this paper, climate change or land rights in post-conflict areas.

In order to share experiences or ideas on a more practical level, it might also be possible for FIG member organisations to “adopt” a project in another country. This we believe could be on the level of a member organisation in a more developed country following what is happening in a project in a developing country over a longer period of time. A bit like surveyors without borders but at home! Maybe a project where there are already contacts established, or where the two countries already have some established links.

6. THE WAY FORWARD

The FIG/UN Habitat event at the FIG Working Week in 2008 brought together many different kinds of professionals working on land and finance issues who actually recognised that there was lot of common understanding. At the concluding session a number of options were tabled for future action:

- convene consultations in select cities involving land professionals, finance experts, local authorities and the urban poor to identify opportunities for stronger collaboration to develop new loan products that meet the needs of all actors.
- conduct more detailed research into the global experience and good practice in providing access to housing finance for people who have intermediate forms of land tenure.
- bring experiences together in usable formats and publications both for the urban poor themselves and for their advisers and advocates, using Internet with local interpretation and local guidance.

- encourage the inclusion of these issues in the curriculum for land surveyors and land-related professionals at the forefront.
- encourage development of mentoring programmes for young professionals that aim to achieve increased awareness of land issues in this broader context of a huge land-based expansion of low-income urban dwellers.

It is no easy task to get activities like this going, and it will certainly require efforts and resources. FIG is not the only body that these options were targeted at, but the organisation ought to play a strong role. It is our belief that what we have described above can be a very meaningful and productive way of getting started. The fact that FIG has member organisations in all parts of the world, and an established structure with regional meetings, means that much of the necessary infrastructure for arranging e.g. the kind of meetings described in the first option.

7. CONCLUSIONS

We have tried to describe what we see as a major global policy issue where we feel FIG has a very important role to play, and how this role could be played. To do so does however constitute a major challenge for FIG!

We believe that FIG has the tools and the possibility to meet the challenge. There is already a way forward outlined and it is now a matter of taking the first steps on this path. Commission 9 ought to take a leading role in this work, and become a more visible in strengthening the Land Administration Chain!

BIOGRAPHICAL NOTES

Bengt Kjellson received his law de (LL.M) from the University of Uppsala in 1978. After five years of service in the Swedish courts he joined the Central Board for Real Estate Data and later on Lantmäteriet (Sweden's national Mapping, Cadastre and Land Registration Authority). Since 2008 he is head of Lantmäteriet's Land Registration Division. Mr. Kjellson has also been heavily involved in Lantmäteriet's international activities, including its overseas consultancy work. He was chair of the UN ECE Working Party on Land Administration 2001-2005, is the chair of EuroGeographics' Knowledge Expert Network on Cadastre and Land Registration and of the EULIS Board. Mr. Kjellson is also chair of the Institute for Real Property Research at the Faculty of Law at Uppsala University.

Lars Magnusson is a surveyor, educated at the Royal Institute of Technology in Stockholm. At present he is Director General of the National Housing Credit Guarantee Board. His background is in real estate economics, and he has been Managing Director and Partner in one of Sweden's real estate consultancy companies, as well as Director at the Ministry of Housing and at the Ministry of Finance. He is the former (2001-2002) President of the Swedish Association of Chartered Surveyors.

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