Content of the FIG/UNEC 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.
Informality in the real estate sector is directly related to 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.
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 atties 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?

<table>
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<th>Rationale for guidelines</th>
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<tr>
<td>Why do we need guidelines?</td>
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<td>Policies adopted from the various governments to address the problem</td>
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<td>often lack of a concrete Fit for Purpose Strategy and in many countries formalization is a long lasting, bureaucratic and expensive procedure</td>
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<td>may start with the best of intentions but become bogged down due to administrative barriers or change of government</td>
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<td>affect that governments also understand the problem but they do not fully realize the size of its impacts</td>
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Economic impacts
- initial cost of housing increase in fees ( titular fee, rent paid, rent for unoccupied)
- benefits (reinvestment in informal settlements, loss of job opportunities, lack of access to credit, low quality)
- lack of services, poor quality of formalization/extension of informal

Social impacts
- increase in informal income, more in future, in sanitation, more in informal, or more in formal, or more in informal, or more in formal, or more in informal, or more in formal, or more in informal, or more in formal, or more in informal, or more in formal

Environmental impacts
- flooding, pollution of air, water, and soil due to illegal water systems; high energy consumption due to poor quality of construction/risk for health or life

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?

- The State
  - politicians
  - Central Government, Parliament members
  - Local Authorities, Municipalities, State Agencies
  - The Private sector
  - Professionals involved in the real estate sector (lawyers, planners, economists, notaries, surveyors, civil engineers, constructors, real estate agents, appraisals, etc.)
  - Education/Academia (Schools, Universities)
  - NGOs
  - Banks & Funding mechanisms

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 FFSP 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

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