



STABILITY PACT
FOR SOUTH EASTERN EUROPE

Working Table II: Economy
Housing and Urban Management Initiative

**SUSTAINABLE COMMUNITIES, URBAN DEVELOPMENT
& AFFORDABLE HOUSING
IN SOUTH EASTERN EUROPE**

**SUMMARY PROGRESS REPORT
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I. NEED SUSTAINABLE URBAN DEVELOPMENT & AFFORDABLE HOUSING IN SEE

The development of sustainable communities, strategic urban management and access to affordable housing play a key role in the broader socio-economic development context of South Eastern Europe.

In most Western European countries, human settlement development has generally been seen as an integral part of socio-economic development and the importance of a well-integrated human settlements sector as part of the overall social fabric, as a crucial tool to support poverty reduction and as an important pillar of environmental protection has been acknowledged. The importance of human settlements development was also strongly emphasised in the *European Commission's Communication "Cohesion Policy in support of growth and jobs – Strategic Guidelines 2007-2013"* which stresses the need to reinforce the urban component within EU cohesion policy.

The post-conflict situation and the completely changed socio-economic environment in South Eastern Europe necessitate new approaches in urban development, municipal management, housing policy and housing finance.

Following an initial phase of reduced state interventions¹, SEE land and housing sector reforms in the mid-90s were characterised by efforts that focused on short-term problem solving rather than strategic interventions with a sustainable long-term perspective. As a result, progress in the sectors of urban development and housing has been inadequate² and further reform efforts are needed with regard to overall institutional development, legal frameworks, (social) housing policy development and housing finance.

Considering that human settlement development typically absorbs two-thirds of national investment (in fixed assets, as against movable assets such as machinery, vehicles and stocks), the inadequate reform progress described above represents a major obstacle to economic growth, environmental protection and to more equitable distribution of social and economic opportunities in South Eastern Europe. Consequently, the social and economic costs of neglect in this area are high and it is in the international and national interest to rectify these debilitating constraints on the proper functioning of planning systems and markets.

As a variety of comprehensive sector studies undertaken by the Council of Europe Development Bank (CEB)³, the European Investment Bank (EIB)⁴ and the United Nations Economic Commission for Europe (UNECE)⁵ have shown, a major constraint to the rapid introduction and implementation of responsive approaches in the region is

¹ reduced public expenditure on housing delivery (social housing) and mass privatisation of housing stock

² e.g. increased informal urbanisation and housing market development, absence of strategic urban planning tools, loss of municipal revenues, lack of accessible housing finance instruments, absence of adequate rental housing market, standstill in social housing provision, lack of co-operative tools for housing stock management and maintenance, etc.

³ *Housing in SEE: Solving a puzzle of challenges (2004); Social challenges in SEE (2005); Trends and progress in housing reforms in SEE (2005)*

⁴ *Housing Sector Study in CEE and SEE (2005)*

⁵ *Country Profiles on the Housing Sector (2003-2005); Social Housing Policy Guidelines for Transition Countries (2005)*



the lack of institutional as well as human capacity and limited access to best practices from neighbouring countries. This applies to all government (national and local) entities, the private sector, academia and NGOs.

In order to support SEE countries in furthering essential reforms in the areas of urban development and housing, a regional capacity strengthening effort, targeting the national and local level, providing well-targeted policy development assistance, facilitating regional cross-border co-operation and allowing for investments⁶ from external sources to underpin reform efforts, is essential.

II. THE ROLE OF THE SP HOUSING AND URBAN MANAGEMENT INITIATIVE (HUMI)

In line with the overall objectives of Working Table II to promote economic reconstruction, development and co-operation in South Eastern Europe, the Housing and Urban Management Initiative (HUMI) is promoting sustainable urban development including affordable urban housing. It assists the countries in SEE to overcome obstacles in the development of urban development and management instruments and housing policy. It encourages exchange of information on these policies and related matters throughout South-East Europe. More specifically, HUMI pro-actively facilitates regional stakeholder meetings (involving SEE Governments and practitioners, International Organisations, IFIs and relevant EU actors) to discuss matters of common concern and to compensate for the absence of formal Pan-European or regional fora.

HUMI's work is guided by the "Vienna Declaration on Informal Settlements in SEE" of September 2004 where the Western Balkan countries committed to undertake measures to address informal settlement issues and to initiate and implement reforms in the wider orbit of sustainable urban development and social housing. The Vienna Ministerial conference also agreed to develop a capacity strengthening instrument and the preparation of a coherent programme proposal for the SEE region has been recommended.

Strategy 2005/ 2006 – Towards regional ownership and sustainable structures

Thus HUMI focuses on monitoring SEE countries' progress in implementing the Vienna Declaration commitments and ensuring the development of a regional capacity development programme that promotes international standards and is tailored to the specific circumstances of the region.

To this end, the Stability Pact brought together senior housing and urban management specialists from SEE, from International Organisations, UN-HABITAT, EIB, CEB and from interested EU member States so as to design the "Regional Capacity Strengthening Programme for Urban Development and Housing in SEE (RCSP)".

The RCSP aims to build human, institutional and investment absorption capacity in the area of sustainable urban development. This demand-driven tool will facilitate cross-border co-operation and guided exchange of experiences so as to enable national and local governments (and their civil society partners) to deal with urban management-

⁶ e.g. from International Finance Institutions and Development Banks



urban environment- and housing matters in compliance with the Acquis Communautaire and other EU standards. The key feature, which distinguishes RCSP from other external support efforts in this sector, is that it aims to bring to bear experience from within the region in all capacity-building actions to be supported by the programme, along with international experience.

The main programme is to cover the period 2007-2010 (depending on support levels realised) and key priority will be given to the strengthening of collaborative networks of Central Governments' agencies, National Municipal Associations, civil society and academic institutions, expected to serve as sustainable structures for regional co-operation in the future.

Due to the absence of key EU institutions responsible for matters related to urban development and housing, it has been agreed that *UN-HABITAT is well-placed to be the main implementing agency* of this regional capacity-strengthening programme⁷.

As a first step in transferring responsibilities, the Stability Pact and UN-HABITAT entered a formal co-operation agreement in January 2006, foreseeing joint programme development activities in 2006 as well as subsequent programme implementation in the region.

III. ACHIEVEMENTS TO DATE

Between November 2005 and May 2006, SP/HUMI facilitated a mixture of regional stakeholder meetings and targeted RCSP programme development activities, involving Western Balkan stakeholders (national and local Government, civil society, academia), CEB, EIB and UN-HABITAT. In addition, a variety of bi-lateral meetings were held with key donor agencies and EC interlocutors.

During the reporting period, considerable progress has been made in the following areas:

1. Development of a Regional Capacity Strengthening Programme (RCSP)

Following the validation of the overall RCSP concept (as proposed by UN-HABITAT and the Stability Pact) by all stakeholders in autumn 2005, SP/HUMI mobilised financial support from the Swiss Development Co-operation (SDC) and the Council of Europe Development Bank (CEB), allowing for final programme preparations in accordance with an agreed action-plan during November 2005 and May 2006.

Two important steps were taken between November 2005 and January 2006:

In November 2005, *SEE Ministries appointed "National Focal Points"* to support the RCSP development on a national level and both the Council of Europe Development Bank (CEB) as well as the European Investment Bank (EIB) underlined their interest to provide guidance to the *Regional Steering Committee of the RCSP*. In January 2006,

⁷ in view of its human settlements development mandate within the UN family, its focal point role for the human settlements-related MDGs, its considerable experience in the development and implementation of programmatic global and regional support programmes and its strong global and regional experience in training and capacity strengthening for human settlements.



the *Stability Pact and UN-HABITAT entered a co-operation agreement* to formalise their joint programme development activities in 2006.

With financial support from the Council of Europe Development Bank (Norwegian Trust Account) and the Governments of Switzerland and Luxemburg, experienced urban management specialists held detailed consultations with SEE stakeholders at national and local level from February 2006 onwards in order to prepare a final RCSP programme document and to discuss proposals for first RCSP demo-projects of a regional nature to be implemented in 2006.

As part of this consultative process, *National Stakeholder Workshops* were conducted in Albania (20 April 2006), Bosnia-Herzegovina (26 April 2006), Croatia (7 April 2006), Macedonia (28 March 2006), Montenegro (4 April 2006), Serbia (3 April 2006) and UNMIK/Kosovo (29 March 2006).

To actively involve municipal constituencies in the development of the above programme and its future activities, a regional *workshop of National Municipal Associations* was held in Skopje on 27-28 April 2006 (with the support of ZELS), attended by delegations from all Western Balkan countries. This workshop concluded by a joint declaration of SEE National Municipal Associations, summarising the discussions and expressing support for the purpose, concept and methodology of the RCSP.

The outputs of these national and regional consultations were fed into a draft *final programme document for the RCSP* which describes the rationale, purpose and implementation modalities of a 4-year Programme designed to markedly improve the performance of the urban development and housing sector in SEE. At the “3rd regional Vienna Declaration review meeting” (Tirana, 4-5 May 2006), this final programme document was endorsed by an extended stakeholder group, involving relevant SEE Ministries, the European Investment Bank, the Council of Europe Development Bank and representatives from civil society and academia. An executive summary of the final RCSP programme document is available on the website of the Stability Pact.

While the main RCSP programme is to cover the period 2007-2010 (subject to availability of financial resources), it was agreed to test programme procedures and demonstrate the programme’s value added by implementing one or two initial *demonstration activities during 2006*, for which the substantive focus areas have already been agreed. In early May 2006, UN-HABITAT and SP/HUMI invited the RCSP beneficiary countries to submit proposals for above mentioned demonstration projects (in compliance with the programme’s predefined procedures and selection criteria) by end-May 2006.

An interim RCSP programme implementation mechanism (composed of SEE National Focal Points, CEB and EIB) has been established and proposed demonstration-activities will be assessed, scored and selected in June 2006. Subject to available programme resources, the implementation of selected demonstration-activities will commence in the second half of 2006.

2. Implementation of the Vienna Declaration on Informal Settlements

In accordance with Page 2, Paragraph VIII of the Vienna Declaration, it was agreed at the “2nd regional Vienna Declaration review Meeting” (Brussels on 13-14 October 2005)



that from 2006 onwards, upcoming (bi-annual) regional review meetings should be held in the SEE to enhance regional ownership. Following a call for proposals, all signatories expressed their strong interest to host future review meetings and the following sequencing was agreed:

- 3rd Regional Review meeting: early May 2006 – Tirana
- 4th Regional Review meeting: November 2006 – Belgrade
- 5th/6th Regional Review meetings 2007 - Podgorica / Pristina

On 4-5 May 2006, the Ministry of Public Works, Transport and Communication of Albania hosted the “3rd regional Vienna Declaration review meeting” in Tirana so as to assess progress in implementing the Ministerial action-plans presented by the five signatories of the Vienna Declaration and to share SEE project experiences.

The peer review indicated that considerable progress has been made in putting into place improved legal and regulatory frameworks for addressing informal settlements. For instance, a law on informal settlements development has been adopted in Albania and similar legislation is under preparation in several other countries. Furthermore, the local case-study presentations showed that a variety of interesting pilot initiatives are emerging in South Eastern Europe, demonstrating practical operational issues and informing the informal settlement related policy-making process. Holding this meeting in Albania also enabled local site visits to informal settlements related pilot projects in Tirana and Durrës, stimulating exchange of experiences across the region

To increase effectiveness of the Vienna Declaration Action Matrix (VDAM) as a tool for peer review and measuring implementation progress, it was agreed to add further benchmarks and indicators (such as Millennium Development Goals, etc.) to the matrix and to focus future review sessions on specific sub themes within the wider housing policy spectrum.

3. Strengthening Academic Co-operation in the area of urban research

In their efforts to strengthen academic co-operation in the area of land and urban research in South Eastern Europe, SP/HUMI and the Head of Sector “Urban Sustainability & Cultural Heritage” at the European Commission / DG Research have sought to jointly try to stimulate the participation of Western Balkan countries in the Research Framework Programme of the EC.

Supported by SP/HUMI and financed through Swiss Agency for Development and Co-operation, the University of Architecture, Civil Engineering & Geodesy in Sofia hosted a “Regional Roundtable Meeting on Academic Cooperation for Sustainable Urban and Housing Development in SEE” on 24-25 March 2006. The roundtable meeting was attended by 31 participants from national academic and international institutions in Europe, including Universities from SEE and EU member States, European Commission DG/Research, ICLEI, UN-HABITAT, Stability Pact for SEE, non-profit organizations and the Bulgarian Ministry of Education and Science.

Common SEE research priorities for future academic co-operation were identified and a co-ordination group (composed of Universities from Sofia, Skopje and Thessaloniki) was established to develop an action-plan for the preparation of a joint SEE-EU research project proposal to be submitted under the FP7 of the EC. Progress of these preparations will be reviewed in a follow-up meeting, scheduled for late 2006.



IV. FUTURE CHALLENGES – MAKING REGIONAL OWNERSHIP SUSTAINABLE

The key challenge faced by HUMI, UN-HABITAT and its national and local government partners in SEE is securing sufficient financing for the phased implementation of the Regional Capacity Strengthening Programme (RCSP). This programme seeks to provide a vehicle to overcome the vicious circle of substantial investment needs in this sector but the inadequate investment conditions that preclude such investment.

The majority of (informal) domestic investments in human settlements development could be captured and redirected into formal urban development projects and housing production, contributing to municipal revenue and to more powerful municipal budgets. However, adequate regulations, procedures and enforcement mechanisms are not in place to facilitate this.

While IFIs stand ready to finance municipal infrastructure and housing development, they experience difficulties in developing appropriate lending activities in these areas as their clients typically lack the ability to design and implement policies, programmes and projects.

Long-term sustainable municipal development and management processes will only be achieved, if appropriate institutional, administrative and fiscal systems to manage city development can be successfully introduced and if strategic urban planning and suitable investment frameworks can be put in place.

Hence, a major donor supported capacity building effort is needed in the short to mid-term perspective (2006-2010) to enable national and local governments (and their civil society partners) and to generate self-sustaining structures for viable cross border co-operation and national action to create sustainable communities in SEE. Funds are required for three distinct phases - (i) demonstration phase during 2006, (ii) inception phase during 2007 and (iii) main phase during 2008-2010.

The preconditions, benchmarks and structures for the implementation of a demand-driven and stakeholder-based support programme (and for an incremental hand-over of Stability Pact's responsibilities) have been established during 2005 and 2006, politically supported by both SEE actors and the interested IFIs.

The main risks to the programme are of political nature such as political conflicts (e.g. Kosovo status), upcoming elections and eventual changes in SEE governments that might abruptly redirect objectives and operational preferences of involved SEE Ministries. HUMI has taken steps to minimise these risks by careful project selection and by demanding cost-sharing by the beneficiaries. The regional steering committee and the programme management unit will carefully select those capacity building activities to be implemented under the RCSP and will ensure that these activities are based on the involvement of a broad range of political and non-political stakeholders. In addition, all capacity building activities under the RCSP will require a SEE counterpart contribution (cost-sharing / in-kind contribution) ensuring continuous counterpart support and involvement.