



Palestine Economic Policy Research Institute (MAS)

A Reading in the Expected Financial and Economic Impact and Challenges Associated with Land Settlement and Registration in the West Bank

Habib Hin

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The Palestine Economic Policy Research Institute (MAS)

Founded in Jerusalem in 1994 as an independent, non-profit institution to contribute to the policy-making process by conducting economic and social policy research. MAS is governed by a Board of Trustees consisting of prominent academics, businessmen and distinguished personalities from Palestine and the Arab Countries.

Mission

MAS is dedicated to producing sound and innovative policy research, relevant to economic and social development in Palestine, with the aim of assisting policy-makers and fostering public participation in the formulation of economic and social policies.

Strategic Objectives

- ♦ Promoting knowledge-based policy formulation by conducting economic and social policy research in accordance with the expressed priorities and needs of decision-makers.
- ♦ Evaluating economic and social policies and their impact at different levels for correction and review of existing policies.
- ♦ Providing a forum for free, open and democratic public debate among all stakeholders on the socio-economic policy-making process.
- ♦ Disseminating up-to-date socio-economic information and research results.
- ♦ Providing technical support and expert advice to PNA bodies, the private sector, and NGOs to enhance their engagement and participation in policy formulation.
- ♦ Strengthening economic and social policy research capabilities and resources in Palestine.

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The Palestinian Tobacco Sector: Problems and Possible Interventions

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Foreword

One of the key recommendations of MAS Economic Conference 2016 to the Government was to act to "increase the area of registered and developable land, while promoting investment in these lands for various purposes". This recommendation was also shortlisted by the National Task Force for Economic Development (NTFED) among the top-priority interventions of those proposed by the Conference. The task force was composed of the leaders of the major economic institutions in the country, including ministries, and headed by the Prime Minister, and was charged by the President to follow-up on the Conference's recommendations. Consequently, the Land and Water Settlement Commission (LWSC) requested from MAS to carry out this study, which we then placed on "the PNA Research Priorities Program for the Development of the Palestinian Economy - Phase III", which was partially funded by the Arab Fund for Economic and Social Development (AFSED).

The original title of this study, "The Financial and Economic Impact of Land Settlement and Titling in Palestine", reflects what we set out to investigate and hoped to unravel. LWSC had embarked on its land registration project and was making progress and wanted to have the impact of its work assessed. However, it soon became clear, that it is not possible to conduct such an assessment so early in the implementation of the land registration project. Indeed, although the project showed good progress, it did not yet deliver sufficient data that would enable the researchers to identify its impact on the economy. More time needed to pass for the project to yield results. By then, larger areas of lands will have been registered and used for productive economic purposes.

For these reasons, the scope of the study was redefined, now adopting a more comprehensive approach that reviews the experiences of other countries. This enabled the researcher to draw conclusions and policy recommendations that can help the concerned Palestinian authorities prepare to provide the data needed for assessing the financial and economic impact of land settlement in the near future. The current title of the study, "A Reading in the Expected Financial and Economic

Impact and Challenges Associated with Land Settlement and Registration in the West Bank," reflects the adaptation to what is possible at this relatively early stage, which nonetheless is an important contribution. Hopefully, the Palestinian policymakers and the LWSC will benefit from this research and take its recommendations into consideration when designing their future action plans.

On behalf of MAS, I would like to express our gratitude to the lead researcher and the research team for their effort, to the head and staff of LWSC for their help and for putting the needed data and resources at MAS's disposal, and all the stakeholders who spared the time for the interviews. We are particularly grateful to the Arab Fund for Economic and Social Development (AFSED) for its continued support of the Institute's policy research, as part of its effort to help further economic and social development of Palestine.

Nabeel Kassis, PhD
Director General

Executive Summary

Over the past years, the Palestinian National Authority (PNA) has given special attention to the issue of land settlement (prior to titling), introducing many administrative and structural modifications as well as legal amendments. Towards speeding up the process of legally and officially settle property rights for all land in Palestine, in April, 2016 the PNA transferred land settlement powers from the Land Authority to the Land and Water Settlement Commission.

This paper measures the expected economic and financial effects of the land settlement project. Due to lack of necessary data and because the land settlement project is still running, the conclusions are based on three main sources: a review of related literature, a study of international experiences in the field, and opinions of a representative sample of stakeholders such as mayors, local councils and agents from the Land and Water Settlement Commission. The paper also explores the challenges to registering land and proposed policies to address them to speed up the process, and ultimately realizing the goals of land registration.

Based on the review of related literature and international experiences, the study reached the following conclusions as to the expected results from land registration:

- There is no consensus as to whether land settlement has positive impact on investment in housing and property improvement projects; hence, investments hinge on the financial resources of those having title to the land. Moreover, investment for such purposes does not require a title deed, not when parties depend on social and customary arrangements to effectively secure tenure.
- Land settlement that is legally protected promotes long-term investments in land and soil, since formal land registration reduces the risk of arbitrary expropriation, minimizes disputes over land and borders, and improves owners' expectations about the future benefits of the land. However, the positive impact may be

peripheral if property rights are exclusively secured by social and customary arrangements.

- Land settlement catalyzes the land market by reducing risks associated with land ownership disputes. Land settlement is thus likely to improve market efficiency and increase return on sales. However, high land settlement and registration fees may curtail benefits, which may cause owners to abandon settlement. Several studies point out the importance of settlement and registration as a means for improving access to credit. However, this access is also related to other credit conditions such as income, ability to repay, bank liquidity, loan type, etc.
- Land settlement and registration broadens the tax base, increases public revenue and improves collection efficiency for local government units. Naturally, land settlement provides a database of all land owners, the parcels in their possession, as well as infrastructure on those parcels (buildings, etc). Where settlement increases the value of the land– and thus its appraisal– tax revenues from registered land equally increase.
- Typically, land settlement and registration encourage more construction and investment outside urban (city and village) centers, which requires provision of infrastructure and public services (water, electricity and sanitation). However, previous literature found no correlation between land registration and tangible results regarding the provision of public services and investment in infrastructure. This is due to a number of reasons, particularly the ability of individuals and families to access public services and infrastructure even when official title to the land does not exist. The provision of public services and infrastructure requires large investments that may not be available to developing countries.

Respondents from local government bodies unanimously reported that land settlement has contributed to resolving disputes between parties and protected land against fraud, theft, leakage and confiscation by the Israeli occupation. Respondents also said land settlement has stimulated investment; helped local government bodies organize roads and develop effective urban planning; and increased local government bodies' opportunities to acquire land for public facilities, which would

mean more projects and prosperity. On the other hand, respondents reported that land settlement has protected women's right to inheritance and as well protected the property of absentees. They also agree that by expanding the tax base and providing a database for tax collection, land settlement would mean additional financial resources to the central government, and local government units alike.

On the challenges associated with increased land settlement and registration, respondents from local government bodies cited concerns about owners of nonregistered land, taxes and fees associated with settlement and registration, as well as reluctance of some male owners to allow women their share of inheritance, which made some desist from the settlement project. Respondents also indicated that the pace of progress in the project is very slow due to land disputes and poor economic conditions, not to mention other impeding factors. In the area surveyed for this study, some owners refuse to cooperate during land surveying, some are expatriates, and some tracts of land are kept undivided between heirs (joint ownership). Other challenges interviewees cited involve problems associated with the boundaries defined of land parcels, the refusal of the residents to cede parts of their land for the construction of access roads, the delays in the settlement process as some transactions need special purchase permits (e.g. if the purchaser is an East Jerusalem resident or a Palestinian of Israeli nationality), and the fact that some tracts are in Area C (under Israeli control) or tracts by the Apartheid Wall.

The study recorded complaints from local bodies over slow procedures and lack of cooperation with surveyors. Of particular concern were procedural problems, such as incorrect recording of owners' names or land area, the loss of title deeds by some residents (who might have been unaware of how important these deeds are), with replacement of lost documents taking a lot of time, effort and money. There was also a range of other challenges: the absence of a clear legal system, designed specifically for the current conditions in Palestine; the inability of the Settlement Commission to decide on some outstanding cases and therefore transferring land that it could not settle to the state treasury (weakening owners and tenants' confidence in the settlement system); insufficient number of judges; ineffective court procedures; the large

scale of the settlement project; and the financial burden (registration fees) that owners have to pay, which vary by local government body, who do not follow clear standards for charging.

Recommendations

In order to maximize the benefits of land settlement and registration in the West Bank, the study draws the following recommendations:

- It is important to speed up land settlement efforts towards the desired goal, which is the settlement of all land in Palestine by 2022.
- Allocating financial resources for the construction of new major roads and the provision of infrastructure in areas where land is settled, as well as putting in place clear criteria for estimating settlement fees and at the same time lowering fees on lands settled in areas C, particularly those by the Apartheid Wall. It is also necessary to identify sources to finance the settlement project, albeit partially, to reduce the land owners' financial burden, or alternatively set specific criteria by which settlement fees can be paid, for example in accordance with a staged payment plan or through adding the payments to the water/electricity bills.
- It could be possible to develop parallel programs in which the banking sector provides easy credit to owners who have recently registered their lands, with such credit used in investments and productive projects.
- It is imperative to enhance the capacity building for municipal staff with respect to settlement procedures, how to deal with complaints and inquiries, and the methods of contracting between local government bodies and surveyors. It is important at this point to raise citizens' awareness regarding the importance of land settlement and the benefits it brings in order to encourage people to participate and cooperate in the land registration project.
- It is critical to strengthen the legal system regulating land registration; increase the number of judges involved; speed up the process of adjudicating land settlement cases; put in place clear and well-thought procedures for land disputes in courts; and restrict the transfer of land– that the Settlement Commission cannot decide on– to the state treasury.