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*Informal Development in South-Eastern Europe. Lessons Learnt
from five countries*



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FIG 2012 Regional Conference in Montevideo, Uruguay

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Content

- Recent publications, traditional policies and Current Trends in dealing with informal development.
- The size of informal development and the recently adopted policies in five South-eastern European countries: Albania, FY Republic of Macedonia, Cyprus, Greece, and Montenegro.
- Lessons Learnt and Future Action Plan:
 - FIG Task Force on Property and Housing
 - **joint FIG/UNECE WPLA Conference on “Informal Development, Property and Housing: Legalization and Progress”, 10-14 December 2012, Athens, Greece.**

Recent UNECE, FIG, UN HABITAT publications

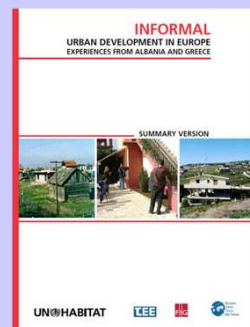
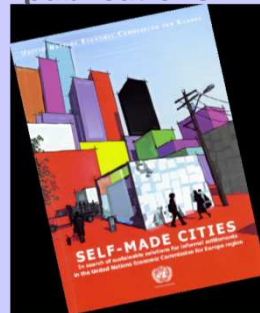
This book, published by UNECE Committee on Housing and Land Management and its Working Party on Land Administration, describes how more than 50 million people in the UNECE region have come to live in informal settlements and examines the main characteristics of the phenomenon.

<http://www.unece.org/publications/oes/SelfMadeCities.pdf>

Informal settlements are the product of complex socio-political processes that differ significantly from country to country and from region to region. Research on informal development therefore deals with complex issues that can only be addressed through **in-depth studies**.

http://www.fig.net/pub/others/unhabitat_informal_urban_dev.pdf

This 2010 FIG/UN HABITAT, GLTN research covers the problem of informal development in Albania and Greece at a detailed level, engaging with all the many complexities and variables associated with the issues and the different systems and institutions.



More recent in-depth country studies

2009 AREC/WB study on “Illegally built objects and Informal Development in FY Republic of Macedonia”,

2009 National Technical University of Athens, about informal development in Cyprus,

2011 National Technical University of Athens, about informal development in Greece, and

2012 Statens Kartverk study on “Illegal buildings and Informal Development in Montenegro”.



Traditional tools and policies

Traditional tools and policies applied:

- Demolitions
- Central development control through complicated planning and construction permitting procedures
- detailed zoning regulations without considering existing private rights; on-site thorough inspections
- High penalties
- Denial of property registration, transfer and mortgage
- Police measures; Strict punishments; imprisonment
- Social housing



Some of the negative impacts of such policies:

High costs (administrative, and for planning, housing, permitting, on-site inspections...); long delays in development procedures; bureaucracy and corruption; impact on property values; environmental degradation; market blockage, revenue losses...

Result: 50M people in the greater European region live in informal settlements

Current Trends in dealing with informal development

New tools and polices:

- Flexible and participatory planning to facilitate development rather than to control it; revision of zoning and planning regulations
- Simplified construction permitting; transfer of responsibility for compliance to the private sector
- Automatic monitoring of environmentally sensitive areas rather than on-site inspections
- Simple, quick, inclusive, low cost and affordable legalization and privatization of land; adoption of minimum planning norms and standards
- Property registration; empowerment of property titles; transparent and fair property taxation; reduction of transaction costs and times
- Resettlement in case of demolitions
- Affordable planning and affordable housing

Some of the expected benefits:

Inclusive society; sustainable development and prosperity; economic growth; transparency; public acceptance and citizen participation; environmental improvements ...

The case of Albania

- In 2006, a **simplified legalization procedure** was adopted aiming to activate about 6-8 billion USD. A special state legalization agency is established.
- The General Adjustment Plans set the line of urban construction, within which legalization is carried out. Infrastructure improvements are provided with "**minimum urban planning norms and standards**", in order to solve the urgent housing and economic needs for the next 20-30 years.
- 350,000 informal buildings (80,000 are multiple-dwellings, apartments and shops) are legalized.
- Applicants pay a **symbolic amount** (special tariffs) for **obtaining ownership** of a land parcel up to 300 m².
- **Residential buildings up to 4 floors are not checked for safety.**
Owners are responsible for any consequence.
- The new Albanian planning approach **does not include detailed dimensional requirements** for parcels.
- The budget for the legalization project was 5 M Euros in total.



The case of F Y Republic of Macedonia

Current spatial planning is **flexible** and in many cases it responds to the market needs. If citizens undertake most costs, extensions of plans are easy. Property taxes are added to the municipalities' revenues thus extensions of detailed urban plans become easier.

In 2011, a new Legalization Law was adopted .

The Ministry for Transport and Communication is responsible for legalising the facilities of importance while municipalities are responsible for legalising houses up to 10.2 m tall.

The **symbolic charge** is 1 euro per m², payable in 12 instalments. The law is very popular, 350.000 requests were submitted within a 6 month period.

Owners of structures on land owned by the state have to submit a request to purchase that land or the authorities determine a long-term lease plan.

The control procedures for legalization should be finalized in the next six years. There is no control of the seismic vulnerability of the constructions at this stage.

The procedure is still in its initial phase, no rejecting decision has been issued yet.



The case of Cyprus

- Permitting and regulating procedures are **flexible**; planning illegalities, due to market pressure, affect the operation of cadastre and land market (~80% of the existing condominiums cannot get the property titles; 60% of single family houses are not registered).
- In 2011, a group of legislation amendments called "**planning amnesty**" aims to optionally legalize planning illegalities only within the planned areas and eventually lead to the security of updated titles. **Legalization of planning and building illegalities is optional.** Acquiring a new title is obligatory. Illegalities -if not legalized- are to be recorded on the title. These temporary provisions of the legislation expire by 2014.
- Legalization levy equivalent to half of the market value of the area in excess is imposed; a 20% discount on the levy is set for applicants of the first year period.
- The project is at its initial stage; so far ~ 4,000-5,000 owners submitted a statement of intent.



The case of Greece

- The Greek Constitution gives priority to environmental and social issues, rather than economic needs. Planning is extremely centralized, complex, bureaucratic, time and cost consuming, and does not take into consideration existing private property rights. Real property taxes go mainly to the central government. There are >1.5 million small informalities within the planned areas, and > 1 million illegal buildings in non planned areas.
- 2010 Law for formalization of some planning illegalities within the planned areas for 40 years, and 2011 Law for formalization of planning and some of the zoning illegalities in non planned areas for 30 years were adopted. Legalization penalties (~half of construction value) and costs (high accuracy surveying plans and seismic vulnerability reports are required) are not affordable.
- There is a lack of affordability, insecurity and public trust as the formalization will last only 30-40 years.
- Only ~ 250,000 declarations have been submitted so far despite the successive extensions of deadlines.



The case of Montenegro

- Implementation of the 2004 Law on Restitution of Ownership Rights is still doubtful.
- Planning procedure is still highly centralized, expensive, inflexible, highly influenced by the Constitutional declaration of Montenegro as an “ecological” country. For illegal construction imprisonment from 6 months to 5 years is intended punishment.
- People are reluctant to pay property taxes both by attitude and because of affordability.
- A legalization strategy for ~130,000 buildings is prepared.
- For legalization occupants are expected to obtain credit in order to pay: high communal and administrative fees; the field controls, survey plans and seismic vulnerability reports; reconstruction and purchase of land at the market value, if needed.
- Legalization can be accomplished only after the compilation of all detailed plans, individual inspections for compliance, and payment of the above expenses by the occupants. The process is expected to last > 10 years.
- It is doubtful that all illegal occupants are bankable.



Lessons Learnt

1. Legalization should be **quick, clear and inclusive**. Fees should be **low and affordable** making the legalization process **attractive and favorable to all**; should also include affordable privatization of land.
2. There is a need for a clear government policy, increased awareness and collective will among all stakeholders for legalization; formalization for a limited period creates public mistrust, blocks the market and the economy.
3. Complicated and expensive planning procedures may encourage further informalities; overly strict environmental regulations inhibit economic growth. Improvements may be provided by adopting “minimum urban planning norms and standards”.
4. The **planning and building legality may not be a prerequisite for issuing of an updated title** to the property; such irregularities may be recorded on the title. Legalization of such illegalities may even be made optional or at a later stage, according to the owner's /purchaser's will and ability to pay.
5. **Minimize legalization costs by minimizing the required controls and on-site inspections**. Detailed controls or improvements may follow legalization. Thorough seismic vulnerability controls may mainly be intended for informal constructions of professional use and those that accommodate large accumulations of people.

Future Action Plan

- **There is a growing housing “affordability” problem.**
- High and complex zoning and building restrictions (limited supply), uncertain timeframes, real estate taxation,... represent significant barriers to "affordable" housing.
- There is a growing number of **low-income workers** who constitute a “demand” but those who control the market see no profit in housing them. In order to eliminate the phenomenon of informal development, there is a need for new tools for affordable planning and affordable housing that would be in compliance with the current market trends.
- **FIG Task Force on Property and Housing is dealing with such issues.**

A joint FIG/UNECE WPLA Conference on “Informal Development, Property and Housing: Legalization and Progress”, is organized between 10-14 December 2012, Athens, Greece.

Thank you

