



**- Regional Return Initiative -**

**HOUSING PROGRAMME DEVELOPMENT  
STUDY**

**Bosnia Herzegovina  
Croatia  
Federal Republic of Yugoslavia**

**STAGE 1 REPORT  
December 2001**

Group 5 in collaboration with UrbAct

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## Abbreviations

AREA	Agenda for Regional Action
APN	National Real Estate Agency
BiH	Bosnia Herzegovina
BMZ	Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung
CC	Collective Centres
CEB	Council of Europe Development Bank
DGIS	Directorate General for International Cooperation (Netherlands)
DM	German Mark
DP	Displaced Person
EAR	European Agency for Reconstruction
EBRD	European Bank for Reconstruction and Development
EC	European Commission
ECHO	European Commission Humanitarian Aid Office
EU	European Union
FMO	Financierings-Maatschappij voor Ontwikkelingslanden (Netherlands)
FRY	Federal Republic of Yugoslavia
GoC	Government of Croatia
GoBiH	Government of Bosnia Herzegovina
GoFRY	Government of Yugoslavia
HBOR	Croatian Bank for Reconstruction and Development
HCLP	Housing Construction Loan Programme
IC	International Community
IDP	Internally Displaced Person
IMG	International Management Group
KfW	Kreditanstalt für Wiederaufbau
KM	Convertible Mark
LDPP	Local Development Pilot Project
LSP	Local Settlement Programme
LTTP	Law on Temporary Take-over and Administration of Certain Property
MDPP	Municipal Development Pilot Project
MHRR	Ministry of Human Rights and Refugees
MPWRC	Ministry of Public Works, Construction and Reconstruction
<i>NCR/DPs</i>	National Commission for Refugees and Displaced Persons
NGO	Non Government Organisation
ODPR	Office of Displaced Persons, Returnees and Refugees.
OHR	Office of the High Representative
OSCE	Organisation for Security and Cooperation Europe
PAD	Project Appraisal Document
PLIP	Property Law Implementation Programme
RNE	Royal Netherlands Embassy
RRTF	Reconstruction and Return Task Force
SDC	Swiss Development Co-operation
SIDA	Swedish International Development Agency
SME	Small and Medium Enterprises
SP	Stability Pact
TA	Technical Assistance
TOR	Terms of Reference
UNCHS/Habitat	United Nations Centre for Human Settlements (Habitat)
UNDP	United Nations Development Programme
UNHCR	United Nations High Commissioner for Refugees
USAID	United States Development Agency for International Development
USAID/CHF	USAID/Community Habitat Finance
USAID/ICMA	USAID/Municipal Assistance
WB	World Bank

**STABILITY PACT  
FOR  
SOUTH EASTERN EUROPE**

**HOUSING PROGRAMME  
DEVELOPMENT STUDY**

**SUMMARY REPORT  
STAGE 1A AND 1B**

**STABILITY PACT FOR SOUTH EASTERN EUROPE**  
**HOUSING PROGRAMME DEVELOPMENT STUDY**  
**BOSNIA HERZEGOVINA, CROATIA AND**  
**THE FEDERAL REPUBLIC OF YUGOSLAVIA**

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**SUMMARY REPORT**

**Introduction**

Housing development is one of the priority areas identified in the Agenda for Regional Action (AREA) programme document dated 20 June 2001, since over 1.2 million refugees and displaced persons still require durable solutions, while humanitarian aid shifts towards development assistance. A key consideration is that (re-) settlement of refugees both in the countries of origin and in recipient countries must be integrated with the development of “regular” housing programmes in the three countries.

The Stability Pact for South Eastern Europe, Working Table I, with financial support from the Swiss Development Corporation (SDC) has commissioned a Housing Programme Development Study to develop a programme for financing and management of a sustainable housing construction and reconstruction programme in Croatia, Bosnia-Herzegovina (BiH) and the Federal Republic of Yugoslavia (FRY).

**The approach**

It has been envisaged that the programme comprises three stages. During Stage 1 outlines for a national housing development programme in the three countries will be developed. In Stage 2 the agreed programme ideas will be translated into detailed programme proposals for financing, while Stage 3 is the implementation stage.

This report is the summary outcome of Stage 1 and reflects the findings and programme outlines developed during intensive participatory and consultative meetings with the stakeholders in the three countries and the (potential) funding agencies during the period mid September 2001- early December, and as presented at the SP consultation meeting on 7<sup>th</sup> December 2001 in Brussels.

**General Findings**

**Pre war housing situation**

Pre-war housing shortages existed in varying intensity in the three countries. Overall pre-war (1991 censuses) housing stock data and household data suggest that at that time there was a reasonable supply-demand balance in BiH and Croatia (less so in FRY), even though this probably hides regional differences, and particularly differences between urban and rural areas in all three countries. There is selective evidence that the steady rate of urbanisation in combination with declining household sizes had already led to housing market tensions in some urban areas prior to the wars.

### **Impact of the wars and their aftermath**

The wars and their aftermath changed this picture radically: about a million dwelling units were destroyed or badly damaged and several millions of homeless refugees, IDPs and returnees were in need of reconstructed and for additional housing.

In all three countries housing production levels plummeted during the war years and have reached not more than about one-third of those production levels at present, especially since the public sector delivery mechanism through state enterprises is hardly existing. Besides that, little attention has been paid to maintenance, particularly of the public housing stock, which, however, has now been largely privatised.

Further demand side factors have been the steady decline in household sizes and continuing urbanisation during 1991-2001 (both accelerated as a result of the wars). These factors have exercised considerable pressure on the housing stock, perhaps most strongly in FRY, where the aggregate demand-supply imbalances appear largest at present.

An additional problem is impoverishment. Although no hard data are available to estimate magnitudes, it is clear that the combination of the wars and the demise of the socialist mode of housing production has created a situation in which even a well functioning housing market would only be able to cater to part of the needs, as purely market-based solutions are bound to be unaffordable to some 25-30% of the population.

The thus suppressed excess demand is physically articulated by multiple household occupancy of existing units and by the emergence of informal settlements at the fringes of major urban areas, again most significantly in FRY.

The above picture is further complicated by the largely completed, leap-and-bounds manner of privatisation of the public housing stock. This was handled primarily through sale at favourable terms to the de-facto occupants, who, however, in a significant number of cases were not the legal tenants, as these had fled during the wartime.

### **Responses to refugee-related housing issues**

Refugee-related housing issues have compounded housing sector issues in quite different ways in each of the three countries.

In BiH the predominant need has been the reconstruction of destroyed or damaged housing for returnee refugees and IDPs, along with the repossession by their rightful IDP or refugee owner of housing units illegally occupied (mainly by other IDPs).

In Croatia, this last issue is complicated by the fact that the government had explicitly provided for this in the Law on Temporary Take-over and Administration of Certain Property (LTTP). In addition, many refugees currently still outside Croatia are former tenants in public housing units sold to de-facto occupants.

In FRY there is no significant reconstruction issue. The majority of refugees surveyed recently have indicated their disinterest in returning to their place of origin. Thus the refugee-related housing issue in FRY is now primarily seen as an issue of local settlement.

Government and private sector responses to this also differ significantly between the three countries. Recently, good progress in housing policy programme development has been made in Croatia with the preparatory work on the bill on "socially stimulated housing construction", the allocation of budgetary resources, as well as mobilising local and international capital market resources to address housing issues.

In both BiH and Croatia during the last year, the financial sector has demonstrated serious interest in developing a mortgage backed housing finance market, and this has led to several thousands of such loans being approved in each country.

The limited government response capacity in all three countries at a time of economic crisis (particularly in BiH and FRY) is a matter of serious concern, as it impedes the realisation of the economic potential of a viable and vibrant housing delivery sector. This has a major impact on the overall economy, given the relatively high multiplier impact of investment in housing on income and employment generation, particularly through its backward linkages to the construction materials industry.

### **Housing sector gaps**

Due to the reasons mentioned above there is a substantial shortage of housing and related infrastructure in all three countries and most obviously in FRY. Numerical estimates of this shortage are difficult to make due limited reliable up-to-date statistical information. However, clearly housing market demand in and around the major urban centres are highest, while in certain rural areas there is an oversupply of housing units due to the changed socio-economic conditions (closing of former state factories and lack of alternative employment).

In each of the three countries there is therefore a clear rationale for a significant programme of development of new housing, rehabilitation of existing units and measures enhancing the functioning of the housing market. There is a clear need for the development of a long-term national housing and spatial development policy and strategy, including the mechanisms for the provision of housing related land development and infrastructure.

However, this must be developed in a socio-economic environment with relatively limited options for economic growth, limited capacity to borrow, limited financial sector development, high unemployment levels and on-going privatisation process. On the other hand, housing production will function as an economic engine, given the relatively high multiplier impact of investment in housing on income and employment generation, particularly through its backward linkages to the construction materials industry.

### **Medium-term (4-5 years) programme development perspective**

As noted above, the combination of structural housing demand and supply factors, combined with a still considerable backlog in resolution of refugee-related housing cases, suggest that there are considerable housing shortages in all the three countries. Meeting these shortages will require a combination of new housing development, upgrading of existing settlements, as well as better utilisation of the existing housing stock and improved housing finance mechanisms.

Well-targeted housing programmes to the tune of some 15,000 units over a 4-5 years period in each country could make a major contribution to the resolution of refugee related housing issues, while simultaneously providing a much-needed boost to the economy and a basis for the development of a long-term housing policy. In all three countries there is a need for capacity building at national level for policy, strategy and finance mechanism development, and at municipality level for the implementation of housing programmes, the development of financial procedures and organisation of related infrastructure.

### **Outlines for immediate action in 2002**

On the basis of the above medium term requirements, the study team has suggested programme outlines for immediate action in 2002 in each country as follows:

#### **BiH**

In Bosnia Herzegovina five investment programmes for the year 2002 are proposed, using and extending the on-going support programmes e.g. a municipal housing support programme of Euro 38 million in conjunction with the World Bank funded MDPP project, additional support to the KfW managed European Fund (Euro 10 million), PLIP-related housing rehabilitation (damage assessment study plus government credit guarantee scheme), additional support to the CHF programme to support housing savings and loans associations (Euro 5 million) and continuation of grant based returnee housing reconstruction efforts.

Technical assistance programmes are proposed for capacity building at municipal and canton level to manage above investments, while capacity building at Entity level is required for housing policy development. In addition proposals have been formulated for support to the survey of State-owned housing stock and the resolution of restitution claim issues.

#### **Croatia**

The proposed investment programme for Croatia is in support of the GoC (draft) action plan on returnee housing reconstruction and repossession of property (Euro 80 million) for approximately 4,500 alternative accommodations and the continuation of the IC grant based returnee housing reconstruction efforts.

Technical assistance is proposed for the support of the development of a national housing policy, focussing on the operationalisation of the bill on "socially stimulated housing construction" and capacity building at municipal level for the proposed investment programmes. Furthermore, support to a survey of the State owned housing stock and support for a study on the inventory of tenancy rights claims are proposed.

**FRY**

In FRY an extensive municipal housing support programme is proposed (Euro 100 million) for approximately 8000 -9000 housing opportunities in selected municipalities, which includes the establishment of a Social Housing Fund at Republic level with on-lending facilities to municipalities. In addition the on-going LSP programme with 250 units per annum should continue, while a housing area upgrading and regularisation programme is proposed for selected municipalities in Montenegro.

Technical assistance for capacity building at municipal and republic level for the implementation of the above investment programmes is proposed, while assistance is also required to develop and establish a Social Housing Fund at Republic level and to develop a housing policy and a spatial planning strategy. A small study to review alternative accommodation options for collective centres is also proposed.

**Regional Proposal**

In addition to the proposed investment programmes in the individual countries, support for a regional information exchange unit on refugees, DPs and returnees-related property is proposed (Euro 10 million).

**Immediate next steps**

In the country reports these proposals are outlined in more detail, with an indication of the funding agencies likely to support the proposed investment programmes, studies and technical assistance.

All stakeholders have reached agreement on the priorities. The immediate next step is to formulate the Terms of References for the preparation of the required project feasibility studies necessary for funding. The first ToRs can be prepared in the period January and February 2002, while after tendering and selection of consulting firms, the feasibility studies could commence two months later and financing agreements concluded in the 4<sup>th</sup> quarter of 2002, after which implementation will follow.

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**HOUSING PROGRAMME  
DEVELOPMENT STUDY**

**BOSNIA HERZEGOVINA**

**STAGE 1A AND 1B  
REPORT**

# STABILITY PACT FOR SOUTH EASTERN EUROPE

## Regional Return Initiative Agenda for Regional Action (AREA) 2001-2003

### Housing Programme Development Study – Stage 1a Report

#### Bosnia and Herzegovina: Housing Programme Options<sup>1</sup>

##### Housing sector situation<sup>2</sup>

The population in 1991 (the last year in which a population census was carried out) was estimated at 4.38 million, with an average household size of 3.4 persons; the number of households was slightly less than 1.30 million in that year. Population growth was slow, at less than 1% increase p.a. over the preceding decade, but characterised by a rapidly declining household size (4.00 persons in the 1981 census and 4.42 in the 1971 census).

Immediately after the war, population estimates in March 1996 had the total population at 2.96 million: 290,000 people were reported as killed or missing; there were 1.24 million displaced persons in the country and some 1.15 million BiH refugees in third countries.

The Statistical Agency, however, suggests a mid-1996 population at 3.65 million and a resumption of slow population growth to 3.73 million by mid 1999. World Bank estimates in 1999 suggested a population of 4.2 million by end 1998<sup>3</sup>; the Economist Intelligence Unit put the 2000 population at 4.2 million<sup>4</sup>. These are widely diverging estimates. With the 2001 population census postponed to 2002, all that can be said of the present population size is that it must be in the region of 4.0 million by mid 2001, at an average projected household size of 3.1 persons per household, or some 1.29 million households. Of the 1993-1999 population, World Bank estimated that 43% lived in urban areas<sup>5</sup>.

The housing stock in 1991 consisted of slightly less than 1.3 million units: contrasting this with the above number of households in that year suggests that the aggregate housing market was in balance, but slightly stressed (limited vacant “friction” units in the stock, and probably some doubling up of households) at that time. In urban areas shortages may have been more severe, but there are no readily available data to substantiate that. The war changed this picture radically, with some 352,600 housing

<sup>1</sup> Findings and recommendations of SP/SDC housing economist Emiel Wegelin mission to Sarajevo 15-19 October 2001 (meeting schedule is attached as Annex 1). The excellent support of UNHCR in Sarajevo during the mission is gratefully acknowledged. Due to the short notice of fielding the mission and its limited duration, the findings are of a “quick scan” nature and bear further verification in several respects.

<sup>2</sup> Unless otherwise indicated, data cited in this section are from Agency for Statistics of Bosnia and Herzegovina sources

<sup>3</sup> Bosnia and Herzegovina at a glance, 3 December 1999

<sup>4</sup> The Economist Intelligence Unit, Country Report, Bosnia and Herzegovina, August 2001

<sup>5</sup> Bosnia and Herzegovina at a glance, December 2000

units destroyed or severely damaged by the time the Dayton Peace Agreement was signed<sup>6</sup>.

Annual housing production during the 1980s was about 27,000 units p.a. on average, of which about 20,000 units were privately produced and 7,000 units in the public (social) sector. During the war years production plummeted, while since 1996 there has been a slow, gradual resumption with some 6,000 new private housing units completed in 2000.

In the face of stagnation of formal housing production, irregular private housing development (without building permits, often at places unsuitable for development and at low levels of infrastructure) has emerged: around Sarajevo at least some 1,500 units of such irregular housing have been developed since the war, which require regularisation, or (if built in dangerous locations or detrimental locations from an environmental point of view) demolition. It is believed that similar developments have occurred in other urban areas, and that this phenomenon is increasing.

In addition, the housing shortage in Sarajevo has given rise to a variety of unconventional solutions to better exploit the existing stock, most significantly the widespread practice of adding additional top floors in apartment buildings (undoubtedly some of these are financed through the KfW/EU supported scheme – see below). The mission noted that in Sarajevo this practice appears to be generally carried out at acceptable technical and procedural standards, while this is open to doubt with regard to similar practices in other urban centres in the country<sup>7</sup>.

In addition, and apart from the reconstruction efforts reported on in the next section, there are examples of scattered housing initiatives for special groups, e.g. the new apartment housing projects (several thousands of units) undertaken to enable disabled soldiers/widows to buy new apartments, supported by Canton Sarajevo, at reasonable costs (less than KM 900/m<sup>2</sup>) and at savings-and-loan association terms.

During the last year and a half, the financial sector has seen a shake-out, with several local banks ceasing operations. Several local banks have been restructured and bought by international banks, and several foreign banks have separately begun operations. Of these, several banks have initiated mortgage-backed (and guarantor-backed) lending for housing at reasonably long (up to 15 years) maturities<sup>8</sup>. This development has probably been stimulated by the EU supported, KfW implemented Housing Construction Loan Programme (HCLP), which has kickstarted a commercially oriented housing finance system through local banks (more than 2,800 loans approved by end September 2001 at an aggregate loan value of KM 50.6 million)<sup>9</sup>. The capacity-building impact of this effort with the local banks concerned is significant.

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<sup>6</sup> The total number of units destroyed or damaged was estimated at 451,900 units, of which 99,300 units sustained damage of less than 20% according to the IMG data base: Reconstruction Needs in Bosnia and Herzegovina, January 2001

<sup>7</sup> In some areas such developments have been carried out illegally, at questionable technical standards, and were used to permanently re-settle DPs in contravention to the Dayton Peace Agreement Annex VII provisions.

<sup>8</sup> The impression is that this development has been very rapid over the last 18 months, with several thousands of new loans approved.

<sup>9</sup> KfW HCLP overview.

## Refugee and DP return related housing<sup>10</sup>

Since the cessation of war some 382,000 refugees have returned (up to end September 2001- largely because of external push, so some of them will have added to the displaced persons (DP) problem), while some 403,000 DPs have returned (with external support) to and have been (re-) housed in their place of original residence. The return patterns over time for these two groups differ markedly: refugee returns swelled to very high levels in 1997 and 1998 (120,300 and 110,000 persons respectively), and then declined rapidly, reducing to some 18,600 persons in 2000. 2001 refugee returns up to September inclusive were 13,600 persons, suggesting that the full 2001 figure will be comparable to that for 2000. This is likely to taper off further during the next few years.

On the other hand, DP returns, after the initial surge in 1996 (164,700 persons), declined sharply to a low of 29,600 in 1998 and then increased again to 59,400 in 2000. DP returns in 2001 amounted to 48,000 persons up to September inclusive; therefore, the expectation is that the full 2001 DP return figure will be somewhat higher than in 2000.

The international community (IC)'s efforts in refugee-related housing support have served the primary objective to reverse the demographic impact of the war in accordance with the Dayton Peace Agreement Annex VII provisions. The IC effort in housing from early 1996 onwards has therefore focused on promoting and facilitating refugee and DP returns, particularly minority returns. In housing terms, this has led to a focus on two major areas of operational concern:

- a) reconstruction of returnee housing units; UNHCR has been the lead agency in this IC effort, and
- b) the property law implementation programme (PLIP), to ensure that returnees can repossess their property illegally occupied by others during the war; OHR, OSCE and UNHCR are the main IC proponents in this programme .

The caseload of claims filed under the PLIP was 258,500 by end-September 2001. Of these, 152,200 had resulted in a positive decision, and 87,900 properties have been repossessed during October 1999 – September 2001<sup>11</sup>. This means that at end-September 2001 some 64,300 repossession cases were still in various stages of legal process, ultimately leading to the eviction of the occupants of those units.

According to the State Ministry for Human Rights and Refugees, some 25,000 properties of returned refugees/DPs with damage of 20% or more have been reconstructed during 1996-2000.<sup>12</sup> Of this total, about 13,600 housing units have been repaired or reconstructed through IC efforts, as estimated by the International Management Group (IMG – see below) in early 2001<sup>13</sup>. The IMG also estimated on the basis of a nation-wide survey of destroyed and damaged properties that at end-2000 some 15,000 units of returnee housing still needed repair or reconstruction at a

<sup>10</sup> Unless otherwise indicated data are from UNHCR, IMG or RRTF sources.

<sup>11</sup> UNHCR/OHR/OSCE PLIP statistics 30 September 2001

<sup>12</sup> In addition, the Ministry estimated that all properties with damage of less than 20% had been repaired.

<sup>13</sup> IMG data base: Reconstruction Needs in Bosnia and Herzegovina, January 2001

total cost of KM 265 million<sup>14</sup>. By August 2001 the net additional reconstruction requirement (accounting for on-going reconstruction) at mid-2000 was estimated by the national level Reconstruction and Return Task Force (RRTF – see below) to be 22,000 units.

In the early years of the reconstruction efforts, there was insufficiently tight management of the process, as a result of which it is currently estimated that at least 2,000 to 3,000 reconstructed units remain unoccupied, as they did not match the revealed aspirations of the returned refugees/DPs for whom they were intended. It is thought that this, at least in part, is related to the lack of employment opportunities and infrastructure availability in the locations of origin where their housing was reinstated<sup>15</sup>.

Early experiences with reconstruction during the war led to the establishment in 1994 of the International Management Group (IMG) for reconstruction (at the initiative and under the auspices of UNCHR), which included a housing unit, that i.a. developed a data base on housing reconstruction requirements and on-going efforts (generally implemented through a variety of NGOs with different approaches), proposed common reconstruction standards for various levels of damage recommended to be used by all IC efforts<sup>16</sup>, provided a forum for sharing experiences and approaches<sup>17</sup>, and for monitoring achievements. In early 2001 the IMG ceased to function. In recognition that the housing reconstruction effort needed a broader support mechanism, UNHCR and OHR established the Reconstruction and Return Task Forces (RRTFs), which operate at State, Entity and Canton level. Participation is limited to IC and NGO members.

During the current financial year the State and the Entities are contributing to the reconstruction effort in a major way for the first time, to the tune of a budget provision of KM 55 million, mainly for the provision of building materials on site, leading to an expected additional self-help reconstruction of some 6,500 units this year. This represents a very positive step forward, which should be built upon. The IC housing reconstruction effort will amount to an expected (funded) delivery of at least 3,700 units in 2001, and possibly some 900 more if additional funding can be found.

There is an urgent need for co-ordination between the IC effort on the one hand and the State/Entities effort on the other, as the above RRTF delivery estimates do not fully consider the Entities reconstruction delivery to date. Projecting the mid-2001 RRTF requirement estimates to end-2001 by assuming that the IC and Entities funded expected 2001 output will be achieved in full, suggests that remaining reconstruction

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<sup>14</sup> Ibid.

<sup>15</sup> Quantitative estimates of the number of units involved vary significantly; some sources suggest that, based on a limited geographical sample, the number of unoccupied units may be as high as 36,000 nation-wide. It is clearly important to carry out a comprehensive national survey to establish the actual number of unoccupied number of units, the reasons why they remain unoccupied, and how these units can still be used productively in resolving housing shortage issues.

<sup>16</sup> IMG, Standards for the Rehabilitation of War-damaged buildings, February 2000, Draft

<sup>17</sup> E.g. the Norwegian and Swedish supported projects in Zenica and Tuzla, which clustered reconstruction in larger number of units to make it more cost-effective and to reconstruct communities rather than individual housing units, but which generated much discussion about the interpretation of reconstruction, as it clearly meant that a number of families were not re-housed at their very places of origin.

needs on that basis will be about 15,000 additional units at that time. This can therefore be seen as the minimum reconstruction requirement for 2002 and beyond, based on present knowledge.

As noted above, the IC approach to reconstruction evolved over time, as concerns with cost-effectiveness increased. In the process, some IC members piloted with more clustered approaches, as well as with attempts to link reconstruction to the property repossession programme (see below). Some of the IC supported reconstruction effort currently incorporates a gradual shift over to programmes offering reconstruction loans at hard (Prizma) and soft (World Vision) terms as support mechanism, rather than grants<sup>18</sup>, as well as to programmes which endeavour to address other issues along with housing (employment through provision of equipment and/or SME loans, development/rebuilding of education and health care facilities).

### **Issues to be resolved**

It is uncertain how many refugee and DP returns are still to be expected, and to how much additional (reconstruction) housing requirement this will lead. As noted above, refugee returns are currently at a level of some 18-19,000 persons per annum, with the expectation that this will decline further in the next few years. As also noted, DP returns are currently at a level of some 59,000 persons per annum. 2001 DP re-registration survey data suggest that out of 183,000 DP households surveyed, 86,000 have re-confirmed their wish to return to their place of origin, 61,000 indicated they were no longer interested (which means that they will no longer be considered DPs) and 36,000 households indicated that they were not sure<sup>19</sup>. The increased 2000 and 2001 numbers have probably resulted from improved security and political conditions as perceived by the DPs. Given the above data, it is not unreasonable to assume that the current level of DP returns will persist for the next two years or so, before tapering off. The number of refugees/DPs still in collective centres (CCs) had reduced to some 7,500 persons in 80 CCc by July 2001. All in all, the maximum overall caseload for the return and (re-) housing of refugees and DPs for 2002 and beyond may therefore be estimated at around 450,000 persons or some 120-130,000 households.

A good number of the potentially returning refugees and DPs are probably among those having filed a repossession claim under the PLIP. As noted above, the caseload of decisions on claims filed under the PLIP to be completed was 64,300 claims by end-September 2001. Refugees and DPs repossessing their properties under PLIP obviously do not require any additional new housing units themselves, but generate indirect return-related housing requirements, i.e. those of the households evicted. Obviously, new claims will continue to be filed for some time, a large number of additional positive decisions will be made (more than 106,000 filed cases had not yet been decided by end-September 2001), so the number of evictees vacating property and requiring alternative accommodation will be considerably larger than the above number of 64,300.

Additionally, experience in PLIP has made it clear that, often, significant support is required for rehabilitation and repair of the units repossessed. Often the units returned

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<sup>18</sup> The volume of these efforts is still small; the shift in approach is inspired by the perceived donor fatigue related to refugee-related reconstruction (RRTF, 10 October 2001)

<sup>19</sup> UNHCR Statistical data, August 2001

were badly damaged, not only because of regular wear and tear in their occupation, but also because of looting by the temporary occupants. UNHCR has addressed this problem by applying its quick support funds at an average cost per unit of KM 1,500-2,000. With the outstanding repossession caseload as noted above, significant additional resources will be required to address this issue.

The above data therefore suggest that the refugee and DP return-related housing requirements are very significantly higher than the above reconstruction requirement estimates based on the survey data of damaged and destroyed property alone. In a sense, this should come as no surprise: not all properties left behind by refugees and DPs were classified as damaged or destroyed, and given the 6 years elapsed time since the end of the war, there must have been significant new household formation among those still registered as refugees or DPs. The majority of these new households will require new housing rather than the reconstruction of parental units left behind damaged or destroyed.

Considering the above return-related reconstruction and housing requirement estimates, it is pertinent to re-emphasise that the reconstruction experience to date has shown that some reconstructions have triple benefits, in the sense that refugee/DP house reconstruction leads to the refugee or DP owner vacating illegally occupied property, enabling the repossession of that property by its owner, who in turn again creates space in his temporary place of residence (in some 80-90% of cases within BiH, but also involving refugee households in FRY and Croatia). Hence, there is a need to put more emphasis on cross-checking approved reconstruction requests with approved (positive) repossession claims under PLIP. It is recommended to start the checking process with the families occupying properties on which there is a positive repossession decision, to determine their return/reconstruction application status, and if positive, to give them priority, with IC support. The clear link between reconstruction and PLIP also highlights the need for a comprehensive multi-country (regional) data exchange mechanism, as articulated by the State Ministry for Human Rights and Refugees (a similar requirement was to expressed to the mission in Croatia).

The still existing public housing stock is not adequately utilised, as a result of war-related incidents and the leaps-and-bounds nature of its privatisation. For example, some 1,500 high standard units of public housing have been built in Canton Hercegovina-Neretva during 1997/98, meant to house Croat DPs, but in locations where they were not required, and which have remained partly unoccupied till today in consequence. Other parts of the existing public housing stock are not put to good use due to administrative problems and/or unresolved land and property disputes, including several blocks of former army used apartments, as well as properties owned by individuals and religious organisations prior to socialist Yugoslavia (which cannot be sold legally pending the resolution of the restitution claims filed by the former owners).

Additionally, the CCs being vacated by refugees/DPs (some 30 centres were closed in the first half of 2001, from which some 5,000 persons were housed elsewhere) have the potential to be turned into permanent accommodation, but the extent of reconstruction required will vary from place to place. This is being followed up by Entity authorities and the IC, and needs to be continued.

It is thus clear, that there are alternative accommodation opportunities available in the existing housing stock (by utilising empty, damaged apartments and housing units, particularly in the former public sector in the urban areas, as well as through rehabilitation of former CCs), but the extent of which these opportunities exist, and the nature of administrative, legal and technical actions to be undertaken to make these units available must be inventorized. A comprehensive survey of the stock still in public hands (as currently undertaken in Croatia) is recommended to be undertaken.

In order to come to terms with the remaining caseload of refugees/DP return and housing reconstruction, it may also be considered to set a terminal date for applications for return, reconstruction and for property repossession. It goes without saying that such deadlines must be well publicised, not only in BiH, but also in Croatia and FRY. Additionally, there is a clear need to enhance the database on pending cases of return, reconstruction and property repossession, to enhance consistency of effort between the Entities in BiH and the governments of Croatia and FRY.

In view of the above positive reconstruction efforts initiated by the State and the Entities since late 2000 (as well as by selected Cantons and municipalities) and the need to consider these in the co-ordination mechanism, it is also suggested that participation in the RRTFs is broadened to include representatives from the respective Government levels (the State and both Entities have ministries specifically dealing with refugee/DP return and reconstruction matters), so as to facilitate co-ordination of efforts and ensure the most cost-effective approach at all levels. The mission was given to understand that Entity and State budgetary outlays for reconstruction efforts in 2002 will be increased as compared to 2001. This is very commendable, and further reinforces the need for careful co-ordination with IC-led programmes, in order to prevent duplication of effort.

With regard to the housing sector, there are ministries of physical planning and construction in both Entities, but these have only limited capacity to deal comprehensively with the housing sector to develop housing policy programmes at Entity level and to develop a spatial development policy framework (in accordance with the legislation on this) to ensure that such sector programmes fit with spatially desirable directions vis-à-vis economic development parameters and environment-related constraints. At canton and municipality levels, the capacity to develop and implement (spatial/urban) plans and housing investment programmes varies considerably, but generally requires strengthening.

### **Regional information support needs**

There is a need for the establishment of a **regional property information exchange unit** to facilitate two and three-way refugee and DP returns, and thus more efficiently resolve refugee return related housing solutions in BiH, Croatia and FRY. It should focus on extending and integrating the data bases existing in each of the three countries on reconstruction application/approvals, on property repossession application/approvals and on other property claim issues and their resolution requiring agreements between the three countries or two of them. As it would be envisaged as a temporary facility, UNHCR or OSCE may consider acting as its core node, with other

nodal units in each of the national ministries in the three countries dealing with refugee and DP issues. UNHCR and other IC agencies (particularly OHR in BiH) in each of the three countries may support the nodal units with technical assistance as required. Costs for its establishment and operation during a 23 year period would be in the vicinity of \$ 10 million, suggested to be supported by the IC.

### **Towards a viable medium term programme in BiH with international support**

In support of resolution of the above issues, several programmatic approaches can usefully be embarked on (in many cases building on efforts already undertaken with IC support, and broadening or mainstreaming these), as follows:

Further support to the KfW supported HCLP, in the context of the European Fund for Bosnia and Herzegovina is suggested as a macro approach to bolster the economically important housing sector, and thus indirectly enhance housing opportunities for returned refugees/DPs. According to KfW data, there is significant demand for additional housing loan funds, easily in the order of magnitude of KM 20 million at present. The reach of the HCLP could be broadened with further support, not necessarily only through direct capitalisation and on-lending, but also by extending guarantees to provide comfort to other potential financiers (e.g. CoE Development Bank). HCLPs drawback is that it is not targeted to specific deserving groups; in fact, a group of deserving households (say up to the 30<sup>th</sup> percentile) will not have access to the programme.

A more targeted approach alongside this would be possible by dovetailing the World Bank supported Local Development Pilot Project (LDPP) and Community Development Project (CDP)<sup>20</sup> through the development of serviced building sites with skeleton houses in selected, deserving municipalities (from among the municipalities self-selecting in the above projects) for housing development. Beneficiaries would be deserving households willing to borrow for this plot and skeleton house, including returned refugees, who could exercise their reconstruction entitlement as a grant contribution from the Entities (augmented by the International Community), effectively reducing their borrowing requirements to that extent; the same would apply to resettlement of/alternative accommodation for DPs not willing to return, with the note that any capital grant on account of their resettlement would have to be borne by the Entities without IC support<sup>21</sup>.

It is envisaged that such sites could be developed in some 10-15 municipalities (to be self-selected from among the long list of municipalities included in the above World Bank-supported projects<sup>22</sup>, on the basis of having high number of reconstruction and

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<sup>20</sup> See World Bank Project Appraisal Document (PAD) Report 18643-BIH, dated 12 March 1999 and PAD Report 22121-BIH, dated 29 May 2001 for a detailed description of the scope of these programmatic municipal support operations.

<sup>21</sup> As the IC would take the view that such local resettlement would run counter to the return and reconstruction objectives pursued by the IC under the Dayton agreements.

<sup>22</sup> Municipalities in the long-list for receiving support under the Local Development Pilot Project currently include: Banja Luka, Bijeljina, Bosanska Krupa, Laktasi, Trebinje, Prnjavor, Novi Grad, Derventa, Kosarsko Dubica, Sokolac, Gradiska, Teslic, and Doboj in RS, and Sarajevo Center, Ilidza, Tuzla, Gracanica, Bihac, Bugojno, Siroki Brijeg, Vitez, Citluk, Grude, Konjic, Tesanj, Velika, Kladusa, Gorazde, Livno, Srebrenik, Jablanica, Novi Travnik, Lukavac, and Banovici in the Federation of BiH. Inclusion is based on self-selection criteria laid down in the above PAD for the project –

housing needs and willingness/ability to provide government land and trunk infrastructure – this could be part financed out of the World Bank loans for the above projects, as per terms and conditions agreed). Where recognised entitlements for reconstruction within the municipality are involved, these would be given up by the beneficiary in exchange for the estimated monetary value of the (virtual) reconstructed property by way of a voucher at the same value, as a contribution to the cost of a plot with skeleton house (plus possibly an extension/improvement grant or loan) in the scheme within the same municipality.

Additional costs for such a scheme (beyond what is already provided for under the above World Bank supported projects) would amount to approximately KM 75 million for some 5,000 skeleton housing units.

External support for both the above schemes could be coursed through the European Fund for Bosnia and Herzegovina, which already is the conduit for the EU/KfW HCLP and the multi-donor SME support programme.

In parallel the on-going more small-scale reconstruction of returnee housing by NGO partners (with the positive shifts in emphasis as discussed above) will require continuing support by the IC. Additionally, PLIP-related housing rehabilitation may require an additional support effort in the order of magnitude of KM 100-125 million for the outstanding PLIP cases still being processed.

There is a strong need for technical assistance advisory and consultancy support to develop/enhance a strategic regional and urban planning capacity in the Entities, to assist in carrying out the state owned housing stock survey, to assist in the resolution of the (pre-socialist privately owned property) restitution claim issues and for the development of proper housing policies. IC grant support for such technical assistance in an estimated amount of about KM 10-12 million is strongly recommended, should this be requested.

The above overall support programme (including technical assistance) will likely take some 3-4 years to implement; a critical factor determining the implementation speed will be the timely availability of suitable sites and the administrative capacity to deliver appropriately valued voucher entitlements.

External support for the above programme is justified on the following grounds:

- a) The programme makes a major contribution to resolving major problem areas of the refugee-related housing and overall housing challenges simultaneously;
- b) it particularly enhances the cost-effectiveness of reconstruction efforts through various measures, i.a. through making reconstruction entitlements in BiH more responsive to the changed economic environment;
- c) it contributes to the amelioration of local infrastructure problems in the programme municipalities;

municipalities originally included may drop out for various reasons and others meeting the criteria may be included instead. For the Community Development Project, similar self selection criteria apply, with the difference that the LDPP criteria emphasise municipal self-reliance, while the CDP was designed to cover poorer municipalities with a large proportion of poor households which therefore would be unlikely to qualify for support under the LDPP. For the CDP a long list of municipalities is not yet available.

- d) it supports the development of national-level capacity of spatial planning and housing policy and programme development, and makes a major contribution to capacity building at canton and municipal levels;
- e) through its significant direct and indirect income-generation and employment creation (given the high domestic income and employment multipliers of investment in housing and infrastructure), it makes a major contribution to long term economic regeneration.

### **Next steps**

The mission's initial findings and recommendations in an earlier draft of this report have benefited from comments from various parties in BiH and the IC, i.a. at the SP Regional Conference in Bucharest on 24-26 October 2001. Simultaneously, consultations have been conducted on the draft report with the major external support partners in the SP, suggesting significant potential external support for the direction of the proposals.

The programmatic proposals (modified by the above comments) as laid down in the current version of the report should now be designed in greater detail by concerned national/entity agencies with SP/SDC consultants support during a second preparatory mission during the second half of November 2001, i.a. to enable a decision by national/entity agencies to propose them for specific itemised external support, to establish what further preparatory technical work needs to be done to bring them to implementation, and to establish a clear time schedule for that. The output of this work is envisaged to be discussed in a Stability Pact organised meeting with interested IC members in Brussels on 7 December 2001. It is envisaged that following this meeting, further, project specific, preparatory work to be undertaken will be supported by a range of IC members.

# STABILITY PACT FOR SOUTH EASTERN EUROPE

## Regional Return Initiative Agenda for Regional Action (AREA) 2001-2003

### Housing Programme Development Study – Stage 1b Report

#### **Bosnia and Herzegovina: Proposals for Immediate Action Plan 2002<sup>23</sup>**

##### **Introduction**

During an earlier SP/SDC Housing Programme Development Study Mission<sup>24</sup> the housing sector situation and refugee and DP return related housing issues were reviewed, pertinent issues identified, and a medium-term housing development programme for international support outlined. During the mission reported on in this action plan note, a reality check was carried out on the proposals presented therein, in order not only to enhance the accurateness of the analysis and realisticness of its assumptions, but also to ensure ownership of the proposals (both on the part of the government actors and concerned members of the international support community<sup>25</sup>) and narrow them down to a proposed plan for immediate action during 2002.

The proposed action plan items resulting from the mission's discussions are summarised below, as much as possible in concrete terms in terms of their likely magnitude, likely support partners and time table for next steps to be taken. The proposals comprise in-country investment opportunities, in-country technical assistance suggestions as well as two action options for trilateral/regional exchange between BiH, FRY and Croatia. While these proposals at present only summarise the consultants' team recommendations, the consultants have discussed them with most of the main actors involved and are confident that the proposals meet the expectations of the partners involved.

The present report is meant to serve as an input for the meeting on housing programme needs and options organised by the SP Steering Committee on Refugee Matters in Brussels on 7 December 2001. In BiH itself, further follow-up will need to be handled by the RRTF network and the Working Group on Land Allocation of the National Commission on Refugees/DPs, comprising representation from OHR/UNHCR/OSCE/State Government/Entities Governments.

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<sup>23</sup> SP/SDC Housing Programme Development Study mission to Bosnia and Herzegovina by Emiel Wegelin and Marten Treffers, 21-24 November 2001 (meeting schedule is attached as Annex 1).

<sup>24</sup> Reported on in the report entitled Bosnia and Herzegovina: Housing Programme Options - Findings and recommendations of SP/SDC housing economist Emiel Wegelin mission to Sarajevo 15-19 October 2001

<sup>25</sup> Prior to the mission currently reported on visits to international support community members HQs were made to discuss the earlier mission report in detail. International partner institutions visited were: BMZ, Bonn; CEB, Paris; DGIS/Ministry of Foreign Affairs, The Hague; EBRD, London; EC, Brussels; KfW, Frankfurt; SDC, Berne; SIDA, Stockholm; USAID Brussels office; World Bank European office, Brussels.

## **Investment programmes**

- a) Municipal housing support programme: Euro 37 million for 5,000 housing opportunities (in conjunction with the World Bank funded Municipal Development Pilot Project (MDPP) currently under implementation) in selected municipalities. The programme aims at returnees and locally needy/vulnerable groups (the specific housing options would range from complete self-help, through centralised provision of core housing, to complete housing units, depending on site specifics). Possible supporters: CEB, KfW (with possible BMZ backing), World Bank/MDPP (through its current programme), EC. Feasibility Study: May-July (SDC). ToR January 2002. Consultants recruitment: February-April. Loan Agreement: September 2002. GoBiH formal request for loan funding required. A formal GoBiH indication of commitment to the programme needs to be made prior to ToR development.
- b) The European Fund currently managed by KfW: further capitalisation of the housing (HCLP) window: about Euro 10 million additional support (over and above new FMO support @ Euro 2.5 million currently under negotiation). Possible supporters: EC, CEB, KfW (with possible BMZ backing), US/PRM – about 1,100 newly financed housing opportunities. Limited feasibility study April-May (SDC/KfW). ToR and consultants recruitment Jan-March 2002. Loan agreement: September 2002. GoBiH formal request necessary for CEB support.
- c) Housing savings and loans associations development: some 400 - 600 (part) loan financed returnee housing reconstruction opportunities in 5-6 municipalities through the developed associations (i.a. through the USAID/CHF project): Euro 5 million. Possible supporters: SIDA, Netherlands (RNE). Limited feasibility study (SIDA/RNE): January-March 2002. Programme support agreements May 2002.
- d) PLIP-related housing rehabilitation: damage assessment study plus government credit guarantee scheme (preferential window in European Fund). Study: Jan-March: pilot credit guarantee backed loans by local commercial banks (from April 2002 onwards). Costs of an initial trial guarantee could be about: Euro 1 million. Possible supporters: SIDA/SDC/RNE/BMZ/US-PRM.
- e) On-going continuing IC/Entities grant-based returnee housing reconstruction efforts - possibly some 6,000 combined. In part these may be integrated in the above municipal housing support programme and/or the housing savings and loans association development programme.

## **Technical assistance programmes**

- a) Capacity building at municipal and canton level to manage the above investment programme. Possible supporters: UNDP/SIDA/SDC/RNE/World Bank (through LDPP). Consultants retained to prepare the investment programme will i.a. prepare ToRs as part of their preparatory task (May-July 2002).
- b) Support for the survey of State-owned housing stock and resolution of restitution claim issues, particularly through information/experience exchange with Eastern

European countries and Germany. ToRs to be prepared in January-February. Possible supporters: UNDP/SIDA/SDC/RNE/US-PRM.

- c) Support for capacity building at Entity level for housing policy development (likely supporter: SIDA) and spatial strategy/planning development. Possible supporters RNE/SDC/UNDP/SIDA. Project formulation: January-March
- d) European Fund Sustainability Study: Possible supporters: KfW/EC/SDC. ToR: January (KfW)

### **Regional proposal**

Support for regional exchange unit for refugees/DPs/returnees-related property information: DM 20 million (central capacity – UNHCR base in Sarajevo - and national nodes in the three countries). Possible supporters: Netherlands/UNDP/SDC. ToR for project formulation: January-February, Formulation: March-April. Project approvals: July. Unit start: September

**STABILITY PACT  
FOR  
SOUTH EASTERN EUROPE**

**HOUSING PROGRAMME  
DEVELOPMENT STUDY**

**CROATIA**

**STAGE 1A AND 1B  
REPORT**

# STABILITY PACT FOR SOUTH EASTERN EUROPE

## Regional Return Initiative Agenda for Regional Action (AREA) 2001-2003

### Housing Programme Development Study – Stage 1A Report

#### Croatia: Housing Programme Options<sup>26</sup>

##### Housing sector situation<sup>27</sup>

The housing sector has suffered from serious neglect over the past decade. The sectoral information base is limited and outdated. Comparison of the 1991 census data and the provisional data of the 2001 census suggest that the population has declined from 4.5 million in 1991 to 4.3 million in 2001 (or by 4% over the 10 year period). However, due to changes in the definition of official population between the censuses, this needs to be considered with caution. What is clear, however, is that there has been no growth in population: birth rates have been slightly lower than death rates during the decade, while the migration balance also appears to have been negative during the inter-censal period (more people left, primarily to FRY, than those who in-migrated during the decade, but not all migrants may have been included in the estimates).

There is not much information on recent urbanisation: of the total population, according to a recent World Bank overview, about 58% lived in urban areas during the 1994-2000 period<sup>28</sup>; this is at best an indicative figure, given the major dynamics which occurred during this period: before 1991 non-agricultural employment in rural areas depended strongly on geographically dispersed large state enterprises, but with the changeover to a market-driven economy, this has rapidly declined during the above period. The war and its aftermath, moreover, has not only led to major international and internal displacement of people, but also to an acceleration of rural-urban migration.

The aggregate number of households in 2001 was 1.47 million, indicating an average household size of 3.0. The housing stock amounted to 1.65 million units (1.58 million in 1991), suggesting an occupancy of 2.7 persons (or 0.9 households) per house. During the last few years preceding the 2001 census there has been only a marginal growth in housing stock (which was 1.62 million units at end-1997). Of the total stock, about 380,000 units were in public ownership (government, state enterprises and municipalities) in 1991; of these, about 320,000 units have been sold to private

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<sup>26</sup> Findings and recommendations of SP/SDC housing economist Emiel Wegelin mission to Zagreb 2-6 October 2001 (meeting schedule is attached as Annex 1). The excellent support of UNHCR in Croatia during the mission is gratefully acknowledged. Due to the short notice of fielding the mission and its limited duration, the findings are of a “quick scan” nature and bear further verification in several respects.

<sup>27</sup> Unless otherwise indicated, data cited are from Central Bureau of Statistics sources

<sup>28</sup> Croatia at a glance, World Bank, undated

parties (primarily tenants or de-facto occupants of the units), so that only about 60,000 units are currently estimated to still be in public ownership.

During the 1980s, average annual housing delivery amounted to about 25,000 units, of which about 10,000 units were delivered in the social sector and 15,000 in the private sector. The former widespread social housing delivery pattern through state-owned companies providing housing for their employees has virtually ceased to function and has not been replaced by any other major public sector-driven delivery mechanism during the 1990s, while private sector delivery also declined to about two-thirds of its pre-war delivery level: social sector housing completions were only some 1,000 units in 2000, and private sector completions were some 11,000 units in that year.

During the last 5 years, the private banking sector has assumed a major role in housing finance through portfolio development in mortgage-backed long-term financing, with three major banking institutions handling the bulk of such financing. Due to the level of collateral required (salary assignment, property title and insurance cover), this way of financing housing, however, appears inaccessible and unaffordable for the lowest 30-40% of the population. Savings and loans associations are in operation which provide housing (reconstruction) loans, based on 200% of a minimum of 2 years prior savings. This scheme is supported by a small government subsidy through the Croatian bank for Reconstruction and Development (HBOR).

As noted above, the housing stock has marginally grown during the last 5 years. Overall, this would suggest that due to the declining population, the overall slack in housing availability has increased during that period. However, this aggregate picture is misleading, in that there has been significant de-population in several regions in the country (and consequent significant housing vacancies), while housing shortages in the major urban centres appear to have increased during the inter-censal period. This should not come as a surprise, given the intervening war and its aftermath, in conjunction with the ongoing transition to a market economy (with state enterprise dominated spatial patterns of economic activity and employment being replaced by market driven ones), both of which have accelerated structural – normal – urbanisation, as noted above.

The above paints a picture of a stagnant formal housing supply situation in the face of significant and increasing spatial variations in demand (primarily on account of growing urban-rural disparities). In this overall context, the Government of Croatia (GoC) has recently recognised the need for government initiatives in housing for social groups which cannot rely just on the market. It has started work on drafting a Law on Socially Supported Housing (providing for housing loans at long maturities from a combination of private bank and government resources, effectively reducing the borrowing threshold for deserving – primarily young - families), and has initiated a pilot socially supported housing project in that context (about 1,500 units are envisaged, mainly in Osijek, at standards comparable to units provided under the Law on Reconstruction, see below).

## **Refugee return related housing approaches**

Significant progress has been made to date in return of refugees and other displaced persons over the past few years. However, at present (October 2001) it is estimated that there are still some 54,500 refugees, returnees and internally displaced persons in Croatia (out of which 51,000 on ODPR welfare), requiring permanent settlement solutions, while there are some 150,000 former refugees from FRY and BiH in the country, who have lost their refugee status, as they have assumed Croatian citizenship. Additionally, there are some 13,000 Croatian refugees still in FRY and BiH who have applied for return to Croatia, and more refugees currently still in those countries may yet apply<sup>29</sup>.

Housing resolution approaches undertaken by GoC in relation to these groups fall in three distinctly different, but linked categories:

Reconstruction of housing units damaged or destroyed during the war: it is estimated<sup>30</sup> that some 25,000 units still needed reconstruction in mid-2001 (under the provisions of the Law on Amendments to the Law on Reconstruction) in order to facilitate the return of refugees and displaced persons. Depending on the degree of damage, GoC provides cash in compensation to the beneficiaries in case of minor damage (categories i to iii), and undertakes to reconstruct houses through the MPWRC/ODPR in case of major destruction (categories iv to vi), once a positive decision has been taken on a request for reconstruction filed under the above legal provisions). GoC has already allocated resources to cover reconstruction of about 12,500 units to be reconstructed during 2001-2002 (essentially a backlog issue)<sup>31</sup>; thus there remains a maximum estimated number of 12,500 units out of the current inventory still to be covered through cash grants for repairs or full reconstruction. The exact number will be known in early 2002, as the Government has set 31 December 2001 as the deadline for receiving reconstruction applications under the above legal provisions. It should, of course, not be assumed that all requests will receive a positive decision, but it appears a reasonable expectation that some 6,000 additional cat. iii grants will still be required, and that some additional 4,000 units with category iv – vi damage will still require reconstruction.

Alternative accommodation related to the repossession of refugee owned properties temporarily occupied by other families under the provisions of the law on Temporary Take-Over and Administration of Certain Property (LTTP decisions). The early 2001 GoC review of the more than 21,000 LTTP decisions found that about 10,000 units are still occupied by temporary users and should be repossessed by their owners. Out of these temporary occupants, some 2,300 occupy the house they live in illegally or have already obtained alternative accommodation (and have been served with eviction notices). Alternative accommodation thus still needs to be found for the remainder of the temporary occupants (some 7,700 households) to enable repossession (under the provisions of the Decree on the Conditions and Criteria of Accommodation in the Areas of Special State Concern). GoC is currently conducting a survey of the remaining state-owned housing stock, and it is expected that some 2-3,000 units

<sup>29</sup> MPWRC/Office for Displaced Persons, Returnees and Refugees update, 5 October 2001

<sup>30</sup> Republic of Croatia, Action Plan on Refugee Return, June 2001

<sup>31</sup> Additionally, the international community, through a variety of partners, has reconstructed some 4,500 units to date under MPWRC guidance and applying MPWRC criteria.

required to meet the need for alternative accommodation may be found in the existing stock, may be purchased from private owners by APN, or will be accommodated through the reconstruction programme. This means that about 5,000 additional units need to be made available to resolve this repossession issue in full.

Provision of housing for returning refugees who, prior to their leaving Croatia, held tenancy rights to an apartment in former publicly owned housing units, which have since been privatised GoC has recognised that, in principle, a former tenancy right holder is eligible to restoration of title, if illegally dispossessed. However, the estimates of households for which the government has an obligation to provide alternative housing vary considerably (in part because criteria for entitlement have not yet been clearly established). If this obligation is restricted to de-facto returnees, it is estimated that some 57,000 households will require an alternative housing provision in Croatia.

These categories are linked to the extent that some houses to be reconstructed are de-facto occupied by temporary occupants under LTTP, who will need to be provided with alternative housing and thus move out before reconstruction can begin. Additionally, alternative accommodation is needed for both the LTTP occupants and for the former tenancy rights holders. While the currently on-going survey of state-owned housing units will possibly indicate a larger number of units available from the existing stock than estimated above, it appears a reasonable expectation that the total, as yet unprovided for (budgetarily or from the existing stock) reconstruction and alternative accommodation requirements will be in the order of magnitude of 15,000 housing units. In addition to these specific refugee related housing requirements, there is likely to be significant unmet general housing demand in urban areas, i.a. fuelled by demand by the above returnees who lost their refugee status (other than LTTP temporary occupants).

### **Issues to be resolved**

The approaches undertaken by GoC to deal with the above problem categories are laudable and promising: clear policy approaches and programmes have been formulated to deal with war-damaged housing and alternative accommodation for households temporarily occupying housing units under LTTP. GoC has already committed and applied significant budgetary resources for these programmes (to the tune of Euro 215 million during 2001-2002). It has borrowed Kuna 1 billion from local banks and Euro 30 million from the Council of Europe Development Bank for the purpose.

Thus, GoC is clearly committed to a resolution of refugees/returnee housing issues as soon as possible, considering GoC's budgetary and administrative constraints. The target date for of all such housing issues resolution is end-2003. However, this will require major additional financial support (from domestic and/or international sources), as the current resource availability would still fall short of requirements for the additional 15,000 units noted above (or broadly about \$ 300 million) and for an additional 6,000 cash grants for categories i-iii repairs (@ \$ 2,000 on average, for a total of \$ 12 million). Even if such additional financial support can be mobilised, the

completion timing is very ambitious, given the time it will take to put such arrangements into place.

Additionally, there are some technical constraints, which require consideration as follows:

- a) while the inventory of the remaining publicly-owned housing stock will be very useful in several regards (i.e. clarifying maintenance responsibilities, legitimacy of occupancy, and vacancies), and will contribute to the resolution of the refugee related housing problems, it does not obviate the need for major additional provision. This provision may in part be found by purchasing private properties in the existing stock. In order to reap the direct and indirect income and employment benefits of new construction (and thereby stimulating the economy), however, it may be more advisable to think in terms of the development of a new housing construction programme.
- b) Many of the houses that suffered from war destruction or damage are located in rural areas (sometimes quite remote), where the initial reconstruction efforts have demonstrated that the provision of infrastructure and public services (roads, water supply, electricity in particular) is not cost effective on a per unit basis – in some cases the locations' remoteness prohibits effective delivery altogether, in others provision is slow and beset with practical technical problems, hampering the effectiveness of the reconstruction effort. In addition, due to the economic transformation in which the role of the state enterprise sector is all but disappearing, there is hardly any employment potential in many of the reconstruction areas, except subsistence agriculture. This limits the attractiveness of in-situ reconstruction to those who have sources of income from other sources (pensions, welfare payments) in combination with the food self-sufficiency that such agriculture will provide. Considering these dilemmas, greater use of the alternative options to in-situ reconstruction provided for under the Amended Law of Reconstruction (57/2000, article 68a) would enhance the flexibility of the reconstruction programme effort and would make it more responsive to the economics of service delivery and the spatial dynamics of employment.
- c) Not all refugee former tenants in privatised public housing should be considered as having a legitimate claim on government assistance. It would be logical to limit this to refugees/former tenants who have indicated their determination to return to Croatia, to make de-facto return a condition for effecting GoC support and to set a time limit on applications. In any event, GoC needs to firm up a clear policy on this matter and establish appropriate procedures to apply the requisite legal and regulatory framework for the purpose (Law on Amendments to the Law on the Areas for Special State Concern, article 8 in particular), and amend existing provisions if required.

Additionally, sustainable housing programmes for integrating returned refugees in the socio-economic mainstream of life should be considered within the framework of national housing policies and programmes for the local population to the extent that they have been formulated, or contribute to their formulation and thus become a catalyst for broader national action in future. The development of the draft law on socially-supported housing, the experience with the Osijek pilot project, and the various modalities of housing finance in the private and social sectors are building blocks in such a developmental process. Given the above consideration and the need to avoid ghetto development, any sustainable housing programmes (particularly those

implemented beyond end-2003) should have a sizeable proportion of non-refugee, non returnee, but deserving local population in its target group. Proportions for this may vary from place to place, but some guiding principles in terms of proportions or extent of local need must be established.

Additionally, it is considered that local (municipal) governments should be the lead government agencies, dealing with land allocation and infrastructure. It will be important to establish the interest of local governments to participate and commit resources to a programme in their locality.

A sustainable programme implies financial sustainability, in the sense that programme costs need to be recouped from beneficiaries through housing related charges (annuities/amortisation, rents and contributions in kind), and for general infrastructure from the general public through property tax and other local charges. On the other hand, those who have a recognised reconstruction or alternative accommodation claim under current legislation are priority cases for grant support up to the financial limit of their claim; moreover, not all other potential programme beneficiaries (including some of the returnees) will be able to meet full cost-recovery charges; thus, while the principle of cost-recovery will need to be established, a careful scheme of subsidising the claimants and other deserving cases will have to be worked out.

Additionally, repayments may be used to finance further social housing programme development. For this purpose, and also for the purpose of receiving loans and grants from external support agencies and the government, and unified disbursement of programme funds, consideration may be given to the establishment of a social housing fund; if this concept is acceptable, its scope of work, institutional anchoring and legal shape will have to be developed further.

### **Towards a viable medium term programme with international support**

As noted above, there are several refugee/returnee groups with GoC recognised claims to housing reconstruction or alternative accommodation. Except for claims of former tenancy rights holders, these claims have been clearly defined by GoC, but there are a number of practical impediments to their speedy resolution, i.a. arising from the fact that these claims are firmly tied to specific physical properties. However, GoC is determined to bring these issues to closure within the shortest possible time.

As a contribution to this objective, USAID has recently proposed the use of housing vouchers to liquefy these claims<sup>32</sup> and thereby expedite their resolution in a more cost-effective manner. The development of a voucher system would require an agreed description of the concerned right/claim, to value it in financial terms and to identify and register the claim holder. The current legislative and regulatory framework can accommodate this without major conceptual difficulties or need for legislative changes<sup>33</sup>; there are however, significant administrative manpower and accountability

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<sup>32</sup> USAID: Housing Voucher Concept, Urban Institute, September 2001. The housing voucher is a common concept used in Russia and Armenia in the resolution of crises.

<sup>33</sup> Reconstruction rights are perhaps most closely tied to specific physical properties in former war zones. However, article 68a of the Amended Law on Reconstruction provides for sufficient flexibility

problems to be overcome to ensure that this is done timely and to avoid malfeasance. It is further necessary to determine the extent of tradability of the claim or voucher entitlement. On one end of the spectrum, entitlement holders could, conceivably, trade these entitlements freely for cash and use this cash for whatever consumption or investment items they prefer. On the other extreme the utilisation of the entitlement could be restricted to the original holder being allowed to use the voucher only in (part) payment for a housing solution in his/her municipality of residence. A middle ground option would be to provide non-transferable voucher entitlements to all above three groups of right holders, but to restrict their validity to participation in a GoC sponsored nation-wide social housing programme (and in the case of reconstruction to provide for the option to choose between such participation and in-situ reconstruction of the destroyed house at its original location)<sup>34</sup>.

In view of the above considerations, a social housing programme is suggested to be implemented in 10-15 selected municipalities in which the utilisation of housing voucher entitlements by approved reconstruction right holders and households on which the right to alternative accommodation has been conferred by GoC (from among households required to vacate LTTP properties and former tenancy right holders) could be permitted. Such a programme may be developed with the following features:

- a) one or more relatively large (new and/or partially occupied) housing site (catering for at least 200 families) would be developed in each municipality with options for a variety of physical development at acceptable minimum standards commensurate with reconstruction provisions (35 m<sup>2</sup> net useable space plus 10 m<sup>2</sup> for an additional household member) endowed with internal (on site) infrastructure at minimum municipal standards, and access/connections to trunk infrastructure; on site work may comprise a mixture of complete apartments, houses, (partial) self-help and completion of existing houses options, depending on the specifics of the site;
- b) a programme of small improvement/completion loans for deserving (partial) self-help beneficiaries in these sites as well as for deserving households currently residing in partially completed housing units elsewhere within the same municipalities.
- c) the programme could be co-ordinated by MPWRC or HBOR (the Croatian Bank for Reconstruction and Development), with physical site development managed by the APN in co-operation with the concerned municipality. Beneficiaries would purchase a title to one of the above housing options in the programme sites through private banks authorised by MPWRC/HBOR and use their voucher entitlement in part payment. To meet the difference between the voucher entitlement and the purchase price (if any) beneficiaries would enter into a loan agreement with the bank, using the property title as collateral.
- d) Limited technical assistance for programme and project development and institutional support may be required.

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for the purpose. Only the operating instruction to County offices 516-04/01-00-3 of 15 September 2000 would need to be modified to remove the geographical restriction laid down therein.

<sup>34</sup> The value of the voucher could be discounted as a proportion of the reconstruction entitlement in the case of utilisation other than in-situ reconstruction.

The initial focus could be on municipalities with high employment generation potential, e.g. the smaller centres around Zagreb, as well as the towns of Karlovac, Sisak, Osijek and several of the coastal cities and towns.

Ability and willingness to commit a suitable site to accommodate at least 200 households and to finance the off-site trunk infrastructure would qualify municipalities to participate in the programme. Project preparation for each site could be handled in each municipality by APN and the municipality based on guidelines prepared by MPWRC/HBOR.

Housing unit development costs for a programme comprising 50 sites of 300 units on average at MPWRC reconstruction standards would amount to \$ 300 million; on site infrastructure costs would add some 30% on top of that or \$ 90 million; supporting improvement/completion loans @ \$ 2,000 for 6,000 households would add another \$ 12 million, and TA requirements (to help getting the programme on the way and monitor its implementation and operation at municipal and national level) in the order of magnitude of 30 m/m advisory services @ \$ 18,000 would add a further \$ 5.4 million, so overall programme costs including contingencies (but excluding land and off-site infrastructure costs) would be in the order of magnitude of \$ 420 million, all of which would be suitable for international funding. Municipalities, apart from providing land, would also be expected to finance the off-site infrastructure.

The programme would directly benefit some 15,000 households or 45,000 persons, most of whom would be returning refugees, internally displaced persons and returnees, including those who must vacate LTTP properties and former tenancy right holders. The programme would essentially eliminate the refugee-related housing problem, and mark a major development towards a nation-wide social housing programme. Limited individual in-situ reconstruction by APN and the international community would still continue in parallel for those reconstruction right holders who prefer to exercise the ir right in-situ.

The programme will likely take some 3-4 years to implement; a critical factor determining the implementation speed will be the timely availability of suitable sites and the administrative capacity to deliver appropriately valued voucher entitlements.

External support for the programme would be justified on the following grounds:

- f) it makes a major contribution to resolving all three major problem areas of the Croatian refugee-related housing challenge simultaneously and once and for all;
- g) it particularly enhances the cost-effectiveness of GoC's reconstruction effort through making reconstruction entitlements more responsive to the changed economic environment;
- h) it contributes to the amelioration of local infrastructure problems in Croatia's municipalities;
- i) it establishes a nation-wide social housing programme and makes a major contribution to capacity building at municipal and national levels;
- j) through its significant direct and indirect income-generation and employment creation (given the high domestic income and employment multipliers of investment in housing and infrastructure), it makes a major contribution to long term economic regeneration.

**Next steps**

The above-suggested approach should be reviewed by MPWRC, the National Committee on Reconstruction, and at the Steering Committee for Refugee Matters of the SP Regional Return Initiative on 11 October 2001, with a view to finalising this for presentation at the SP Regional Conference in Bucharest on 25 October.

Following endorsement at the Regional Conference, the proposal (modified with suggestions made at the above fora) can then be designed in greater detail by MPWRC with consultants support. Simultaneously, consultations with a number of external support partners in the SP should be undertaken (by GoC with consultants support) to establish the likely support modalities for it.

# STABILITY PACT FOR SOUTH EASTERN EUROPE

## **Regional Return Initiative Agenda for Regional Action (AREA) 2001-2003**

### **Housing Programme Development Study – Stage 1B Report**

#### **Croatia: Proposals for Immediate Action Plan 2002<sup>35</sup>**

##### Introduction

During an earlier SP/SDC Housing Programme Development Study Mission<sup>36</sup> the housing sector situation and refugee and DP return related housing issues were reviewed, pertinent issues identified, and a medium-term housing development programme for international support outlined. During the mission reported on in this action plan note, a reality check was carried out on the proposals presented therein, in order not only to enhance the accurateness of the analysis and realisticness of its assumptions, but also to ensure ownership of the proposals (both on the part of the government actors and concerned members of the international support community<sup>37</sup>) and narrow them down to a proposed plan for immediate action during 2002.

The proposed action plan items resulting from the mission's discussions are summarised below, as much as possible in concrete terms in terms of their likely magnitude, likely support partners and time table for next steps to be taken. The proposals comprise in-country investment opportunities, in-country technical assistance suggestions as well as two action options for trilateral/regional exchange between BiH, FRY and Croatia. While these proposals at present only summarise the consultants' team recommendations, the consultants have discussed them with most of the main actors involved and are confident that the proposals meet the expectations of the partners involved.

The present report is meant to serve as an input for the meeting on housing programme needs and options organised by the SP Steering Committee on Refugee Matters in Brussels on 7 December 2001.

##### **Investment programmes**

a) Support for GoC Action Plan on returnee housing reconstruction and repossession of property: Euro 80 million to provide for some 4,500 alternative accommodation opportunities for LTTP temporary occupants, through a combination

<sup>35</sup> SP/SDC Housing Programme Development Study mission to Bosnia and Herzegovina by Emiel Wegelin and Marten Treffers, 18-21 November 2001 (meeting schedule is attached as Annex 1).

<sup>36</sup> Reported on in the report entitled Croatia: Housing Programme Options - Findings and recommendations of SP/SDC housing economist Emiel Wegelin mission to Zagreb 2-6 October 2001.

<sup>37</sup> Prior to the mission currently reported on visits to international support community members HQs were made to discuss the earlier mission report in detail. International partner institutions visited were: BMZ, Bonn; CEB, Paris; DGIS/Ministry of Foreign Affairs, The Hague; EBRD, London; EC, Brussels; KfW, Frankfurt; SDC, Berne; SIDA, Stockholm; USAID Brussels office; World Bank European office, Brussels.

of APN purchase of existing properties, purchase by APN of serviced land plots in combination with provision of building materials. Likely supporters: CEB, KfW (with possible BMZ backing). Feasibility Study: April-July (SDC). ToR: January 2002. Consultants recruitment: Febr.-April. Loan Agreement September 2002. Issues: GoC formal request for loan funding necessary. CEB concerns about implementation of on-going loan programme must be addressed, before a new loan can be processed. Extent of reconstruction to be covered under this investment programme needs to be established, as well as degree of local flexibility in reconstruction, and opportunities to cluster. Use of voucher system where appropriate.

b) On-going continuing IC grant-based returnee housing reconstruction efforts - possibly some 2,000 units combined. In part these may be integrated in the above housing support programme.

### **Technical assistance proposals**

a) Capacity building to manage the above investment programme. To be financed as part of above loan financing and/or as grant funded assignments. Could be combined with proposal under “item d” below. Possible supporters: CEB/SDC. Consultants retained to prepare the investment programme will i.a. prepare ToRs as part of their preparatory task (February-April).

a) Support for the survey of State-owned housing stock (objective to generate additional alternative accommodation opportunities), if still required. ToR to be prepared in January-February. Possible supporter: SDC.

b) Support for a study on the inventory of tenancy rights claims and identification of possible resolution policy direction. ToR to be prepared in February. Supporters: to be identified.

d) Support for capacity building at MPWRC level for housing policy development, focusing on the operationalisation of the bill on socially stimulated housing construction and spatial strategy/planning development. Could be combined with proposal under “item a”. Possible supporters: SDC. Project formulation: January-April.

### **Regional proposals**

a) Support for regional exchange unit for refugees/DPs/returnees-related property information: Euro 10 million (central capacity – UNHCR base in Sarajevo - and national nodes in the three countries). Likely supporters: Netherlands/UNDP. ToR January-February, Formulation: March. Unit start: July.

**STABILITY PACT  
FOR  
SOUTH EASTERN EUROPE**

**HOUSING PROGRAMME  
DEVELOPMENT STUDY**

**FEDERAL REPUBLIC OF  
YUGOSLAVIA**

**STAGE 1A AND 1B  
REPORT**

# STABILITY PACT FOR SOUTH EASTERN EUROPE

## Regional Return Initiative Agenda for Regional Action (AREA) 2001-2003

### Housing Programme Development Study – Stage 1A Report

#### Federal Republic of Yugoslavia: Housing Programme Options<sup>38</sup>

##### Housing sector situation<sup>39</sup>

The housing sector has suffered from serious neglect over the past decade. There have been no major policy programmes operational during that period. The sectoral information base is limited and outdated. The last national population and housing census was carried out in 1991. The next census, due this year, has been postponed to 2002. Interim population data suggest a population, which has been almost stagnant during the last five years, growing by 0.1% per annum, reaching 10,646,000 people at end-2000. Average household size shows a steady decline from 4.0 in the 1961 census to 3.6 in 1991; this decline is believed to have accelerated during the last decade to about 2.8 at present. Of the approximately 700,000 refugees, IDPs and other war-affected persons currently in FRY<sup>40</sup>, only the some 200,000 IDPs are included in these population estimates. Official estimates suggest that the proportion of population in urban areas has been growing very slowly from 49.5 % in 1991 (census) through to 51.4 % in 1995 to 52% in 1999<sup>41</sup> - informal observations, on the other hand, suggest a major acceleration of urbanisation resulting from the various conflicts and their aftermaths during the last decade.

The housing stock at end-1999 amounted to 3,177,000 units, suggesting an occupancy of 3.3 persons (or 1.2 households) per house.

During 1965-1990, total housing delivery averaged about 55,000 units per annum, of which about 20,000 units were delivered in the social sector and 35,000 in the private sector. The former widespread social housing delivery pattern through state-owned companies providing housing for their employees has ceased to function and has not been replaced by any other major public sector -driven delivery mechanism during the 1990s, while private sector delivery also declined to about one third of its peak delivery level: social sector housing completions were only some 2,800 in 2000, and private sector completions were some 10,850 in that year. There is no formal housing finance intermediary operating in the country at present, and individuals can only buy

<sup>38</sup> Findings and recommendations of SP/SDC housing economist Emiel Wegelin mission to Belgrade 19-21 September 2001 (meeting schedule is attached as Annex 1). The excellent support of UNHCR in FRY during the mission is gratefully acknowledged. Due to the short notice of fielding the mission and its limited duration, the findings are of a “quick scan” nature and bear further verification in several respects.

<sup>39</sup> Unless otherwise indicated, data cited are from Federal Statistical Office sources

<sup>40</sup> UNHCR 2001 registration data

<sup>41</sup> World Development Indicators Data Base, July 2000

property by mobilising their own resources and/or relying on support from friends and relatives.

Housing completion data suggest a delivery of about 14,000 units per annum during 1996-2000, with a (relative) peak in 1996 with 15,160 units completed, a low of 13,096 in 1998, and an estimated completion figure of 13,670 in 2000, or a gross addition to the housing stock of about 0.4% per annum. Depending on the number of units withdrawn from the stock resulting from demolition and/or dilapidation (by international experience usually about 0.5% of the housing stock per annum), this suggests an almost stable housing stock during the last five years.

The above paints a picture of a stagnant formal housing supply situation in the face of significant suppressed demand (primarily on account of household size declines and the impact of refugees and IDPs). Casual observation and information suggest that this has resulted in a major explosion of informal housing development in and around the major urban areas during the past decade, particularly in Beograd and Novi Sad (which both have major concentrations of refugees and IDPs). Such housing development is characterised by infrastructure deficiencies, questionable legal tenure, and in the absence of functioning housing finance mechanisms, a high proportion of uncompleted dwellings.

### **The refugee housing situation**

The total number of refugees, IDPs and other war-affected persons in FRY in March-April 2001 amounted to some 700,000 persons,<sup>42</sup> of which 650,000 are in Serbia. Of these, 377,400 are refugees, 74,800 war-affected persons and 197,700 IDPs (citizens of FRY, as opposed to refugees). Of the refugees and war affected persons, 48% live in the Vojvodina and 31% in the greater Beograd area<sup>43</sup>.

41% of refugees and other war-affected people (hereafter called refugees) live in rented apartments, 28% with family or friends, 22% own the house they live in and only 5% live in collective refugee centres.

This marks a major shift towards sustainable settlement since the previous registration survey in 1996, when the absolute numbers and the proportion of refugees having to rely on friends and relatives and on collective centres was much higher. The current proportion relying on friends and relatives may even be overstated, as some renters may not want to indicate their rent paying ability and/or do not want to reveal rental payments to landlords for fiscal reasons. Such changes towards permanence also match the perception that the majority of refugees will not return to their country of origin (in the census 62% of the refugees indicated local integration as their preferred durable option, 5 % said they preferred to return, whereas the balance 33% was undecided or did not answer the question).

In short, a sizeable proportion of the refugees relies on the “regular” housing market in their municipality of residence. Impressionistic evidence suggests that in the major urban centres like greater Beograd and Novi Sad this effectively means that refugees

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<sup>42</sup> UNHCR, Refugee Registration Censuses in Serbia and Montenegro

<sup>43</sup> These and subsequent figures apply to refugees and other war-affected persons in Serbia only.

are strongly dependent on the above informal housing market as it has emerged over the last decade, with rental and ownership arrangements covering a wide spectrum of “housing solutions” ranging from renting rooms and garages, through to renting unfinished houses to owning complete, single family dwellings

### **Institutional framework and strategies**

Under the new administration housing is seen as a private sector activity with only limited direct government intervention (related to socially disadvantaged households); indirect intervention relates to urban planning, urban land management and building permits procedures at local government level. At Republic level the Ministry of Urban Planning and Construction has responsibility for policy setting, the legislative and regulatory framework and for programme development. These functions are not well articulated at present. There are plans for developing a western style mortgage-based housing loan market, with the resuscitated pension funds as major investing institutions, but this awaits not only the revitalisation of the pension funds, but also that of the banking sector.

With regard to refugee (re-) housing, the UNHCR Local Settlement Programme (LSP) includes a large number of small externally supported projects (UNHCR/SDC/HRC primarily), which have delivered some 850 housing units for some 4,000 refugees beneficiaries during 1997-2000. In 2001 some 300 units are under construction for some 1,600 beneficiaries, while some 250 families will be assisted with building materials through a pilot partial self-help housing project<sup>44</sup>. In a parallel LSP effort vocational training and small-scale credit programmes aim to enhance the economic self-reliance of the refugees. In 2001 this economic support programme will be more closely linked to the housing support programme. The lessons of these projects (ranging from delivering complete units to self help with a variety of financial and operational mechanisms) are interesting and point the way to possible directions for up-scaling. While the above external support agencies have played a major role in their development, on the government side the Office of the Serbian Commissioner for Refugees and concerned municipalities have played major roles relating to land and infrastructure and in beneficiaries selection.

The inter-ministerial task force on durable solutions for refugees (composed of representatives from the Ministries of International Economic Co-operation, Foreign Affairs, Social Affairs, Construction, Labour and Privatisation and from the Office of the Commissioner for Refugees) is currently developing a national strategy for resolving the problems of refugees, which includes integrative action including (re-) housing and (re-) settlement.

The strategic direction being developed considers that all measures aimed at promoting integration should be in conformity with international standards and should avoid promoting any discrepancies with the economic and social conditions of the local population. Integration projects should also include a proportion of local citizens as beneficiaries, in particular the socially disadvantaged and should be prepared and implemented in close co-operation with municipal authorities. In that context the type of strategic actions to support the housing sector envisaged in the strategy include

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<sup>44</sup> UNHCR Local Settlement Programme data

provision of credit and fiscal benefits to refugees and providing incentives to local authorities to develop the required infrastructure. Four major programme action lines are suggested: a and b) building new apartments and housing for purchase and rent though using the variety of approaches already tested in the LSP, and ostensibly also reaching out to similarly disadvantaged groups among the local population; c) providing self-help support to ensure completion of unfinished housing units; and d) providing credit for purchase of property in the villages of Vojvodina and central Serbia. Specific programmes for operationalising these approaches are yet to be elaborated for external support.

### **Issues to be resolved**

Clearly, sustainable housing programmes for integrating refugees in the socio-economic mainstream of life should be compatible with national housing policies and programmes to the extent that they have been formulated, or contribute to their formulation and thus become a catalyst for broader national action in future. In any event, given the above guidance, any sustainable programmes must have a sizeable proportion of non-refugee, but deserving local population in its target group. Proportions for this may vary from place to place, but some guiding principles in terms of proportions or extent of local need must be established.

Additionally, it is considered that local (municipal) governments should be the lead government agencies, dealing with land allocation and infrastructure. It will be important to establish the interest of local governments to participate and commit resources to a programme in their locality. The survey already carried out by the Serbian Commissioner for Refugees provides some useful indicators of the level of commitment of municipalities in this regard.

Thirdly, as noted above, the refugees are, in varying degree, already largely integrated in the housing market in their places of settlement, and only a proportion is therefore likely to require specific housing intervention support. In any event, such support should be limited to those refugees who have clearly indicated their priority for integration (and particularly those still in collective refugee centres, except for handicapped and elderly, for whom specialised facilities will be required). If, for notional thinking, this would mean focusing on those who have stated this in the 2001 registration census, and if it is assumed that half of those are already adequately integrated in the housing market and not requiring specific housing intervention support, an estimated 140,000 refugees or 50,000 families will require support under the proposed housing programme. Clearly a survey of current refugee housing conditions needs to be undertaken to validate this assumption by unambiguously establishing current refugee housing needs along with housing needs of the local population in their municipality of settlement<sup>45</sup>.

Fourthly, it is unlikely that all deserving families and municipalities can be covered under the programme at the same time. In part this is due to likely financial and programme implementation constraints, while in some municipalities the number of refugees and the nature of their housing problems may not warrant a large scale intervention, and small scale LSP type of interventions may be a more appropriate

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<sup>45</sup> The registration census data provide pointers, but are not focused enough for this purpose.

response. This is likely to fall across the urban-rural divide, with large-scale interventions likely being more appropriate in urban areas with a high concentration of refugees and other deserving local population, while small scale LSP type interventions, as well as purchase of derelict properties (strategy line d) above) may be more appropriate in rural areas.

Fifthly, a sustainable programme implies financial sustainability, in the sense that programme costs need to be recouped from beneficiaries through housing related charges (rents, amortisation and contributions in kind), and for general infrastructure from the general public through property tax and other local charges. On the other hand, not all programme beneficiaries will be able to meet full cost-recovery charges; thus while the principle of cost-recovery will need to be established, a careful scheme of subsidising the needy will have to be worked out.

Additionally, repayments may be used to finance further programme development. For this purpose, and also for the purpose of receiving loans and grants from external support agencies and the government, and unified disbursement of programme funds, consideration may be given to the establishment of a social housing fund; if this concept is acceptable, its scope of work, institutional anchoring and legal shape will have to be developed further.

### **Towards a viable incremental programme with international support**

In view of the above considerations, a housing support programme in some 10-12 municipalities may initially be developed with the following features:

- e) one or more relatively large (new and/or partially occupied) housing site (catering for at least 200 families) in each municipality with options for a variety of physical development at acceptable minimum standards (35 m<sup>2</sup> net useable space per household) endowed with internal (on site)\infrastructure at minimum municipal standards, and access/connections to trunk infrastructure; on site work may comprise a mixture of complete apartments, houses, (partial) self-help and completion of existing houses options, depending on the specifics of the site;
- f) a programme of small improvement/completion loans for deserving (partial) self-help beneficiaries in these sites as well as for deserving households currently residing in partially completed housing units elsewhere within the same municipalities.
- g) the establishment and development of a national social housing fund at national level for purposes as listed above.
- h) technical assistance for programme and project development and institutional support.

An initial focus on urban municipalities with high refugee concentrations would suggest considering a long list comprising the municipalities of Zemun, Novi Beograd, Palilula, Zvezdara and Cukarica in the Greater Beograd area (together currently housing 85,600 refugees), Novi Sad, Indija, Ruma, Stara Pazova, Pancevo, Sombor, Subotica, Sid and Srem. Mitrovica in the Vojvodina (together housing 137,100 refugees) and Loznica in central Serbia (14,500 refugees), which together comprise 15 municipalities with 237,200 refugees or 53% of the total refugee population in Serbia.

The final shortlist could comprise those municipalities from this long list in which refugee housing needs are demonstrably still high and in which there is also a sizeable social housing need among the local population. Ability and willingness to commit a suitable site to accommodate at least 200 households and to finance the off-site trunk infrastructure would qualify municipalities to participate in the programme. Project preparation for each site could be handled in each municipality with technical capacity building support based on guidelines prepared at national level in conjunction with the social housing fund.

Outline programme costs for a programme comprising 30 sites of 300 units on average at LSP costs (\$13,500 for a fully costed unit of 40m<sup>2</sup>, plus 30% added for local infrastructure, land costs p.m.) would amount to \$ 158 million; supporting improvement/completion loans @ \$ 5,000 for 2,000 households would add another \$ 10 million, and TA requirements (to help to establish the social housing fund and to get the programme on the way and monitor its implementation and operation at municipal and national level) in the order of magnitude of 60 m/m advisory services @ \$ 18,000 would add a further \$ 10.8 million, so overall programme costs including contingencies (but excluding land costs) would be in the order of magnitude of \$ 180 million, of which some 80-85% could be suitable for international funding (contributions in kind by beneficiaries would most likely not qualify, while municipalities, apart from providing land, will also be expected to finance the off-site infrastructure).

The programme would directly benefit some 11,000 households or 30,800 persons; assuming that about one-third of programme beneficiaries would be non-refugees, and on the basis of the above guess-timates of refugee households still requiring direct housing support interventions, three such programmatic interventions to be supported by the international community will be necessary to resolve the refugee housing problem. Such a sustained international support, at a total amount of some \$ 450 million, would also assist the government to make a modest beginning with a “general” social housing programme and enable a meaningful capitalisation of the social housing fund.

The programme will likely take some 3-4 years to implement; a critical factor determining the implementation speed will be the timely availability of suitable sites. Once operational mechanisms have been established and are fully functioning, the second and third programme could possibly already commence within one year of the first programme being operational, so that a total series could be implemented during an elapsed time of 5 years. At the end of this period, the refugee housing problem as a specific problem would have been resolved, while a credible foundation would have been laid for a national social housing programme and its initial source of finance.

Thus, external support for the programme would be justified on the following grounds:

- k) it makes a major contribution to resolving the FRY refugee housing problem once and for all;
- l) it contributes to the amelioration of local infrastructure problems in FRY's municipalities;

- m) it initiates a viable national social housing programme and makes a major contribution to capacity building at municipal and (through the development of the social housing fund) national levels;
- n) through its significant direct and indirect income-generation and employment creation (given the high domestic income and employment multipliers of investment in housing and infrastructure), it makes a major contribution to long term FRY economic regeneration.

Initial reactions from possible external support agencies to an effort along the above lines have been encouraging, but need to be substantiated.

In parallel to the above new programmes in larger, mainly urban municipalities, the current small-scale LSP efforts will need to be continued in smaller centres; care should be given to ensuring mutual reinforcing efforts, by harmonising procedures, eligibility requirements and cost-recovery arrangements between the larger programmes and LSP.

Given past operational capability, LSP may be able to deliver a maximum of 250 units per year, for a total of 1,250 units over a five year period. Using the same cost data as above, total LSP housing and infrastructure cost (excluding land costs) will be about \$ 22 million. It is assumed that current external support arrangements (primarily from SDC and other bilateral support arrangements) will continue at current levels.

The property purchase programme will be a useful instrument to contribute to a resolution of the refugee housing problem in selected rural areas. Care must be given to ensuring that this approach will only be used in rural areas with viable agricultural prospects – this should not be taken for granted, as there may be sound socio-economic reasons why farmers have left their properties, other than reasons relating to the conflicts over the last ten years. This programme should preferably also be coursed through the social housing fund, and be seen as a special funding window of the fund in order to attract external support. As a free standing programme this may be problematic, as it involves primarily refinancing existing assets, rather than creating new ones.

### **Next steps**

The above -suggested approach should be reviewed by the Task Force on durable solutions for refugees and at the Steering Committee for Refugee Matters of the SP Regional Return Initiative on 11 October 2001, with a view to finalising this for presentation at the SP Regional Conference in Bucharest on 25 October.

Following endorsement at the Regional Conference, the proposal (modified with suggestions made at the above) can then be designed in greater detail by the Task Force with consultants support. Simultaneously, consultations with a number of external support partners in the SP should be undertaken (by the Task Force with consultants support) to establish the likely support modalities for it.

# **STABILITY PACT FOR SOUTH EASTERN EUROPE**

## **Regional Return Initiative Agenda for Regional Action (AREA) 2001-2003**

### **Housing Programme Development Study – Stage 1B Report**

#### **Federal Republic of Yugoslavia: Proposals for Immediate Action Plan 2002<sup>46</sup>**

##### **Introduction**

During an earlier SP/SDC Housing Programme Development Study Mission<sup>47</sup> the housing sector situation and refugee and DP return related housing issues were reviewed, pertinent issues identified, and a medium-term housing development programme for international support outlined. During the mission reported on in this action plan note, a reality check was carried out on the proposals presented therein, in order not only to enhance the accurateness of the analysis and realisticness of its assumptions, but also to ensure ownership of the proposals (both on the part of the government actors and concerned members of the international support community<sup>48</sup>) and narrow them down to a proposed plan for immediate action during 2002.

The proposed action plan items resulting from the mission's discussions are summarised below, as much as possible in concrete terms in terms of their likely magnitude, likely support partners and time table for next steps to be taken. The proposals comprise in-country investment opportunities, in-country technical assistance suggestions as well as two action options for trilateral/regional exchange between BiH, FRY and Croatia. While these proposals at present only summarise the consultants' team recommendations, the consultants have discussed them with most of the main actors involved and are confident that the proposals meet the expectations of the partners involved.

The present report is meant to serve as an input for the meeting on housing programme needs and options organised by the SP Steering Committee on Refugee Matters in Brussels on 7 December 2001.

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<sup>46</sup> SP/SDC Housing Programme Development Study mission to the Federal Republic of Yugoslavia (FRY) 25-30 November 2001 by Emiel Wegelin and Marten Treffers, 21-24 November 2001 (meeting schedule is attached as Annex 1).

<sup>47</sup> Reported on in the report entitled Federal Republic of Yugoslavia: Housing Programme Options - Findings and recommendations of SP/SDC housing economist Emiel Wegelin mission to Belgrade 19-21 September 2001

<sup>48</sup> Prior to the mission currently reported on visits to international support community members HQs were made to discuss the earlier mission report in detail. International partner institutions visited were: BMZ, Bonn; CEB, Paris; DGIS/Ministry of Foreign Affairs, The Hague; EBRD, London; EC, Brussels; KfW, Frankfurt; SDC, Berne; SIDA, Stockholm; USAID Brussels office; World Bank European office, Brussels.

## Republic of Serbia

**Investment programme:** The investment programme has been designed in close coordination with the drafting of the National Strategy for Resolving the Problems of Refugees, Expellees and Displaced Persons by the Task Force of the Government of Serbia on this subject. It comprises an initial slice of investments required to meet the needs identified by the task force.

Municipal housing support programme: Euro 100 million for 8,000-9,000 housing opportunities in selected municipalities<sup>49</sup>. The programme target group comprises refugees having confirmed their intention to locally integrate and locally needy/vulnerable groups. The specific housing options would range from complete self-help (provision of building materials), through centralised provision of core housing (combined with additional building materials provision), to complete housing units (through new construction or purchase and rehabilitation of existing units), depending on the specific condition in each municipality. Beneficiaries will enter into a loan agreement to repay initial investment, while some grant element may be applied in cases of specific needs.

External resources will be coursed through a social housing fund to be established at Republic level with inter-agency oversight. The fund would on-lend resources for municipal housing investment sub-programmes to be formulated at municipal level with support from the Republic level agencies involved. The programme should be seen as a first tranche of support, capitalising the fund, with further similar programmes coming on stream in subsequent years after some initial experience has been gained with investment planning, programming and implementation, and with the fund's operation.

On-going continuing IC supported LSP housing efforts (some 250 units per annum) should continue in municipalities where the above programme is not yet active, and otherwise be integrated in the above municipal housing support programme.

Likely supporters: CEB, KfW (with possible BMZ backing), EBRD, EC, SDC, SIDA. Feasibility Study April-July (SDC). ToR January 2002. Consultants recruitment: February-April. Loan Agreement: September 2002. GoFRY formal request for loan funding necessary

### Technical assistance support

- a) Capacity building at municipal and Republic level to manage the above investment programme. Likely supporters: UNDP/SIDA/SDC/RNE. Consultants retained to prepare the investment programme will i.a. prepare ToRs as part of their preparatory task (January-March).

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<sup>49</sup> Criteria for selection of municipalities to be included will i.a. include the extent of housing problems, the extent of refugee population, willingness to provide land and infrastructure and to formulate an investment programme, as well as possibility of obtaining synergies with other ongoing IC supported efforts (e.g the SDC supported Municipal support Programme, LSP efforts, and the UNHCS/GoI supported programme on Settlement and Integration of Refugees. The actual number of housing opportunities created in the programme will depend on the mix of housing options in each municipality.

- b) Capacity-building assistance to establish and manage the social housing fund at Republic level. ToRs to be prepared in January-February. Likely supporters: KfW/BMZ.
- c) Support for capacity building at Republic level for housing policy development and spatial strategy/planning development. (likely supporters: UNDP/UNCHS, SIDA and/or SDC). Project formulation: January-March.

## **Republic of Montenegro<sup>50</sup>**

### **Investment projects**

#### Municipal area upgrading programme in selected municipalities:

Podgorica is the largest city in the Republic, having about one third of the total population and about one third of the number of refugee and DP population in the country. The city's housing shortage is acute, as illustrated by the significant numbers of housing illegally built on municipal land (about 14-17,000 units), which house a sizeable segment of the refugee and DP population. The housing stock more generally suffers from considerable lack of maintenance and dilapidation. The city additionally houses a large number of Roma families in sub-standard living conditions. In response to the pressure on the housing market the municipality, supported by the international community (particularly UNHCR and SDC), has provided for temporary (and some permanent) shelter support for the refugees, DPs, Roma and other vulnerable groups. At the upper end of the housing market, private developers are currently responding to the housing shortage through the construction of apartment buildings, which will be accessible for purchase by high- and middle income group clients. In addition to Podgorica, similar situation, although to a lesser extent, are found in other urban areas. Illegal settlements, collective centres for refugees, IDPs and Roma and a general lack of maintenance are visible throughout the whole republic.

The programme<sup>51</sup> aims at upgrading the illegal settlement areas by legalisation of land tenure, improving infrastructural facilities, provisions of housing improvement loans and creation of additional plots. Besides that, the programme upgrades collective centres and where needed, converts them into elderly homes or similar. Extension and rehabilitation of refugee of IDP settlements is another option.

As in Serbia, external resources will be coursed through a social housing fund to be established at Republic level with inter-agency oversight. The fund would on-lend resources for municipal housing investment sub-programmes to be formulated at municipal level with support from the Republic level agencies involved. The programme should be seen as a first tranche of support, capitalising the fund, with further similar programmes coming on stream in subsequent years after some initial

<sup>50</sup> The Republic of Montenegro was not covered in the initial round of missions by the Housing Programme Study team, but included in the second round missions at the explicit request of the Government of the Republic of Montenegro. The investment proposals are therefore of a more preliminary nature than in the Republic of Serbia.

<sup>51</sup> See for suggested projects the Annex

experience has been gained with investment planning, programming and implementation, and with the fund's operation.

Costs: to be determined. Existing legalisation plans of the municipalities need to be updated and a feasibility study conducted.

Likely supporters: CEB, EC (through already approved EAR Municipal Investment Programme)<sup>52</sup>, SDC. Feasibility Study April-July (SDC). ToR January 2002.

Consultants recruitment: Febr.-April. Loan Agreement: September 2002. GoFRY formal request for loan funding necessary.

On-going UNHCR/SDC supported refugee housing efforts should continue in other municipalities, particularly in municipalities with high refugee concentrations.

### **Technical assistance support**

- a) Capacity building at selected municipalities to manage the above investment programme. Likely supporters: EAR/SDC. Consultants retained to prepare the investment programme will i.a. prepare ToRs as part of their preparatory task (January-March). This should be scoped to be complementary to the capacity-building support provision already available with EAR support.
- b) Review of collective centres upgrading and alternative accommodation options, with SDC support through UNHCR (following the approach taken in BiH). ToR mid-2002.
- c) Review of options for Roma settlements upgrading in Podgorica. Possible support: SDC. ToR: early 2002.
- d) Capacity-building assistance to establish and manage the social housing fund at
- e) Republic level. ToRs to be prepared in January-February. Likely supporters: KfW/BMZ.

### **Regional proposals**

- a) Support for regional exchange unit for refugees/DPs/returnees-related property information: Euro 10 million (central capacity – UNHCR base in Sarajevo - and national nodes in the three countries). Likely supporters: Netherlands/UNDP. ToR January-February, Formulation: March. Unit start: July.

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<sup>52</sup> Similar municipal upgrading schemes are possible in other municipalities with significant refugees concentration and land availability, such as Niksic. The ERA-supported Municipal Investment Programme covers the municipalities of Podgorica, Kolasin, Mojkovac and Bijelo Polje. USAID/ICMA covers three additional municipalities

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**HOUSING PROGRAMME  
DEVELOPMENT STUDY**

**ANNEX 1**

**Terms of Reference**



## **-Regional Return Initiative-**

### **Agenda for Regional Action (AREA) 2001-2003**

Housing Programme Development Study component

#### **Background:**

Housing development is one of the priority areas identified in the AREA programme document dated 20 June 2001. The scope of work for the study has been laid down in a summary note by the Executive Secretary of the Steering Committee for Refugees dated 1 August 2001.

A key consideration is that it has been appreciated among all stakeholders in AREA, including the Governments of Croatia, Bosnia-Herzegovina (BiH) and the Federal Republic of Yugoslavia (FRY) that (re-) settlement of the approximately 1.2 million refugees in both the countries of origin and in recipient countries must be integrated with the development of "regular" housing programmes in the three countries..

#### **Programme scope and structure:**

In each of the three countries, the programme is likely to comprise a judicious mixture of rehabilitation and upgrading of the existing housing stock (including property repossession where appropriate), provision of incentives for owner-driven individual housing development, and government-sponsored social housing. Housing support mechanisms such as clarification of (land) ownership titles, property repossession procedures and arrangements, local infrastructure and municipal services provision, and the development of housing finance mechanisms, along with the development of institutions tasked with such support, will comprise important components of the programmes.

The housing programmes to be developed should be suitable for potential support by the external support agencies which are members of the SP, such as the EC, World Bank, EBRD, bi-lateral assistance agencies and others, as the countries' budgetary (government and private) resources are unlikely to be adequate to meet programme costs.

**Phases:** the programme should be developed in three Phases:

1<sup>st</sup> Phase: Preparation of national housing development programme outlines for the three countries, which will set out broad directions/priorities for action, for consideration by the SP Regional Conference (September-November 2001) and the Steering Committee for Refugee Matters. The 1<sup>st</sup> phase will be done in two stages.

2<sup>nd</sup> Phase: Detailed development of each of the programmes with implementation priorities (late 2001-mid-2002).

3<sup>rd</sup> Phase: Implementation of programme components, review and modification, for a period not exceeding 5 years, starting late 2001 or early 2002 (assuming some high priority implementation actions can already be identified in phase 1, and which will therefore not need to be delayed until completion of phase 2).

### **Financing of Study - Phase 1 , Stage a)**

In the framework of the cooperation of SDC with the SCRUM, Switzerland agreed to fund the start-up of the housing study.

### **ToR and Management of Study:**

The management of the study will be done by the SCRUM, represented by the Executive Secretary which in turn will authorize payments through SDC. The contract is established by SDC.

#### *Phase I Stage a) activities will comprise:*

Stage a: to be undertaken during the period 17 September – 20 October 2001: to develop the provisional programme outlines for the SP Regional Conference. This is envisaged to require a mission by the UrbAct senior housing economist (Dr. Emiel Wegelin) to each of the three countries of maximum 5 working days (each) to develop draft outlines with the counterpart teams; the emphasis will be on review of data collected by the counterpart team at the consultant's request, discussions with counterpart team members and other potentially involved institutions; at the end of each mission there should be broad consensus on the attention areas. Preparatory time to prepare for these missions (including literature review, contact with SP partners and the preparation of data collection tasks for the counterpart teams) is envisaged to take the equivalent of 3 working days of the senior housing economist. Write-up of the provisional outlines will be done in the consultants' home office with input from the Group 5 senior physical planner/architect (Henk Meyerink, MSc). These outlines will be reviewed with the (Executive Secretary of the) Steering Committee for Refugees before finalization as an input to the SP Regional Conference. For this a maximum of 5 working days, including participation in meetings in Brussels is envisaged for both consultants.

Activities will be undertaken in close collaboration with the counterpart team in each country. Input requirements in terms of counterpart manpower availability and data will be indicated by the consultants at various stages of the work.

#### *Phase I Stage b) activities will comprise:*

Stage b: to be undertaken during the period 24 October – 15 December 2001: following guidance given to the (Executive Secretary of the) Steering Committee in contacts made during the SP Regional Conference (25/26 October) and consequent to initially positive reaction and comments of the Steering Committee members during the 8<sup>th</sup> meeting held on 11 October 2001 in Brussels, the provisional outlines can now be worked up into more detailed outline programmes, i.a. identifying the next steps of programme development. In this stage b) the consultants will also endeavour to

ensure maximum ownership for the programs with the three countries governments and the external support members of the SP through formation of contact teams in each of the three countries. A second, but briefer (three working days each), round of missions to the three countries will therefore need to be conducted by the Senior Consultant and the Technology Management Engineer. In addition to data collection at national level and agreement on approaches, the situation at Municipal level will be investigated in respect of procedures, implementation capacity, land issues and constraints.

Visits to the external support agencies HQs will be undertaken (particularly in those cases where in-country offices do not have adequate decentralised responsibility to decide on support to the programs), including possibly Berlin, Berne, Brussels, Frankfurt, London, Luxemburg, Stockholm, Oslo, Paris and New York-Washington DC (a total of 14 working days is envisaged, with a further provision kept in the contingencies budget line). Discussion of the draft report and feed back to the (Executive Secretary of the) Steering Committee for Refugees will take place end November, beginning December, while a presentation to the major funding agencies is envisaged in the first or second week of December, to discuss and agree on a plan of action. The outline programmes will then be finalized in the consultants' home offices (a maximum of three working days for both consultants) and submitted mid-December 2001.

1<sup>st</sup> stage – phases a) and b) output will comprise:

- a) by 03 December: provisional report for consideration and comments by the Steering Committee on Refugee Matters represented by its Executive Secretary on behalf of the chairman; submission of final report on 15 December 2001.

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**HOUSING PROGRAMME  
DEVELOPMENT STUDY**

**ANNEX 2**

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**STABILITY PACT  
FOR  
SOUTH EASTERN EUROPE**

**HOUSING PROGRAMME  
DEVELOPMENT STUDY**

**ANNEX 3**

**Field Visits to Municipalities**

# **STABILITY PACT FOR SOUTH EASTERN EUROPE**

## **Regional Return Initiative Agenda for Regional Action (AREA) 2001-2003**

### **Housing Programme Development Study – Annex 3**

#### **Field Visits to Municipalities**

##### **BiH:**

##### **Canton of Sarajevo Department of Construction**

The Canton of Sarajevo consists of nine municipalities. Reconstruction of apartments and houses is still necessary: in general the need to increase the housing stock for returnees, refugees, IDPs and new families is high. There is an outstanding reconstruction need of DM 40 million for apartments and DM 22 million for individual houses. The Canton is searching new funds to cover for this need. In addition to that reconstruction need, one estimates a current shortage of 20.000 housing units (houses that are damaged over 70% and thus need to be build completely, houses for new families and alternative accommodation for families currently occupying apartments that are to be returned to the pre-WOII owners).

The Canton has the technical capacity to prepare sites, if the financial situation would allow it, that are allocated by Municipalities in order to build on by private development companies on the one hand and by individual families on the other hand. For this second option, the interest for sites/services schemes is high. The proposed scheme is that the Canton prepares the urban plan and the infrastructure for the plot. This needs to be paid back by the family later, approximately DM 15.000 per plot of 50 m<sup>2</sup> on average.

##### **Croatia:**

##### **Sisak County Office for Reconstruction. Meeting with Head of Office**

The County office is in charge of accepting and processing requests for reconstruction. For this purpose its status has been changed to be an extension of the central MPWRC/ODPR (before this was handled by the County Housing Commission, which now has an advisory role). After a positive decision, reconstruction is handled centrally by MPWRC/ODPR. The County office is understaffed and has a structural backlog in processing applications. Number of applications appear on the increase as the deadline of 31 December 2001 approaches; thereafter it will taper off. IMF agreed budget constraints make it impossible to extend staffing levels. Temporary staffing is also not possible. In-house consultants funded through external grants may be an option.

### **Municipality of Glina. Meeting with mayor and staff.**

Glina municipality was virtually emptied during the war. It had 23-24,000 people in 1991. At the worst there were only some 1,200 people left. Now about half the population has returned. Poverty is significant, and non-agriculture employment limited, but there is some industrial revival with the food processing factory taken over by the Austrian firm HIB.

Today, there are large numbers of empty, abandoned (but undamaged) houses all over the town and in the rural areas of the municipality. From the presentation and discussion of actions undertaken by the municipality in the context of land and infrastructure provision for alternative accommodation and reconstruction, as well as on the broader issue of local economic development, the impression is created that the municipality is playing its role relatively energetically (this seems also borne out by MPWRC/ODPR data), and without capacity constraints. Construction, however, is managed by MPWRC centrally, as is purchase and sale of properties (APN), which in view of the large number of abandoned properties may have most possibility to contribute to durable housing solutions for returnees in Glina. There is a major problem of rehabilitation of municipal infrastructure and services. The mayor was not happy with the above, centralised approach, as he feels that the municipality has the capability to deal with these issues (even though he noted the need for additional equipment, computers and staffing – the same problem as in the County Office).

### **Regional Office for Displaced Persons, Refugees and Returnees, Municipality of Vukovar. County Office for Reconstruction, Serium County**

The existing housing stock in Vukovar is pressing but on the other hand the land availability and the housing related infrastructure capacity is sufficient. In 1991 there were 45.000 inhabitants in 15.000 housing units, whereas currently there are only 25.000 inhabitants. Even if the possible returns are included (maximum 10.000 returnees expected) land and infrastructure is sufficient, apart from repairs. For these repairs (water, sewerage and roads) the Municipality would need international financial support. Concerning housing, the priority is given to offer alternative housing for those who are occupying apartments owned by others. The County and/or Municipal capacity appears not to be used fully. The County collects requests for reconstruction from the Municipalities and passes this on to the Central government who allocates the budget. Tendering, contracting and prioritising is executed from the central government.

Main problems in the area are the lack of economic opportunities, the destroyed infrastructure and the uncertain cultural situation concerning repossession and return. If not all three problems are addressed simultaneously, there is no significant return expected.

## **FRY:**

### **Zemun (Greater Belgrade). Meeting with mayor and staff.**

Compared to the original population (300.00), Zemun Municipality, north of Belgrade, has a high number of refugees (52.000) and IDPs (10.000). Focus sectors for the municipal authorities are health and education, employment and local integration. Housing is problematic, both for refugees and local population growth; at present approximately 18.500 illegal housing units (individual houses and apartment blocks) with great lack of infrastructure and permits. Municipality aims at converting agricultural land into construction land and determining certain construction land for multi-storey apartment buildings.

Municipal capacity: technical capacity appears to be satisfactory (designs, tenders, technical documentation); beneficiary selection aims at prioritising the most vulnerable cases; financing capacity limited. Municipality could contribute land, all permits and technical documentation.

### **Municipality of Pozega (Central Serbia)**

Municipality that managed to cover for the increased housing need that resulted from the influx of refugees (initially approximately 1.000, now still 550, mainly from BiH) and where they integrate easily with the local population (35.000 inhabitants of which 15.000 in town). Housing through collective centres that have been converted into elderly homes, UNHCR programme aiming at less vulnerable families (complete construction and partly self-help construction) and through the 'municipal fund'. This fund allows participants (for government employees or employees of firms that contribute to the fund) to borrow on very favourable conditions for purchasing newly constructed or existing housing units (apartments). Supply/demand for this process was equal until mid 2001, but is changing to a current demand of 48 units and supply of only 10 units.

Municipal capacity: plans being developed, technical capacity fine, sufficient municipal land available, financial capacity to provide basic infrastructure and a core construction for housing.

### **Municipality of Cacak (Central Serbia)**

At present there are 5.000 refugees (of which 500 in collective centres) and 3.000 to 3.5000 IDPs in the municipality. Their housing situation is not solved nor is the housing situation of the local population. Most urgent is to address the needs for the ones in the collective centres, who are the most vulnerable and that have lived in very bad conditions too long. 'Solidarity fund' of the municipality cannot provide enough housing units to cover the demand (20 times more applications than supply).

Municipal capacity: land for individual houses available in the outskirts of town and for apartment buildings on certain location in town, but there is no municipal plans for

these location; no strategy existing for social cases, no capacity to provide infrastructure

### **Municipality of Sombor (Serbia, Vojvodina)**

Sombor municipality is a large agriculture based municipality on the border with Croatia and Hungary. With the borders virtually closed, the markets for its produce have been closed off. The mayor, president of the municipal council and staff emphasised their desperate situation and the problems Sombor has. Again many abandoned properties, both town and village houses as well as farms. The impression of passivity dominated; for instance, it is clear that Sombor stands much to gain with the normalisation of border traffic and cross-border trade, but the municipality did not indicate, when asked, if they had ever pushed the Republic government to accelerate the negotiations with the neighbouring countries. The municipality had plans for a high-rise refugee housing scheme close to the centre of town, but it moves slowly; there is a major problem that an additional transformer station needs to be provided by the electricity company, which does not seem to give it priority.

### **Municipality of Apatin (Serbia, Vojvodina)**

The neighbouring municipality of Apatin provided a study in contrast. The mayor and council president were keen for us to look at their achievements and plans. Problems are similar to those in Sombor, except that Apatin has a large brewery, which has not at all been affected by the wars and their aftermath. It is the largest industrial employer in the municipality. Again many abandoned properties. The municipality is actively involved in developing land schemes, of which we saw two: one large plot for housing-cum-workshop-cum-social centre and one self-help refugee housing scheme. Constraints are funds, otherwise the municipality is confident it has the capacity to do much more.

### **Field visits in Podgorica, Niksic and Danilovgrad (Montenegro)**

In general: collective centres for IDPs, refugees and Roma still existing in each of the three municipalities. Some of the centres have extremely poor living conditions and the occupants have no perspectives for improvements or alternative accommodation. The municipalities additionally house large numbers of individual Roma families in sub-standard living conditions.

The international community (particularly UNHCR and SDC) has, in each of the municipalities, provided for temporary (and some permanent) shelter support for the refugees, IDPs, Roma and other vulnerable groups. Projects vary from complete construction of housing to complete self-help with materials provision for those capable of executing the works themselves.

## **Municipality of Podgorica (Montenegro)**

Podgorica is the largest city in the Republic (about one third of the total population and about one third of the number of refugee and DP population in the country) with an acute housing shortage. At present the municipality faces significant numbers of housing illegally built on their land (about 14-17,000 units), which house a sizeable segment of the refugee and DP population. The housing stock more generally suffers from considerable lack of maintenance and dilapidation. At the upper end of the housing market, private developers are currently responding to the housing shortage through the construction of apartment buildings, which will be accessible for purchase by high- and middle income group clients.

Two possible programmes in Podgorica were discussed a little further, namely an illegal settlement upgrading programme and the Vrela Ribnicka Settlement upgrading and extension programme. The project documentation for these programmes have already been prepared but the government of Podgorica is still seeking external funding for the execution. The two programmes are described shortly below.

### The municipal housing area upgrading programme

The municipal housing area upgrading programme aims at the lower end of the market by regularising several major settlement areas in the city, currently housing some 3,000 families, of which some 20% are refugees and DPs. The programme comprises legalisation of land tenure, upgrading and extension of infrastructure, provision of housing improvement loans, and the generation of an additional 1,000 housing plots (through “re-blocking”) for use by other locally needy families and refugees, for which the programme will provide building materials packages. In regularising the land lay-out, the programme will effectively protect environmentally-sensitive areas, such as drinking water wells and woodlands (which are currently being encroached upon by the irregular settlement patterns). The beneficiary families will purchase their plots from the municipality through an instalment payment scheme. Building materials will be provided on credit with long-term repayment options.

### Vrela Ribnicka Settlement upgrading and extension

This refugee settlement was built in 1994 as a temporary shelter. It has 204 units, occupied by refugee families (a total of some 850 persons), who stay in it until they repatriate or integrate locally (the majority), when their place is taken by another refugee family. The settlement is in need of upgrading and extension in order to continue to fulfil its initial housing function effectively. The project will upgrade the quality and space and add an additional 35 units. Refugee families seeking local accommodation will be accommodated in the above area upgrading scheme, ensuring an accelerated through-put of households. Costs: Euro 2-4 million (depending on standards to be adopted).

## **Municipality of Niksic (Montenegro)**

The population of Nisic increased from 70.000 to 90.000 with the refugees from BiH and Croatia. The existing housing stock could not cope with that influx and the municipality prepares plans to solve this. For example one plans to develop housing

units specifically for social cases, one plans to construct additional floors on flat roofed apartment buildings and one develops locations and plots for individual housing units. Technical capacity to develop all this is present, but there is a lack of financial means to actually execute the plans. Capacity for planning, tendering, contracting, monitoring is present, as well as land and infrastructure.

### **General Conclusion:**

Capacities of the municipalities have great variety. Some municipalities are proactive, develop programmes, make proposals, show initiative and seem to have the capacity to do so, where others have a more passive attitude and have no solutions for their current problems. Technical capacity to develop plans, technical documentation and so on is sufficient. In each of the three countries, municipalities claim that the lack of finances causes the lack of housing programmes. In Croatia much of the implementation is centralised, leaving no opportunities for the municipal or county authorities. In BiH there is the pressing issue of ownership that delays many construction activities. In FRY there are large differences between the municipalities, the regions, urban and rural locations and even republics, there is no banking system thus no access to loans and at present there is a fast urbanisation rate.

In general, the capacity of local contractors and construction materials suppliers is sufficient and the quality of their works is generally good.

Land and infrastructure are bottlenecks in some areas and municipalities, but not in all. Capacity (financial as well as manpower) to provide infrastructure for example site-and-services programmes is present in some municipalities and the willingness to implement such programmes is there. Urban municipalities often face lack of construction land, both in the urbanised parts and in the outskirts of town.