



Presented at the FIG Congress 2018,
May 6-11, 2018 in Istanbul, Turkey



UNITED NATIONS
ECONOMIC COMMISSION FOR EUROPE

FORMALIZATION OF INFORMAL REAL ESTATE

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Housing is important

- *Living in a home that is decent & affordable* provides for healthy conditions; people are able to perform better at jobs and in school.
- *We do wish* people to be able to live in homes that are *decent & affordable*.
- The question is *how much* can governments *afford to provide*? *No country has enough public funds...countries need foreign investment & the involvement of private sector*

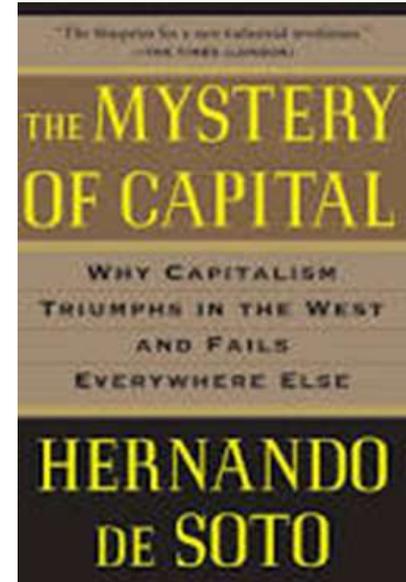


Photo by C. Potsiou

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; brings economic freedom*
- *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 private property rights limits its own economic development and prevents its citizens from realizing their full potential.

Informal solutions : dead capital

The economic transition process includes:

- ***Privatization***
- ***Property registration***

Informal development created dead capital;
it affects negatively the economy as well as the environment and has a major social impact.



Source: The World Bank

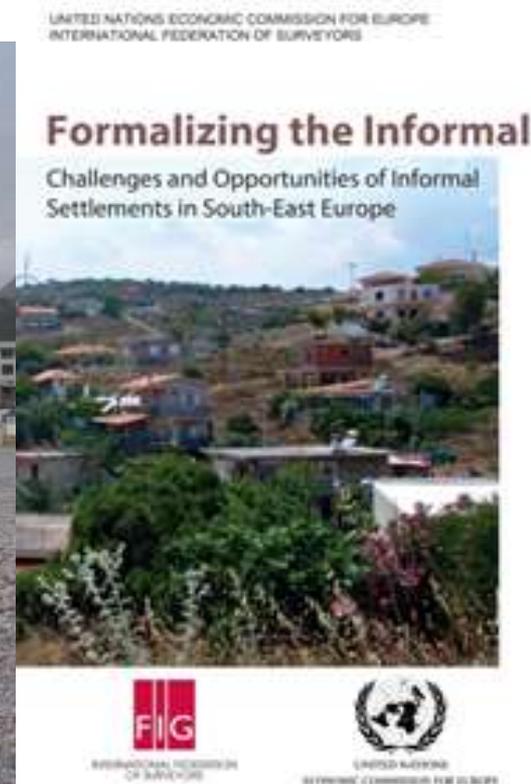
Content of the FIG/UNECE publication

Background: 13 years of research in the region

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, Pristina,
But also from
Georgia, Italy, Kyrgyzstan

4. Assessment of the adopted policies

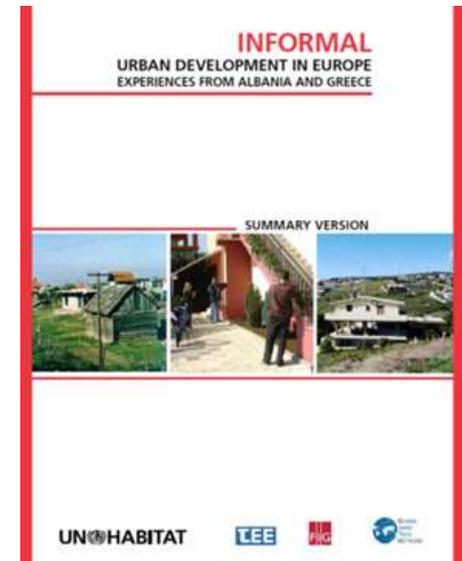
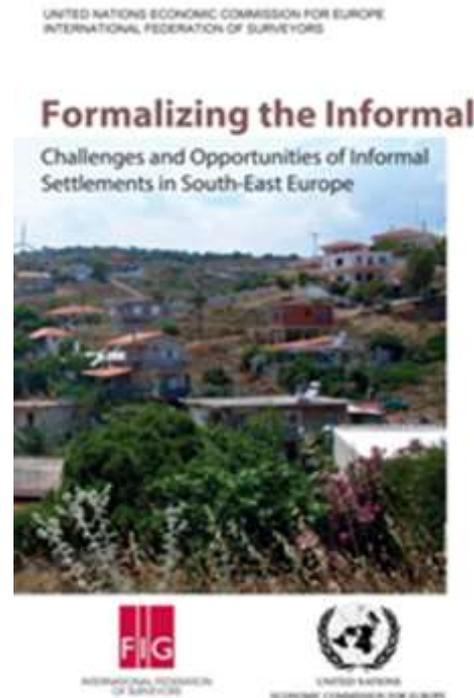
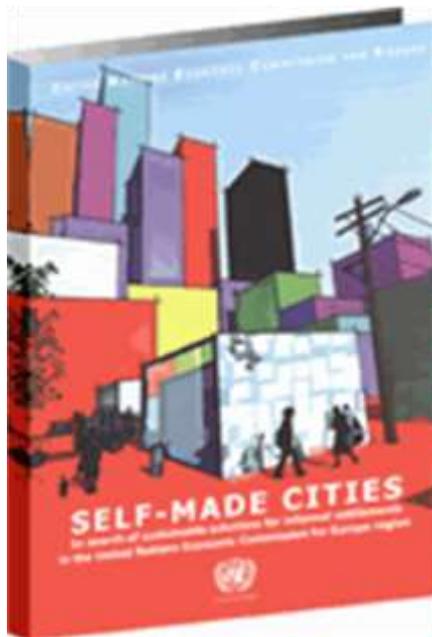


Identified causes

- 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 implement measures to support economic reforms**.

The obvious

- when **neither the state nor the private sector** provide the supply of appropriate real estate types and quantities to satisfy the current demand, people build informally. **People should not be punished as a result.**



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

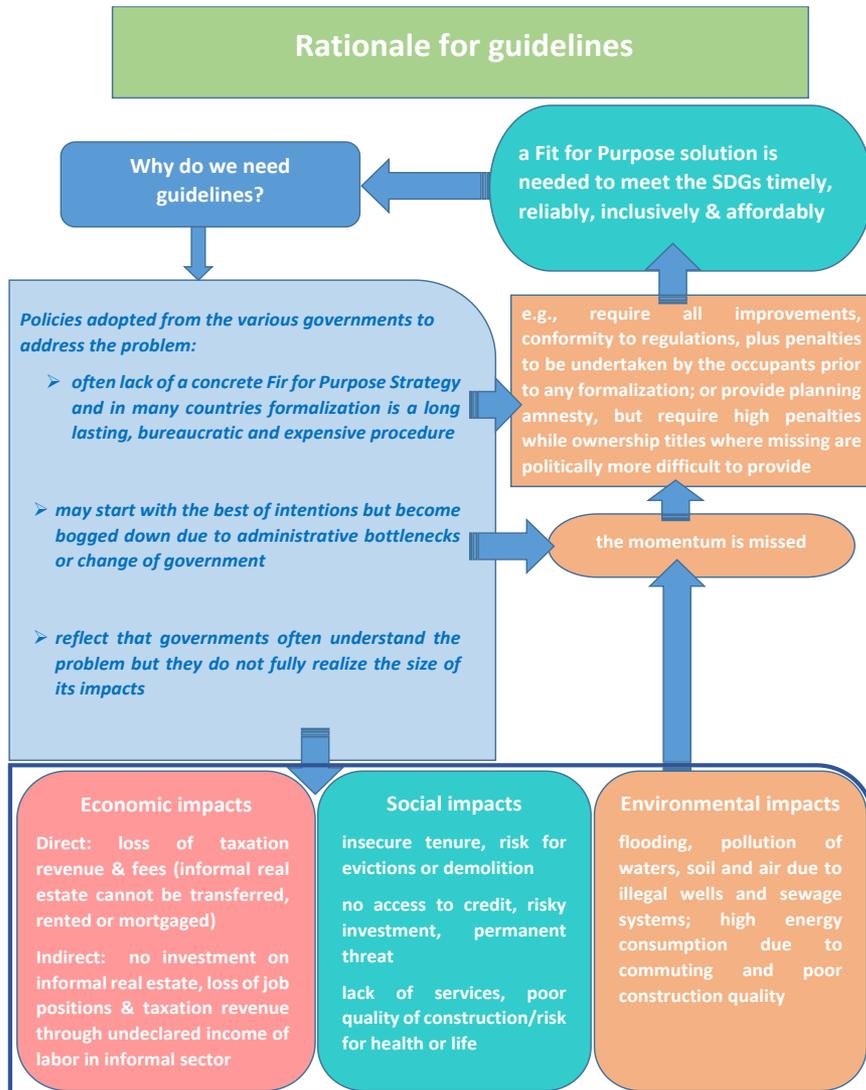
- **Informality** is a prominent characteristic of development in the so-called **frontier markets** ; it affects public **revenues**, **productivity** and **job opportunity** ; non-productive, **dead capital** ; **competition** is distorted
- **Informality in the real estate sector** is considered to 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 by the various governments (formalization or demolition)



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 first important step towards **formalization in the real property market**.
- If there is little or no possibility of selling a house, home ownership 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 a F-F-P Formalization?

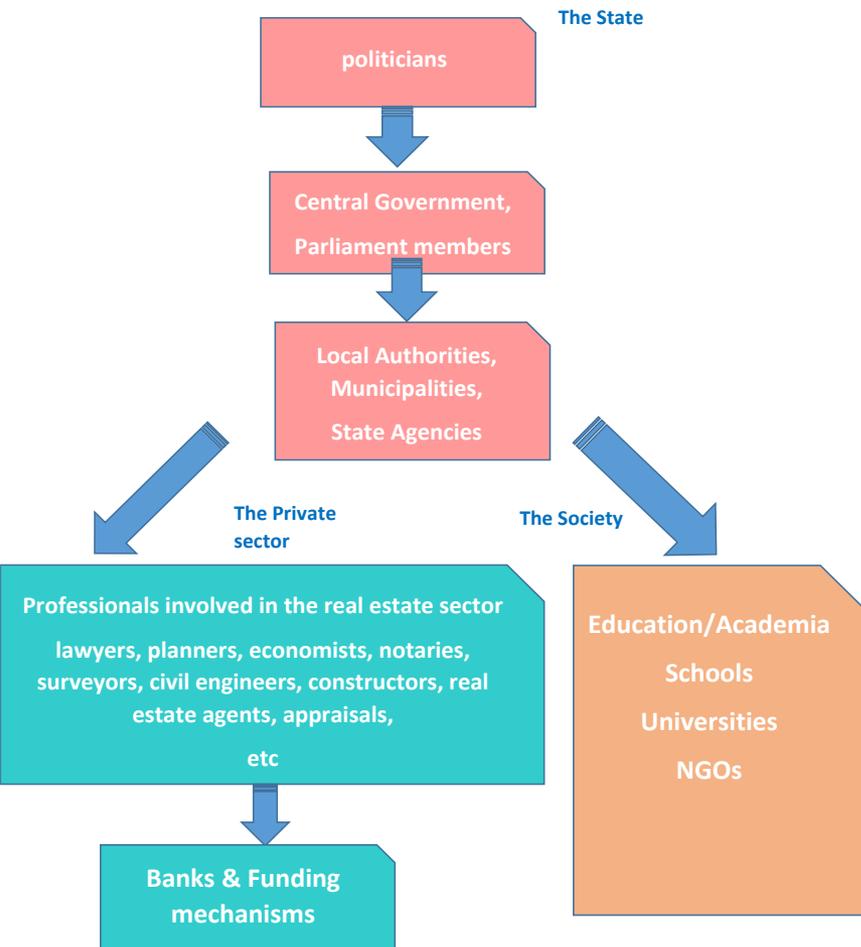


A solution to informal development is the most important step towards formalization in the real property market

- ❑ 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
 - legal and regulatory issues
 - procedures
 - 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

