

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 informd development in the various countries (with many similarities)

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

Formalizing the Informal
Challenges and Opportunities of Informal Settlements in South-East Europe

4. Assessment of the adopted policies

Identified causes

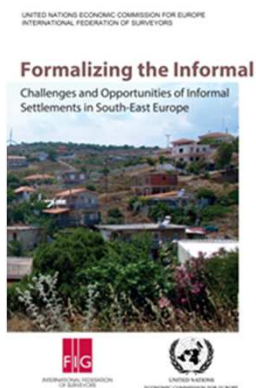


- Major **political changes** coupled with rapid **urbanization**, and often uncontrolled, massive **internal migration, conflicts, marginalization**, natural **disasters**, **cumbersome authorization** processes for home improvements and modernization, and **corruption** may be listed as some of the 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



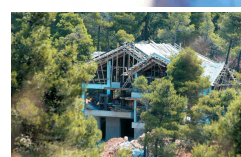
- when **neither the state nor the private sector** provide legally the supply of appropriate real estate types and quantities to satisfy the current demand, people build informally.



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

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- **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)

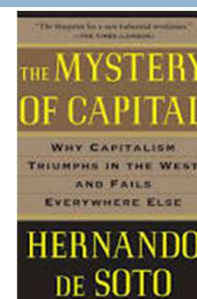


Title registration is important

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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.

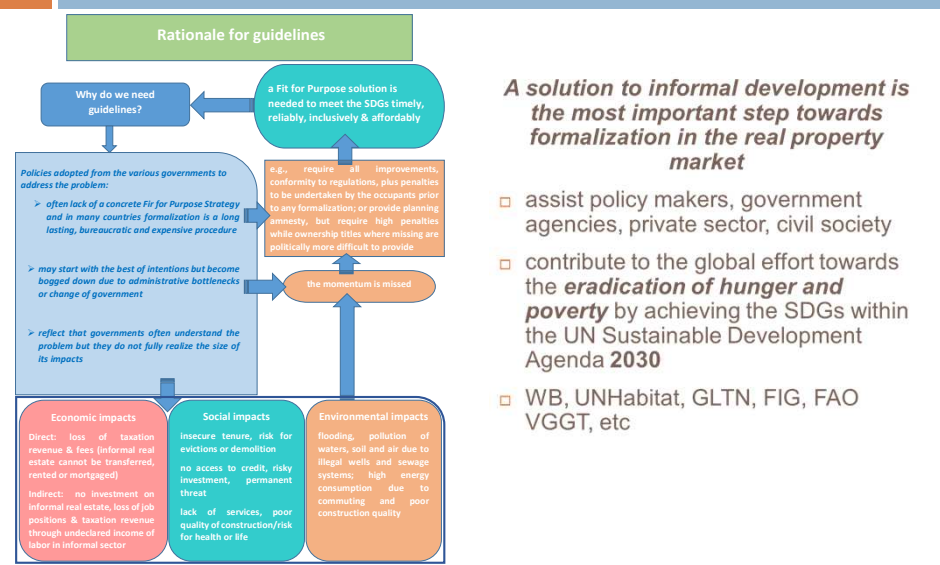
A century and a half later, we know that a country without a formal system for registering property rights limits its own economic development and prevents its citizens from realizing their full potential.

along-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.**

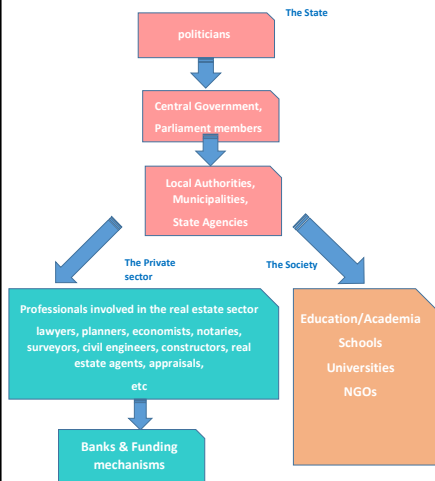
Why do we need some T/G for Formalization?



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

