



National Technical University of Athens  
School of Rural and Surveying Engineering

## 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](mailto:chryssyp@survey.ntua.gr)

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### 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 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 economy

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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 (**~60,000 constructions were registered**) & since 2008 infrastructure provision; still ~7,000 not legalized; plans to demolish half of those units
- Donor-funded infrastructure projects may be 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

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

## Types of ID & formalization prospects

| Type                                           | Montenegro                                                                                      | Albania                                      | FYROM                                                             | Greece                                                                          | Cyprus                                     |
|------------------------------------------------|-------------------------------------------------------------------------------------------------|----------------------------------------------|-------------------------------------------------------------------|---------------------------------------------------------------------------------|--------------------------------------------|
| On state land                                  | <i>Yes after the provision of a plan and case by case consideration and direct negotiations</i> | <i>Yes purchase or lease</i>                 | <i>Yes purchase or lease</i>                                      | <i>No? legally owned &amp; registered land which is claimed by the state</i>    | -                                          |
| On private land that belongs to another owner  | <i>Yes After direct negotiations</i>                                                            | <i>Yes compensation provided</i>             | <i>Yes long term lease agreement</i>                              | -                                                                               | -                                          |
| In violation of zoning                         | <i>Yes following a thorough revision</i>                                                        | <i>Yes</i>                                   | <i>Yes</i>                                                        | <i>No</i>                                                                       | <i>No</i>                                  |
| Without building permit in the unplanned areas | <i>Yes following a thorough examination and detailed planning provision</i>                     | <i>Yes planning will follow legalization</i> | <i>Yes planning &amp; infrastructure will follow legalization</i> | <i>Yes for 30 years requiring planning to be provided until then ~1,000,000</i> | <i>No ~40% of the single-family houses</i> |
| In excess of the building permit               | <i>Yes</i>                                                                                      | <i>Yes</i>                                   | <i>Yes</i>                                                        | <i>Yes for 30 years ~1,500,000</i>                                              | <i>Yes ~130,000 ~80% of condos</i>         |
| <b>Total Size</b>                              | <i>130,000 objects</i>                                                                          | <i>500,000 objects</i>                       | <i>350,000 objects</i>                                            | <i>~2,500,000 objects</i>                                                       | <i>?</i>                                   |

## Legalization Framework

|                                                                | Montenegro                                     | Albania                                                        | FYROM                                                  | Greece                                              | Cyprus                                          |
|----------------------------------------------------------------|------------------------------------------------|----------------------------------------------------------------|--------------------------------------------------------|-----------------------------------------------------|-------------------------------------------------|
| Responsible agency                                             | Ministry for Spatial Planning & municipalities | Ministry of Public Works and Housing<br>ALUIZNI special agency | Ministry of Transport & Communication & Municipalities | Ministry for Environment, Planning & Climate Change | Ministry of Interior                            |
| Date of law adoption                                           | ?                                              | 2006                                                           | 2011                                                   | 2011, 2013                                          | 2011                                            |
| Popularity of the project                                      | ?                                              | positive                                                       | positive                                               | negative                                            | negative                                        |
| Detailed seismic vulnerability controls                        | yes                                            | -                                                              | -                                                      | yes<br>visual control<br>(by private sector)        | (confirmed by the involved engineer)            |
| Detailed controls for environmental and construction standards | yes                                            | -                                                              | (by authorities)<br>on-site visual controls            | (by the private sector)<br>on-site visual controls  | -<br>(legalized ID exists within the plan only) |
| Infrastructure provision                                       | -                                              | Not clear yet                                                  | At a later stage; funds from legalization              | Basic infrastructure exists already                 | (exists already)                                |
| Speed (expected time for legalization)                         | 10 years                                       | declaration went fast<br>Next steps are slow                   | fast                                                   | Slow<br>Due to insecurity and costs                 | Slow;<br>negative acceptance                    |
| Affordability for primary housing                              | doubtful                                       | positive                                                       | positive<br>For housing:<br>1 Euro/m <sup>2</sup>      | doubtful<br>?% discount                             | doubtful                                        |

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- Main author: Prof Chryssy Potsiou  
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