



INCLUSIVE, SAFE, RESILIENT AND SUSTAINABLE

CHRYSSY POTSIU LOOKS AT HOW SURVEYORS AND GOVERNMENTS CAN ADDRESS THE PROBLEMS OF 'INFORMAL SETTLEMENTS' TO IMPROVE PRIVATE INVESTMENT, INCREASE ACCESS TO CREDIT AND REDUCE POVERTY

When hearing about 'informal settlements', pictures of the corrugated metal and cardboard houses of African slums or the favelas of Rio de Janeiro may come to mind. However, the term has been used to refer to unregulated construction, arising from the regulations in different countries, including unplanned, unauthorised, illegal or squatter settlements. The fact that depending on the definition of 'informal' used, an estimated 40 to 70 per cent of urban dwellers in the developing world live in extra-legal settlements shows how widely the extent of the phenomenon can vary according to how it is defined.

Hernando de Soto's theory proposes that housing is important not only as a shelter to protect people from the elements but also as a tool to create wealth when used as collateral. Therefore clearly defined and registered properties, rights and responsibilities, as well as access to services, opens doors to private investment; this improves access to credit and leads to reduction in poverty. FIG and surveyors understand the importance of that and are at the centre of this activity.

The importance of addressing informal housing is underlined in the proposed United Nations Sustainable Development Goal 11, which stresses that cities and human settlements should be inclusive, safe, resilient and sustainable. Surveyors are actively engaged in aiming to identify and eliminate the barriers that are within their areas of expertise. They

can assist in the establishment of sustainable housing mechanisms in issues such as the adjudication of right holders; registration and recording procedures; property valuation; and land use planning and permitting. They also have the vision and determination to make sustainable growth happen.

The privatisation reform in Europe and Central Asia (ECA) was the greatest in history. It included 30 countries, US\$1.1 billion in loans and grants, and affected a population of 900 million and a land of 27.4km². About 300 million properties were surveyed and registered, mostly in automated cadastral systems. Much of this land was given 'free of charge' or at 'low cost', a policy that promoted economic transformation. Many countries of the region now have made remarkable economic progress.

However, property markets in the many of the members of the United Nations Economic Commission for Europe (UNECE) still need improvements. At the joint FIG/UNECE conference in 2007, it was estimated that more than 50 million people lived in informal settlements in UNECE. These informal settlements were not registered in property registration systems, and so could not be mortgaged, formally transferred, inherited or rented. Moreover, most of these informal settlements were not subject to taxation. ECA reforms were at risk, as the increasing amount of missing information impeded sound decision-making, while settlers were deprived of access to capital and credit.

New policies

Many countries, encouraged by FIG and UNECE, have reconsidered their policies. Where possible, they initiated formalisation projects to unblock people's wealth. Formalisation includes:

- Privatisation of occupied state-owned land
- Determination of compensation for occupied, privately-owned land.
- Regularisation and planning upgrades.
- Revising zoning and planning, as well as developing regulations and standards.
- Controls and improvement of individual constructions.
- Provision of ownership titles and registration in property registration systems, allowing property transactions and mortgages.

In 2011, it was realised that greater efforts to improve formalisation, and prevent future illegal construction, are needed in UNECE.

The 2015 joint FIG/UNECE publication, *Formalizing the Informal: Challenges and Opportunities of Informal Settlements in South-East Europe*, examines the causes of informal housing in five UNECE countries – Albania, the Republic of Cyprus, Greece, Montenegro and the Former Yugoslav Republic of Macedonia – and assesses the formalisation procedures. Based on this assessment, the study makes recommendations to improve formalisation. It also contains lessons useful to other regions.

The main reason for the development of informal settlements is poor public administration and weak property markets at country level. When neither the government nor the private market efficiently provide for formal housing, people turn to informal solutions. Ecological and other concerns imposed by the country's constitution can exacerbate the problem, such as difficulties in transforming agricultural land into land for construction or difficulties legalising informal settlements in forested areas.

In all the countries examined, bar the Republic of Cyprus, there is a lack of policies to produce modern affordable housing. Formal housing markets provide expensive housing, but with few options for the lower and middle-class populations. FIG aims to raise awareness about policies that do not conflict with the requirements of a free market, but unblock the wealth of the people.

Finally, it was identified that displaced populations in some regions have not yet been formally integrated in local societies, and therefore cannot equally enjoy the benefits of privatisation and formalisation. Furthermore, planning and construction applications are time and/or cost consuming in the countries under review, and therefore cannot satisfy existing demand.

Recommendations

Based on these findings, the main recommendations for an efficient formalisation are:

- Strengthening of private property rights.
- Development of mechanisms to provide titles for all properties where residents



have long-standing tenure and to improve informal properties. This is a great part of a country's wealth and so there is an urgent need for housing markets to become formal.

- Adoption of low or no fees or formalisation costs. This will enable occupants to participate in a self-declaration formalisation project and declare their informal real estate.
- Provision of subsidies or tax exceptions and easy, low-cost authorisation, to encourage energy-efficiency and stability improvements.
- Only when properties are privatised, registered and allowed to be mortgaged or transferred will the occupants of informal real estate be able to obtain credit, and proceed with necessary improvements.
- Planning, environmental, safety and improvement standards should be set, following title provision and registration.
- There is a need to make existing planning, building permitting, and zoning systems more flexible and pro-growth.
- The occupants of both legal and illegal constructions need to be aware of the advantages of formalisation, and the necessary procedures to legalise informal property.
- The public must trust in the long-term viability of a formalisation project.
- Those who are 'legal' and own a formal house should also understand the great economic, social and environmental benefits of the formalisation of informal houses to integrate them into the economy, such as enabling energy and other environmental improvements, and should not oppose it.
- Countries should agree on fit-for-purpose guidelines for formalisation purposes and should agree on property and land measurement standards to better serve the markets and allow for credit.
- Affordable housing policy should be available, to reduce the demand for informal development; the contribution of the private sector is important and its role should be defined by clear rules.



More details about the study may be found at: www.fig.net/resources/publications/un/2015_formalizing_the_informal.asp

THE MAIN REASON FOR THE DEVELOPMENT OF INFORMAL SETTLEMENTS IS POOR PUBLIC ADMINISTRATION AND WEAK PROPERTY MARKETS AT COUNTRY LEVEL

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