

## URBAN PLANNING AND INFORMAL CITIES IN SOUTHEAST EUROPE

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*This article explores the possible transformation of informal developments in southeast Europe into viable neighborhoods through strategic urban plans. Informal settlements grew rapidly in the 1990s, accommodating thousands of economic migrants, refugees, and internally displaced people. Although this phenomenon has reshaped post-socialist cities in the region in a profound way, there have been limited attempts to resolve the economic, social, and spatial challenges associated with legalization and integration. This article first provides an overview of the changing role of planning in post-socialist cities and presents a continuum of urban-planning styles in southeast Europe. Next, it introduces a typology of informal settlements based on their major characteristics — location, size, degree of informality, and vulnerability. Finally, it analyzes the emerging approaches to legalization, upgrading, and integration of informal settlements, emphasizing the need for strategic participatory intervention and well-targeted public assistance.*

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## INTRODUCTION

Recent planning experiences in southeast Europe demonstrate a growing challenge associated with the legalization and integration of informal cities. This article explores challenges and opportunities for urban planning and its ability to transform informal developments into viable neighborhoods.<sup>1</sup> Drawing on the experiences of five capital cities — Tirana, Albania; Belgrade, Serbia; Sarajevo, Bosnia; Podgorica, Montenegro; and Skopje, Macedonia — it outlines the essential characteristics of informality and the limitations of emerging solutions. Informal settlements in the region grew rapidly in the 1990s, accommodating thousands of economic migrants, refugees, and internally displaced people (IDPs). This phenomenon has reshaped post-socialist cities in the region in a profound way, widening the economic, social, and spatial differences between southeast Europe and its neighbors. Despite the issue's significance, there has been limited research on the key drivers of this spatial transformation and even more limited attempts to compare the emerging solutions to informal development and their limitations. The main finding of this research is that new strategic, action-based urban planning is needed to effectively manage the integration of informal cities in southeast Europe.

The research uses content analysis of regulatory plans, policy documents, and secondary sources pertinent to the urban planning of informal settlements. These methods are complemented by personal interviews over a period of three years with 32 planners and policymakers involved in the legalization processes, as well as personal observations of informal neighborhoods in the five cities. The article first reviews the changing role of planning in post-socialist cities and presents a continuum of urban-planning styles in southeast Europe. Second, it introduces a typology of informal settlements based on their major characteristics — location, size, degree of informality, and vulnerability. Third, it reviews approaches to legalization, upgrading, and integration of informal settlements, emphasizing the need for strategic participatory intervention and well-targeted public assistance.

## INFORMALITY AND THE CHANGING ROLE OF PLANNING

The discourse on urban planning in post-socialist cities has centered on the conflicts between comprehensive versus incremental planning, centralized versus decentralized decision making, top-down versus bottom-up approaches, and interventionist versus entrepreneurial, market-driven planning (Altrock, *et al.*, 2006; Hamilton, *et al.*, 2005; Hirt and Stanilov, 2009). Notwithstanding the diversity of planning styles, one can present the post-socialist experience as a “transformation” from socialist urban planning to urban planning in market economies (Thomas, 1998; Tsenkova, 2008). In terms of styles, urban planning in the context of the transition to a market economy and democratic system does not imply a simple effort to imitate the systems of Western democracies<sup>2</sup> but is a transformation, an effort to reform old planning institutions in a new economic environment (Stark and Bruszt, 1998). The process is path-dependent, embedded in historical social norms and specific institutional patterns that combine new elements with different adaptations of existing organizational forms and practices. The adjustment is dependent on both the pace of change in behavioral patterns, norms, and values specific to planning institutions (Stark, 1992) and the rapid institutional transformation driven by systemic economic and political change.

This undeniable complexity creates unique challenges for urban planning, particularly in a region with a turbulent transition to a market economy (systemic economic transformation), a democratic system (systemic political transformation), and decentralized governance (European Commission, 2007; Tsenkova, 2008). In southeast Europe, the economic crisis was deeper than elsewhere in Eastern Europe; unemployment and poverty were higher; and political stability was sidetracked by a civil war, refugee crisis, and prolonged institutional and regulatory vacuum. Due to the delayed economic and political reform process, a substantially larger informal economy, accounting for over 40% of the gross domestic product, has evolved (Buckley and Mini, 2000). In the context of massive government retrenchment, fiscal decentralization, and unfunded local government mandates, urban planning has taken a backseat, and planning institutions have struggled to redefine their role in the new economically and politically diverse institutional landscape. In fact, urban-planning reforms have been initiated a decade after the fall of communist regimes in an environment dominated by arguments for restricting planning and favoring private entrepreneurship.

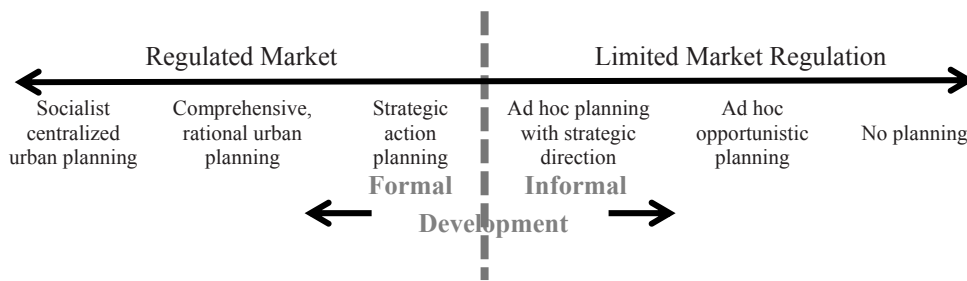


FIGURE 1. The urban planning continuum.

The obvious difference between competitive, market-driven urban development and the chaotic urban development that actually spread across the region is manifested in large-scale illegal construction on public land and the rapid proliferation of informal settlements. These settlements are home to 30-50% of the people in the capital cities (Tsenkova and Nedovic-Budic, 2006; UN-HABITAT, 2003). The scale of such profit-maximizing transformation, without any planning intervention to protect property rights and allocate public goods and services efficiently, has led to renewed calls for urban planning. Since about 2005, planning rhetoric in national spatial strategies and planning documents has begun to advocate sustainable development, including compact and efficient cities that protect environmental resources and promote collective interests and social justice (Hirt and Stanilov, 2009). In response to the need for more comprehensive intervention, changes to the planning legislation have created a framework for a hierarchical system of plans (national, regional, and local) based on an ostensibly politically neutral, rational process of goal definition, analysis, implementation, and evaluation. The capital cities and other major urban centers have acquired a new generation of master plans in the last decade, with several major follow-up revisions that attempt to capture the dynamic reality of unplanned and chaotic development.<sup>3</sup>

While master-plan making has become more decentralized, democratic, and participatory, plan implementation is still dependent on prescriptive, detailed plans, which are supposed to be consistent with the approved master plans (Lead planner, 2011). Such detailed plans with prescribed densities, setbacks, and building-envelope requirements remain distant from the reality of informally built neighborhoods, thus demonstrating that traditional planning practice, couched in terms of neutral technical competence and public interest, remains quite similar to that of the socialist days. Not surprisingly, such planning approaches fail to respond to the economic, social, and political shifts embedded in the triple transition to a market economy, a democratic system, and decentralized governance that has gained momentum in post-socialist cities. The detailed plans cannot be implemented retroactively, as existing development often does not meet the new planning standards for building heights, floor-area ratios, road access, and parking. Large-scale demolition or compensation to ensure compliance is unattainable and impossible to enforce in practice. Even if the standards allow legalization, plan implementation remains limited due to lack of funding for infrastructure or owners' reluctance to change the status quo.

The planning continuum in Figure 1 schematically presents the "transformation" from the comprehensive planning for egalitarian cities under socialism (Bertaud and Renaud, 1997) to today's comprehensive rational planning, which is done in a very hierarchical and prescriptive manner (Besnik, *et al.*, 2003). It may be beneficial to move forward to strategic planning as a way to bridge the gap between informal and formal development. While strategic planning accepts the multiplicity of interests and attempts to find viable, politically legitimate solutions, it also involves the business community and the broader constituency in negotiating a common vision (Healey, *et al.*, 1999; Young, 2003). More importantly, this more proactive approach may create an opportunity for action, political negotiation, and mobilization of funds for urban development, thus bridging the resource gap in times of fiscal austerity (Friedman, 1987; Tsenkova, 2007).

On the other side of the urban planning continuum, a leaner version of strategic planning would allow ad hoc, incremental changes in the spirit of "muddling through" but with some strategic direction. Some post-socialist cities (*e.g.*, Tirana, Belgrade) have experimented with this approach in an effort to incorpo-

rate informal development into the formal structure of the city (Tsenkova, 2010). Further along the urban planning continuum is the opportunistic and entrepreneurial urban planning that legitimizes investments in select areas. Examples of such solutions dominated the urban planning scene in the 1990s, when the institutional and regulatory vacuum allowed for numerous ad hoc changes to detailed urban plans from socialist times to accommodate developer interests and politically driven compromises (Stanilov, 2007). Finally, a fairly large part of market development has taken place with no planning intervention and with the expectation of being legalized at a later stage. The path-dependent nature of such illegal developments is reinforced by the tolerant attitudes of governments toward informality in most of these countries under socialism.

## SPATIAL MANIFESTATION OF INFORMALITY IN SOUTHEAST EUROPE

Informal settlements in post-socialist southeast Europe have grown significantly to shape large parts of the urban landscape. Although there are different levels of informality, they share the following main characteristics: (1) lack of secure tenure and, thus, vulnerability; (2) lack of basic infrastructure and public services; (3) squatting on public or private land; and (4) substandard housing or illegal and inadequate building structures (Stability Pact for South Eastern Europe, 2004; UN-HABITAT, 2003). Vulnerability is amplified by the lack of access to education and healthcare that results from the physical and legal marginalization of the settlements from the formal city. Such trends are observed in Albania and the Yugoslav successor states. Informality in many parts of the region invokes images of poverty, exclusion, and despair, but there are certainly examples that deviate from this norm. Despite the lack of tenure security, some developments have good quality structures built (albeit illegally) by affluent residents and speculative housebuilders.

The history and evolution of informal settlements is diverse in terms of standards (from slums to luxurious residences), location (from suburbs to city cores and protected areas), and size (from several small units to settlements with over 50,000 residents). The influx of refugees and IDPs has contributed to sporadic construction in larger cities.<sup>4</sup> Apart from addressing urgent housing needs, illegal investments in real estate have been used by many households as a “shield” against instability and hyperinflation. A number of characteristics can be used to categorize informal settlements, including size, location, profile of residents, and spatial organization. The literature suggests the following major types: (1) squatter settlements, (2) settlements for refugees and vulnerable people, (3) upgraded squatter settlements, and (4) illegal suburban subdivisions (Tsenkova, *et al.*, 2009).

Squatter settlements built on illegally occupied land, usually through self-help, date back to the 1980s in most countries in the region. Albania's are more recent, dating from the early 1990s. Located in peri-urban areas on public or private land, they have become home to 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 inflow of migrants to cities, today their scale presents a severe problem. For example, in Albania, informal housing settlements contain up to a quarter of the population and 40% of the built-up area in major cities. In Macedonia, they are home to 11% of the population in the largest cities. In Belgrade, informal settlements present a dark mosaic in the city structure (Figure 2) and compose up to 40% of the residential areas (Tsenkova, 2009).

Settlements for vulnerable groups such as Roma mahalas, refugees, and IDPs are often similar to the squatter type but could have been established with the permission of municipalities as a temporary, rapid response to the wars of the 1990s. These settlements often exhibit extremely poor conditions, with shacks built of recycled materials, plastic sheets, and leftover construction materials (Figure 3). When they were built, residents were expected to live there for only a short time before relocating to camps or collective centers. Unfortunately, the informal settlements turned out to be a permanent solution, only attracting more people. In countries such as Montenegro, Albania, Kosovo, and Bosnia and Herzegovina, these slums are generally found in the urban periphery; in pockets of marginal land close to industrial zones, railway lines, and waste dumps; or close to collective centers for refugees (Belgrade Urbanism Institute, 2003; Slaev, 2007).

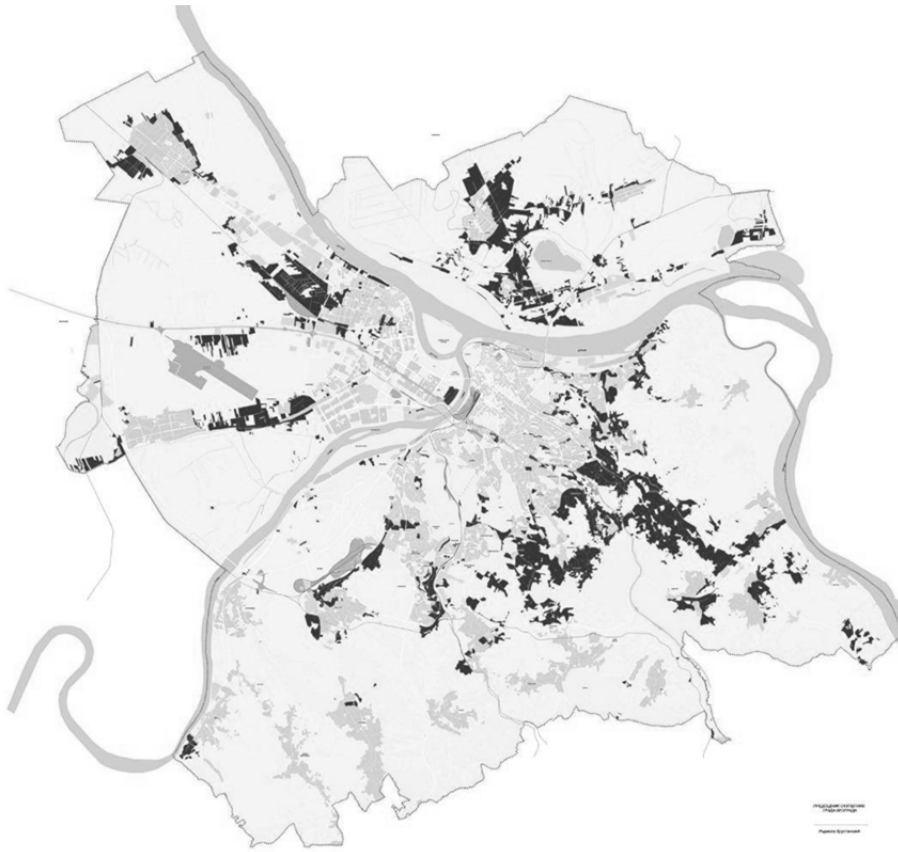


FIGURE 2. Informal settlements in Belgrade (adapted from UN-HABITAT, 2006).

Upgraded squatter settlements often date back to the 1980s. Skopje, for example, has 27 illegally developed neighborhoods that were created after a major earthquake during the 1980s. In Montenegro, residents in such settlements in Podgorica and Bar have access to electricity and water through ad hoc negotiations with utility companies. Different types of legal status also exist. For example, in Serbia and Macedonia, most settlements began with an illegal occupation of land, but as time has passed, some security of tenure has been acquired through obtaining formal land titles. Over time, de facto legality is implied by the fact that the settlements are not demolished, and some infrastructure, such as water,



FIGURE 3. Roma informal settlement in Tirana.

electricity, and sewer, is provided by local municipalities (Payne and Majale, 2004). There are cases of settlements being included in the new master plans of cities, grandfathering existing developments and fostering incremental investment from residents. For example, until recently, Kaluđerica was the largest





FIGURE 4. Informal hotels and mixed-use development in Bar, Montenegro.

village in the Balkans that had been built informally. Located just 8 km (5 miles) away from Belgrade, it has grown rapidly to 50,000 people, accommodating the influx of refugees from Bosnia and Herzegovina, Croatia, and Kosovo. Most of the houses do not have a building permit, but the residents own the land. Over time, people have negotiated connections to infrastructure, built roads, and finally pressured for inclusion in Belgrade's new master plan.

Illegal suburban subdivisions are informal settlements, but they do not necessarily comprise poor-quality, under-serviced housing. Unauthorized housing and mixed-use developments built through self-help methods on illegal subdivisions of agricultural land are widespread in the peri-urban areas.<sup>5</sup> Land is developed without official planning permission, the standard of infrastructure is low, and the subdivision of land often does not meet planning standards for right-of-way, road access, and provision of public spaces. In some cases, the process is commodified and used by builders to provide housing to middle-class families at below-market prices. Residents build private roads, self-finance connections to electricity and the water supply, and use different tactics to negotiate legalization. Sometimes such developments take over high-quality public land and environmental reserves, and the problems become significant as the settlements grow larger and denser. Informal settlements include housing, tourist, and retail services, as the examples from Montenegro in Figure 4 illustrate. Real estate is traded without registration in the cadastre (land registry), owners do not pay property taxes, and economic activities (tourism and retail) remain informal.

Informal settlements tend to cluster in two types of locations: the 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 proximity to employment opportunities but often live in substandard housing on sites exposed to environmental and health risks. Larger informal settlements often concentrate in the periphery due to lower land values. These could be squatter settlements on public land or illegal subdivisions outside urban boundaries that gradually accommodate more diverse land uses, responding to the needs of local residents and businesses. The quality of housing is generally better. Some illegal or legally negotiated connections to existing infrastructure might ensure much-needed electricity and water. Residents of these settlements are relatively successful in resisting attempts to relocate them after demolishing their homes. Encouraged by legalization, homeowners and businesses begin to invest in roads, lighting, waste management, and small-scale public space improvements. The matrix in Table 1 provides a summary of the major types of informal settlements with a reference to location, quality, and degree of informality.

TABLE 1. Typology of informal settlements in southeast Europe.

	Inner city	Peri-urban	Substandard/slums	Relatively good quality	Low socioeconomic status of residents	High degree of informality	Residential land use	Mixed land use	Availability of infrastructure
Squatter settlements on public or private land	•	•	•		•	•	•		
Settlements for refugees and vulnerable people	•		•		•	•	•		
Upgraded squatter settlements	•	•		•		•		•	•
Illegal suburban subdivisions on public or private land		•		•			•	•	•

## URBAN PLANNING CONSTRAINTS

Addressing the problems of informal settlements requires a better understanding of the driving forces contributing to their growth, as well as a recognition of the interrelated systemic problems caused by inefficient urban planning and land management systems (The World Bank, 2007). The combined effect of the triple transition to a democratic system, a market economy, and decentralized governance, coupled with the challenge of war-related conflicts, is one of the major structural causes of this phenomenon.

### *Inefficient Planning Processes at the Local Level*

Urban planning has a critical role in guiding development and defining appropriate strategies for integrating informal settlements. Urban master plans, complemented by detailed regulatory plans, provide the essential legal framework for regularization (Bolay, 2006). In Serbia, Montenegro, and Bosnia and Herzegovina, the lack of such plans is a particular constraint. Local governments have been relatively slow to develop a new generation of master plans, and the most dynamic real-estate investments in the last 20 years have taken place through ad hoc amendments to the socialist detailed neighborhood plans. In larger and older informal settlements, regularization cannot proceed legally without a detailed regulatory plan that documents the status quo and prescribes the parameters of development. Many specifications like setbacks, width of major roads, floor-area ratios, and maximum heights may have to be negotiated project by project. This practice causes delays, perpetuates informality, and creates opportunities for arbitrariness and corruption. For example, in Montenegro, detailed plans are available for only about one-third of the territory (Müller and Ljeskovic, 2007).<sup>6</sup> The lack of plans is detrimental to the integration of informal developments. Furthermore, the lack of institutional capacity to effectively control and enforce compliance with detailed plans is an equally large challenge.

### *Ineffective Land Management and Servicing*

In the absence of reformed planning and regulatory instruments to guide allocation, land has been invaded and developed at a scale that may challenge any local government to provide roads and technical infrastructure to hundreds of thousands of new residents. Due to decentralization, municipalities in the region have acquired many new functions without adequate resources to fulfill their mandates (European Commission, 2007). This financial weakness, coupled with an inability to borrow in capital markets and a dependence on central government transfers, drastically reduces the capacity of local governments to develop and maintain essential services. In Tirana and Pristina, where the urban population has almost doubled and a large share of new development is informal, addressing the infrastructure deficit is impossible under a regime of fiscal austerity. The process is constrained not only by the lack of municipal funds and up-to-date plans but also by the incomplete land-registration systems. Although most governments have recently accelerated the development of modern cadastres, the coverage in Montenegro, Albania, and Serbia is less than 60% (The World Bank, 2007). In Serbia and Montenegro, where informal construction is prevalent, registration is done on the basis of a planning permit, which in turn is impossible to issue



FIGURE 5. New informal housing in Belgrade.

without complete cadastral information and an approved, detailed regulatory plan. Such requirements effectively exclude at least half of the developments from the formal market.

### ***Cumbersome Building and Occupancy Permitting Processes***

In addition to the constraints created by the lack of detailed regulatory plans and incomplete cadastre systems, municipalities across the region face the challenge of regulating development in the absence of clear planning frameworks. Frequent changes in the normative and legal bases; new planning and construction laws, standards, and norms; and the lack of institu-

tional capacity for enforcement are significant constraints for the small and underfunded departments dealing with building and occupancy permits (Tsenkova, 2009). In the global business survey carried out in 183 countries by the International Bank for Reconstruction and Development (IBRD), southeast European countries rank well in terms of having a competitive environment in which to do business. However, the survey places most of these countries at the tail end of the ranking with respect to efficiency of the construction permit process. In Montenegro, for example, the permit process involves 19 procedures, takes 230 days on average (20 days longer than construction), and costs €1,213 — three times the average monthly salary (IBRD and The World Bank, 2010).

## **URBAN PLANNING SOLUTIONS FOR INFORMAL CITIES**

While research indicates there is a growing acceptance of informal cities in the region, their economic and social challenges have largely been underestimated (Gabriel, 2007; Tsenkova, 2010). In economic terms, informal settlements mobilize significant public and private investments, which remain outside of the formal economy (De Soto, 2003). In addition, they are associated with significant public-sector costs, explicit and implicit. These settlements often take over public or private land, shifting the cost burden for compensation and services to local governments.

The land, often developed in a sporadic way with single-family housing, is underused due to its sprawling pattern (The World Bank, 2001). Informal settlements also impact the local government's ability to manage land use, as the owners illegally occupy parks, unsafe brownfield sites, or land that may have other more productive uses. At the same time, informal housing might be the residents' single largest asset, composed of their sweat equity and remittances from family members (see Figure 5).<sup>7</sup> The investment is under threat of being lost and becoming "dead capital," particularly due to environmental hazards (*e.g.*, floods, landslides, earthquakes) or demolition. Informal settlements also pose a high political and economic risk for governments, especially in cases of evictions and resettlement of socially vulnerable residents (Leckie, 2002; OSCE Mission to Bosnia and Herzegovina, 2006). Often, the inability to absorb these costs perpetuates tolerance of the informal cities.

The search for policy solutions ranges from legalization and inclusion in formal urban plans to regularization and provision of essential social services (schools, medical clinics) and technical infrastructure (safe roads, public transit, water, sewer), as well as resettlement/relocation programs. While these solutions illustrate different aspects of the urban planning continuum discussed earlier, they also require significant political will and financial commitment from local governments (Payne and Majale, 2004). These types of urban planning interventions will be reviewed next.



TABLE 2. Matrix of planning solutions to informal settlements.

	Legalization	Detailed urban plans	Upgrading/infrastructure	Relocation	Demolition	High degree of informality	High degree of social targeting	High public costs
Squatter settlements on public or private land	•	•	•		•	•		•
Settlements for refugees and vulnerable people	•	•	•	•		•	•	•
Upgraded squatter settlements	•	•	•		•			
Illegal suburban subdivisions on public or private land	•	•	•		•			

Policy interventions range from legalization, with a less extensive role for public institutions and a lower commitment of public resources, to more comprehensive solutions with higher costs (see Table 2). In the context of fiscal austerity, the targeting of such measures is particularly important. If the three types of policy intervention are related to the typology of informal settlements, the first type, legalization, could be universally applied and is appropriate for addressing the issue of integrating squatter settlements and illegal subdivisions. By contrast, relocation, due to its high costs for the public sector, should be reserved for socially disadvantaged households in squatter settlements or refugee camps. Broadly defined criteria in the policy matrix explicitly relate social targeting to efficiency considerations and the degree of informality. Detailed urban plans are legally required in all cases, but the content and approach to the development of such plans may have to become more strategic and participatory as opposed to prescriptive or ad hoc/opportunistic.

Legalization of informal settlements has been implemented in Serbia, Croatia, and Albania. This approach emphasizes the integration of informal land and housing markets into the formal economy and validates ownership through property titles (Zajavi, *et al.*, 2009). The legalization of the unintended status quo is driven by efforts to capture public revenue and stabilize large urban communities through future social and infrastructure upgrading programs. Overall, responses to legalization vary according to local contexts, the types of informal settlements, the governments' political orientations, and pressure from concerned communities. In Croatia and Montenegro, legalization is carried out as an integral part of renewed efforts to develop statutory plans. Until 2006, however, it proceeded in an opportunistic way, with ad hoc changes to plans developed in socialist times.<sup>8</sup> In Albania and Serbia, legalization has been addressed through special legislation, although implementation has been limited. Albania's 2007 legalization law provides for legalization of informal settlements despite their violation of existing planning legislation.<sup>9</sup> The process is centrally administered, while local governments are expected to accommodate legalized developments in detailed follow-up neighborhood plans. Implementation has been delayed by a lack of funds to compensate private landowners at market prices, coupled with reluctance by affected municipalities to implement the central government policies. In Serbia, the 2003 Planning and Construction Law provides opportunities for legalization through plan review and preparation of temporary building rules, with simultaneous registration of illegal construction. The legislation has brought about 560,000 applications for legalization, 150,000 in Belgrade alone (Senior central government official, 2010a). Some incentives are provided: for example, the communal fees ranging from €20-160 per square meter are reduced by 50%, with further reductions for socially disadvantaged households. Moreover, differential treatment is provided for owners of primary residences versus developers and speculators. In Bosnia's Republic of Srpska, the 2006 legalization laws provide detailed guidance and deadlines for legalization of illegal buildings documented by an aerial photo survey in 2007 (*ibid.*). The cost of legalization is reduced by 40% if the fees are paid in full; demolition and penalties are foreseen for noncompliance. Sarajevo had 16,000 applications for legalization by the end of 2008 (*ibid.*, 2009).

Regularization and upgrading of informal settlements imply a more comprehensive intervention. Nevertheless, the solutions are not cut and dry: legal versus illegal, formal versus informal. The choice of legalization versus regularization depends on political will; the negotiating capacities of the residents; and



FIGURE 6. New social housing for refugees and socially vulnerable people in Podgorica.

last but not least, the location, size, and quality of the settlement itself. This approach proceeds on the basis of detailed urban plans, although there have been some experiments with more participatory action-based approaches, often by internationally funded organizations. Such examples include the experience of CoPlan in the Bathore and Kamza neighborhoods of Tirana (supported by The World Bank); several pilot projects in Banja Luka in Bosnia's Republic of Srpska; the capital of Kosovo, Pristina (supported by GTZ); and the Gorica neighborhood in Sarajevo. The regularization and upgrading of Gorica, a Roma settlement of 60 households, commenced in spring 2002 under

the auspices of World Vision (OSCE Mission to Bosnia and Herzegovina, 2006). After the war in 1996, displaced families reconstructed their homes on publicly owned land despite the threat of eviction. In 2000, the residents mobilized two international organizations, the Organization for Security and Cooperation in Europe (OSCE) and the United Nations High Commissioner for Refugees (UNHCR), to initiate a regularization process that included the re-zoning of land and transfer of land ownership.

The implementation process in these pilot projects incorporates real estate registration, plans for the provision of infrastructure, and in some cases, relocation. Implementation involves collaboration between residents, planners, municipalities, and central governments. Building and maintaining infrastructure and public amenities is a major step toward formalizing and upgrading informal settlements. It is important for residents and businesses to engage in the whole process and leverage their contributions to the cost of infrastructure and public amenities (Bolay, 2006; The World Bank, 2001). This aspect of the planning process in large-scale informal settlements has been constrained by cumbersome technical requirements for legalization (including unrealistic standards for retroactive building and occupancy permits) and limited municipal funds to address major infrastructure needs (roads, bridges, sewage).

Relocation to subsidized housing is another possible solution for the residents of informal settlements. Resettlement programs usually target poor residents and vulnerable groups such as Roma, refugees, and IDPs (Tsenkova, *et al.*, 2009). There is no general model for this difficult task. The importance of effective social policies and programs, while widely recognized, is in many cases beyond the financial capacity of governments, particularly in countries affected by a refugee crisis. Many of the solutions include small-scale projects funded by international agencies such as the Council of Europe Development Bank (CEB) (see Figure 6)<sup>10</sup> and the European Commission (*e.g.*, Bosnia and Herzegovina's Return of Refugees and Displaced Persons Programme).

## A ROAD MAP FOR THE INTEGRATION OF INFORMAL CITIES

The informal settlements in the post-socialist cities of southeast Europe are a distinct manifestation of the post-socialist systemic transformation process, exacerbated by a lack of effective urban planning and enforcement of existing plans (Gabriel, 2007). Informal land acquisitions, subdivisions, and other self-help solutions are perhaps a natural coping mechanism for poor migrants and refugees, as the rapidly growing informal housing in peri-urban Pristina demonstrates (Figure 7). At their best, planning reforms across the region in the last five years have resulted in improved legislation, infrastructure, and services, as well as community-driven attempts to regularize informal settlements. At their worst, governments have turned a blind eye to the informal cities, which has constrained legalization, exacerbated corruption, and forced the poor into isolated areas (Tsenkova, 2010).

It is important to make a strong business case for regularization with well-identified benefits for governments, investors, residents, and small-business owners. The integration of informal areas has distinct economic benefits: it can provide a boost to the formal economy, raising fiscal revenues and contributing to job creation. Given their scale, ensuring the sustainable development of these areas is of strategic importance. Such development must address the infrastructure deficit, protect environmental assets, and contribute to social cohesion. The adoption of action-based strategic planning could be an essential part of the road map for regularization.



FIGURE 7. Rapid growth of informal housing in peri-urban Pristina, Kosovo.

In addition to a well-designed strategy for regularization, the process needs to be supported by financial, fiscal, and regulatory measures. On the financial side, a system of soft loans with government guarantees may ensure access to funds necessary to cover infrastructure improvements and regularization costs. In fiscal terms, the central government needs to ensure a mix of subsidies, grants from international organizations, and preferential loans to fund compensation and resettlement. Such commitments could be kept at a minimal level with the implementation of alternative development standards and contextually appropriate solutions for infrastructure improvements. The municipal government could introduce limited property-tax exemptions for property owners if they opt for voluntary regularization. Retroactive taxation could be complemented with penalties according to the degree of informality and type of use. As far as regulations are concerned, the central government needs to amend planning legislation and change the legal framework of real estate registration and property taxation to create an environment in which maintaining the status quo is neither economically nor socially acceptable. Changes to planning regulations need to clarify the following: (1) alternative development standards and minimum public safety requirements in informal areas; (2) conditions for retroactive occupancy permits in cases of legalization, depending on the degree of informality; and (3) the degree of flexibility at the local level in issuing planning permits. Clearly, action-oriented planning can play a key role where markets have generally failed to integrate informal cities and produce sustainable urban environments.

## NOTES

1. This paper addresses issues of urban development typical for most countries in southeast Europe, although in some countries in the region (Greece, Bulgaria, and Romania), informality is less prevalent.
2. Western planning is not necessarily uniform. Newman and Thorney (1996) define four families of planning in Western Europe — British, Germanic, Napoleonic, and Scandinavian — based on their legal and administrative planning frameworks.
3. Belgrade's master plan was approved in 2004; the one for Skopje, a year earlier. Podgorica's new plan development process has only been initiated, and Tirana still does not have an approved master plan, despite at least five different planning processes over the years.
4. Countries in this region have experienced the largest refugee crisis in Europe since World War II, resulting in the displacement of more than two million people in the mid-1990s.
5. For example, in metropolitan Belgrade, recent annual production by the formal market has been around 1,500 built units per year, while informal production has ranged around 50,000 a year (Housing policy expert, 2010).
6. In Montenegro, estimates of illegally constructed buildings range from 80,000 to 100,000, suggesting that over one-third of the residents live in informal housing (Senior central government official, 2010b).
7. For example, Kamza, one of Tirana's informal settlements, was built on agricultural land in the early 1990s and is home to 60,000 migrants from the northeastern regions of Albania. Half of the people are unemployed,

and half of all households live below the poverty line. Housing was initially built as shacks and then upgraded (Besnik, *et al.*, 2003).

8. Informal housing in Croatia is associated with secondary homes or profit-motivated developments without planning permits along coastal areas. Regulations introduced in 1992 permitted the legalization of all informal buildings (estimated to be about 100,000). Within three years, 35,000 buildings were legalized, and 1,600 were demolished (Housing expert, 2010).

9. While there are 681 informal zones in Albania, documentation has been prepared for only a quarter of them. The Agency for Legalization and Urbanization of Illegal Constructions and Settlements (ALUIZNI) has 350,000 requests for legalization, 80,000 of which are for multifamily dwellings and shops. Less than 15% of the requests have been resolved (Senior planner, 2010).

10. CEB-funded projects allowed more than 2,300 people in Bosnia and Herzegovina, Serbia, and Montenegro to be re-housed in 2005; another project resettled 1,081 former residents of collective centers in Serbia and Montenegro in 2006. The European Agency for Reconstruction has recently allocated €2.4 million to construct affordable housing for refugees and IDPs in Montenegro (CEB project manager, 2007).

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