



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

SUMMARY PROGRESS REPORT

MAY – NOVEMBER 2005



I. NEED FOR AFFORDABLE HOUSING & SUSTAINABLE URBAN DEVELOPMENT IN SEE

As SEE countries move from post-conflict to transition status, they are undergoing fundamental structural changes of political, social and economic nature. Housing and urban development plays a key role in the broader socio-economic development context of South Eastern Europe and therefore post-conflict situation. The completely changed socio-economic environment necessitates new approaches in housing policy, housing finance and urban management.

In most Western European countries, human settlement development has generally been seen as an integral part of socio-economic development¹; the importance of a well-integrated human settlements sector as part of the overall social fabric and as an important pillar of environmental protection has been acknowledged. However, this is unfortunately not yet seen as a major area of concern for policy makers in SEE or for the potential accession to the EU.

Following an initial phase of reduced state interventions², SEE 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 housing and urban development has been inadequate³ 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 - it is therefore in the international and national interest to rectify these debilitating constraints on the proper functioning of markets and planning systems.

As a variety of comprehensive sector studies⁴ have shown, a major constraint to the rapid introduction and implementation of responsive approaches in the region is the lack of qualified human resources with operational experience. 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 housing and urban development, a regional capacity strengthening effort, targeting the national

¹ from addressing immediate quantitative housing shortages during the post-World War period to overcoming qualitative housing shortages, integrating housing finance in financial sector policies and providing fiscal incentives from the 1960's onwards

² reduced public expenditure on housing delivery (social housing) and mass privatisation of housing stock

³ e.g. increased informal housing market development and urbanisation, 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.

⁴ such as the CEB study on "Trends and Progress in Housing Reforms in SEE", the UNECE country profiles, the UNECE Social Housing Guidelines, etc.



and local level, providing well-targeted policy development assistance and allowing for investments⁵ from external sources to underpin national reforms, 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 affordable housing and sustainable urban development. It is assisting the countries in SEE to overcome obstacles in the development of housing policy and urban development instruments and furthering the process of exchange of information on these policies and related matters throughout South-East Europe. More specifically, the HUMI is pro-actively facilitating regional stakeholder meetings (involving SEE Governments and practitioners, International Organisations, IFIs and relevant EU actors) in order to discuss matters of common concern and to compensate the absence of formal Pan-European or regional fora. Furthermore, HUMI is supporting the Initiative for Social Cohesion (ISC) and its partners in the ISC Housing Experts network efforts regarding housing policy and finance on a more operational level by directly supporting the countries of the Western Balkans.

At a high level conference on the issue of Informal Settlements in SEE organized by HUMI in Vienna in late September 2004, Ministry representatives from Albania, the Former Yugoslav Republic of Macedonia, Serbia and Montenegro (and later UNMIK/Kosovo) signed the “Vienna Declaration on Informal Settlements in SEE”, reaffirming their commitment to address informal settlement issues and to improve the overall housing policy environment. Working group discussions during this Ministerial conference and subsequent bi-lateral consultations identified the vital interest of SEE Governments (including Croatia and Bosnia-Herzegovina) and international institutions to develop a capacity strengthening instrument and the preparation of a coherent programme proposal for the SEE region has been recommended.

Strategy 2005 and 2006 – Towards regional ownership

In order to sustain the considerable regional momentum generated through the Ministerial conference in Vienna, the Ministère des Affaires Etrangères of Luxemburg (and later the Swiss Development Co-operation as well as the CEB) provided financial resources to support Working Table II in furthering this important process. Throughout 2005, this support enabled HUMI to (i) support SEE Governments in implementing the Vienna Declaration commitments and to (ii) facilitate the development of a regional capacity strengthening programme for urban development and housing in the SEE region together with relevant partners and stakeholders. In addition, the (iii) promotion of academic co-operation and research in the area of land and urban development presented a subordinated objective of HUMI in 2005.

Given the Stability Pact’s role to act as a catalyst and facilitator for regional cooperation among the SEE countries, the transfer of responsibility to the SEE countries is a key objective for all SP initiatives. To ensure the transfer of responsibilities and to adequately address prevalent sector constraints in SEE, the *consultative development and successful implementation of a comprehensive regional capacity strengthening*

⁵ e.g. from International Finance Institutions and Development Banks



programme, based in the region, is HUMI's key objective for 2005/2006 and the process is envisaged to take until the end of 2006 / early 2007.

III. ACHIEVEMENTS TO DATE – ENABLING REGIONAL ACTORS

To implement this regional strategy in a consultative manner, SP/HUMI's activities were built around three regional stakeholder meetings hosted in Brussels on 22 - 23 March 2005, in Vienna on 11 May 2005 and in Brussels on 13-14 October 2005. Serving as important milestones in this process, the workshops were attended by Ministry representatives from South Eastern Europe (signatories and non-signatories of the Vienna Declaration), regional as well as international experts, NGOs, academia and representatives from UN-HABITAT, UN-ECE, World Bank, EIB, CEB and the Council of Europe to jointly discuss further steps to work towards the key objective highlighted above.

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

Implementation of the Vienna Declaration on Informal Settlements

Following UNMIK/Kosovo's signature of the Vienna Declaration (VD) in February 2005 and the presentation of Vienna Declaration Action Matrices (VDAMs)⁶ by Ministry representatives from Albania, Former Yugoslav Republic of Macedonia, Montenegro, Serbia and UNMIK/Kosovo in March and May 2005, SP/HUMI facilitated the "2nd Regional Vienna Declaration Review Meeting" in Brussels on 13-14 October 2005⁷.

The representatives of the signatory Ministries to the Vienna declaration presented progress in the implementation of the Vienna Declaration Action Matrices (VDAMs) in their countries. In addition, local case-study examples were presented from Durres/Albania; Belgrade/Serbia and Sarajevo/Bosnia-Herzegovina, highlighting pilot operational experience in dealing with informal settlements.

The VDAM 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 is currently under review, considering the initial operational experience. 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.

In accordance with Page 2, Paragraph VIII of the Declaration, it was further agreed that from 2006 onwards, upcoming (bi-annual) regional review meetings should be held in the SEE (with SP financial and technical support) to enhance regional ownership. Four signatory Ministries (Albania, Montenegro, Serbia and UNMIK/Kosovo) expressed their strong interest to host future review meetings and the following sequencing has been agreed:

⁶ indicating each Ministry's goals, activities, benchmarks, involved actors and timelines regarding the implementation of Vienna Declaration commitments; and intended to serve as an efficient tool to (a) generate necessary technical assistance for and (b) monitor regional progress of activities related to informal settlement resolution and prevention

⁷ in accordance with the Vienna Declaration, Page 2, Paragraphs II and VIII (bi-annual review meetings)



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

Conducting these meetings in the region will not only enhance sense of regional ownership for the Vienna Declaration review process, but will also enable local site visits to informal settlements related pilot projects which will undoubtedly stimulate the exchange of experiences across the region.

Development of a Regional Capacity Strengthening Programme

Several regional workshops supported by SP/HUMI have already been held to discuss concepts and issues for the regional capacity strengthening programme for urban development and housing prepared under UN-HABITAT and SP/HUMI auspices respectively. Through these workshops the overall substance of the programme concept and framework, the principal of focus on activities with regional added value, inclusion of in-country pilot projects and the overall phased/modular, demand-driven approach has been validated by participating stakeholders from SEE countries and the international community. What is envisaged is a programmatic regional facility for capacity strengthening. It will promote a harmonised planning system, legislation and technical cooperation across borders and the programme will flexibly respond to country-specific requests in accordance with their national reform agenda.

Based on the workshop discussions and conclusions, it was decided that a final preparatory phase would be required to identify and formalise the operational anchor points of the programme in the region (through MoUs, etc.), to develop pilot activities together with the beneficiary countries and to formulate a comprehensive project proposal.

Between June and October 2005, SP/HUMI mobilised financial support from the Swiss Development Co-operation (SDC) and the Council of Europe Development Bank (CEB), allowing for an immediate start of final programme preparations in late November 2005 to pave the way for gradual start of programme implementation in late 2006.

Representatives from SEE, IFIs and International Organisations have agreed on a joint SP/UN-HABITAT work-plan outlining final programme preparation activities. In close co-operation with “National Focal Points” to be appointed by the relevant SEE Ministries in November 2005, a SP/UN-HABITAT expert team will organise pilot activities and national stakeholder workshops in the region between December 2005 and March 2006 and a final programme document will be reviewed and concluded in April 2006.

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 agreed to jointly try to improve the participation of Western Balkan countries in the Research Framework Programme of the EC.



Following a meeting between SP/HUMI and representatives of the University of Architecture, Civil Engineering & Geodesy in Sofia in June 2005, the Sofia University formulated a proposal for a 1st regional workshop with SEE Universities, the EC and bilateral research support agencies in early 2006. The purpose of this workshop will be to discuss research areas of common concern, to develop a joint project proposal for the upcoming Framework Programme 7 and to prepare a conference on “Academic Co-operation for Sustainable Urban and Housing Development in SEE”

Participation in regional meetings – creating consensus on SEE sector needs

On 21-22 June 2005, SP/HUMI and the Initiative for Social Cohesion (ISC) jointly attended the meeting of the SEE Housing Experts’ Network at the Council of Europe (CoE) in Strasbourg. During the meeting, the draft report on “Trends and Progress in Housing Reforms in SEE” (to be published by the CEB in October/November 2005) as well as the future of the Network were discussed. A CoE report on the meeting including an official CoE request for SEE proposals regarding the future of the Network has not been issued yet.

On 19-21 September 2005, SP/HUMI attended the 66th Committee Session of the UNECE Commission on Human Settlements in Geneva and on 23 September 2005, SP/HUMI participated in an expert meeting hosted by the EIB to review the draft findings and recommendations of the bank’s “Housing study for CEE and SEE”. Discussions in all meetings demonstrated a clear consensus on the need for capacity building in the housing and urban development sector.

IV. FUTURE CHALLENGES – MAKING REGIONAL OWNERSHIP SUSTAINABLE

As already mentioned in section 2 of this document, HUMI’s key objective for 2005 and 2006 is the consultative development and successful implementation of a comprehensive regional capacity strengthening programme, based in the region and jointly steered by national and international actors.

The *strong need* for capacity building in the housing and urban development sector in SEE, allowing for a synergy of existing regional and international reform forces, is *indisputable*. The *political consensus and willingness* among representatives of SEE Governments, IFIs and International organisations to strengthen sector capacity is *undoubtedly given*. A coherent programmatic *assistance approach* has been *developed* in consultation with all stakeholders.

Politically, it will be of considerable importance to pay attention to the capacity in various ministries, particularly in Bosnia-Herzegovina and Kosovo to assume a lead role in initiating and advancing sectoral reforms needed.

The *SEE Ministries* are willing to initiate well-targeted reforms, but lack the human and institutional resources to do so – as a result, institutional support and possibly counterpart contribution is provided for this regional programme. The *IFIs* are ready to provide investments needed to underpin the housing and urban development reform process in SEE, but the target countries lack investment absorption and programme development capacity. Hence, IFIs politically (and in the case of CEB even financially) support the development of this regional programme as it will significantly improve the conditions for their lending operations.



Operationally, the generation of financial resources from the international donor community (bilateral donors, EC funds, etc.) for the gradual implementation of the long-term regional capacity strengthening programme for urban development and housing in South Eastern Europe will be of paramount importance.