



# FIG WORKING WEEK 2019

22-26 April, Hanoi, Vietnam

Presented at 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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## Content of the FIG/UNECE publication

Background:

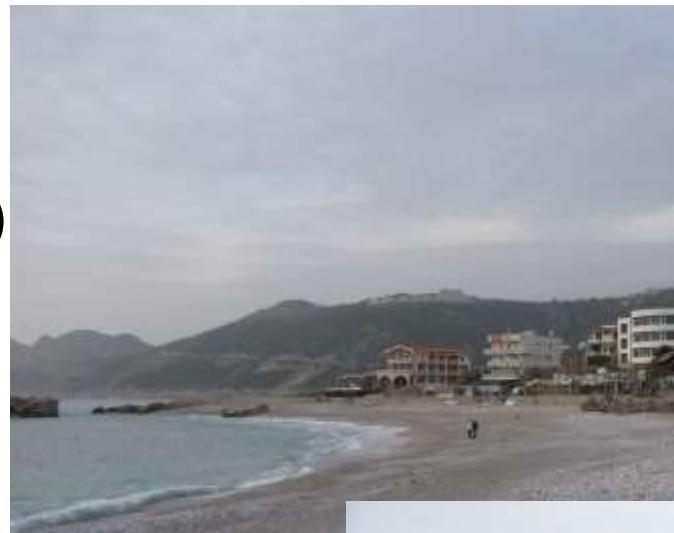
1. Definition / size of the problem in the various UNECE countries
2. reasons /causes
3. various types of informal development in the various countries (with many similarities)

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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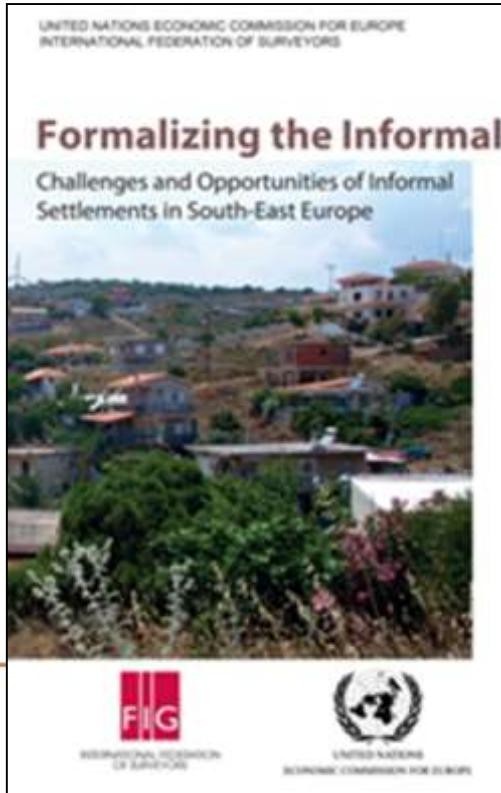
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## The obvious

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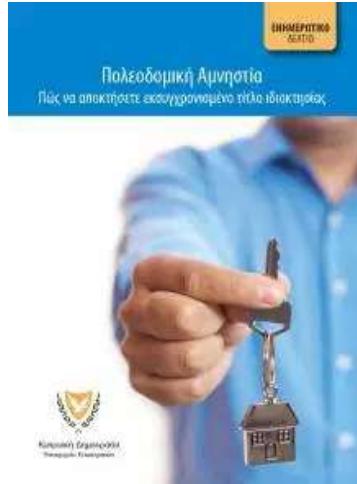
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## Informality in the real estate sector is directly related to a general informal culture

- **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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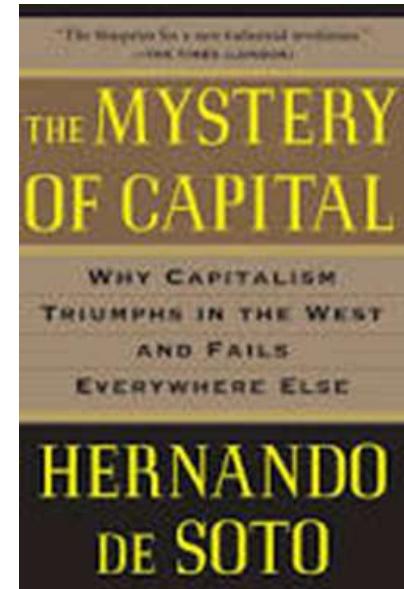
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## Title registration is important

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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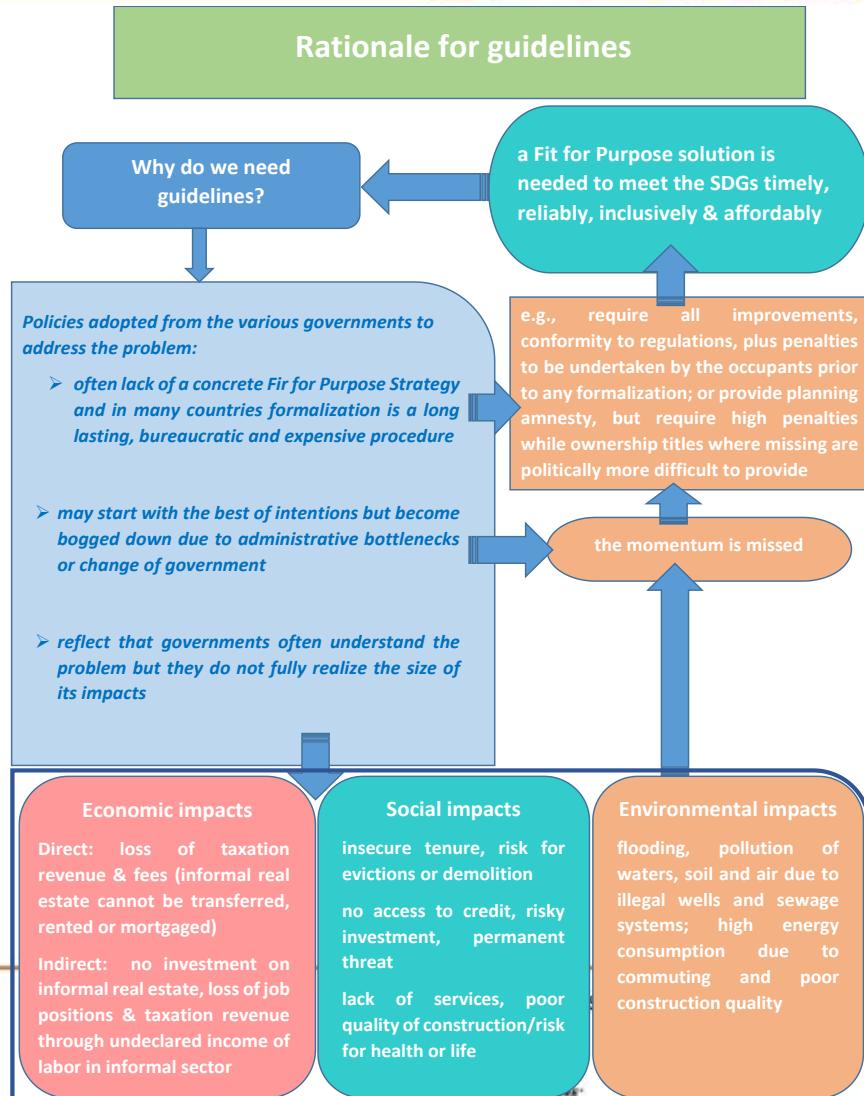


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## Why do we need some TG for Formalization?

*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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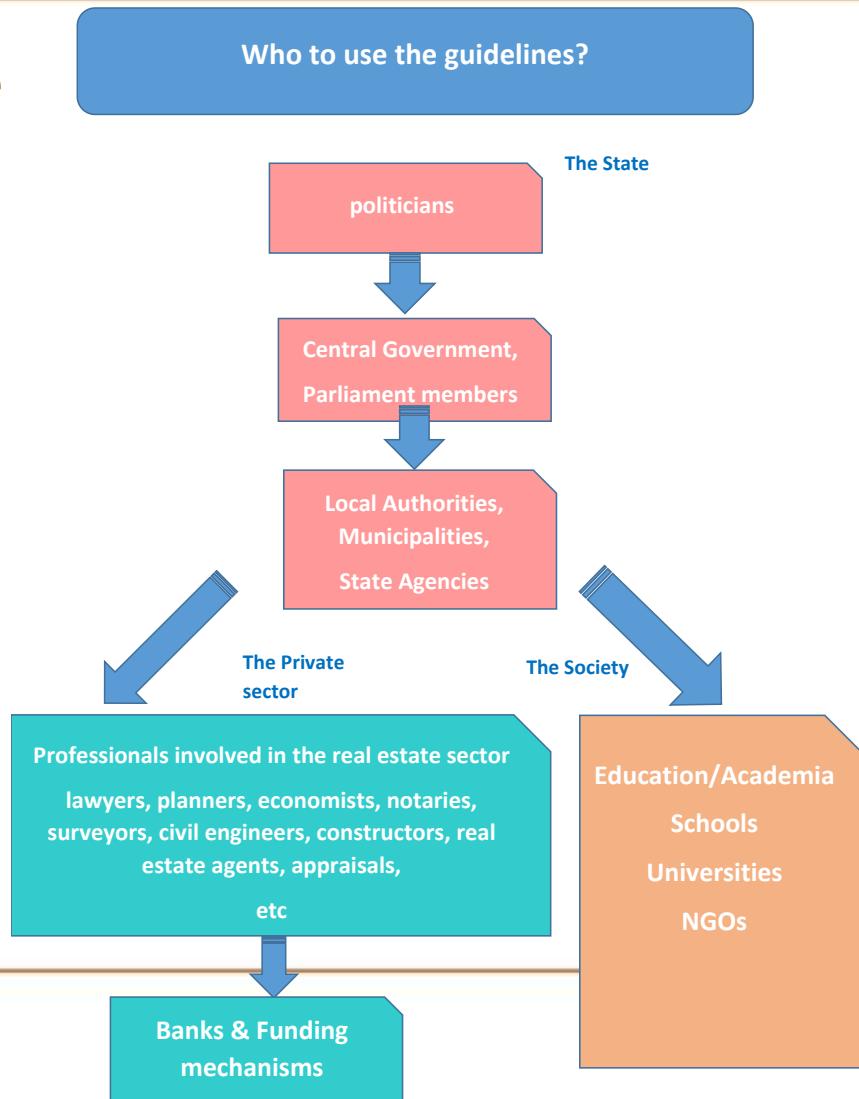
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## A General Guide

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



- 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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