

EXISTING HOUSING STOCK AND NEW CONSTRUCTION

Republic of Serbia

A. The existing housing stock

1. Housing stock and housing consumption

According to the preliminary results of the 2002 census, the Republic of Serbia relied on a total housing stock of 2.96 million

dwellings, of which, however, only 2.74 million were for permanent living.

Table 2.1. Housing stock and population, in thousands

	2002	1991	Increase
Total housing stock	2,956.5	2,735.3	8.1%
Urban	1,592.6	1,445.1	10.2%
Rural	1,363.9	1,290.2	5.7%

Source: Serbia and Montenegro Statistical Office, Census 2002.

Compared with other ex-socialist countries, the size of Serbia's housing stock seems adequate, though per capita housing

consumption is still far from that of Western European countries (see table 2.2).

Table 2.2. Size of the housing stock: international comparison

Ex-socialist countries	units/1000 inhabitants		Western Europe
Bulgaria	471	503	France
Estonia	457	502	Portugal
Latvia	411	499	Finland
MONTENEGRO	410	499	Switzerland
SERBIA	394	484	Sweden
Slovenia	393	472	Denmark
Lithuania	374	472	Germany
Romania	373	436	Norway
Republic of Moldova	357	418	Netherlands
Slovakia	321	354	Ireland
Poland	308		

Source: UNECE, *Human Settlements Databases*; Serbia and Montenegro Statistical Office, Census 2002; Republican Statistical Office of Montenegro, Census 2003, first results.

It should be noted that figures for the total housing stock include 'dwellings for permanent living'¹³, villas and other premises for temporary use. They do not include 'occupied business spaces' and 'improvised units', which amount

to 17,921 units and shelter 54,169 people. If one considers only the occupied units 'for permanent living' (2,409 thousands), the average statistical consumption would be even lower (see table 2.3).

¹³ Terminology used by the Serbia and Montenegro Statistical Office.

Table 2.3. Types of housing and occupancy rate

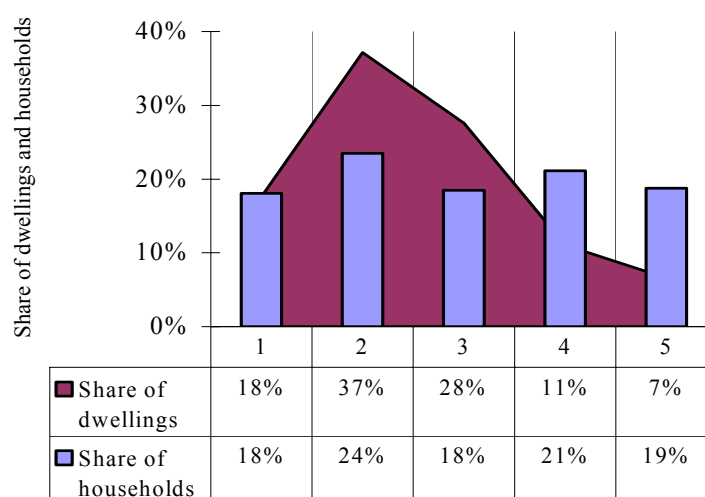
Dwellings	Number	Units/1000	m ² /person
Total number	2,956.5	394	25.1
For permanent living: total	2,744.0	366	23.8
- occupied	2,409.0	321	21.2
- unoccupied	335.0	-	-
For temporary residence	201.0	-	-
Other (unidentified)	11.5	-	-

Source: Serbia and Montenegro Statistical Office, Census 2002.

The data above reveal an occupancy rate of 81.5 per cent with 11.3 per cent (335,000) unoccupied units. Though rather high, in a fully operating market economy, such a figure might be considered desirable to facilitate housing mobility. However, this is not the case in the Republic of Serbia, since most of those units are located in rural areas (191,000) where there is low housing demand and in many cases vacant dwellings are run-down and abandoned (about 57,000).

Apart from the general statistical indicator 'units/1000 occupants', housing consumption is measured by the number of persons per room and useful floor space per person. These

characteristics relate directly not only to current consumption standards and adequacy of distribution of housing, but also to the ability of the stock to meet future household needs. Figure 2.1 illustrates the statistical relevance between the size of dwellings by number of rooms and the size of households by number of persons (the numbers 1-5 in figure 2.1 refer to the number of rooms, i.e. one-room apartment, two-room apartment, etc). There is a good correlation between small dwellings and households and well expressed statistical deficit of large units. The preliminary assessment would be that Serbian dwellings are too small to secure adequate consumption of households even if adequately distributed.

Figure 2.1. Statistical relevance between size of dwellings and households

Source: Serbia and Montenegro Statistical Office, Census 2002, expert calculations.

When looking at housing consumption measured by number of persons per room, 36 per cent of occupants (2,720,627) have a 'standard'¹⁴ consumption, 46 per cent (3,504,728 residents) have 'normal' consumption (1.1-2 persons per

room), while 18 per cent (about 1,346,000) live in overcrowded accommodation. There are many dwellings with more than three occupants per room (about 590,000 occupants in just 120,000 dwellings).

¹⁴ The accepted standard is 1 person/room.

Table 2.4. Occupancy standards (person/room)

Occupancy standards	Occupants	Dwellings
Standard: 1 or less persons per room	2,720,627	1,251,204
Normal: 2 or less persons per room (but more than 1)	3,504,728	873,894
Overcrowded: more than 2 persons per room	1,345,666	283,865
Extremely overcrowded: more than 3 persons per room	587,272	120,873
Substandard dwellings	54,169	17,921

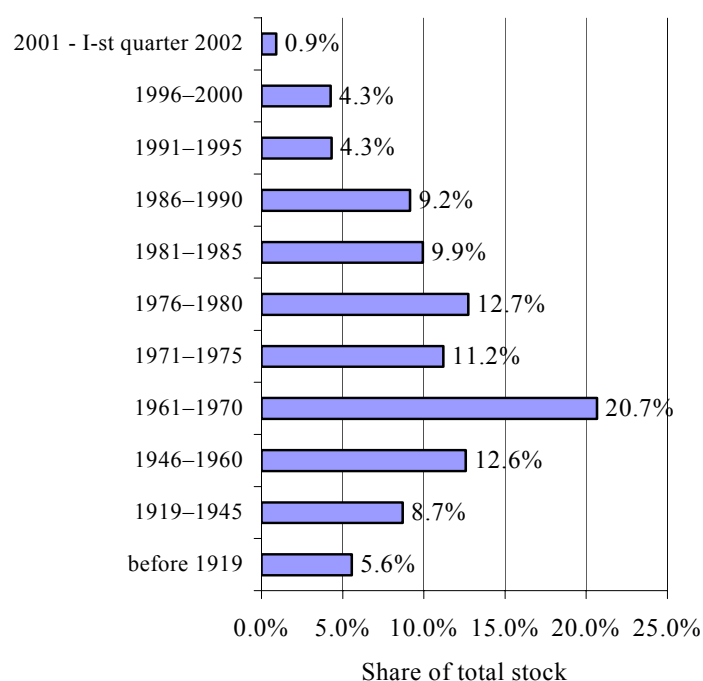
Source: Serbia and Montenegro Statistical Office, Census 2002.

Another substantial aspect of housing consumption is the useful floor space per person. Measured by the accepted EU standard of over 25 m² useful space per person, only 38 per cent (923,936 units) of the occupied stock would qualify. Another 32 per cent (767,391 units) could be considered acceptable, with 15-25m² useful space per person. The remaining 30 per cent has an extremely low standard of space consumption. As a whole, the statistical housing consumption in Serbia is comparable to neighbouring countries, but is much lower than EU standards. Furthermore, the aggregate fit between housing supply and demand does not reveal actual shortages and can be misleading for both researchers and politicians.

2. Quality of the housing stock

When assessing housing conditions and quality, the key factors to be taken into consideration are the *age* of the stock, its *construction type*, *amenities*, and *maintenance*.

The Republic of Serbia's housing stock is relatively new in comparison to that of many EU countries. The oldest part of the stock, (pre-1919), constitutes only about 5.6 per cent of the total against the EU average of about 18 per cent percent. Roughly two thirds of all dwellings were built during the socialist era (see Figure 2.2). The most productive decade (1971-1980) contributed a share of 24 per cent. After 1990, a share of about 9 per cent was added to the current stock.

Figure 2.2. Age structure of the housing stock

Source: Serbia and Montenegro Statistical Office, Census 2002, expert calculations.

According to the national statistics, there are only two types of residential building, defined by the material of their external walls – ‘hard’ (representing 80 per cent of all buildings and 85 per cent of all dwellings) and ‘weak’. This classification does not provide sufficient information for the assessment of the structural reliability of the stock. In the absence of systematic assessments of housing quality and data on the structural types of residential building, anecdotal evidence suggests that some of the multi-unit buildings might need substantial investment to be brought up to standards. Experts indicate that the problem might be significant in large urban areas.¹⁵ Another 17 per cent of residential buildings are considered ‘illegal’ and might not meet construction standards.

Amenities are another key factor of housing quality. Though new construction has improved access to basic amenities, the provision of piped water and sewer should be a priority for housing policy in the Republic of Serbia. As of 2002, only two per cent of urban housing (30,000 units) has remained without piped water indoors, yet the relevant figure for rural housing is nine times higher. Gas supply and central heating are underdeveloped. About one per cent (over 28,000 units) has no auxiliary facilities and basic amenities and 40 per cent of rural housing has no flush toilet or shower. In terms of regional disparities, figure 2.3 illustrates how rural areas lag behind urban ones in access to piped water, fixed bath or flush toilet. As everywhere in the Balkans, development of rural areas has obviously been neglected over a long period of time. Still contrasts are much smaller than in Romania¹⁶, for example.

However, disparities in service levels exist among cities. Belgrade is in a better position than other towns with respect to most basic utilities. Still the upgrading of obsolete infrastructure in old parts of cities and the provision of infrastructure in many informal settlements should be treated as a priority.

Statistics on availability of amenities provide an incomplete picture of the situation. Far more significant is the quality, reliability and cost of the services provided to residents. Informal interviews indicate that the price and reliability of some networks (water and electricity supply in particular) aggravate the living conditions in much of the housing stock.

B. Management and maintenance

1. Tenure structure

Serbia, like most countries in transition, has a high share of homeownership and an insignificant portion of public housing (see table 2.5).

The Statistical Office identifies 16 different types of tenure. Neither homeownership nor rental tenure follow the usual patterns. Housing shortages, aggravated by flows of refugees and IDP’s, have led to various housing arrangements. Homeowners’ units are often shared with tenants, sub-tenants or relatives. The same is true of rental units. The tenure structure as of 2002 shows that about 86 per cent of dwellings (2.1 million) are occupied by their owners, including nearly 100,000 co-owned units; another six per cent (144,865 units) are privately owned, but sheltering owners’ relatives. Rental units form a modest share of about seven per cent, including both public (50,093) and private dwellings. The remaining 0.5 per cent are either with “mixed tenure” or unidentified.

The privatization took place during the period 1991-2000. 77 per cent of dwellings were already privately owned before the privatization. In 1991 the number of public rental units was about 700,000. After 10 years of privatization, there are only 58,130¹⁷ public units left – about 2.1 per cent of the total stock. The *Law on Use of Apartments* introduced the ‘right to buy’. Public rental units, or socially owned housing, were sold to sitting tenants at below-market prices, determined on the basis of current average monthly salaries in the economy.

¹⁵ Prof. Ksenija Petovar and Arch. Zlata Vuksanović.

¹⁶ UNECE, *Country Profiles of the Housing Sector – Romania*.

¹⁷ Serbia and Montenegro Statistical Office, Census 2002.

2. Management of multi-apartment housing

Though explicitly regulated since 1995¹⁸, management and maintenance of the housing stock is still one of the priority issues of the housing sector. Management of apartment buildings is regulated by the *Law on Maintenance of Residential Buildings*. Management is treated as a series of decisions and activities securing adequate maintenance, funds and use of common spaces. An apartment building is a legal entity; the decision-making body is the 'building assembly' (for buildings with over 10 units) or the 'building council' (for smaller buildings). Establishment of the legal entity requires a quorum of 51 per cent of all owners, while decisions on 'investment maintenance' requires the consent of members owning over 50 per cent of the total building space. The assembly/council is free to decide on the organisation of maintenance (whether to assign it to a professional company or take care of it itself), but should communicate its decision to the local administration within 15 days. In cases of poor performance, a building inspector may ask a maintenance company to carry out necessary repair work at the expense of the homeowners. Thus performance of maintenance is an obligation of owners' associations under the supervision of local administration. Distribution of maintenance costs is proportional to the relevant owner's space in the building. A draft amendment to the maintenance law intends to introduce again a compulsory monthly fee for emergency repair work¹⁹. (See also chapters III p. 31 and IV p. 45-47.).

Public maintenance companies still dominate the market in all major cities. A survey conducted by the Business Association of Public

Companies of Serbia in June 2004, reveals that 62 per cent of the total number of apartments in the 11 major cities are clients of public maintenance companies (see table 2.7). The share varies from 95 per cent in Uzice to 33 per cent in Raska and Loznica.

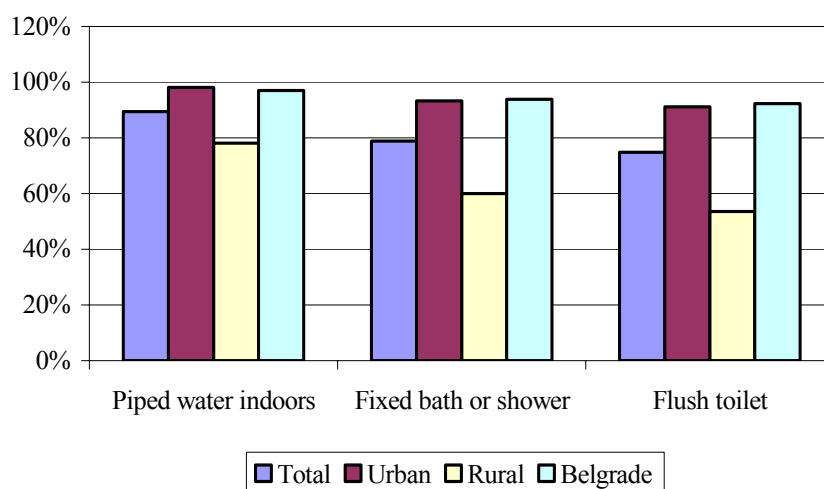
Today a substantial share of apartment buildings have neither established the envisaged legal entity, nor concluded a contract with a maintenance company. The stock as a whole suffers from continuous insufficient investment in maintenance and depreciates in value. Though enforced, legal regulations prove to be insufficient and inefficient. Administrative rules, restrictions and penalties (the 'stick') should be accompanied by incentive and support measures (the 'carrot') to create solvency alternatives and raise awareness and commitment of occupants.

3. Cost of utilities

Utility services are still performed by municipal/public utility companies. The lack of market competitiveness, scarce investment and low paying capacity of consumers are serious obstacles for the radical improvement of service standards. A good example of improved accountability and convenience in payment of utility bills is the system for 'Integrated housing-related payments', introduced by INFOSTAN in Belgrade. Apart from utilities, the 'integrated bills' include all other housing-related payments (maintenance, environmental fees, insurance, etc.), with the exception of individual electricity consumption. The average amount per customer for October 2004 was about EUR 55 (nearly 22 per cent of an average household income). Table 2.7 below provides an example of housing-related payments in the owner-occupied sector. Heating and hot water represent the largest share, at over 63 per cent.

¹⁸ The *Law on Maintenance of residential buildings*, SG 44/1995, last amended in SG 1/2001.

¹⁹ Suggested fee for a 65m² apartment in a building with a lift would be EUR 4,8 or about 2 EUR in a building without lift.

Figure 2.3. Housing amenities: regional disparities

Source: Serbia and Montenegro Statistical Office, Census 2002, expert calculations.

Table 2.5. Ownership structure of the housing stock

Ownership structure	Total	Public	Private
Total number of dwellings for permanent living	2,743,996	2,1%	97,9%
Occupied units	2,409,002	2,1%	97,9%
Unoccupied units	334,994	2,4%	97,6%

Table 2.6. Tenure structure of the housing stock

Tenure structure	Units occupied by		
	1 household	2 households	3 households
Homeowners (1)	1,962,338	92,098	7,749
Equivalent to homeowners (2)	141,746	2,896	223
Tenants (public and private) (3)	163,872	4,725	274
Mixed tenure (owners and tenants)	0	10,790	1,118
Other	134	3,791	828

Source: Serbia and Montenegro Statistical Office, Census 2002.

Notes: (1) Including co-ownership (99847 units) and sheltered relatives or 'other persons' (7669 units);
 (2) A specific, officially identified tenure form, where homeowners place their spare units at their relatives' disposal informally, i.e. without any contract, rent or any form of transaction;
 (3) Public and private units are not distinguished by the Statistical Office.

Table 2.7. Dwellings in apartment buildings maintained by public companies

City	Number of dwellings in apartment buildings	Number of apartments	Share of all apartments
Belgrade	Not surveyed	254,854	-
Novi Sad	62,000	48,053	72%
Nis	Not surveyed	30,923	-
Kagujevac	14,818	4,157	28%
Uzice	7,007	6,635	95%
Leskovac	7,550	4,858	64%
Zajecar	5,234	4,224	81%
Raska	1,564	518	33%
Bor	11,628	7,260	62%
Loznica	4,562	1,500	33%

Source: Business Association of Public Companies of Serbia; Survey 2004.

Table 2.8. A typical monthly bill for a 76 m² owner-occupied apartment in Belgrade

Items	EUR
Land lease	1,08
Solid waste	2,30
Central heating	23,07
Cold water	3,96
Hot water - quantity of water to be heated	5,57
Hot water - energy for heating	5,18
Flood prevention	0,11
Common electricity consumption	3,39
Environmental protection	0,30
Maintenance	4,16
Cleaning (common parts)	0,66
Default interest	2,73
TOTAL	52,51

Source: Infostan, Personal bill, October 2004.

The main problem is heating. It requires special attention for at least two reasons: the cost of energy, which places a heavy burden on households, and energy efficiency²⁰ in the context of the sustainable development of the country as a whole. Consideration here is restricted to the type of heating used in residential buildings. Central heating is available only in bigger cities (28 per cent) and in 49 per cent of the stock in Belgrade. Electric heating is still widely used in urban areas

in spite of the recent sharp increase in prices. The USAID *Serbia Heating and Energy Efficiency Program* (2001-2002) resulted in a substantial reduction in electricity consumption (about 10 per cent of households switched to another source of heat) and increased public awareness of energy efficiency measures through a publicity campaign. Gas supply is restricted to about 8 per cent of households). The main type of heating (especially in rural areas) is solid fuel.

²⁰ EU assessment: "Compared to other countries in Western and Eastern Europe, Serbia has one of the lowest energy efficiency ratings".

Despite efforts of the Serbian Energy Efficiency Agency and its four regional centres in Novi Sad, Belgrade, Kragyjevac and Nis, improvements in housing energy efficiency have so far been limited. Energy conservation measures are still limited to window insulation. The potential to save up to 45 per cent of heating energy through thermal insulation of whole buildings is not yet used. Governmental support is needed in initiation, development and implementation of large-scale energy efficiency/renewal programmes particularly in multi-unit housing.

C. New housing construction

The current amount of new construction is insufficient for replacing the obsolete stock and meeting urgent housing needs in a reasonable period of time. After an annual output of 20-40 thousand units in the early 1990s, new construction has dropped to 10-11 thousand since 1998. This is a rate of 1.4 units per 1,000 people or 0.4 new units per 100 existing dwellings. Compared to EU countries (with an average of 5 units/1,000 people), the rate of new construction in Serbia is rather low.

1. Trends

In Serbia, even in the late 1980s, private provision of new housing was dominant. Starting with a share of 72 per cent in 1989, it reached 83 per cent in 2002 (see Figure 2.4). Following the experience of other countries in transition, it may be expected that public output will soon drop to below 10 per cent.

The prevailing pattern of large-scale housing construction in the past is replaced now by small-scale new developments scattered from city cores to suburbs. Medium height apartment buildings in separate plots are the typical projects downtown, while houses for one to three families prevail in the outskirts along with business facilities in modern complexes. The average size of new units gradually increased from 72 m² in 1989 to 80 m² in 1999 before dropping to 78 m² in 2001. This can be explained by the polarisation of new output – a relative increase of smaller units (for mass demand) along with large/luxury apartments/houses for wealthy clients. In terms of numbers, both sectors are almost equal.

As construction loans are expensive (see chapter V p. 52), most new construction is pre-sold and financed by the future owners. The main flow of cash-investment comes from the savings of ‘economic migrants’ abroad. Rough estimates show that housing mortgages cover only one per cent of total housing investments. The average cost of a new construction is EUR 325 per square metre. A breakdown of construction costs (see Table 2.9) reveals a massive use of traditional technologies, where on-site labour represents a relatively high share – about 30 per cent.

Regarding the price of new construction, it seems prohibitive for most households, being two to three times higher than the cost (EUR 650 – 1,000 per square metre). Thus an average-income household (with EUR 3000 /year) would need 22 yearly incomes to cover the price of a 65 m² apartment or about EUR 65,000. As many newly completed units wait for a first-time buyer, contractors/entrepreneurs²¹ tend to decrease prices, but they still maintain a very substantial profit. The overall higher quality of new construction is supported by standard connections to basic infrastructure and auxiliary installations like gas, central heating and communication systems. As expected, new housing as a rule has above-average occupation standards.

Unlike the maintenance sector, where public companies prevail, the construction sector relies mostly on private companies. These are small and middle-size enterprises, relying on motivated human resources and modern equipment unlike public ones, which are clumsy, use obsolete equipment and have restricted capacity to adapt to a dynamic and competitive market environment.

The main concerns of private contractors/entrepreneurs²² are related to:

- Availability of construction loans – the principal barrier to the development of construction companies;
- Disloyal competition – dumping through informal labour and illegal construction;

²¹ The typical construction entrepreneur is not yet identified on the market, as construction companies are still highly dependent on their clients’ financing throughout the whole construction process.

²² Shared opinions during the study tour.

- Availability of construction land and infrastructure – scarce, expensive, delayed urban development plans.

A large part of construction labour, comes from the ‘grey economy’, as construction companies have no incentives to appoint workers given the 75 per cent taxation of their turnover. The Belgrade association of private developers has prepared a proposal pleading for more favourable tax conditions.

2. Informal construction

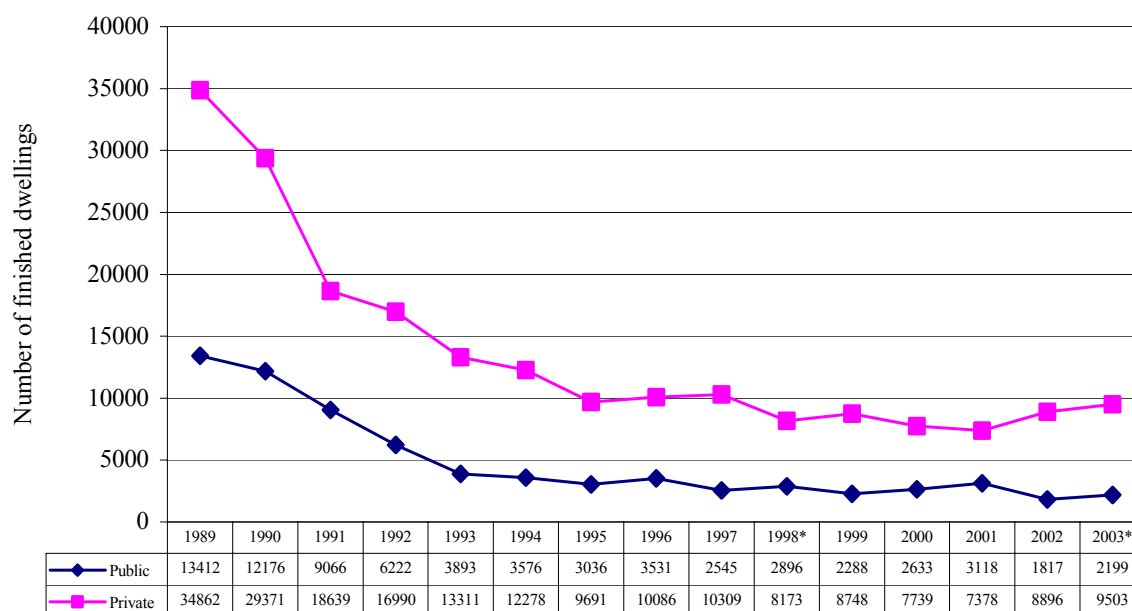
Informal settlements have been a dominant feature of urbanisation²³ in Serbia during the last four decades. Resulting from illegal construction on both regulated and non regulated land, informal settlements vary in terms of standard (from slums to luxury residences), location (from suburbs to city cores and protected areas) and size (from several small units to over 50,000

residential settlements). The flow of refugees (1992-1997) and IDPs (since 1999) has significantly contributed to the increase in illegal construction, concentrated in the suburbs of larger cities. Apart from addressing urgent housing needs, illegal investments in real estate have been used by many households as a ‘shield’ against instability and hyper-inflation at that time.

So far, all attempts by the authorities to counter illegal construction by introducing restrictive measures have failed. The key reasons for continuing illegal construction are:

- Housing needs once caused by industrial urbanisation (1970-1990) and aggravated by the large flow of refugees and IDPs (over 10 percent of the current population);
- Lack of adequate housing policy and targeted public funds;

Figure 2.4. New housing construction by investors



Source: Serbia and Montenegro Statistical Office, Census 2002.

²³ Milic V.M., Petovar K. and Colic R. National Perspective on Informal Settlements (paper presented at the Ministerial Conference on Informal Settlements in SEE, Vienna, 28 September – 01 October 2004), 2004.

Table 2.9. Cost of new housing construction (EUR/m²)

Type of works	Labour	Materials	Total cost
Rough construction work	46.8	70.2	117.0
Craft work	31.7	95.1	126.8
Installation work	16.3	65.0	81.3
TOTAL	94.7	230.3	325.0

Source: Information from local experts, 2004.

- Lack of adequate housing policy and targeted public funds;
- Obsolete, inflexible system of urban planning, lagging far behind the dynamic needs of transition and unable to adapt to the emerging market environment;
- Limited supply and unaffordable prices of construction land; extensive and costly procedures for obtaining building permits;
- Persistent economic crisis, high unemployment and mass impoverishment;
- Substantial share of 'grey economy', corruption and monopoly in the administration and public utility companies;
- Political tolerance of illegal construction as an informal tool of social policy since 1990.

Estimates suggest that the number of illegally constructed dwellings could reach a million. During the last campaign for the legalization of buildings,²⁴ more than 400,000 applications were submitted by the end of 2003. Considering that a single application often relates to a multi-unit building, the actual number of dwellings would be much higher. Moreover, rural housing has traditionally developed without building permits, as no zoning or other spatial development plans exist in most small rural settlements. Very few applications therefore can be expected from rural areas.

The complexity and scale of illegal construction would require more political attention, resources and wider social involvement. Administrative restrictions and penalties should be combined with incentives and alternatives for those whose shelter cannot be legalized and has to be demolished. The balance of public and private participatory approach.

The government of Serbia, along with the government of Montenegro, signed the Vienna Declaration on Informal Settlements in South-East Europe, supported by the Stability Pact for South East Europe, committing itself to a number of measures aimed at tackling the current problems informal settlements.

Republic of Montenegro

A. Housing conditions

Montenegro still lacks the statistical data for a comprehensive analysis and assessment of the housing stock and new construction. The preliminary results of the 2003 census contain only data on the number of dwellings, inhabitants and households. The size of residential units, types of building, amenities and other substantial characteristics remain unknown.

²⁴ Pursuant to Planning and Construction Law, 2003 (see chapter IV p. 42).

Table 2.10. Housing stock and population

	2003	1991	Increase 1991-2003
Total housing stock (thousands)	253,1	203,7	24,3%
- Urban	140,1	107,0	31,0%
- Other	113,0	96,7	16,9%
Units/1000 people	410	344	18,9%
- Urban	366	305	20,0%
- Other	481	402	19,6%

Source: Republican Statistical Office of Montenegro, Census 2003, first results.

According to the preliminary results of the 2003 census, the population of the Republic of Montenegro (617,740) relied on a total housing stock of 253,135 dwellings – an average of 410 units per 1,000 people (see table 2.10). Compared with other ex-socialist countries, the average housing consumption in Montenegro is above average, though still far behind that of the old EC member states (see table 2.2). As of 2003, the total number of dwellings exceeded that of households (191,047) by over 62,000 (about 32 per cent). Another aspect pointing to a reasonable volume of housing is the continued increase in the stock (24.3 per cent over the 1991–2003 period), at a time when the population has increased by only 4.5 per cent.

Single-family houses are predominant in Montenegro as they are in Serbia. According to the data obtained during the pre-mission meetings with the municipality of Podgorica²⁵, the share of units in multi-apartment buildings is about 30 per cent (18,000 units). Apartment buildings are generally considered to be problematic in terms of management and maintenance.

Data on the group in the poorest living conditions is obtained from surveys²⁶ on refugees and Roma people. Over 6000 households, many of which are Roma, live in substandard dwellings (slums). Vulnerable groups, represented by

refugees and poor local households, consume less than 14 m² per person, while the national average consumption is about 26 m² per person.

In the assessment of housing conditions, key factors are the age of the stock, its construction type, amenities, and maintenance. The data on housing in Montenegro are scarce. Most of the housing stock was built in the last 40 years, with close to 20 per cent built since 1991. However,²⁷ many buildings, especially multi-apartment structures are run down due to poor maintenance. In addition, 30 per cent of buildings in Montenegro have been constructed without construction licenses²⁸

Amenities are another key factor of housing quality. The lack of basic amenities should be one of the priorities housing in Montenegro. As reported in several issue papers²⁹, water supply, capacity and condition of communal networks are of general concern, especially in coastal areas and the northern part of Montenegro. The situation is more serious in spontaneously expanding cities like Podgorica, where illegal construction creates planning, legal, financial and physical constraints for adequate network connections. The national aspirations for an 'ecological state' should be supported (along with other programmes) by priority investments in water supply and sewer systems.

²⁵ UNECE mission: meeting notes by Sasha Tsenkova, Podgorica, May 28.

²⁶ Institute for Strategic Studies and Prognoses, survey on local communities, 'Development of a National Strategy Resolving Issues of Refugees and Internally Displaced Persons in Montenegro,' September, 2004; available at http://vulnerability.undp.sk/files/serbia_montenegro.pdf, visited on January 20, 2005.

²⁷ Stankovic S. and Popovic V. Previous Housing Trends and Housing Policy (issue paper within the Housing Policy Action Plan Montenegro, 22 September 2004).

²⁸ Republic of Montenegro, Ministry of Environmental Protection and Urban Planning, Ministry Perspective (paper presented at Ministerial Conference on Informal Settlements in South; Eastern Europe, Podgorica, September 2004).

²⁹ Stankovic S. and Popovic V. Previous Housing Trends and Housing Policy (issue paper within the Housing Policy Action Plan, Montenegro, 22 September 2004). Zoric M., Issues Related to land Infrastructure and Urban Planning (issue paper, within the Housing Policy Action Plan, Montenegro, 22 October 2004).

B. Management and maintenance

Though explicitly regulated since 1995³⁰, management and maintenance of the housing stock is still a major challenge for the housing sector of Montenegro. Reluctance to assume responsibility for maintenance in privatized buildings and financial constraints are seen as the main reasons for the continuous deterioration of both the housing stock and common parts of apartment buildings.

Privatization in Montenegro increased the high share of private ownership in housing - more than 95 per cent of dwellings are privately owned. However, housing shortages in large cities, further aggravated by flows of refugees and IDP's, have led to a variety of housing arrangements. Many homeowners' units are shared with tenants, sub-tenants or relatives³¹ (at least 3,500).

Management of apartment buildings is regulated by the Law on Housing Property (see also chapter IV p. 47). An apartment building is a legal entity (owners' association), whose responsibilities are confined to maintenance and use of the building. The decision-making body is the 'building assembly'. When a building contains more than four units, a building manager should be appointed. The owners' association should open a bank account for maintenance funds (from obligatory monthly fees of all owners). Establishment of an association and election of an administrator are mandatory, but in practice the law is not systematically implemented. For example, out of 2,200 buildings in Podgorica³², expected to form an association and chose a manager, only 500 have done so. As reported to the UNECE mission, collection of maintenance fees is poor (10-14 per cent of owners). Often, in case of emergency repairs, the municipalities have to finance the difference. In fact, the annual deficit in Podgorica for the 20,000 apartments covered by the municipality is EUR 300,000.

³⁰ Law on Floor Property = Law on Housing Property, Official Gazette of the Republic of Montenegro, No 21/95, 23/95, 12/97 and 21/98.

³¹ Institute for Strategic Studies and Prognoses, survey on local government, 'Development of a National Strategy Resolving Issues of Refugees and Internally Displaced Persons in Montenegro,' September, 2004.

³² UNECE mission: meeting notes by Sasha Tsenkova, Podgorica, May 28.

Utility services are still performed by municipal/public utility companies. The lack of market competitiveness, scarce investment resources and the low paying capacity of consumers are serious obstacles to the radical improvement of service standards. Unlike maintenance fees, the collection rates for utility bills (which are much higher than maintenance fees) are in the range of 60 to 70 per cent.

C. New housing construction

The rate of new construction in Montenegro is relatively high - an average annual output of 4,000 units for the period 1991-2003³³. This amounts to 6.7 units per 1,000 people or 1.6 new units per 100 existing dwellings, which is four times higher than the average for Serbia.³⁴ Table 2.11 below gives an overview of the number of apartments and on the total floor space constructed between 1997 and 2001.

Most of the new housing is illegally constructed. Informal settlements in Montenegro are a dominant feature of urban development³⁵. Resulting from illegal construction on both regulated and non-urbanized land, informal settlements vary in terms of standard (from slums to luxury residences), location (from suburbs to city cores and protected areas) and size (from several small units to over 70 ha settlements). The pressure of illegal construction is greatest in Podgorica and coastal areas. Podgorica, for example, has four large informal settlements, covering a total area of 211ha and containing 1591 buildings³⁶.

The flow of refugees (1992-1997) and IDPs (since 1999) has significantly contributed to the increase in illegal construction, concentrated in the central and southern parts of the Republic. Apart from addressing urgent housing needs, illegal investments in real estates were used by many households as a 'shield' against instability and hyperinflation at that time.

³³ Republican Statistical Office of Montenegro, Census '2003, first results, December, 2003.

³⁴ These rates are higher than the average in EU countries (5 units/1,000 people).

³⁵ Republic of Montenegro, Ministry of Environmental Protection and Urban Planning, Ministry Perspective (paper presented at the Ministerial Conference on Informal Settlements in South-Eastern Europe, Podgorica, September 2004).

³⁶ Presentation by the Municipality of Podgorica at the Ministerial Conference on Informal Settlements in South-Eastern Europe, September 2004.

The *Law on Construction of Buildings* (passed in December 2000) enables local authorities to register illegal buildings and find ways of incorporating them into new re-development plans, thus legalizing them. Demolition of incompatible buildings is also envisaged. A two-year period is provided for surveying, registration, planning and legalization. After a period of inefficient centralised supervision/control of illegal construction (1995-2001), the Ministry of Environmental Protection and Urban Planning delegated these functions

back to local authorities. Detailed spatial planning, construction permits and appropriate control measures are prerequisites for improved co-ordination and efficiency. A reduction in illegal construction has been observed since then. It is expected that the signing by the government of Montenegro of the Vienna Declaration on Illegal Settlements in South-East Europe, supported by the Stability Pact for South-East Europe, will result in further actions to tackle the problems connected with illegal settlements.

Table 2.11. New construction

Year	Total finished apartments		Types of apartment				
	No	m ²	Studio and 1 BR*	2 BR	3 BR	4 BR	5 BR and more
1997	1870	138747	301	555	696	250	68
1998	2027	144579	362	695	686	204	80
1999	2087	152663	340	789	653	230	75
2000	2360	174868	331	832	862	281	54
2001	1916	138228	339	703	606	204	64

*bed room

Source: Statistical Yearbook, Republic of Montenegro, 2003.

