

# FIG WORKING WEEK 2019

22-26 April, Hanoi, Vietnam

Presented by the FIG Working Week 2019,  
April 22-26, 2019 in Hanoi, Vietnam

"Geospatial Information for a Smarter Life  
and Environmental Resilience"



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# Formalization of Informal Real Estate

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UNITED NATIONS ECONOMIC COMMISSION FOR EUROPE  
INTERNATIONAL FEDERATION OF SURVEYORS

## Formalizing the Informal

Challenges and Opportunities of Informal Settlements in South-East Europe



INTERNATIONAL FEDERATION  
OF SURVEYORS



UNITED NATIONS  
ECONOMIC COMMISSION FOR EUROPE

## Content of the FIG/UNECE publication

Background:

1. Definition / size of the problem in the various UNECE countries

2. reasons /causes

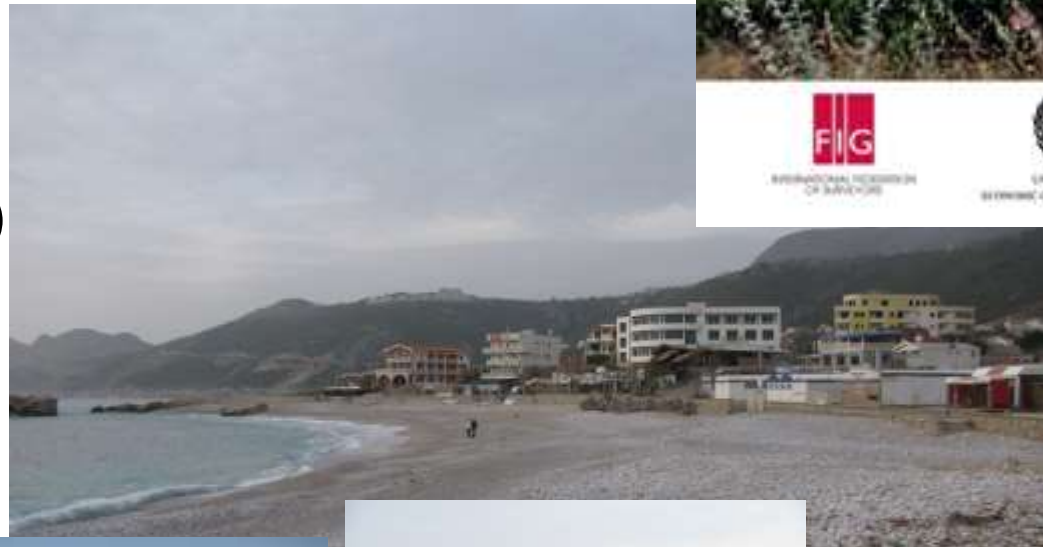
3. various types of informal development in the various countries (with many similarities)

Albania, Cyprus, Greece,  
North Macedonia, Montenegro

*but also from:*

*Georgia, Italy, Kyrgyzstan*

4. Assessment of the adopted policies



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## Identified causes

- political changes,
- urbanization,
- internal migration, conflicts, marginalization, disasters,
- cumbersome authorization processes for home improvements and modernization,
- corruption,
- absence of policies to adopt pro-growth planning as well as affordable housing
- weaknesses of the private sector,
- lack of political will to recognize existing tenure, and
- reluctance of state agencies to support the economic reforms

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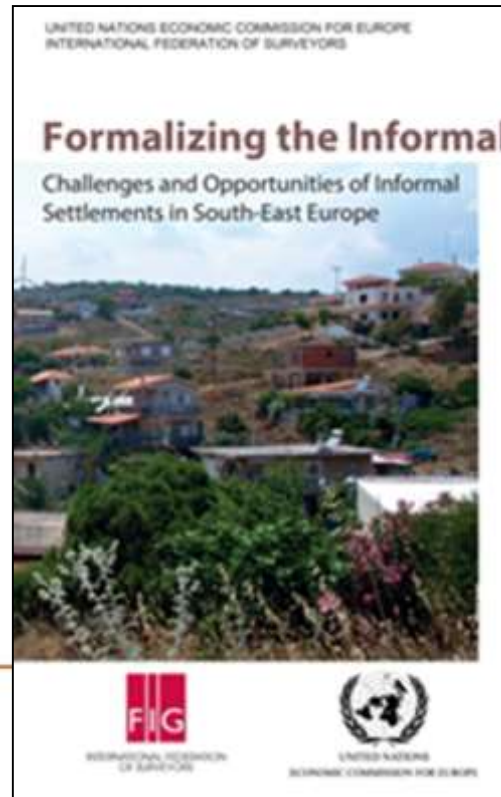
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## The obvious

- 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



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

- **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)



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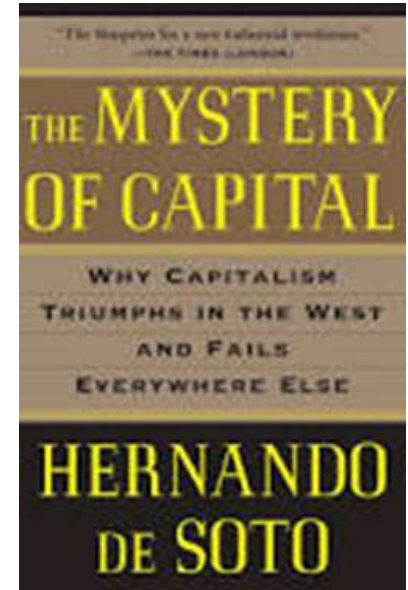
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## Title registration is important

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.*

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## 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.**

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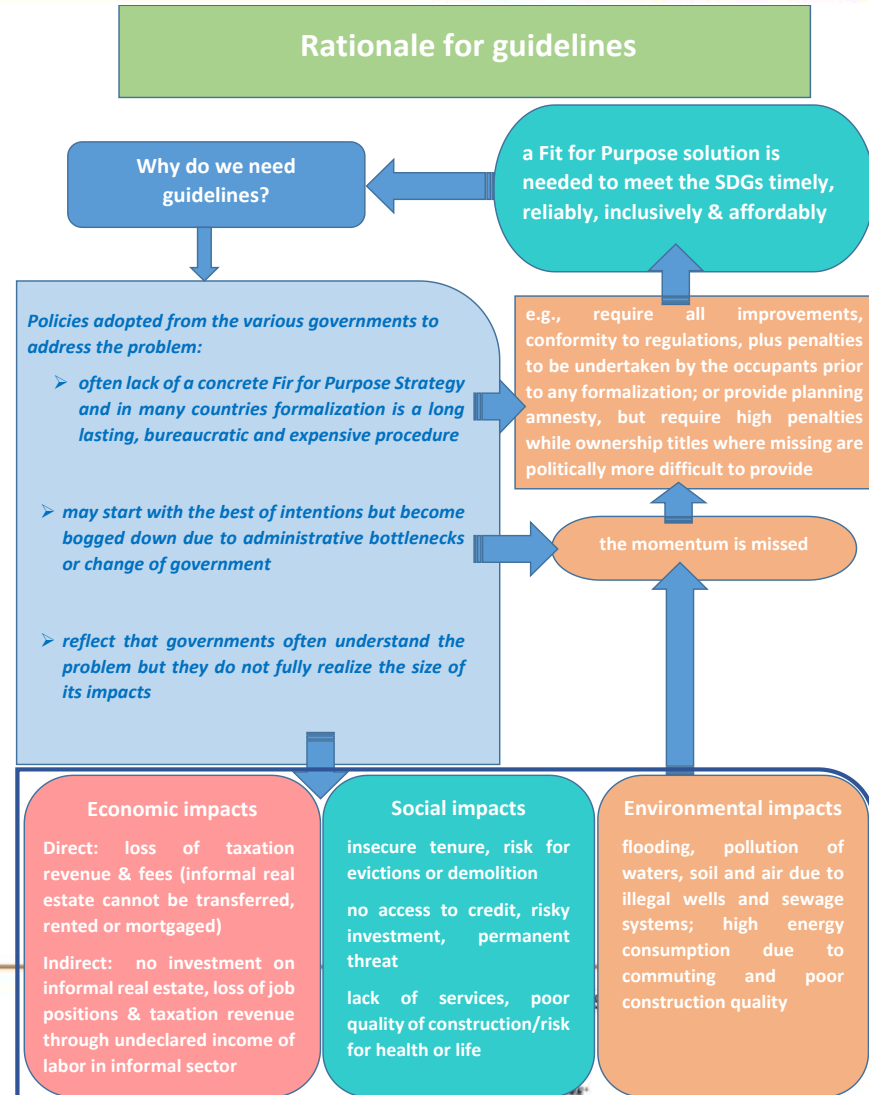
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## Why do we need some TG for Formalization?

*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





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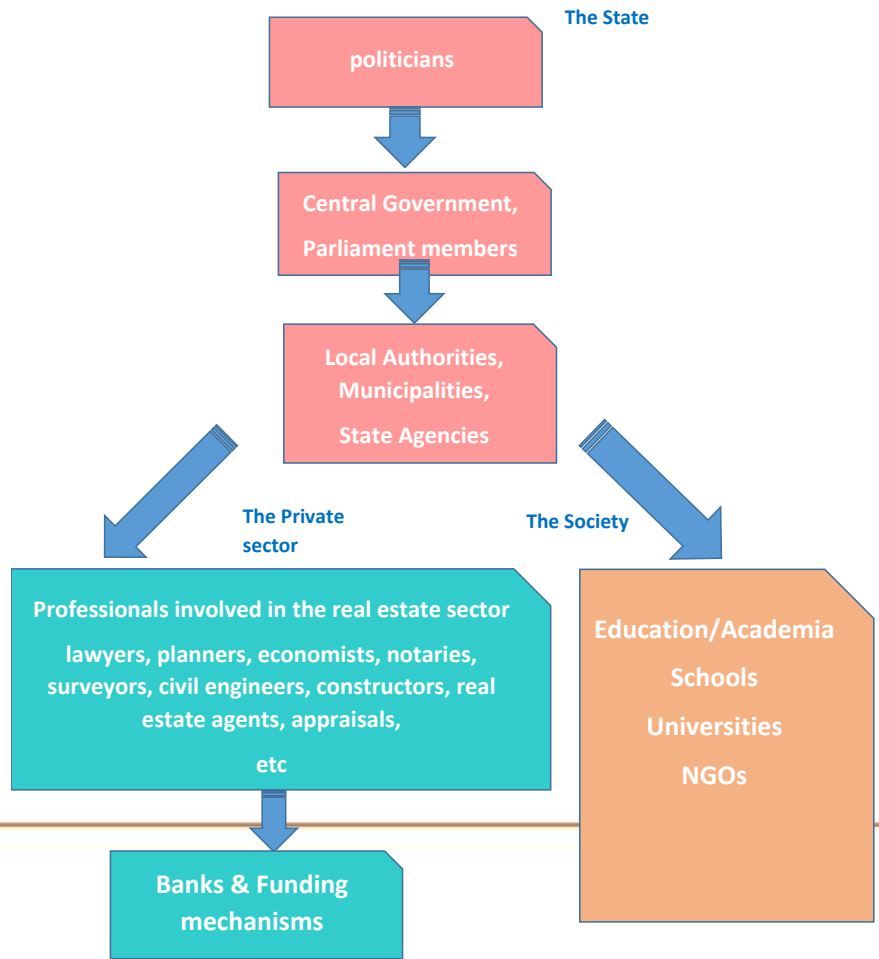
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## A General Guide

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

Who to use the guidelines?



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

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## List of recommendations to be taken into consideration (1/2)

- Raise awareness about the economic and social benefits of formalization and other socio- economic realities
- There are no simple solutions-there is a need for consistent land policies
- An informal construction of “fairly good quality” may be gradually converted into productive capital
- Adequate institutional capacity is paramount
- Priorities are important, recondition of existing tenure, provision of clear titles (social, economic benefits)
- Engage all parties, provide incentives

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## List of recommendations to be taken into consideration (2/2)

- Develop a strategy-what to formalize and how, be inclusive, define areas under formalization and classes, avoid details
- Develop a communication plan and a strategy report;
- Develop the legal framework; fees and penalties, administration/agency, technical issues
- Implement , control, register, improve /allow for improvements
- Monitor the protected assets
- Avoid corruption, avoid on-site inspections
- Improve relevant policies for sustainable real estate markets

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