FORMALIZING THE INFORMAL:
CHALLENGES AND OPPORTUNITIES
OF INFORMAL SETTLEMENTS IN
SOUTH-EAST EUROPE

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Informal settlements is not a new issue for Europe; increasingly important the last 25 years


The study

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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…

When neither the government nor the private market efficiently provide formal housing, people turn to informal solutions;

People should not be punished as a result.
Informal solutions: dead capital

The transition economic process includes:

- **Privatization & Property registration**
- **Changes in the role of the state** from being a provider of growth to becoming an enabler of growth, with the private sector being the engine of the economy.

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

*Source: The World Bank*

WB: in 30 European & central Asian countries:
- a population of ~ 900 million and a land area of ~ 27,381,300 km², and ~ 300 million of properties; 1.1 billion USD in loans and grants

UNECE: ~ 50 million? live in informal real estate
Why this Study?

- Housing is a way to create wealth; it is directly linked to economic development.
- A stable and transparent framework within which transactions take place is vital for national economy.
- But, countries still follow various transition strategies with conflicting, complex and unclear policies. Remaining unclear ownership & use rights, costly and complex construction permitting result in weak real estate markets, cause uncertainty & lack of foreign investment.

Photo by C. Potsiou
Findings

- Poor public administration & weak property markets at country level, where relationships matter more than rules, are among the major causes of IS.

- Ecological and other concerns imposed by a country’s constitution as well as policies promoting state-owned land can exacerbate the problem; e.g., difficulties in transforming agricultural land into land for construction, or difficulties legalizing informal settlements within forest areas.

*Photo by C. Potsiou*
Findings

- Formal real estate markets provide expensive housing, with fewer options for the lower and middle class populations.

- The question is, how well do governments support the involvement of private sector? Planning and construction permits are time and/or cost consuming.

- Displaced populations in some regions have not yet been formally integrated & cannot equally enjoy the benefits of privatization and legalization projects.

Photo by C. Potsiou
Countries’ response

- Where there is a considerable amount of informal development on state or private land that belongs to another owner, it was decided that *legalization and title provision is the only practical solution*.

- Some have *provided titles, at affordable prices*, to those squatting on state land (for their primary residence), *regardless the existence of a plan* unless the occupied state land is protected by the constitution…

- In the EU member countries *the right of private ownership is well respected* so squatting on private land is not extensive; adverse possession?

*Photo by C. Potsiou*
Some adopted a more affordable, inclusive and pro-growth legalization approach & separated planning informalities from property titles.

In the rest of the countries (mainly where environmental protection and/or state property ownership are in the constitution) planning issues are still connected with property registration and titling....this significantly delays the whole procedure.

there is either governmental indifference or lack of awareness of what great impact such a delay in legalization has on national economies.
Our recommendations

- Legalization within specific zones may be a preferable solution.
- Periodical automatic monitoring of protected sensitive areas is important.
- Preferably, legislation should not include deadlines until parallel measures are adopted.
- Parallel measures refer to improving planning & construction permitting system & tools for provision of affordable housing.
It is urgent that governments will:

- Think positively, secure tenure, unblock the market, develop affordable tools for improvements of informal real estate & structure the way ahead for investment & economic growth.

- Maintain affordable fees and penalties for legalization, in terms of both time and money, for all, including the poor and middle class.

- Do not retroactively enforce ownership rights over land.

- Develop mechanisms to legalize all types of properties where the current residents have long-standing land tenure.

Photo by C. Potsiou
Our recommendations

- A clear hierarchy of government institutions, with roles and responsibilities clearly defined is necessary to tackle complex issues like informal development.

- Mechanisms should be put in place, not only to legalize existing informal structures, but to encourage new structures to be built in the formal sector.

- Planning amnesty programmes may be useful measures; planning regulations should not be a prerequisite for title issuance; flexible zoning is key.

Photo by C. Potsiou
An active involvement of the public in the legalization process should be encouraged.

The public must trust the long-term viability of a formalization project to participate in it.

The public (both those who have built legally and those who have not) needs to be made aware of the advantages of legalization for the benefit of all, and the necessary procedures to legalize their property.
Following the issuing of titles

- All properties should be allowed to be mortgaged and transferred regardless of condition. Only then will the occupants of informal real estate be able to obtain credit and proceed with the necessary improvements. Such improvements may even be made by the new owner in case of sale.

- A detailed and costly survey of an existing informal construction may not be of great value. A standardized delineation on orthophotos together with basic information about the total area and number of floors of the construction may be sufficient for legalization.

- Costs should be minimized. It is not the purpose of legalization to create jobs for planners & surveyors.
Following the issuing of titles

- Flexible and pro-growth improvements to the existing planning, building permitting and zoning systems are needed.

- In natural-hazard-prone areas, safety controls prior to issuing an operation permit are necessary in cases of informal construction for professional use requiring a special operation license, involving public buildings, high-rise buildings of all types of uses (e.g., hotels and restaurants) and other constructions accommodating many people.
Future research

- Affordable housing should be available to reduce the demand for informal development.
- There is a need to quantify the economic impact of specific land policies that delay formalization; environmental impact of such policies may also be quantified.
- There is a need to assess the functioning of housing markets in the region.

Thank You

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