

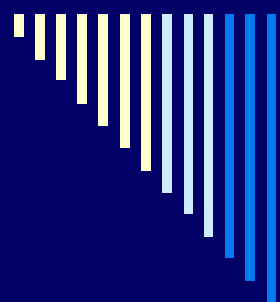
Regulatory systems and making
urban land markets work for the
poor in South Africa:
a position paper for the Urban
LandMark programme
Stephen Berrisford

Comments by Rogier van den Brink (World Bank)
Urban Land Seminar
Wednesday Nov. 15, 2006
Ingwenya Country Escape (Muldersdrift)



Land markets need help

- The price of land in the market reflects:
 - Income stream from “land-based” activities (rental)
 - Plus value as asset, hedge against inflation, speculation
 - Poor can typically only afford to pay the present value of the income stream
 - So will be outbid in the land market by the rich
 - Need to remove all distortions favoring the rich
 - For instance, subdivision restrictions
 - Need subsidies for the poor
 - Need a land tax
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Meanwhile in the old Transvaal....

	area (ha)	value (R)	R/ha			
<i>farm example</i>	100	400,000	4,000			
			Mogale City (Krugersdorp)	Madibeng (Brits)	Merafong (Carltonville)	Mbombela (Nelspruit)
	tariff		7.62%	17.33%	13.00%	24.18%
bracket (ha)	agricultural rebate factor	Tax payable (R/year)				
1	100%	304.86	693.20	520.00	967.20	
4	25%	228.64	519.90	390.00	725.40	
20	10%	487.77	1,109.12	832.00	1,547.52	
>20	1%	243.88	554.56	416.00	773.76	
total		1,265.15	2,876.78	2,158.00	4,013.88	



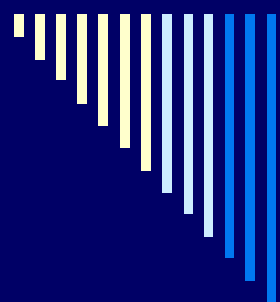
New Property Rates Act

- “New Act creates one uniform system for rating land and does away with the different systems”
 - It does do away with the option to tax land only
 - But taxing land only makes economic sense
 - And one-third of municipalities did so
 - And municipalities can simply reintroduce the old rules (rates policies)
 - Which is what some of them are doing
 - Recommendation made: yes, urgently help municipalities to set rates policies
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Land sales markets and the poor

- Poor typically do not have access to credit
- Present value of the rental not sufficient to pay for the land
- Well-developed mortgage markets in marginal areas could this problem be overcome
 - For instance in the U.S (30-year mortgages)
- But in South Africa:
 - Well-developed mortgage markets do not exist
 - If the poor can get a mortgage, payments are much higher for poor than for rich people
 - So the poor would make higher payments for purchase than for rental
- Equity impact of the lack of ownership by the poor to land is substantial:
 - ~~Current housing boom: do the poor benefit?~~



Land acquisition

- One of the main “quasi-legal” land acquisition methods by the poor is land invasion
- If not opposed in writing within 48 hours, poor do obtain some sort of a right—alternative has to be found
- But Berrisford: “there do not appear to be areas warranting Urban LandMark’s engagement in relation to the regulatory framework governing the acquisition of land.”
- Disagree:
 - “land markets need help”
 - informal settlement regularization
 - land held by parastatals, soe’s, mining companies
 - Government putting in place so-called Special Purpose Vehicles



Regulatory burden has increased

- ❑ Old ordinances for white, Indian, colored, and black urban areas are still in place
 - So Cape Town administers 27 different schemes
 - ❑ These constrain IDPs
 - ❑ Berrisford report: bring this more up front
 - ❑ Because it is not clear that we acknowledge this as an area for priority reform
 - ❑ Regulation much worse and more detailed than a “fine mesh of regulations”
 - ❑ “Business-by-business” restrictions:
 - Can’t grow vegetables, but can establish pesticide plant
 - Origin: protection of existing businesses
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Land administration reforms

- Deeds Registries Act (1937):
 - land transfers of required to take place before a judge
 - Registration: need diagram approved by the Surveyor General. (Radloff, 1996)
- South Africa not have a pure Torrens system, but it comes close
- Fourie report (1994) already argues that system essentially serves needs of minority white population
- "The price of securing ownership of land in [the current] system is beyond the means of a large segment of the South African populace." (Barry, 1995)
- Current situation far worse than before
- Berrisford's recommendation too timid

Sources:

- Fourie, C. 1994, Options For the Cadastre in The New South Africa: Report to The South African Council for Professional and Technical Surveyors
- Barry, M. 1995, Conceptual design of a Communal land registration system for South Africa, South African Journal of Surveying and Mapping, Vol. 23, Part 3.



Land titling

conditions for success

- Land needs to be scarce to be valuable
 - And worth the cost of titling
 - Land market needs to exist with significant number of transactions (informal, semi-legal, extra-legal)
 - Most benefits of title come from better access to credit, not better security
 - Need functioning banking system
 - Need functioning court and arbitration system
 - Need communities to have decided that land can be sold or rented to outsiders
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Land titling

weaker case

- Where land values low
 - Common property rights in land are generally not insecure (titling would not add extra security)
 - Usually involve permanent and inheritable usufruct rights of individuals, families or lineages
 - Where banking system is not in place (and it is unlikely to evolve because of titling)
 - And members of the community often restricted from selling their land to outsiders without the consent of the community (so land will not have value as collateral)
 - Land as social safety net important
 - Poorly executed titling: risk of expropriating women, “outsiders”
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