The Phenomenon of Informal Settlements in Post-Socialist Cities: Factors and Patterns of Diversity

Introduction

In some post-socialist countries the formation of informal settlements is a phenomenon associated with the wave of urbanization in the 1960s and 1970s, in others, a phenomenon related to the influx of immigrants and refugees in the 1990s. People congregating rapidly in larger post-socialist cities searching for diverse economic opportunities often settled in the peri-urban areas. This ad hoc response to rapid urbanization is certainly different from the 'first generation' of informal settlements during socialism with development patterns that do not necessarily exhibit the characteristics of slums. On the contrary, the areas may be inhabited by middle class families, and contain housing construction of good quality, often on privately owned land. The informal nature of these developments is associated with the lack of formal urban plans and/or building licenses. Informalities are due to different factors—inadequate spatial planning, old and complex legislation, lack of housing policy, and outdated public administration structure.

By contrast, the new informal settlement formation today is often driven by poverty and social exclusion. Growing urban poverty in some post-socialist countries is manifested in the 'second generation' of informal settlements concentrated in the peri-urban areas of large cities as well as inner city ghettos. The civil war in the Balkans, followed by a refugee crisis and influx of internally displaced people, has aggravated this situation even more. In addition, the practices of illegal construction in urban areas, often due to the lack of a clear and transparent system of property rights or the lack of enforcement of existing plans, have created significant challenges in many cities such as Tirana, Belgrade, Tbilisi and Bucharest.

The paper presents a typology of informal settlements in post-socialist cities and discusses the interrelated economic, social and environmental challenges associated with this phenomenon. The focus is on post-socialist cities in South East Europe, where different types of informality, as well as the evolution of informal settlement types, demonstrate the complexity of the problem as well as the need to develop contextually sensitive and diverse solutions. The research presents an overview of emerging policy responses in the region, ranging from legalization and inclusion in formal urban plans, provision of essential social (schools, medical clinics) services, delivering technical infrastructure (safe roads, public transit, water and sewer), as well as resettlement programs in social housing. While these solutions illustrate different aspects of the policy continuum, they also imply significant political will and financial commitment of central and local state institutions. The argument

developed here is that it is important to go beyond orthodox planning and land title/registration solutions in order to improve the housing conditions of the urban poor. Their situation is aggravated by systemic problems in the market-based housing provision systems exacerbating housing inequalities and resulting in informal housing.

Informal Housing and Informal Settlements in South East Europe

Informal housing in post-socialist Europe is often reviewed in the context of informal settlements, recognising the fact that it has grown significantly to shape large parts of the urban landscape in most of the countries. *The Vienna Declaration on National Regional Policy and Programmes on Informal Settlements in South Eastern Europe* provides the following definition:

> Human settlements, which for a variety of reasons do not meet requirements for legal recognition (and have been constructed without respecting formal procedures of legal ownership, transfer of ownership, as well as construction and urban planning regulations), exist in their respective countries and hamper economic development. While there is significant regional diversity in terms of their manifestation, these settlements are mainly characterized by informal or insecure land tenure, inadequate access to basic services, both social and physical infrastructure and housing finance (Vienna Declaration, 2004, p.1).

Although there are different levels of informal housing, many definitions emphasize informality of occupation and non-compliance with land-use plans as the main characteristics. Other characteristics of informal housing include:

- Lack of secure tenure;
- Lack of basic services;
- Housing that contradicts city by-laws;
- Housing built on land not owned by the housing owner;
- Inadequate access to basic public services;
- Substandard housing or illegal and inadequate building structures;
- Illegal subdivision of settlements;
- Poverty and social exclusion; and
- Unhealthy living conditions and hazardous locations (UN-HABITAT, 2003; Payne and Majale, 2004).

The housing policy debate insistently refers to the question of informality and illegality. References to illegality refer mainly to conformity with planning and construction norms

and, more importantly, to tenure situations. Residents of informal settlements often lack legal rights to the land and/or the house and are vulnerable to eviction. This vulnerability is sometimes amplified by a general inadequacy of housing, access to services, transportation, education and healthcare that result from the physical and legal marginalization of these settlements from the formal city. Such trends are observed in Albania, Former Yugoslav Republic of Macedonia, Croatia, Montenegro and Serbia. A misconception exists that informal housing equates to slum dwellings. It is true that in many parts of the region its manifestations invoke images of poverty, exclusion and despair, but there are certainly examples where this is not the case. Although many informal housing settlements lack secure tenure, some without proper planning permit have good quality housing and infrastructure services. In other cases, construction might have been carried out in violation of building codes and zoning regulations by relatively affluent residents and speculative housebuilders.

## Spatial Manifestation and Formation Processes

The history and evolution of informal housing settlements in the region is diverse and varied in terms of standard (from slums to luxurious residences), location (from suburbs to city cores and protected areas) and size (from several small units to settlements for over 50,000 residents). Among other objective reasons, the flow of migrants from rural areas, but also the influx of refugees and internally displaced people has contributed to illegal and sporadic construction in larger cities. Apart from addressing urgent housing needs, illegal investments in real estate have been used by many households as a 'shield' against instability and hyper-inflation. A number of characteristics can be used to identify important types of informal settlements – size, location, profile of residents and spatial organization. Despite a great range of spatial manifestations across the region, the literature suggests that there are several major types:

1. Squatter settlements on public or private land;
2. Settlements for refugees and vulnerable people;
3. Upgraded squatter settlements;
4. Illegal suburban subdivisions on private or public land.

Squatter Settlements

One of the most enduring manifestations of informal housing consists primarily of squatter housing. It is built by people on illegally occupied land, usually through self-help. Such squatter settlements in the post-socialist countries of former Yugoslavia were established in the 1970s and 1980s, while in Albania they have a much more recent origin—the early

1990s. The settlements are primarily the result of rapid movement to cities due to migration and changes in the urban economies, or the result of a gradual process of occupation and incremental growth. Located in peri-urban areas and on public or private land, the settlements have grown to become municipalities in their own right, housing hundreds of thousands of people. Although the initial developments may have been the result of the authorities turning a blind eye, particularly during the immediate post-socialist in flow of migrants to the cities, today their scale presents a severe problem. For example, in Albania informal housing settlements contain up to a quarter of the population in major cities and 40 percent of the built up area. In Macedonia they are home of 11 percent of the population in the 14 largest cities. In Belgrade informal settlements present a dark mosaic in the city structure (Figure 1) and take up to 40 percent of the residential areas.
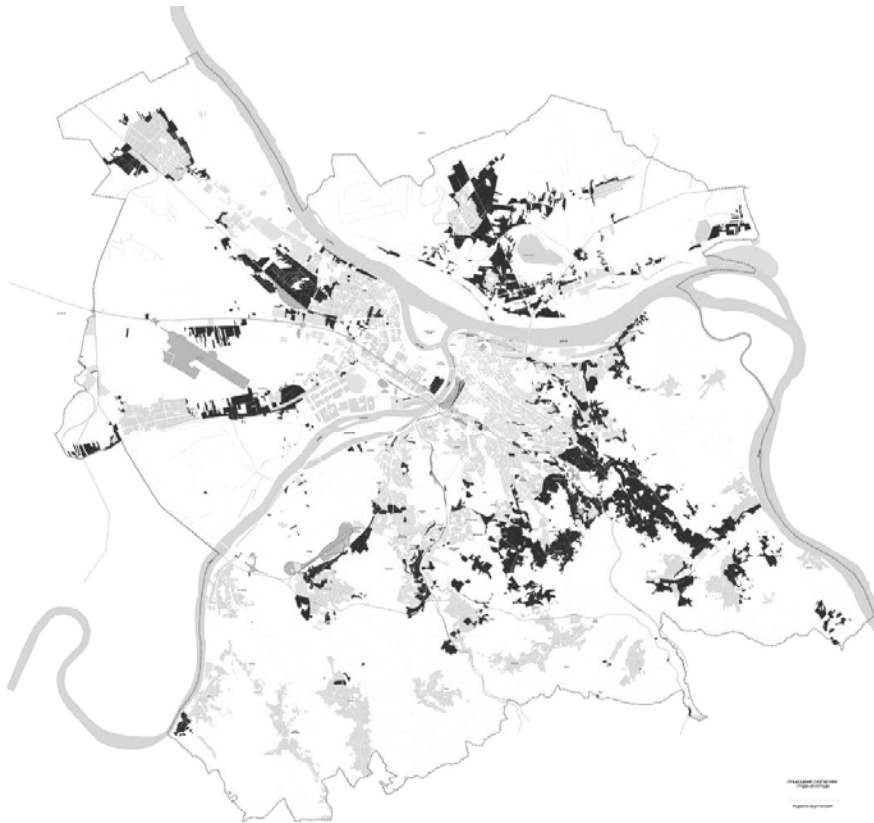
Fig. 1. Informal Settlements in Belgrade
Source: UN-HABITAT, 2006

In addition to the large peri-urban squatter settlements, there are many other examples of smaller pockets of informal housing built illegally under bridges and overpasses, on vacant plots of land close to industrial zones and railway reserves, steep riverbanks, landslides, waste dumps and landfill sites. The land, often public or private, is unstable or unsuitable for urban development and has no services and access to essential infrastructure. These marginal squatter settlements are often makeshift, built with temporary materials, as illustrated in Figure 9.3, and residents often face a threat of eviction and demolition. The location and conditions are immensely diverse, but more importantly, residents often face multiple exclusion. Roma communities in Serbia, Bulgaria and Romania living in mahalas dating back to the 19th century, are unfortunate examples of this situation (Slaev, 2007; Urban Planning Institute of Belgrade, 2004).

Fig. 2. Slums and informal housing in Belgrade
Source: Urban Planning Institute of Belgrade, 2004.

Settlements for Vulnerable Groups

Recently developed informal settlements by refugees and internally displaced people across the region are often similar to the squatter type, but they might have been established with the permission of the state or the municipality as a temporary, rapid response to a major crisis, such as the war-related conflicts in the 1990s. The settlements, although newer, often have extremely poor conditions with shacks built of recycled materials, plastic sheets, cardboard and leftover construction materials. In some of

these settlements residents were expected to be there for a short time before accommodation in camps or collective centers was provided, but this turned out to be a more permanent solution attracting more people to the original group. These slums with limited access to essential services are generally found in the urban periphery, in pockets of marginal land, or close to collective centers for refugees (IDMC, 2007).

Upgraded Squatter Settlements

Within the informal housing across the region, there is a great variety of settlement patterns and historic circumstances. Some that have started as squatter settlements in the peri-urban areas in the 1970s, have evolved into more established neighbourhoods. Skopje, for example, has 27 illegally constructed neighbourhoods dating back to the earthquake in the 1980s. Variety also exists in the legal status of these settlements: while most begin with an illegal occupation of land, over time some security of tenure is acquired with a formally recognized legal title of land (e.g. in Serbia and Former Yugoslav Republic of Macedonia).

Over time, de facto legality is implied by the fact that the settlements are not demolished, and some infrastructure, such as piped water, electricity and sewer has been provided. There are cases where these settlements are included in the new master plans of cities, as the Kalugerica example in Box 1 suggests, recognizing their alternative development standards. This has enabled some of the more established settlements to develop rapidly, with residents investing in their homes and improving the local environment. The upgraded settlements are often vibrant neighbourhoods with a viable rental and homeownership market.

Box .1: Upgraded informal settlements: Kalugerica

Kaluderica is one of the fastest growing settlements in Serbia and arguably the largest village in the Balkans. Located just 8 km away from Belgrade, it has grown rapidly together with the city since the 1980s when it was home to 12,000 people. Its population today is estimated at 50,000, accommodating the influx of the refugees from Bosnia and Herzegovina, Croatia and Kosovo. Although officially classified as a rural settlement, five times the size of its municipal seat Grocka, Kalugerica is a city built by its residents in an informal way. Most of the houses do not have a building permit, but the residents own the land and it might be even registered in the cadastre. Over time, people have negotiated connections to infrastructure, built roads and arranged for services by Belgrade's City Public Transportation Company and the Telekom of Serbia.

Source: Belgrade Master Plan, 2004

Illegal Subdivisions

Some of the informal settlements in the region, as it was argued earlier, are not necessarily poor quality, under-serviced housing areas. Residents in these settlements often have a title to the land, but the housing is built without a planning and/or building permit. Unauthorized land developments or illegal subdivisions are widespread on the fringes of cities in South East Europe – from Serbia to Bosnia and Herzegovina. Illegal subdivisions refer to settlements where agricultural land has been subdivided and sold by its legal owner to people who build their houses often through self-help methods.[1] Peri-urban land is transformed to urban use by landowners without any official planning permission and licenses. In some countries the process has been commodified and used by housebuilders to provide housing to middle class families. The example in Box 2 illustrates this process in Romania. The settlements are illegal because they might violate zoning regulations, the standard of infrastructure is low, and the land subdivision often does not meet planning standards for right-of-way, road access and provision of public spaces.

Box 2: Illegal subdivision transformed into a suburb: Pitesti

The illegal subdivision in the city of Piteshti, Romania, emerged very quickly following the restitution of agricultural land on the outskirts. The new owners quickly subdivided the land of 4.1 hectares conveniently located next to a housing estate with 5,000 flats and a protected forest. The new owners, mostly residents from the multifamily housing in the estate, took possession of over 300 plots of land and started to build their dream home. Today, close to 105 new houses at various stages of construction boast a mix of urban and rural lifestyle.

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[1] For example, in the region of Belgrade, recent annual production by the formal market has been around 1,500 units per year, while informal production has ranged around 50,000 a year.

Within a few years the area was included in the municipal boundaries with a hastily approved zoning and planning regime resulting in higher land prices. Residents provided private roads, which take only 9 percent of the land, connected their land to electricity on the basis of cost recovery and arranged for piped water supply and septic tanks. They even managed to pool resources to provide gas, but still use the public social infrastructure in the neighbouring housing estate.

Source: Soaita, 2007

Another manifestation of illegal subdivisions across the region is associated with informal housing in recreation zones and coastal areas. The problem seems to be prevalent in Albania, Croatia, Montenegro, and to some extent in Bulgaria, where such responses are often driven by profit and speculative investment in a growing market of secondary homes, rather than housing need. These might be low density housing developments in rural areas with construction of good quality but the level of services is generally low. Sometimes they take over amenity land that is not officially zoned for development and the problems become significant as the settlement grows larger and denser.

Location and Size

Informal settlements tend to cluster in two very broad types of location – inner city and peri-urban areas. The centrality of location often implies older, more established formations close to the old city, or its industrial zones. Residents benefit from the proximity of employment opportunities, but often inhabit substandard housing on sites that are exposed to environmental and health risks, normally unfit for urban development. In most cases informal settlements, especially large scale formations, concentrate in the periphery because land values tend to be lower. These could be squatter settlements on public land or illegal subdivisions outside urban/municipal boundaries. The quality and standards of

housing are generally better and some illegal connections to existing infrastructure might ensure much-needed electricity and water. Residents of these settlements are relatively effective in resisting attempts to demolish or relocate them.

Table 1. Matrix of informal settlement types in South East Europe

	Inner city	Peri-urban	Substandard/Slum	Relatively good/quality
Squatter settlements on public or private land	●	●	●	
Settlements for refugees and vulnerable people	●		●	
Upgraded squatter settlements	●	●		●
Illegal suburban subdivisions on private or public land			●	●

The matrix in Table 1 provides a summary of major types of informal housing with a reference to location and quality of settlements.

The Economic, Social and Environmental Challenges of Informal Housing

Addressing the problems of informal housing requires a better understanding of the driving forces contributing to its growth as well as recognition of its interrelated economic, social and environmental challenges. Countries in the region experiencing informal settlement growth are grappling with the same set of systemic problems related to lack of access to affordable housing, inefficient planning and land management systems, as well as growing urban poverty, though in very different national contexts. A common element of this process is the combined effect of economic transformation and war-related conflicts, which has provoked a sudden acceleration of urban migration and proliferation of informal settlements. Central and local governments were largely unprepared to face the pressures on land, housing and services. Fifteen years later, informal housing covers large tracts of peri-urban land being the home of both socially vulnerable groups and relatively well off migrants to the cities. As stated by Gabriel (2007) "This is not simply an 'urban planning problem', but a rather more complex and intractable phenomenon which, unless rapidly

and efficiently addressed, may threaten the long-term sustainability of urban communities"
(p. 5).

In a context of economic and political liberalization, accompanied by concentration of
poor and disadvantaged groups in cities, the explosive growth of informal housing in peri-
urban areas needs to be addressed. There is a widespread acknowledgement that resolving
the 'urban problem' of informal settlements is related to the nexus of improved access to
affordable land, housing as well as transparent and efficient planning regime. A study of
the World Bank (2007) on informal settlements in transition economies succinctly
summarizes these issues (see Box .3).

In addition to significant constraints imposed by inefficient planning regimes, land
registration and management systems, the housing systems in South East Europe suffer
from imbalances caused by the lack of rental production (public or private) for low income
households, spiraling cost of urban land and housing in growth areas, and limited support
for vulnerable groups (elderly, displaced populations, minority groups and socially
disadvantaged) to access housing of decent quality in the marketplace. Therefore, it is not
surprising that in some urban areas experiencing rapid growth the share of inadequately
housed low income people is increasing and/or the urban poor tend to house themselves,
directly or through informal contractors, outside the legal and planning framework.

Box .3: Planning and land management constraints

The analytic and project work of the World Bank in a number of countries in the region
points to the following common factors that influence informal housing development:

- The absence of a recent "regulatory plan" (land use plan) and approved local regulations
  for land use. Plans may be out-dated or incomplete. Many specifications like setbacks,
  width of major roads, floor area ratio, and maximum heights may have to be negotiated
  project by project. This practice increases the cost of construction by causing lengthy
  delays and creates the impression of arbitrariness and opportunities for corruption. If the
  process is lengthy and unclear, many citizens may not have the knowledge, time or
  funds to follow the procedures.
- The lack of funded municipal programs to build primary infrastructure. Without the
  benefit of current infrastructure network plans, developers are obliged to build and
  finance their own off-site links between their units and the existing network, or
  extensions of the network. This leads to fragmentation of the system, making it
  uneconomic and expensive to maintain. Individuals may have no access to infrastructure
  or may 'buy' illegal hook-ups.

- The difficulty of acquiring undeveloped land, officially and legally, for construction. Most vacant land around cities is either encumbered by disputes over title or claims for restitution, or belongs to the government and is therefore not on the market. The ability of developers and individuals to find out about available land is hampered by incomplete records and multiple agencies/ministries responsible.
- High transaction costs in the formal sector, complex processes and unresponsive institutions. In many countries the costs – in time, money and number of offices visited – to formally construct and register a building are substantial. Again, lengthy and confusing processes may 'encourage' the informal sector, and the absence of strong enforcement by the responsible agencies also contributes.

Source: World Bank. 2007: 3.

The Economic Challenges

While research indicates that there is a growing acceptance of the 'informal city' in most countries in the region, its economic and social challenges have largely been underestimated (Gabriel, 2007; Tsenkova, 2008). The rapid growth of the 'informal city' has grudging been recognized as a manifestation of the largest economic challenge that local governments and cities need to face.

   In economic terms, informal settlements mobilize significant public and private investments, which remain outside of the formal economy and investment cycles (De Soto, 2003). In addition, they are associated with significant public sector costs, explicit and implicit. Settlements often take over public land shifting the cost burden to local governments and public institutions. The land, often developed in a sporadic way with single family housing, is underused due to its low density sprawling pattern. Informal settlements also impact on the government's ability to manage and plan land use as the owners illegally occupy parkland, former industrial zones that are unsafe for residential development, or land that may have more productive commercial or social uses. While this might not be the highest

Fig. 3. New informal housing in Belgrade
Source: Vuksanović, 2006

and best use of the land, the squatting creates long-term problems for the orderly development and growth of the city, its servicing requirements and overall real estate potential. Owners do not pay property taxes or user fees; often connect illegally to infrastructure, thus reducing the revenue available to government to provide essential services.

   At the same time, informal housing is a vital element of the informal economy and real estate market. Housing and land in these locations is traded without the involvement of real estate agencies, registration in the cadastre and required payments of state taxes and dues. While this makes housing more affordable and reduces transaction costs, it cannot be mortgaged or used as collateral for other business purposes (De Soto, 2003). Often this

might be the single largest asset of the residents boosted by sweat equity and remittances from family members as shown in Figure 3. Since there is no tenure security in most of the cases, this investment is constantly under threat of being lost and becoming 'dead capital', particularly due to environmental hazards – floods, landslides, earthquakes – or demolition.

Notwithstanding the economic challenges for the individual residents, informal settlements pose a high political and economic cost for governments, especially in cases of evictions, legalisation and resettlement. Efforts to document the extent of informal development as well as to allocate the extra institutional capacity to integrate the settlements into the planned area of the city are extremely costly. Furthermore, local governments and public institutions need to deal with land and real estate registration, dispute resolution and in some cases compensation of private landowners. Often the inability to absorb these costs perpetuates the tolerance to the 'informal city'.

The Social Challenges

The variety of spatial manifestations of informal settlements across the region is associated with many different social dimensions to the problem. Notwithstanding these differences, several issues are important. First, residents of informal settlements are often poor and disadvantaged facing higher unemployment, social hardships and tenure insecurity (Leckie, 2002; OSCE, 2006). Second, evidence suggests that demographic pressures from IDPs and vulnerable groups, such as the Roma population, are met by informal housing settlements (Council of Europe Development Bank et al., 2004). For example, a survey of residents residing in the informal settlements of Belgrade indicates that young families with insufficient income to obtain formal housing constitute 35 percent, followed by refugees comprising 23 percent and Roma accounting for 18 percent (Ministry of Capital Investment of Serbia and Montenegro, 2004). Without financial resources and stable employment, many IDPs and refugees who moved to Belgrade to start a new life resorted to informal housing solutions.

In countries such as Montenegro, Albania, Kosovo and Bosnia-Herzegovina, as a result of rapid shifts in local economies and/or war, hundreds of thousands of relatively poor migrants or internally displaced people have moved to the capital cities. The new arrivals have settled in the peri-urban areas where they build houses on unserviced lots, squatting on private or public land. In most cases poverty and deprivation are manifested in the quality of the housing being built as well as in the substandard pattern of urban development without any social or technical infrastructure. The example from Kamza illustrates some of these problems in the newly created neighbourhoods (Box 4).

In addition to the lack of access to schools and social services, peri-urban settlers generally do not have title to the land, facing potential threat

Box 4: Provision of social infrastructure and community facilities in Kamza

The Municipality of Kamza is one of Tirana's informal housing settlements with over 90 percent of all dwellings being constructed illegally. The settlement was primarily agricultural land in the early 1990s but has grown substantially to around 60,000 residents today. Residents have migrated from the north-eastern regions of Albania, with the hope of a better life and greater opportunities. Half of the people are unemployed and half of all households live below the poverty line.

   The average home is 119 sq m, twice the average for Tirana. Housing is initially built in shack form and then upgraded as remittances are received and resources are found. While planning efforts and the work of NGOs, such as Co-PLAN, have boosted the confidence of residents and led to US$110 million investments, there is no land for social infrastructure.

Source: Besnik et al., 2003.

of eviction. There are cases in the region, where this might be different, for example in the older settlements in Serbia, Macedonia and Montenegro, however the lack of social infrastructure – schools, medical clinics and social services – perpetuates a spatial form of social exclusion.

The Environmental Challenges

In most of the cases the environmental challenges in the informal settlements are associated with the lack of basic infrastructure. Even residents of the older and upgraded settlements that are relatively well off lack access to clean water, adequate roads, public transport, and reliable electricity. The situation has immediate consequences for the residents themselves, but also adversely affects the quality of life in the formal areas of the city where urban run off, downstream pollution from garbage and sewer discharged directly in rivers creates serious environmental threats.

   The infrastructure deficit in informal settlements is significant. Often illegal connections are the only means to gain access, which is unreliable and inefficient. The illegal tapping lowers the efficiency of public utility companies and exposes the regular users to frequent power and water cut-offs. Since most residents in informal settlements do not pay the full price for infrastructure usage, the revenue is unable to support the growing demand for infrastructure improvement and extension. Correspondingly, in the informal settlements of Tirana and Belgrade the differences in access to essential services are significant compared

to the average for the city and the country as a whole (see Table 2). In Tirana, amenities in informal housing are much closer to the national average than is the case in Belgrade. The Roma settlements in Belgrade have substantial disadvantages − only a quarter of the dwellings have access to sewer and half have piped water.

Table 2. Infrastructure deficit in the informal settlements of Tirana and Belgrade

Access to infrastructure (% of dwellings)	Informal settlements Tirana	Tirana	Albania
Sewer	46.0%	91.0%	58.0%
Piped water	41.0%	95.0%	56.0%
Central heating	0.0%	2.0%	2.0%
Electricity	68.0%	97.3%	86.5%
	Roma settlements Belgrade (2002)	Belgrade (1991)	Serbia
Sewer	25.2%	92.0%	78.0%
Piped water	47.1%	98.0%	90.0%
Central heating	-	49.0%	28.0%
Bath or shower	40.0%	96.0%	80.0%

Source: Tirana: ECE, 2002; Municipality of Tirana, 2004
Belgrade: ECE, 2005; Tsenkova 2005

systems deteriorate with serious economic and environmental consequences.

In addition to the infrastructure deficit, some settlements are directly exposed to environmental hazards associated with land slides, flooding, poor drainage and environmental pollution. These challenges create health risks for the residents, often children and women. The growth of informal settlements contributes to environmental degradation at many levels: i) erosion occurs from unpaved and undrained roadways; ii) residents without sewer systems increase pollution of local water sources through prohibited discharge; and iii) garbage is dumped along the road, in the local river/lake. In some cases informal settlements might create environmental hazards through development in natural reserves and protected areas. Indeed this often tends to be the case in the coastal areas of Croatia and Montenegro.

Policy Solutions

The Vienna Declaration on National and Regional Policy Programmes regarding informal settlements in South Eastern Europe identifies the issue as a priority and engages countries in policies to legalize and improve informal settlements in a sustainable way. It argues that the prevention of future settlements formation is critical through sustainable urban management, principles of good governance, and inclusive capacity building (Vienna Declaration, 2004).[2] The search for policy solutions to address informal housing settlements is clearly multi-faceted and multi-dimensional. Various projects and urban development programs have been considered in South East European countries, but implementation is ad hoc and considerably slow. The solutions range from legalization and inclusion in formal urban plans, regularization and provision of essential social services (schools, medical clinics) and technical infrastructure (safe roads, public transit, water and sewer), as well as resettlement programs in social housing. While these solutions illustrate different aspects of the policy continuum, they also imply significant political will and financial commitment of central and local institutions. The following major types of policy intervention will be reviewed:

1. Legalization
2. Regularization and upgrading
3. Resettlement and reallocation.

Legalisation

Legalisation of informal settlements in the region is in the process of being implemented. The approach emphasizes the integration of informal land and housing markets in the formal economy, and access to ownership through property titles. The legalisation of the unintended status quo is driven by efforts to capture public revenue and to stabilize large urban communities through potential social and infrastructure upgrading programs. Overall, responses to legalisation vary according to local contexts, the types of informal settlements, governments' political orientation, and pressure from concerned communities. In some countries (Croatia, Montenegro, and Bulgaria) legalisation is carried out as an integral part of renewed efforts to develop statutory plans regulating development at the local level. In other countries (Albania and Serbia) legalisation of informal settlements is

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[2] Some capacity building is provided to Albania, Bosnia-Herzegovina, Croatia, the former Yugoslav Republic of Macedonia, Montenegro, Serbia and UNMIK/Kosovo to meet Vienna Declaration commitments by the Stability Pact and UN-HABITAT through a "Regional Capacity Strengthening Programme for Urban Development and Housing (RCSP)".

addressed through special legislation, although implementation has been limited. Albania's Legalization Law, adopted in 2007, provides special provisions for the informal settlements of the poor despite violation of existing planning and construction legislation. Other countries in the region have similar strategies, although progress in implementation might be uneven (see Box 5).

Regularization and Upgrading

Regularization and upgrading of informal settlements imply a more comprehensive intervention. Nevertheless, the solutions are not cut and dry: legal versus illegal, formal vs. informal. The choice of legalization vs. regularization will depend on the political will of the authorities, the lobbying and negotiating capacities of the residents and last but not least on the location of the settlement itself, its size and the quality of housing.

The practice of regularization and upgrading emphasises the importance of intervention at three levels – the neighbourhood (or the informal settlement), the city, and the metropolitan area. While these are mostly planning interventions, the process usually incorporates land and real estate registration, plans for the provision of infrastructure and social services. In several countries (Albania, Serbia and Bulgaria) pilot projects on a small scale demonstrate the value of incremental upgrading using this approach. While it is difficult to judge its effectiveness, it implies collaboration of residents, planners, municipalities and central government authorities. At the neighbourhood level, interaction with planners, grassroots community organisations, families and individuals delineates the immediate problems for residents in order to define possible solutions. At the district/city level, planners and decision makers account for community dynamics and the impact of potential integration into the urban boundary in terms of transport and infrastructure requirements, costs and environmental implications. At the metropolitan/regional level, impacts and interaction within the urban agglomeration are considered, particularly in the case of large informal settlements, in order to make informed political and planning choices for the benefit of the city (Bolay and Rabinovich, 2004; World Bank, 2001). Such strategic approach is often incorporated in the new generation of master plans and city strategies in the region (e.g. Tirana, Durres, Belgrade, Skopje), but rarely implemented.

Box 5: Legalization of informal housing in Albania and Croatia

ALUIZNI is the responsible national Agency for Legalization and Urbanization of Illegal Constructions and Settlements in Albania. Its work is to put together the proposals for approving the legalizations of informal settlements. ALUIZNI has prepared a pilot legalization process of an area of 55 hectares. The area is being processed for a complete

digitalized documentation containing not less than 30 characteristics for each property to be registered. First legalization permits are granted during February 2007. The registration of properties will follow the process, after duties are paid equal to 1 US$/sq.m. In total there are 681 informal zones, out of which for 152 zones (23,000 hectares of land) the technical and legal documentation is ready, while for 281 the process is under way. There are also some 98 zones (or 168 hectares) which are occupied by group buildings (not classified as informal settlement). In total ALUIZNI has recorded some 350,000 requests, for legalization, out of which some 80,000 are multi-apartment dwellings and shops (Aldoni, 2007).

The problem of informal housing in Croatia is particularly significant in the coastal areas where it leads to informal settlement formation. In most of the cases these are second homes or profit motivated developments in violation of planning and building permits. The problem escalated after 1995 when legalization regulations were revoked and possibilities of connection to infrastructure increased. For example, 9,000 illegal buildings were constructed on the island of Vir and another 1,800 in the coastal area of Rogoznica. The legacy of informal settlements in Croatia dates back to its socialist days. Regulations introduced in 1992 permitted legalization of all informal buildings, estimated at 100,000. Within three years 35,000 building were legalized. The Directorate for Inspection Affairs within the Ministry of Environmental Protection and Physical Planning has taken measures to solve some of the problems since 2003. A total of 1,600 informally constructed buildings were demolished and 4,000 legalized. Prior to demolition, a detailed verification is carried out if the building is inhabited and/or if the residents also have other real estate. Legalization is integrated in the planning process (Tsenkova, 2008).

Building and maintaining infrastructure and public amenities is a major step in formalising and upgrading informal settlements. Once an informal housing settlement is deemed fit to stay at its current location, it is essential to create partnerships to help pay for the costs of housing and upgrading. It is important for residents to be engaged in the whole process, as well as to leverage their contribution to the cost of infrastructure and amenities, creating an appreciation for services. In addition, governments need to allocate funds in their capital budget to address the lack of major infrastructure. The regularization of Gorica Roma settlement of approximately 60 households in Sarajevo is an illustration of this approach. The families occupied a parcel of land owned partly by a state-owned enterprise and partly by the Municipality. After the war in 1996, displaced families reconstructed their homes, although the threat of eviction from the area was still imminent. In 2000, the association of Gorica residents mobilised several international organizations, including

OSCE, OHR and UNHCR, to initiate a regularization process including the rezoning for residential uses, compensation of the landowner (state enterprise) by the municipality and transfer of land ownership to the Roma residents. Reconstruction in Gorica commenced in the spring of 2002 under the auspices of World Vision (OSCE, 2006).

Resettlement

A possible solution to informal housing problems is associated with resettlement in social housing or some form of subsidised formal housing development. This is probably the most expensive solution and it is not surprising that its implementation is fairly limited. In most of the cases resettlement is targeting poor residents of informal housing or vulnerable groups such as Roma, refugees and internally displaced people. There is no general model for the difficult task of re-housing large groups of poor migrants and refugees and their subsequent integration into existing cities. The importance of effective social policies and programs that provide access to affordable and safe housing for informal residents, while widely recognised, is in many cases beyond the financial capacity of central and local governments, particularly in countries affected by war and the refugee crisis. Many of the solution related to resettlement are small scale projects funded by international agencies and/or bilateral assistance.

   More significant contributions in re-housing refugees have been made by the Council of Europe Development Bank. Bank funded projects allowed more than 2,300 people in Bosnia and Herzegovina and Serbia and Montenegro to be re-housed in 2005 with another project benefiting 1,081 former residents of collective centres in Serbia and Montenegro in 2006. Similar schemes have been supported through grants from the European Commission to Bosnia and Herzegovina under its Return of Refugees and Displaced Persons Programme. The European Agency for Reconstruction has recently allocated EUR2.4 million to construct affordable housing for refugees and IDPs in Montenegro.

Informal Housing as a Problem and a Solution

Recognizing the economic, social and environmental challenges of informal settlements is an important step towards the design of different programs and practical solutions to their problems. Against the backdrop of rapid growth of informal settlements and/or the persistent presence of the 'informal city' in most countries in South East Europe, local and national policies have been slow in recognizing that inefficient housing, planning and land management systems aggravate these problems. It is now widely understood that migrants

to the cities often end up as squatters in the informal settlements because the formal housing and land market is unaffordable to these groups (Gabriel, 2007).

Government support for housing solutions for the urban poor and disadvantaged groups has dwindled in the past decade shifting the burden to local governments, community groups and individual households. Illegal or informal land acquisitions, subdivisions and other self-help solutions are perhaps a natural coping mechanism for the poor migrants and refugees as the rapidly growing informal housing in peri-urban Pristina demonstrate (see Fig.4).

Fig. 4 Rapid growth of informal housing in peri-urban Pristina, Kosovo

While in its new enabling role the state offers services and acts as a coordinator of policies and actions in the urban sphere, the market alone has not been able to provide affordable and adequate housing to all sectors of society. The informal settlements are a distinct manifestation of this transition in governance. At its best, this enabling strategy has resulted in improved legislation, infrastructure and services as well as community driven attempts to regularize informal settlements. At its worst, however, it has turned a blind eye to their

growth, constrained land supply, exacerbated corruption, and forced the poor into spatially and socially isolated slums. It is in this context that the problem of informal settlements, particularly those created by the urban poor ought to be viewed. There is a growing awareness that informal settlements, while undeniably a 'problem' from an urban management point of view, may have to be seen as a feasible 'solution' in terms of a social response to an inefficient housing and land provision system.

A further challenge is that informal housing is built not just by the urban poor, but also by the private housing industry and affluent consumers. This pattern of development is not likely to change in a linear fashion. The practices of illegal construction in urban areas, often due to the lack of a clear planning regime or the lack of enforcement of existing plans, have created significant challenges in many cities such as Tirana, Podgorica, Belgrade and Pristina. Poor land administration and cadastre systems aggravate the situation adding to the problems of urban management without a transparent system of land tenure and property rights. While solutions to the problems of informal housing are critical for a well functioning real estate market and the protection of land and property rights, in their approaches governments need to target vulnerable groups and avoid the broad-based policies that may also perpetuate informality in urban development.

Acknowledgement

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