ADDRESSING THE CHALLENGE OF INFORMAL HOUSING: CASE STUDIES FROM THE BALKANS, THE CAUCASUS AND CENTRAL ASIA

Dr Chryssy Potsiou
Associate Professor NTUA, Greece
chryssyp@survey.ntua.gr

Content of the study:

- Definition of the term "informal development";
- Detailed analysis of the situation in 9 UN ECE countries in south-eastern Europe and central Asia: Albania, Azerbaijan, Cyprus, FYROM, Georgia, Greece, Italy, Kyrgyzstan, and Montenegro;
  - The state-of-the-art: causes, size and impacts of informal development;
  - The various strategies, policies, legislation, procedures and tools used to deal with informal development and its formalization;
  - Monitoring the progress of legalization and integration of informal development into the economic cycle;
- Identification of examples of good practice;
Objectives of the study

- Assessment of the adopted policies:
  - How efficient and sustainable these solutions are;
  - Their impact on property market and economy;
  - Identification of new or remaining weaknesses;
  - Evaluation of the affordability & inclusiveness of the solutions (minorities, refugees, women, young, unemployed);

- Investigation of tools to eliminate the phenomenon in the future:
  - Protection of environmentally sensitive areas;
  - Improvements provision in affected areas;
  - Affordable housing provision and social inclusion;

Recommendations to unblock the property market and the

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Methodology

- Update of existing recent in-depth research (since 2009)
- Internet research on relevant issues in the specific countries
- Review of local new legislation (translation of documents)
- On-site visits & interviews with:
  - Government;
  - Local authorities;
  - NGOs;
  - Private sector: banks & professionals (lawyers, surveyors, engineers, planners, real estate agents, notaries, valuers);
  - Minority representatives;
  - Individuals.
Example: Greece

- >60% of the territory is state-owned land highly protected by the Constitution;
- Private property rights are not highly protected; Lack of cadastre maps & of spatial data infrastructure (zoning maps, forest maps, etc);
- Inflexible, centrally driven, expensive and bureaucratic planning (6,000 Euros/ha- 15 years average duration) aiming to "control" development;
- Unplanned settlements with both formal & informal constructions exist; a de facto affordable housing policy; safe constructions-not many slums;
- Result: ~1M constructions are without a building permit; ~72B Euros dead capital;
- Plus-->1.5M constructions with small informalities (illegal extensions, change of use, etc);
- Legalization is possible only through an enforcement of a detailed city plan.

Example: Greece

- New legislation for temporary formalization (for 30 years):
  - Law 3775/2009; Law 3843/2010;
  - Law 4014/2011; 370,000 declarations & revenue 1,14 B (2011-2013)
  - Council of the State decision: Law 4014/2011 is unconstitutional;
  - Law 4178/2013; 125,778 new declarations & revenue 0,7 B
- (2009- Feb 2014): ~500,000 declarations; revenue~1.84B Euros
- Weaknesses of formalization:
  - Insecure: unproven as to its Constitutionality;
  - Temporary: formalization max for 30 years;
  - Expensive to the owners: fees are ~1/3 of the construction costs;
  - Some large categories of residential real estate are still not included.

3B Euros annual GDP loss (by S. Nystrom)
Example: Kyrgyzstan

- political instability, deindustrialization, unemployment, migration;
- Newcomers in the cities are unwelcome; corruption in land privatization;
- Inflexibility in planning; costly and bureaucratic permitting procedure;
- Limited experience and lack of interest among the constructors in serving the housing needs of low and middle class customers;
- By 2010 the cities of Osh and Bishkek suffered from a rapid urban sprawl; ~5,000 hectares of informal settlements (~200,000 citizens) located in agricultural, protected, or high risk land. No infrastructure.
- All types of ID: 2 or 3 storey good constructions; brick one floor houses; one or two room huts constructed with mud, vulnerable to the weather conditions;
- Innovative WB policies: since 2000 title provision (~600,000 constructions were registered) & since 2008 infrastructure provision; still ~7,000 not legalized; plans to demolish half of those units.

Donor-funded infrastructure projects are at high risk in future.

Example: Kyrgyzstan

- Planning and building permitting is expensive and bureaucratic; it needs to be reconsidered;
- The elite formal citizens of Bishkek and the local administration see the growing urbanization process of the capital city as a burden rather than as a potential opportunity for economic growth, making population registration and acquisition of citizenship a hardship for newcomers;
- Providing ownership of land through social housing is costly, cannot satisfy unlimited beneficiaries and cannot be continued indefinitely. Instead, modern affordable housing policies should be adopted together with a reorganization of the private construction sector.
### Identified causes

<table>
<thead>
<tr>
<th>Causes</th>
<th>Montenegro</th>
<th>Albania</th>
<th>FYROM</th>
<th>Greece</th>
<th>Cyprus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Migration/urbanization</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>-</td>
</tr>
<tr>
<td>Centrally controlled / bureaucratic planning</td>
<td>yes</td>
<td>abandoned</td>
<td>changing</td>
<td>yes</td>
<td>-</td>
</tr>
<tr>
<td>Ecological or other Constitutional concerns against development</td>
<td>yes</td>
<td>-</td>
<td>yes</td>
<td>yes</td>
<td>-</td>
</tr>
<tr>
<td>No housing policy</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>-</td>
<td>solved</td>
</tr>
<tr>
<td>Refugees/displaced</td>
<td>yes</td>
<td>-</td>
<td>yes</td>
<td>-</td>
<td>solved</td>
</tr>
<tr>
<td>Minorities, Roma</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>-</td>
</tr>
<tr>
<td>Unclear property rights</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>-</td>
</tr>
<tr>
<td>Inefficient property registration/planning systems</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>-</td>
</tr>
<tr>
<td>Costly/complicated construction permitting</td>
<td>yes</td>
<td>-</td>
<td>-</td>
<td>yes</td>
<td>-</td>
</tr>
<tr>
<td>Poverty</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>-</td>
</tr>
<tr>
<td>Desire for better housing</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>Market pressure/profit goal</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
</tr>
</tbody>
</table>

### Types of ID & formalization perspectives

<table>
<thead>
<tr>
<th>Type</th>
<th>Montenegro</th>
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<th>Cyprus</th>
</tr>
</thead>
<tbody>
<tr>
<td>On state land</td>
<td>Yes after the provision of a plan and case by case consideration and direct negotiations</td>
<td>Yes</td>
<td>Yes</td>
<td>No/legally owned &amp; registered land which is claimed by the state</td>
<td>-</td>
</tr>
<tr>
<td>On private land that belongs to another owner</td>
<td>Yes After direct negotiations</td>
<td>Yes compensation provided</td>
<td>Yes long term lease agreement</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>In violation of zoning</td>
<td>Yes following a thorough revision</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Without building permit in the unplanned areas</td>
<td>Yes following a thorough examination and detailed planning provision</td>
<td>Yes planning will follow legalization</td>
<td>Yes planning &amp; infrastructure will follow legalization</td>
<td>Yes for 30 years requiring planning to be provided until then ~1,000,000</td>
<td>No ~40% of the single-family houses</td>
</tr>
<tr>
<td>In excess of the building permit</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes for 30 years ~1,500,000</td>
<td>Yes ~2,500,000 objects</td>
</tr>
<tr>
<td>Total Size</td>
<td>130,000 objects</td>
<td>500,000 objects</td>
<td>350,000 objects</td>
<td>~2,500,000 objects</td>
<td>7</td>
</tr>
</tbody>
</table>
Legalization Framework

<table>
<thead>
<tr>
<th>Montenegro</th>
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<th>Cyprus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Responsible agency</td>
<td>Ministry for Spatial Planning &amp; municipalities</td>
<td>Ministry of Public Works and Housing ALUIZNJI special agency</td>
<td>Ministry of Transport &amp; Communication &amp; Municipalities</td>
<td>Ministry for Environment, Planning &amp; Climate Change</td>
</tr>
<tr>
<td>Popularity of the project</td>
<td>?</td>
<td>positive</td>
<td>positive</td>
<td>negative</td>
</tr>
<tr>
<td>Detailed seismic vulnerability controls prior to legalization</td>
<td>yes</td>
<td>-</td>
<td>-</td>
<td>yes</td>
</tr>
<tr>
<td>Detailed controls for environmental and construction standards prior to legalization</td>
<td>yes</td>
<td>(by authorities) on-site visual controls</td>
<td>(by the private sector) on-site visual controls</td>
<td>-</td>
</tr>
<tr>
<td>Infrastructure provision</td>
<td>-</td>
<td>Not clear yet</td>
<td>At a later stage; funds from legalization</td>
<td>Basic infrastructure exists already</td>
</tr>
<tr>
<td>Speed (expected time for legalization)</td>
<td>10 years</td>
<td>declaration went fast</td>
<td>Next steps are slow</td>
<td>Fast</td>
</tr>
<tr>
<td>Affordability for primary housing</td>
<td>doubtful</td>
<td>positive</td>
<td>positive</td>
<td>doubtful</td>
</tr>
</tbody>
</table>

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