



## *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

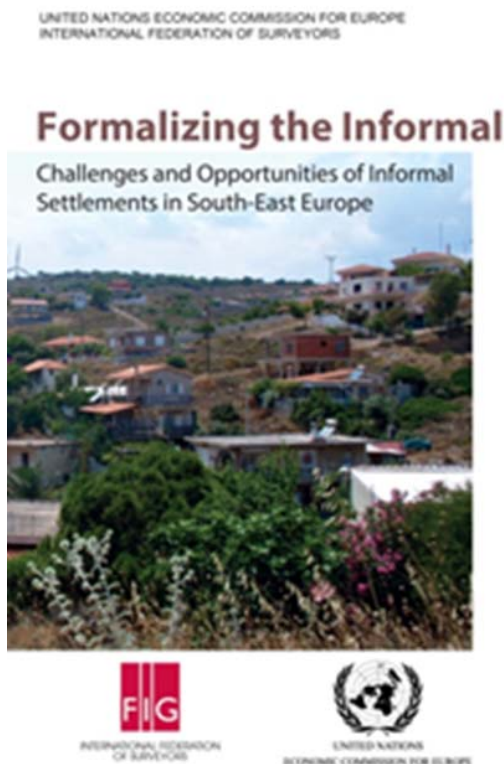


- Major **political changes** coupled with rapid **urbanization**, and often uncontrolled, massive **internal migration, conflicts, marginalization**, natural **disasters**, **cumbersome authorization** processes for home improvements and modernization, and **corruption** may be listed as some of the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



# 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)

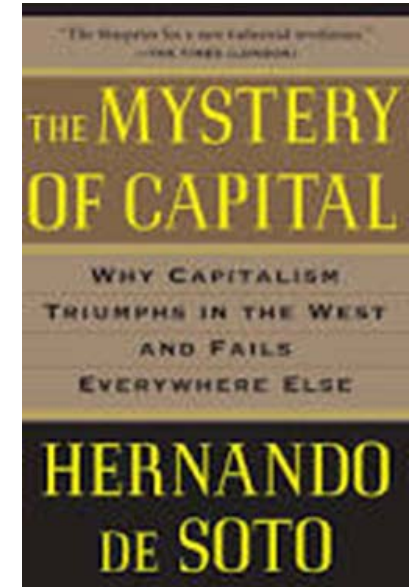


# Title registration is important



## *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.*



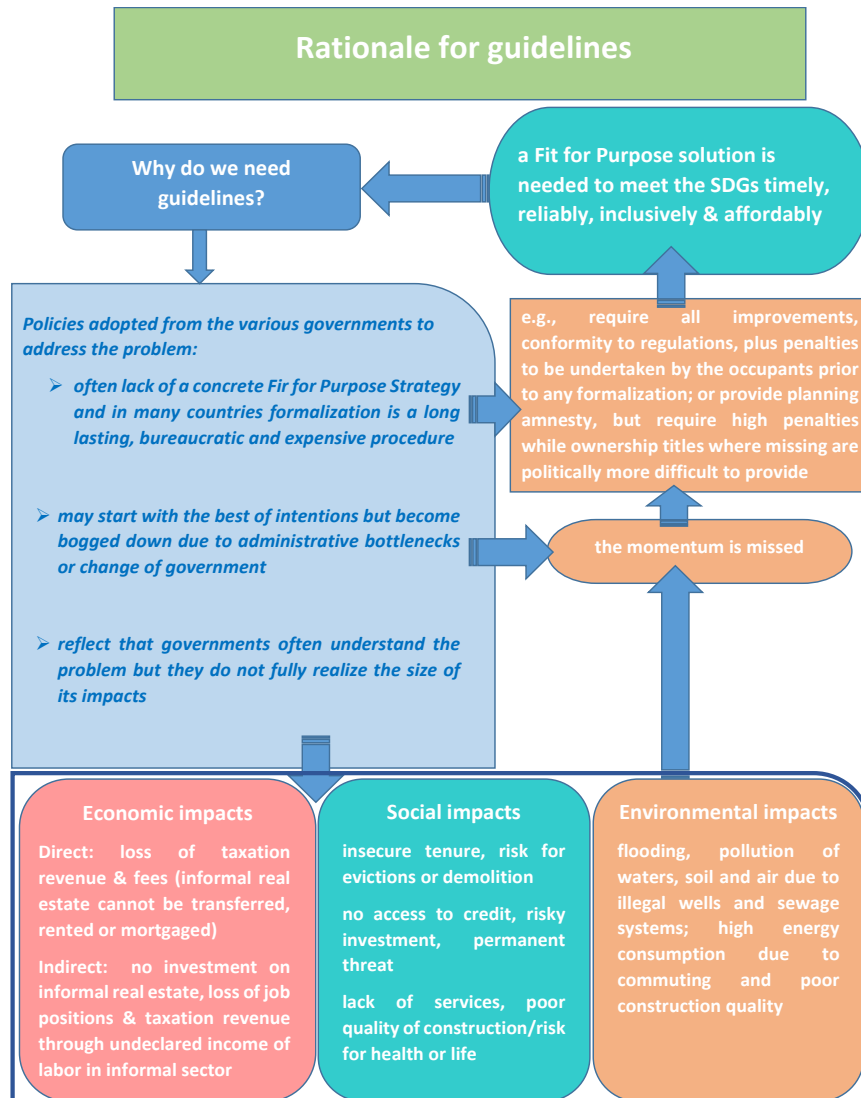
*Karl Marx saw private property as the source of wealth and called for its elimination to promote equality.*

*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.*

# 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***

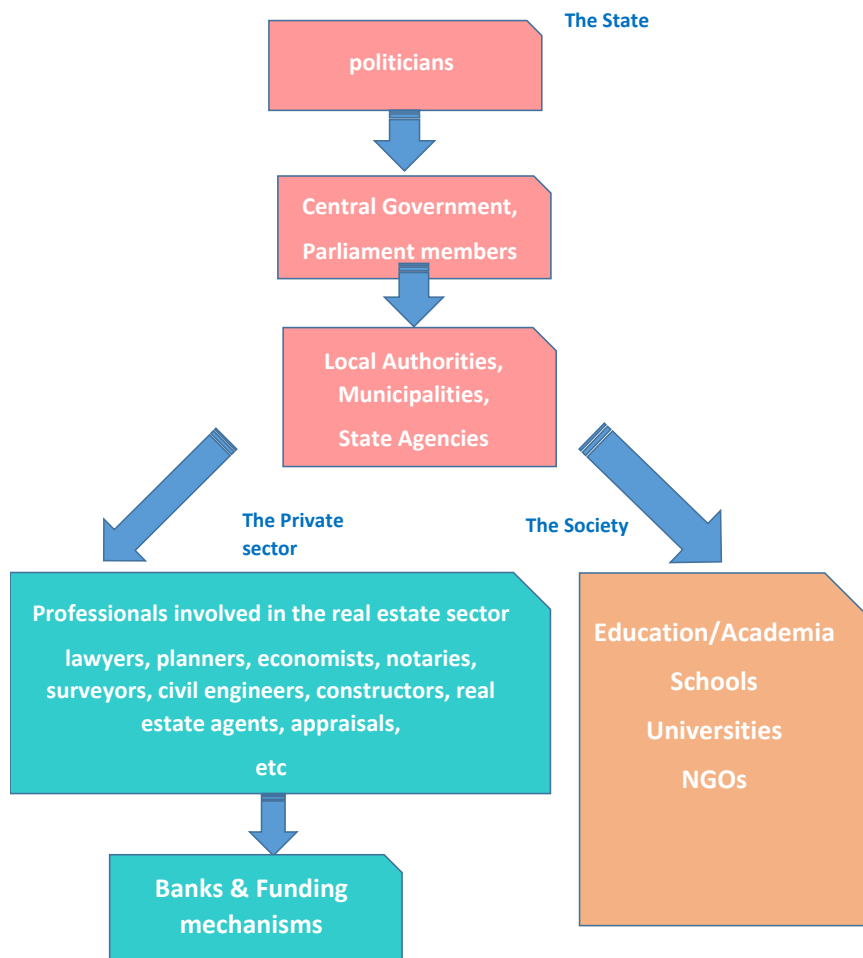
- assist policy makers, government agencies, private sector, civil society
- contribute to the global effort towards the ***eradication of hunger and poverty*** by achieving the SDGs within the UN Sustainable Development Agenda **2030**
- WB, UNHabitat, GLTN, FIG, FAO VGGT, etc



# 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



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- 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

