

Draft Assessment Report for Podgorica, Montenegro

Highlights

Statistics

- The total number of **households in Montenegro** is **192,242**. The most households are found in **Podgorica - 56,847**, which is **30% of the total** number of households in Montenegro;
- **No Register of illegally constructed buildings/constructions;**
- **Register of illegally constructed buildings** based upon the submitted applications for obtaining a construction permit has been **started parallelly with the legalisation process;**

Legalisation progress

Montenegro level

- As of **July 2020**, **50,922 applications for legalisation of illegally constructed buildings/structures** in Montenegro submitted;
- **1,010 permits granted;**
- **€ 1,353,005.51 (around 64%)** utility remediation fee for illegal facilities charged from local government units.

Podgorica level

- Over **two thirds** of the **illegally constructed buildings** in the country, **are concentrated in Podgorica** and the municipalities on the Adriatic coast.
- As of **July 2020**, **12,978 applications for legalisation are submitted;**
- **11,954 of cases were processed;**
- **100 permits granted;**
- **1,365 cases ceased of the procedure;**
- **10,476 cases required for supplementary documentation;**
- **307 of cases rejected for deadline for submitting the application expiration;**
- As of **January 2020**, **257.729,74€ (around 48%)** utility remediation fee for illegal facilities charged from local government unit (Podgorica);

Identified informal settlement to be assessed

- Five illegal settlement's zones are identified within the territory of Podgorica;
- **Zagorič (illegal settlement identified for this assessment)** represent a "role model" for informal settlements in Podgorica: in terms of legal-property relations, physical appearance of the location, utilities, detailed analysis performed for this location prior to the development of the DUP, data availability;
- As of **April 2018**, DUP for "Zagorič 5" has been published;
- The area of the plan is approximately **68.8 ha;**
- DUP "Zagorič 5" is predominantly a residential zone with a residential buildings/family housing;
- The planned purpose of the areas for the area of DUP "Zagorič 5" is: "low density housing", "cemetery areas", "sports and recreation", "green landscaped public surfaces", "road traffic and railway traffic";
- Ground floor area (main buildings + auxiliary facilities), total (m2): **90.208**; Gross area (main buildings + auxiliary facilities), total (m2): **147.411**.

Some general preconditions for applying

- The owners of the illegal buildings applied for legalisation **as of July 16, 2018;**
- According to the Law, a **decision on legalisation** can be issued for an illegal structure that has been **built in accordance with the basic urban parameters** of the valid planning document

adopted until the entry into force of this Law, i.e. the planning document **adopted accordingly Statutory procedure**;

- In addition to compliance with urban parameters, legalisation of **buildings that meet the guidelines of the planning document** can be done, with the precondition that the building is **retrievable on the orthophoto**.
- In opposite case, the procedure is suspended until the adoption of the General Regulation Plan of Montenegro;
- Resolved property and legal relations;

Legislative framework

- The distinction between illegal settlements and/or structures and slums set by the Montenegrin Law; there is a clear difference between these terms of meaning; different laws are treating illegal settlements and illegally builder constructions/settlements, and social housing (Ministry of Labour and Social Welfare, the Law on Social Housing, Social Housing Programme);
- The basic characteristics of the housing stock of Montenegro are the relative age, almost all dwellings have electric, a little less have water and sewage installations, but only about 39% are connected to the public sewerage;
- The key law: **The Law on Spatial Planning and Construction of Structures**, last amended as of 06th of August 2020;
- **Decision on the fee for urban remediation**, as of 06 November 2020, "the amount, conditions, manner, deadlines and procedure for payment of the fee for urban remediation";
- Real estate taxes, fees for spatial usage – incomes from these will be used to develop the missing infrastructure in these areas;

Bylaws

- Besides the **Decision on the fee for urban remediation**, local self-government units are obliged to with the consent of the Ministry, adopt bylaws that will prescribe more detailed conditions, manner, procedure, and criteria for providing **alternative accommodation** to primary residential housing and members of his family households - in case of removal of the illegal structures.

National/local level projects and efforts related to informal settlements and legalisation process

- e-Cadastre Project;
- Geoportal of the Real Estate Administration
- Management Plan for Municipal Wastewater in Montenegro (2020-2035);
- The project "Collection and treatment of wastewater in Podgorica", related to Wastewater sewerage construction plans within both formal and informal settlements were appropriate;

COVID-19 impact

- Montenegro now deal with its deepest recession in two decades;
- The unprecedented crisis has reversed recent employment gains and poverty reduction; Registered unemployed rose from 34,576 in July 2019 to 42,367 in July 2020; Poverty (income below the standardised upper-middle-income-country poverty line of \$5.5/day in 2011 PPP) is estimated to increase by around 2 percentage points to 20.4 percent in 2020.
- The loss of revenues is expected to widen the fiscal deficit in 2020 to about 12 percent of GDP.
- The new government (August 30 elections) will face the unprecedented challenge of mitigating the economic and social impacts of the crisis and facilitating an economic recovery with fiscal and external imbalances high and still rising.

- The economy is forecast to grow strongly in 2021 but it will be 2022 before the full loss in GDP will be recovered.

Healthcare system impact

- *Financing health care is based on the method of compulsory health insurance (German – Bismarck method). Contributions are paid according to employee gross earnings, according to present legal regulations;*
- *All citizens have free access to public healthcare system, according to the relevant laws;*
- *The costs of the healthcare system in Montenegro are relatively large, given the fact that it is a country of only 0.6 million citizens;*
- ***The pandemic health crisis was led by the National Coordination Team (NCT), taking overall by WHO issued recommendations for controlling the infection and measures that applied to all entities in Montenegro (citizens and businesses).***
- *Public solidarity is very pronounced in these times, and communication between the health system and the citizen was extremely positively assessed by the public;*
- *To no one has been denied the right to treatment and medical care - regardless of whether citizens are residents of legal or illegal settlements because the right to health care is not exercised based on these parameters;*

Impact on legalisation progress

According to statements of the focus group (representatives of local and central government) the current situation with the pandemic did not significantly affect the work on legalisation;

Obstacles identified: slowing dynamics of service provision due to a large number of local transmission; according to this, a certain flexibility in the deadlines for submitting requests for legalisation, as well as their implementation has been met.

Main response measures

- ***The government adopted a set of measures to mitigate the impact of the crisis:***
 - three-month deferrals of taxes and contributions (valued at €45 million);*
 - Investment and Development Fund of Montenegro (IDF) loan repayment deferrals (€160 million);*
 - IDF credit lines of €150 million, wage subsidies for the most affected sectors (€50 million);*
 - support for tourism (€19 million) and agriculture (€8 million); and supplementary cash transfers for the vulnerable (€4.2 million).*
- ***The financial sector has been resilient so far.*** *The Central Bank of Montenegro (CBM) issued a 90-day moratorium on loan repayments, initially universal but later extended only to the most affected sectors.*
- *By August bank lending had grown by 7 percent, driven primarily by loans to households (7 percent) and the private sector (8.59 percent).*
- **The civil sector** *has also made its contribution in terms of the First Response to the humanitarian crisis.*
- *The Red Cross of Montenegro, in cooperation with local Centres for Social Welfare, continuously works on providing basic foodstuffs and hygienic kits for the most vulnerable categories;*
- *assisted by numerous NGOs, which provide data on citizens in social need who are not on official lists, nor are they beneficiaries of social benefits/remunerations;*

Challenges, gaps, needs...

Informal, basically poor quality construction, inadequate design of buildings, by occupying and shredding agricultural plots, by illegally connecting to the public infrastructure, thus a series of contradictions that characterise any informal construction, is annulled fundamental rationality of the planned usage of space.

Among a number of causes and impact of informal construction, the following can be singled out:

- **social** – internal migration to more economically developed areas; inability to collect fees and taxes, indirectly inability to invest in the infrastructure of illegal settlements;
 - **economic** - the attractiveness and profitability of the coastal area is marked by the global **trend of littoralization**, which further encouraged informal building; a lack of a better way to store savings; many have seen investment in housing construction an opportunity for making quick money, either from capital gains, or from seasonal income, or from leases; there is no access to credit lines, no possession can be pledged on illegal structure; risk of demolition due to non-compliance with the urban plan; no access to services and urban infrastructure;
 - **professional and urban planning** - obsolescence of part of the planning documentation, insufficient coverage with the spatial urban plans, lack of capacity at the local level for preparation of the necessary spatial planning documentation, as well as weaknesses in the system of implementation of plans (i.e. non-compliance with plans).
 - **administrative and legal** - inefficient processing of cases of usurpation of state property, so the expansion of construction on state land; informal construction was treated as a misdemeanour, and connection to infrastructure systems was not sanctioned;
- An important issue that needs to be tackled and a suitable solution found - in the **prevention of illegal building** - by whom, how, which method is the most adequate to be used, according to the state and legislative parameters in this matter.
- **To analyse** informal settlements as much as possible **making the legislative framework applicable**;
- **To improve the methodology of registering** and creating the Register of informal structures/settlements; connect systematically the relevant institutions and fully include their capacities while registering;

Recommendations

social – to monitor internal migration to more economically developed areas in terms of attempt illegal building;

economic - to improve the methodology of registering and creating of the Register of informal structures/settlements; connect systematically the relevant institutions and fully include their capacities while registering; to improve the system of charging fees and taxes, aimed to invest in the infrastructure of illegal settlements;

professional and urban planning – to update/adapt and to create the planning documentation in by Law prescribed timeframe; to build the capacity at the local level for preparation of the necessary spatial planning documentation, as well as to overcome weaknesses in the system of implementation of plans (i.e. non-compliance with plans);

administrative and legal – to strengthen the inspection capacities (by number of inspectors and by a systematic approach to their by Law prescribed competencies and professional capabilities); to efficiently monitor cases of usurpation of state property, and to apply the legal sanctions to those whose building informal construction, and attempting the connection to infrastructure systems illegally;

Above all, an important issue that needs to be tackled and a suitable solution found - **the prevention of illegal building** - by whom, how, which method is the most adequate to be used, applicable positive experiences and lessons learned from EU and neighbouring countries to be shared with. **To analyse** informal settlements accordingly, to **making the legislative framework applicable**.