

# **The Management of State and Public Sector Land in Transition Economies: An Overview of Issues and Ways Forward**

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# Does the transition process still matter?

- If yes, then particular policies are needed for transition countries
- Are transition countries different from countries with similar income levels?
- 1989 was a long time ago
- Bulgaria, Czech Republic, Estonia, Latvia, Lithuania, Hungary, Poland, Romania, Slovakia, and Slovenia are now members of the European Union

# When is transition over?

- European Union – satisfying Copenhagen criteria:
  - Stability of institutions guaranteeing democracy, the rule of law, human rights, and respect for and protection of minorities (the *political* criterion);
  - The existence of a functioning market economy and the ability to cope with competitive pressures within the EU (the *economic* criterion); and
  - The ability to take on the obligations of membership, including political, economic, and monetary union (the criterion concerning adoption of the *acquis*).
- Transition has economic, political, humanitarian, and capacity elements.
- World Bank :
  - When differences between the old centrally planned parts of the economy and the new ones that have grown up under a market economy have been eroded away

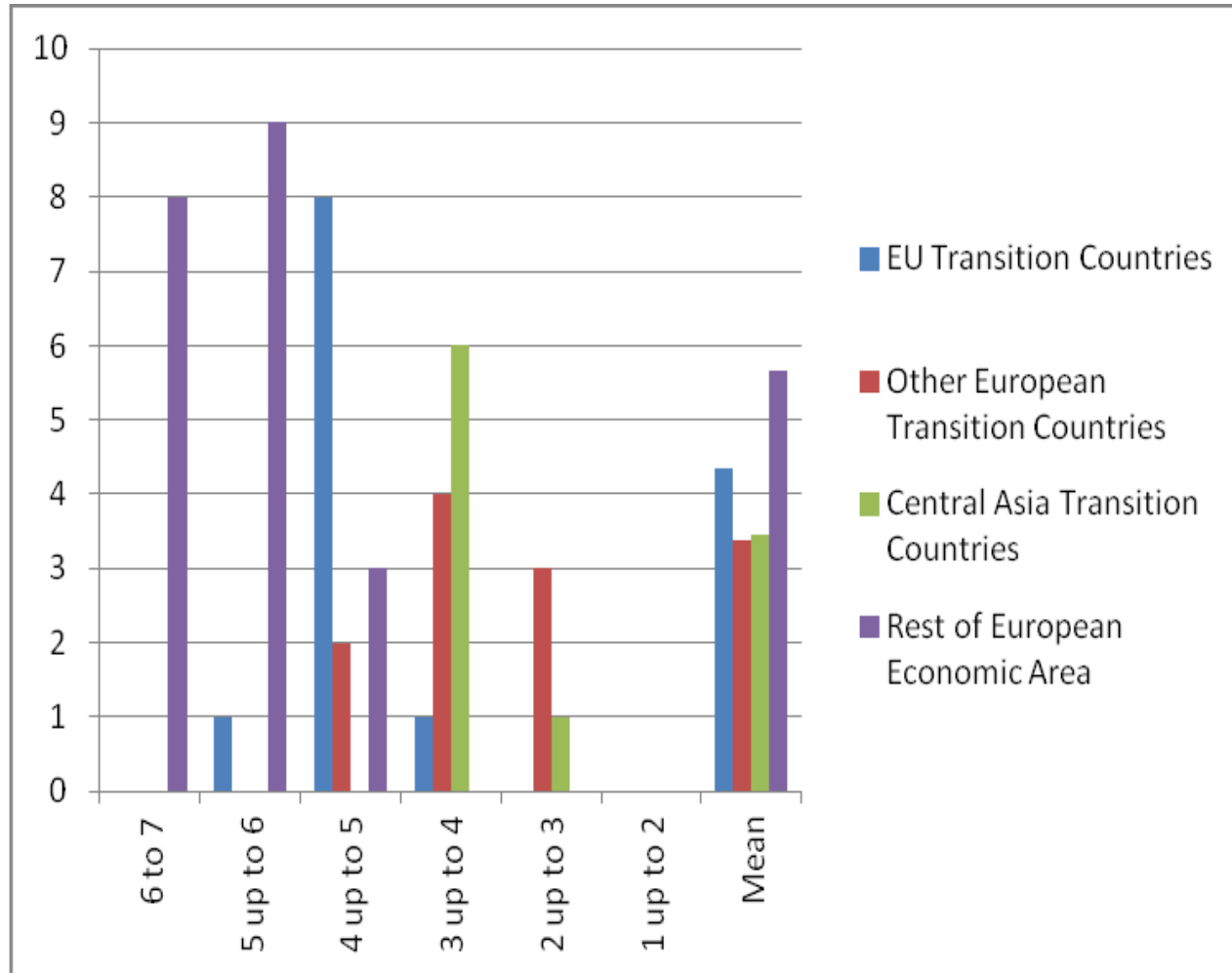
# Are property markets in transition countries different from non-transition ones?

- Absence of private property rights during Communist period other than rural plots and some residential properties
- Centrally planned cities tended to have different land use patterns than those in market economies eg
  - Underinvestment in shops and offices
  - Wastage of space, energy and water
  - High residential densities on edges of cities
  - City centre prime land given over to low productivity industrial activities and support functions.
- Post-Communist retention of land by municipalities
- Subsidies to housing and utilities

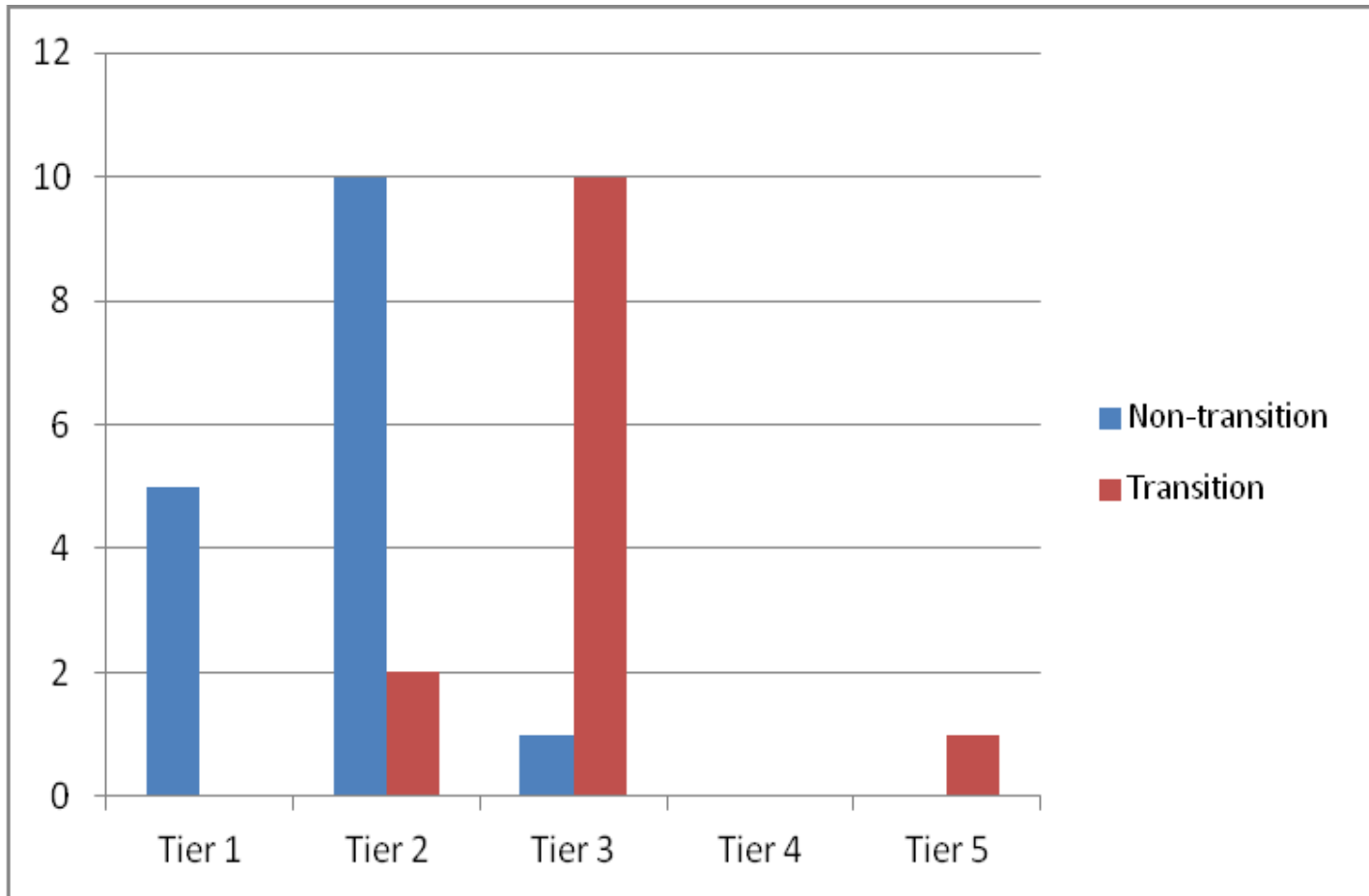
# Evidence of differences between transition and non-transition economies

- Strength of property rights:  
World Economic Forum data.  
1 = poor, 7 = excellent
- Market transparency:  
Jones Lang La Salle Global Real Estate Transparency Index  
Tier 1 highly transparent, Tier 2 Transparent, Tier 3 Semi-Transparent, Tier 4 Low Transparency, and Tier 5 Opaque
- Residential mortgage market  
Mortgage debt to GDP (%)  
Interest rates

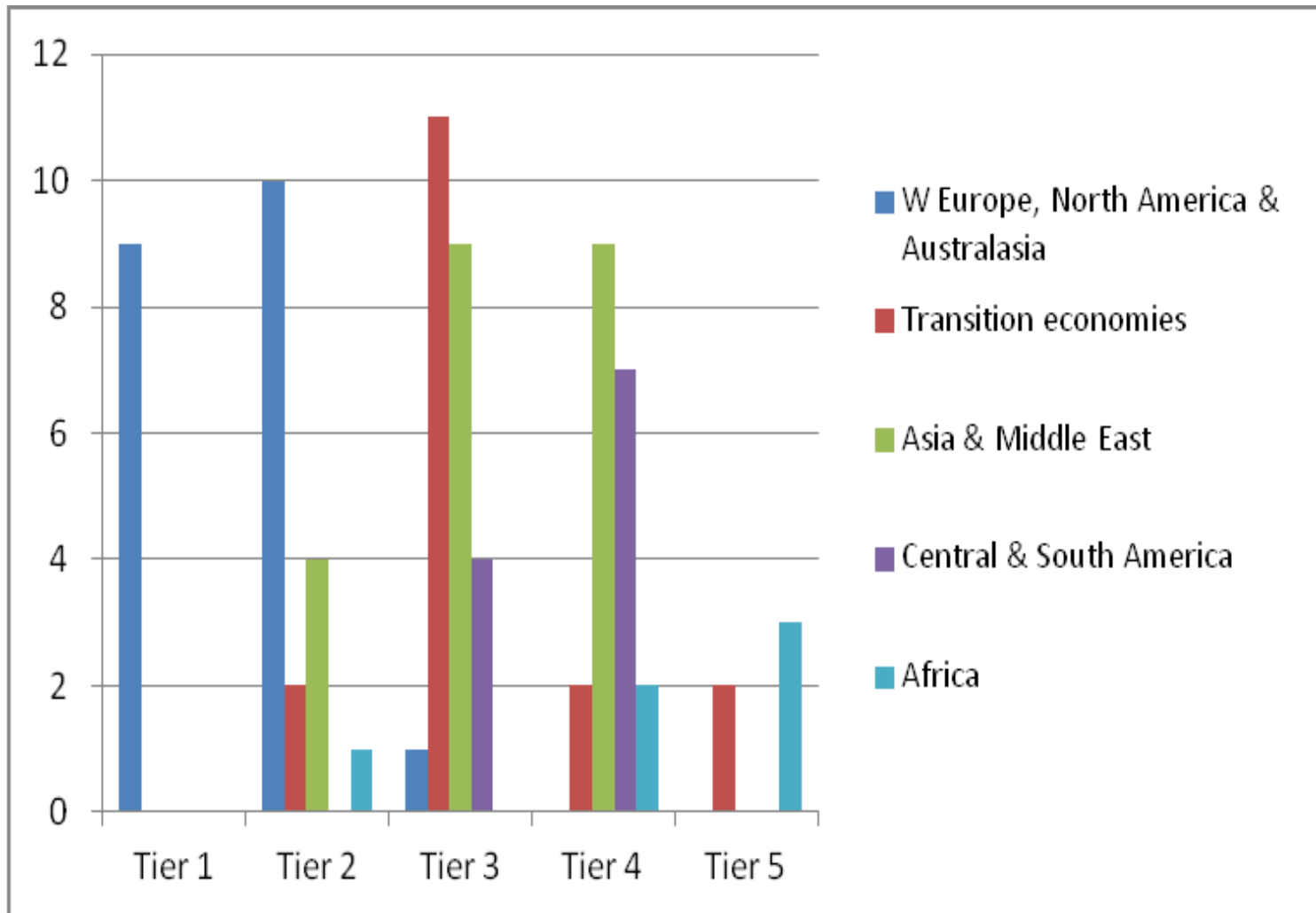
# Figure 2 Security of Property Rights in Transition and Non-transition countries



# Figure 3 Market transparency of transition and non-transition countries in Europe



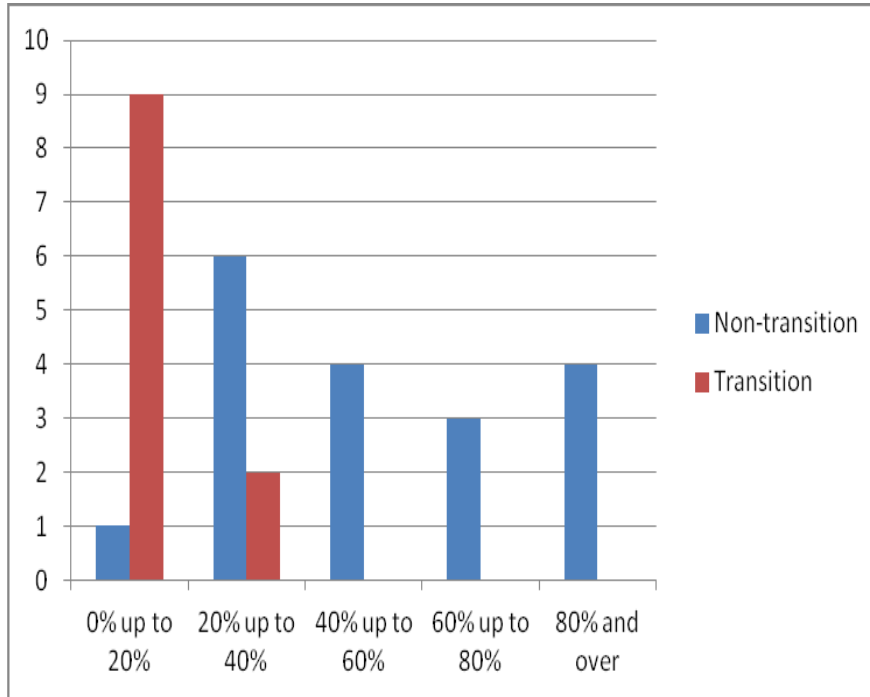
# Figure 4 Market transparency of transition and non-transition countries worldwide



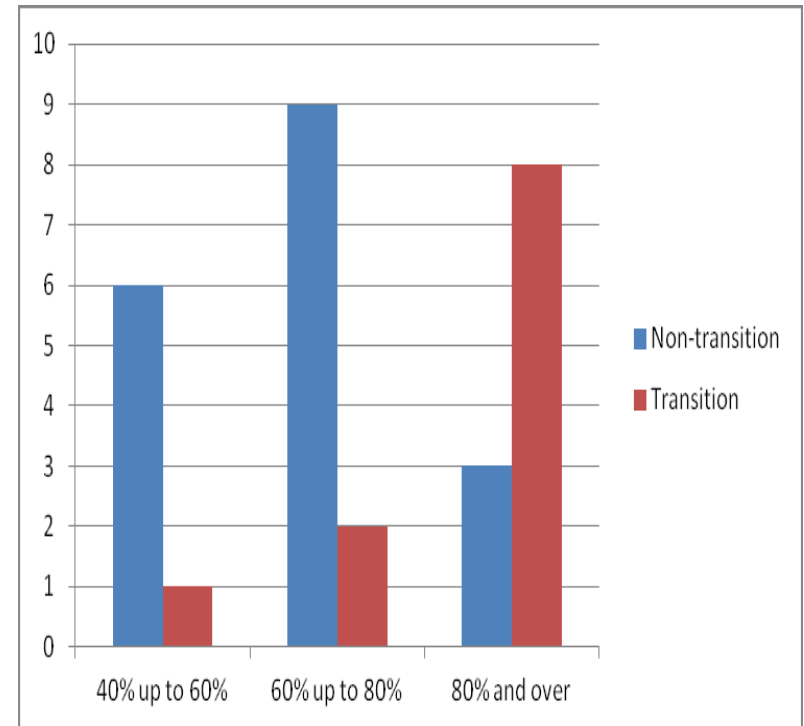


# Figure 5 The European Mortgage Market in 2008

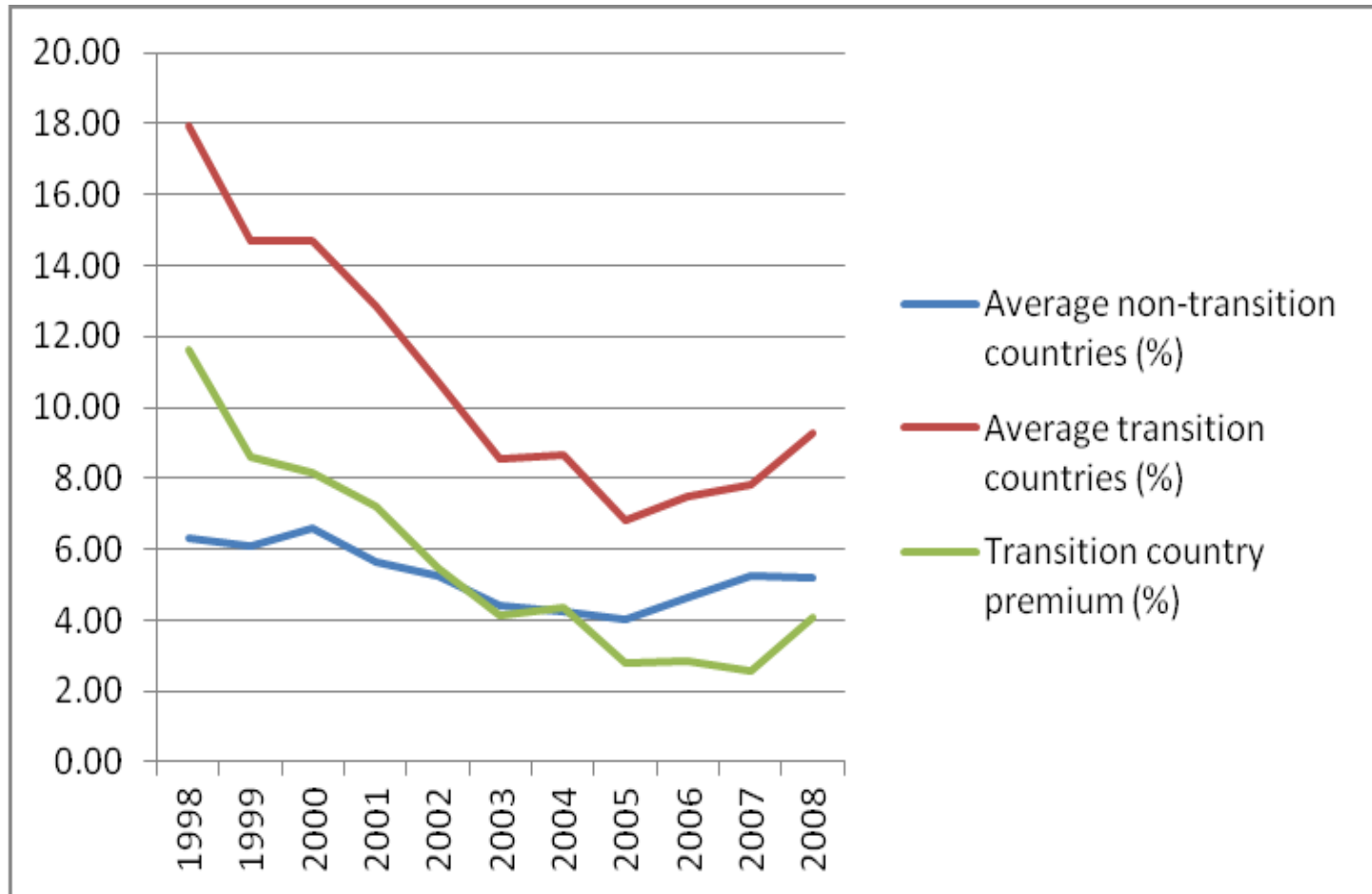
## Mortgage debt to GDP (%)



## Owner occupation rate (%)



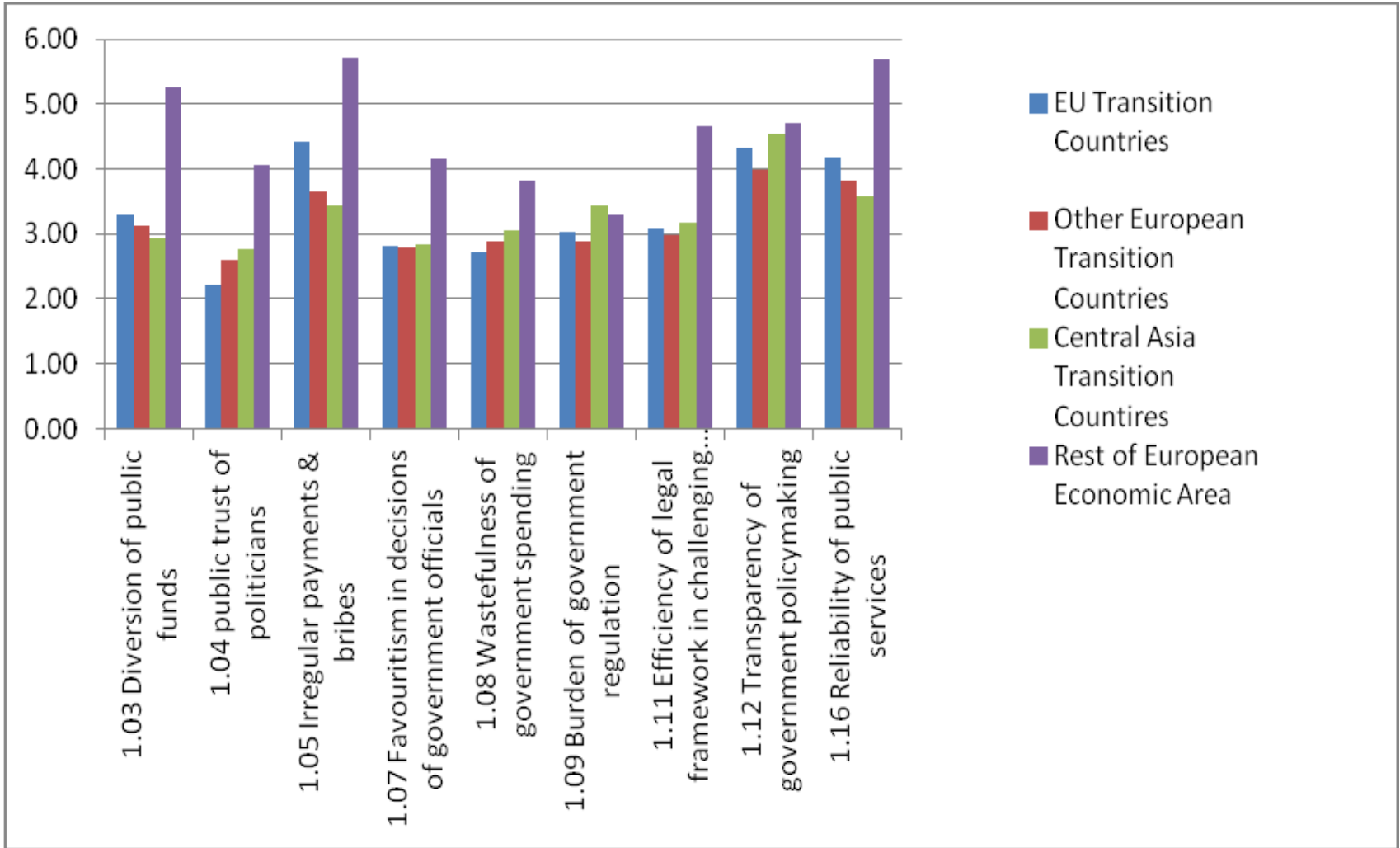
# Figure 6 Representative European Interest Rates on New Mortgages (%)



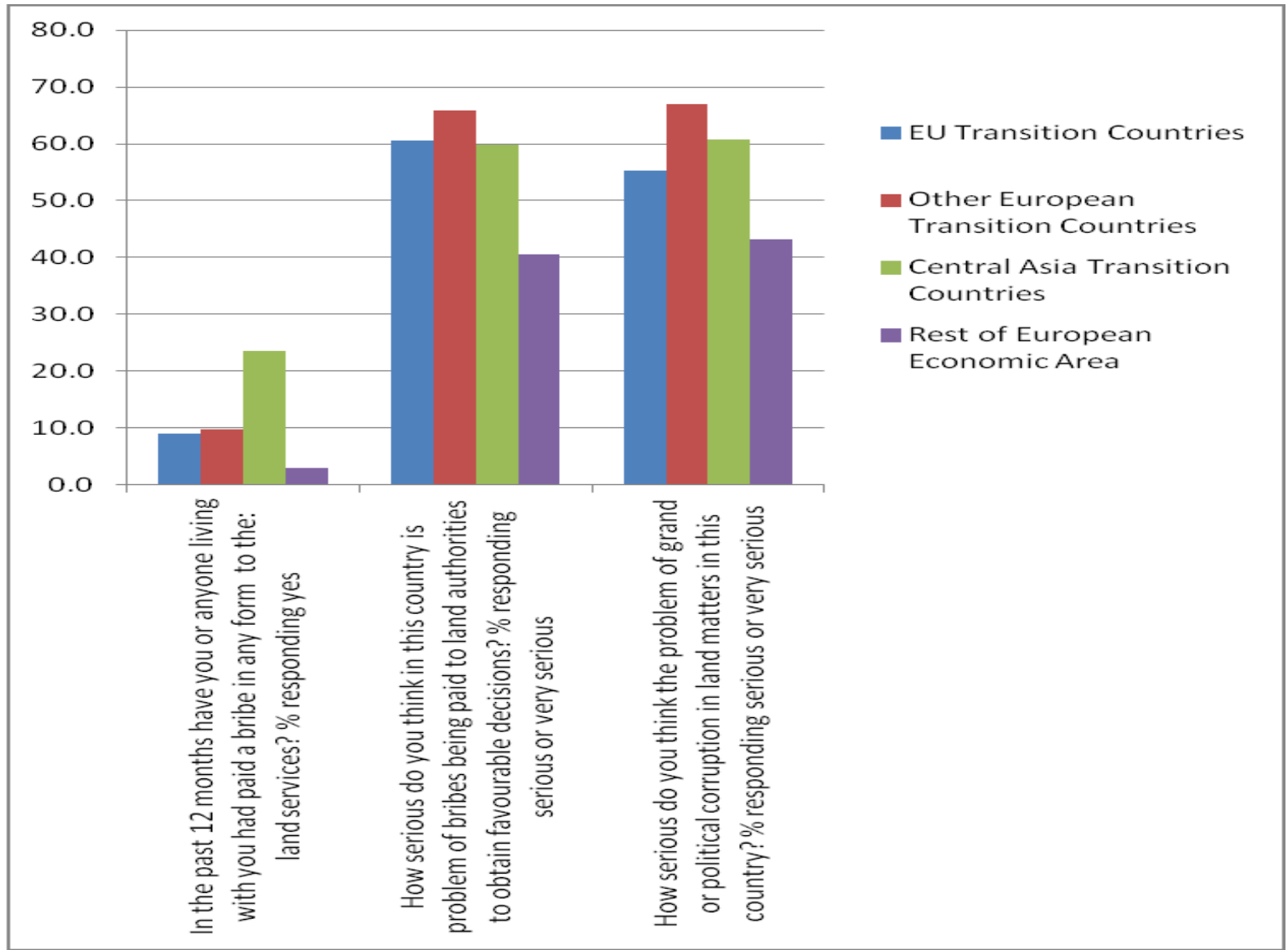
# Are public sectors in transition countries different from non-transition ones?

- How are public services and governance are rated by citizens?
  - World Economic Forum data
  - 1 = poor, 7 = excellent
- How significant is corruption in land services?
  - Transparency International data
  - % paying bribes % rating bribery and grand corruption as serious problems
- Efficiency of property registrations
  - World Bank Doing Business on procedures, time and cost
- Efficiency of construction permits
  - World Bank Doing Business on procedures, time and cost

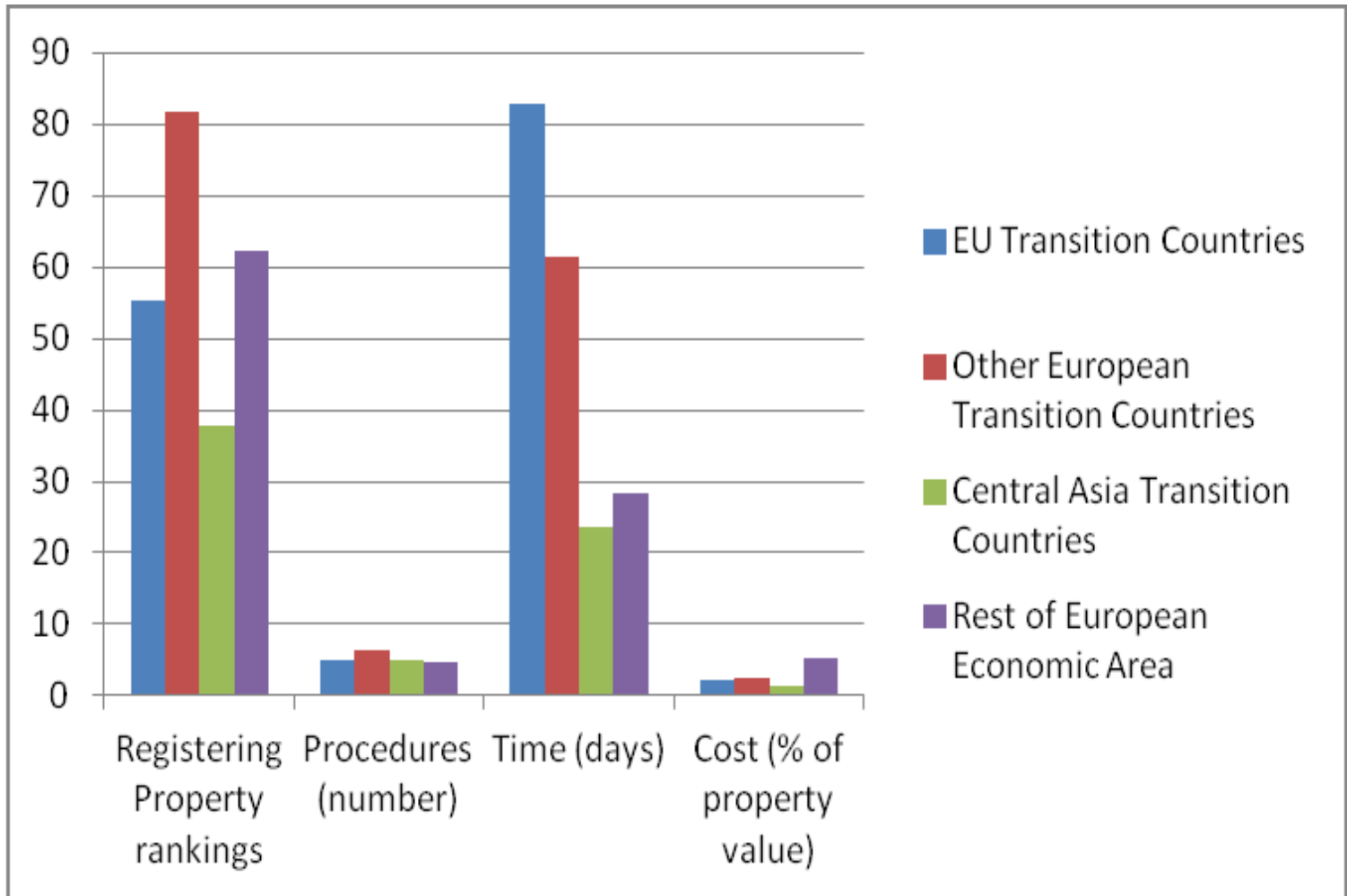
# Figure 7 Average ratings of the public sector in transition and non-transition countries



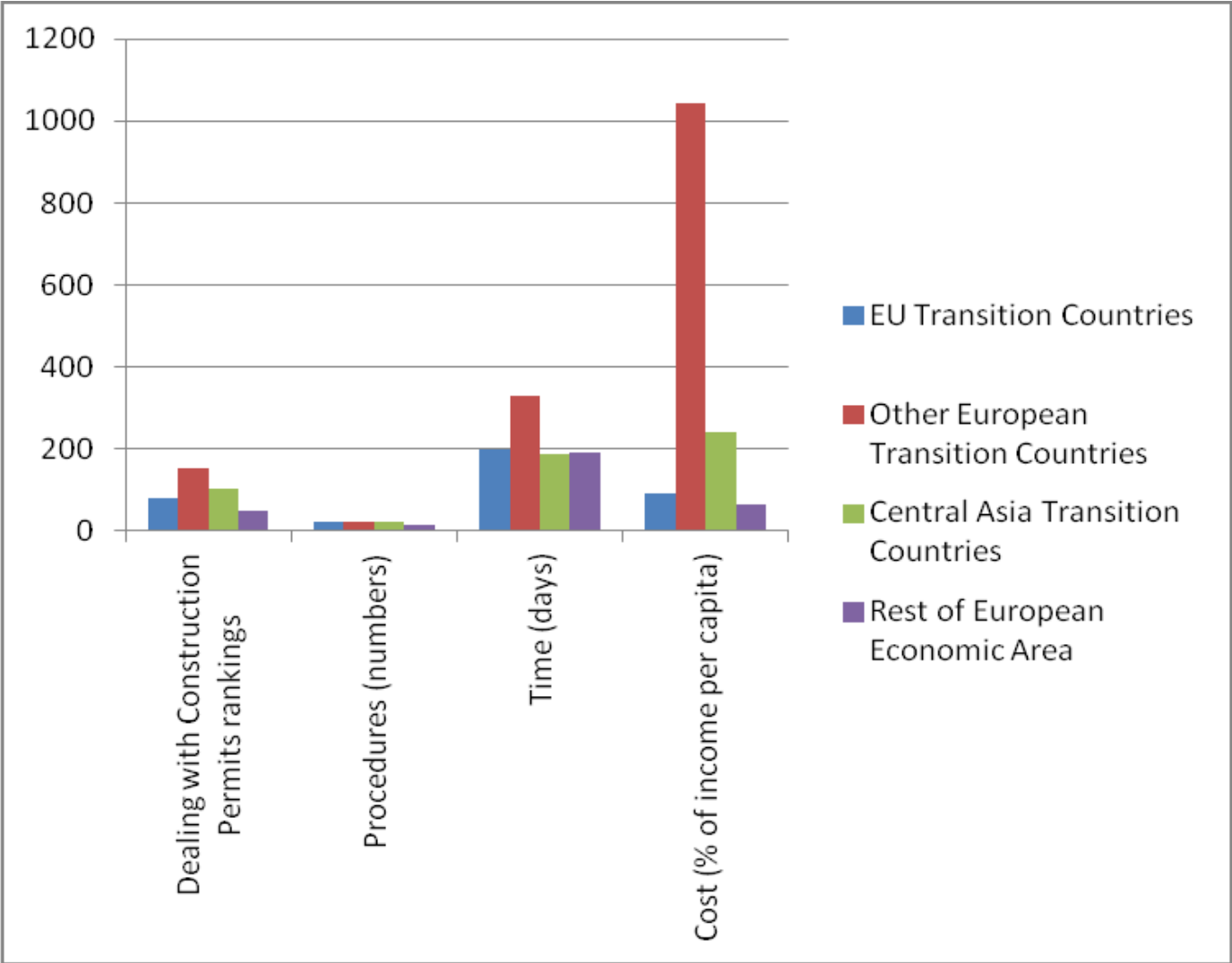
# Figure 8 Bribery and corruption in land services



# Figure 9 Property registration in transition and non-transition countries



# Figure 10 Construction permits in transition and non-transition countries



# Non-transition countries have not stood still in reforming public sectors

- Privatisation of what had been publicly supplied goods and services
  - Shrinkage of state in areas like utilities and transport
  - Contractors supplying public services on behalf of state and municipalities
  - Public private partnerships for provision of facilities and assets
- The *New Public Management* – greater delegation of responsibility for delivering services to front-line staff
- Accruals accounting – public sector balance sheets and accounting for use of assets



# Changes in leading transition countries

- Only Slovenia has adopted a strategy for managing public land but normal for management to be on statutory basis
- Registration of public sector land and recording of it in general cadastres
- State property funds for managing land to be privatised or restituted to previous owners
- Disposals of state property through auction at market prices
- Balance sheets record state assets but not accruals accounting
- Some limited use of public private partnerships

# Conclusions

- Transition countries form a diverse group
- Significant differences between transition and non-transition countries suggest need for policies specifically aimed at transition countries
- Improvement in management of state land requires
  - Investment in improving efficiency of land markets
  - Reforming the culture, working methods and esteem of public sector and public services
- Transition is as much a political process as an economic one
  - Efficient markets require competition and contestability and freedom of information, assembly and dissemination
  - Cannot confine these to the economic sphere and expect them to work