



FORMALIZATION OF INFORMAL REAL ESTATE



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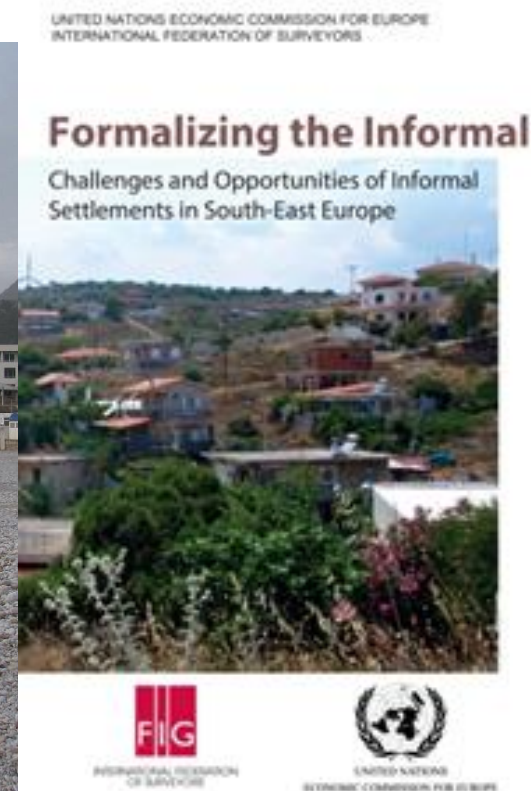
Content of the FIG/UNECE publication

Background:

1. Definition / size of the problem in the various UNECE countries
2. reasons /causes
3. various types of informal development in the various countries (with many similarities)

Albania, Cyprus,
Greece, FYR of Macedonia
Montenegro
*But also from
Georgia, Italy, Kyrgyzstan*

4. Assessment of the adopted policies



Identified causes

- Major **political changes** coupled with rapid **urbanization**, and often uncontrolled, massive **internal migration, conflicts, marginalization**, natural **disasters, cumbersome authorization** processes for home improvements and modernization, and **corruption** may be listed as some of the causes.
- **absence of policies** by the states and their failure to adopt **pro-growth planning** as well as **affordable housing** policies, **weaknesses of the private sector**, the **lack of political will** to develop land policies which would facilitate the **recognition of existing tenure** and private property rights and will aid the transition from centrally planned to market economies; and the failure or **reluctance of state agencies to support the economic reforms**.

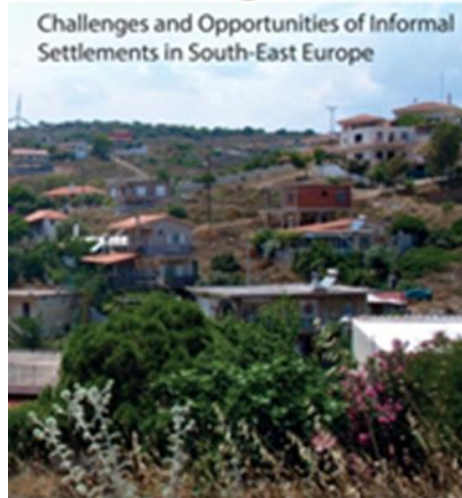
The obvious

- when **neither the state nor the private sector** provide legally the supply of appropriate real estate types and quantities to satisfy the current demand, people build informally.

UNITED NATIONS ECONOMIC COMMISSION FOR EUROPE
INTERNATIONAL FEDERATION OF SURVEYORS

Formalizing the Informal

Challenges and Opportunities of Informal Settlements in South-East Europe



Informality in the real estate sector is directly related a general informal sector

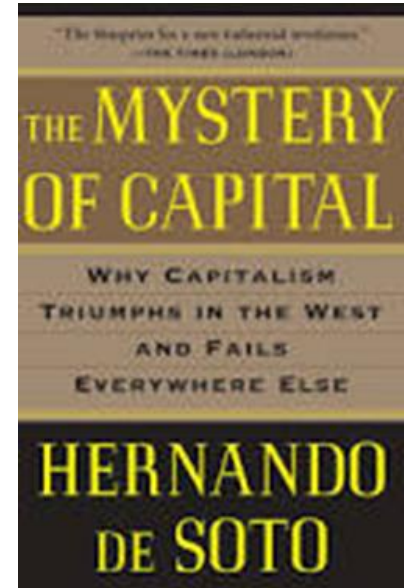
- **Informality** is a prominent characteristic of development in the so-called **frontier markets** ; it affects public **revenues**, **productivity** and **job opportunity** ; creates non-productive, **dead capital** ; **competition** is distorted
- **Informality in the real estate sector and real estate markets** is considered to be a **social**, an **economic** and an **environmental challenge**
- Since 2005 we have systematically encouraged countries to initiate - **where possible** - formalization projects
- We have assessed the policies adopted from the various governments (formalization or demolition)



Title registration is important

Registration improves

- *security of tenure,*
- *establishes property rights over the investment,*
- *minimizes lending risks and*
- *provides easy access to credit and funding mechanisms; enables the poor to unlock the value of their land*
- *it also improves legal protection, as well as legal empowerment of occupants/owners.*



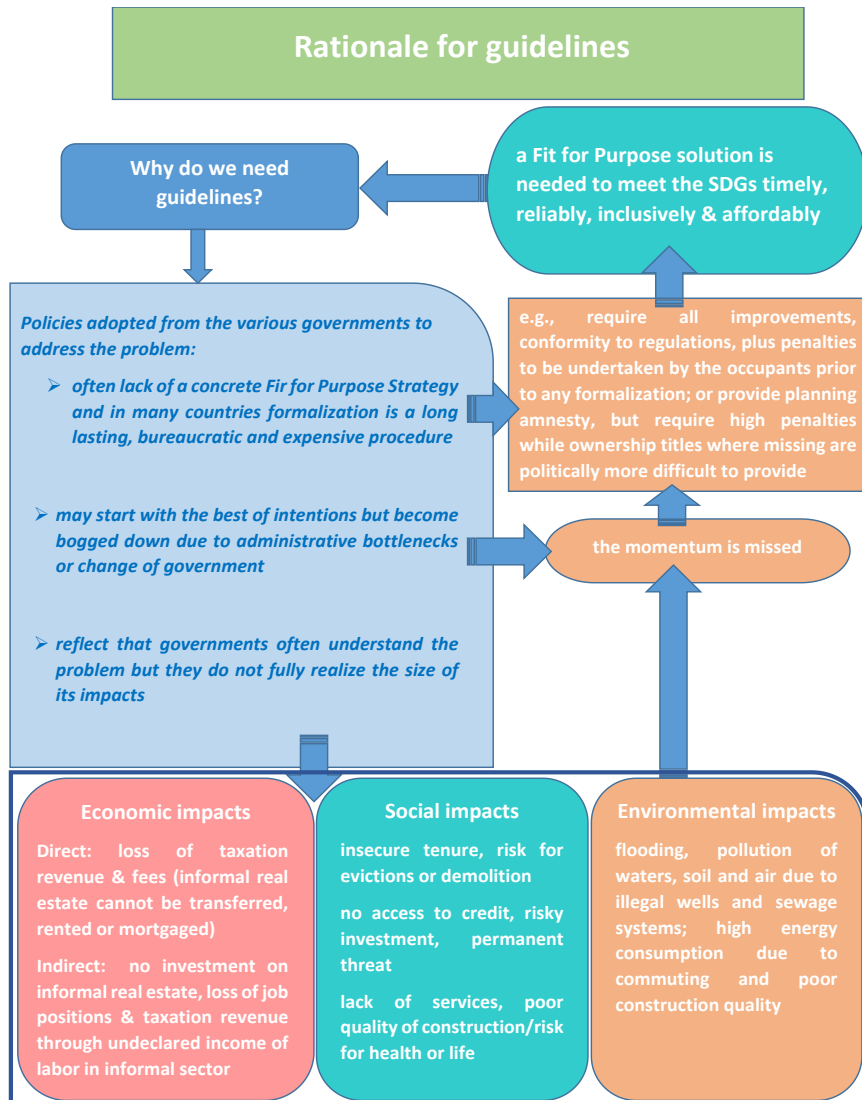
Karl Marx saw private property as the source of wealth and called for its elimination to promote equality.

A century and a half later, we know that a country without a formal system for registering property rights limits its own economic development and prevents its citizens from realizing their full potential.

a long-lasting, bureaucratic and expensive formalization process?

- *we have also managed to **identify and quantify the annual GDP loss** caused by delaying the formalization of the informal real estate sector, and have proved that it can be significant and worthy of serious consideration.*
- *The formalization of informal development is the most important step towards formalization in the real property market.*
- *If there is little or no possibility of selling a house, home ownership in the self-made cities can offer little in the way of capital accumulation.*
- ***It is hard to make money from a house that cannot be sold, or nobody is interested to buy.***

Why do we need some TG for Formalization?

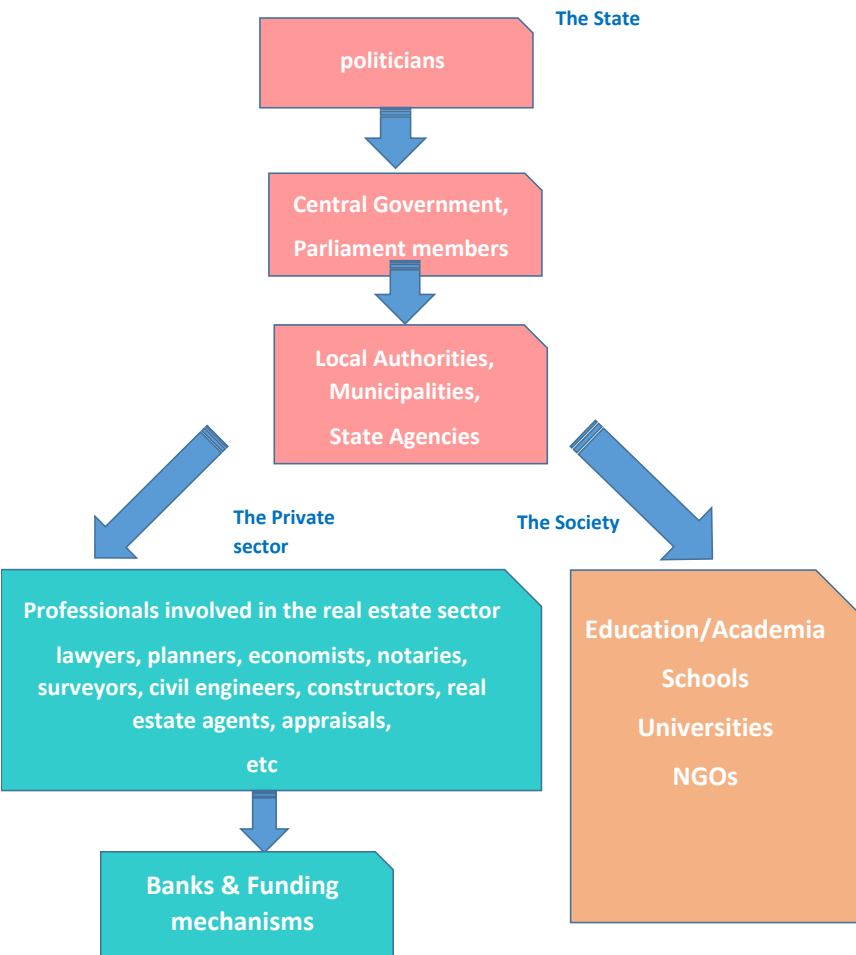


A solution to informal development is the most important step towards formalization in the real property market

- ❑ assist policy makers, government agencies, private sector, civil society
- ❑ contribute to the global effort towards the **eradication of hunger and poverty** by achieving the SDGs within the UN Sustainable Development Agenda **2030**
- ❑ WB, UNHabitat, GLTN, FIG, FAO VGGT, etc

A General Guide

Who to use the guidelines?



Should explain why a country would choose to go beyond the established scientific/engineering/planning practice, in order to successfully deal with:

- the Property Market Challenges,
- Funding Challenges,
- Structural Stability Challenges,
- Environmental Challenges and
- difficult Ethical Challenges
- Hostile reactions to a formalization project



List of issues to be taken into consideration

- raising awareness about the economic and social benefits of formalization and other socio- economic realities
 - develop a FFP strategy
 - legal and regulatory issues
 - Procedures/fees
 - technical advice
- on how to:
- engage all parties
 - provide incentives
 - implement , register, improve, or demolish
 - monitor the protected assets
 - avoid corruption
 - improve relevant policies for sustainable real estate markets

