

**Belgrade in Transition:
an analysis of illegal building in a post-socialist city**

Thesis submitted for the degree of
Doctor of Philosophy (P.h.D) by

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**London School of Economics and Political Science
2006**

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Abstract

One of the most significant urban phenomena in Serbia over the past thirty years has been the rapid and widespread growth of illegal housing building. It is widely believed that the socialist housing policy of the 1970s and 1980s is the main rationale behind illegal building in Belgrade in the 1990s. Although the policy resulted in a housing shortage and consequently initiated illegal building, the author will argue that changing socio-economic and political conditions during the transitional period in Serbia created a new set of reasons for illegal building.

The thesis explores how the new political elite used an opportunity for profit making by manipulating the housing shortage and exercising control of state owned land through their informal and formal links. The case study of Dedinje, the most privileged area in Belgrade, illustrates how the political elite, including former president Slobodan Milosevic and individuals close to his regime, were breaking the rules and building illegal villas and office buildings. The second case study focuses on the Zemun council, run by another political party, and analyses how the law was ignored, and illegal building allowed as means for collecting political favours. Finally, a brief analysis of kiosk building across the other municipalities, run by the other political parties proves the same relationship between corruption and informal linkages.

This discussion is advanced through a framework of new institutionalism; specifically the thesis is built around an argument for the importance of informal institutions, especially in a corrupt society.

Acknowledgments

This thesis is dedicated to **Dragica** and **Vuk**, my parents and **Vladimir**, my brother, who deserves an award for their patience, understanding and support during my PhD study and the writing of this thesis. If there was not their help, I would never be at London School of Economics. I also owe special thanks to Paul who patiently listened my monologues about politics and corruption in Serbia, two of his less favourite topics.

I wish to thank my supervisor, Dr. Murray Low for his encouragement, guidance and support during my PhD study. His continued interest in my progress and his generous support when required, particularly during the last and most difficult stages of the thesis, is deeply appreciated. Special thanks to Dr Andy Thornley who was my review supervisor, and who always showed enthusiasm for my work. However, I want to express my special gratitude to Dr Ian Hamilton who I started doing this thesis with, but unfortunately he has not lived to see its end.

At London School of Economic, I am also grateful to all of those who participated and provided me with helpful comments on different aspects of my thesis, especially to Prof Ian Gordon, Dr Michael Mason and Dr Henry Overman. I wish also to thank colleagues and friends at London School of Economics for being so patient with me and for creating such a friendly atmosphere. Especially I would like to express my gratitude to the Iris Hauswirth and Lavrentios Vasiliadis for giving much appreciated moral support.

I wish to express my gratitude to all my teachers and professors back in Serbia, who encouraged me to choose the road of academic exploration. Especial thanks to Dr. Ksenija Petovar and Dr. Miodrag Vujosevic for their continuous help with the finding information and sources for this sensitive matter. Their optimism and endless encouragement for urban research was very influential in those difficult conditions.

I am grateful to the scholarships from LSE and the Open Society Fund from New York. Finally, I am also grateful to my friends both in Serbia and here in London, who provided moral support whenever it was needed.

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List of Acronyms:

SFRY	<i>Socialist Federal Republic of Yugoslavia</i>
FRY	<i>Federal Republic of Yugoslavia</i>
SCG	<i>Union of Serbia and Montenegro</i>
SPS	<i>Socialist Party of Serbia</i>
SRS	<i>Serbian Radical Part</i>
JUL	<i>Yugoslav United Left</i>
DS	<i>Democratic Party</i>
DSS	<i>Democratic Party of Serbia</i>
GSS	<i>Civic Alliance for Serbia</i>
GUP	<i>General Urban Plan for Belgrade</i>
RDP	<i>Regulatory plan for Dedinje</i>
OECD	<i>Organization for Economic cooperation and Development</i>
NATO	<i>North Atlantic Treaty Organization</i>
TPI	<i>Town Planning Institute</i>
Agency	<i>Agency for Building Land and Construction of Belgrade</i>
Secretariat	<i>Secretariat for Property Rights and Construction Affairs</i>

1 Chapter : Introduction

1.1 Research Question

Post-socialist Belgrade faces many socio-economic problems as a consequence of its communist past and post-communist changes. However, one of the major problems Belgrade with its 1.7 million citizens faces (Census, 2002), is prolific illegal building. When a law on legalisation of illegally constructed buildings and objects was passed in 2003, the Minister for Building and Urbanism sent an appeal to citizens through TV adverts to legalise their houses. The advert informed them that there were almost 1 million illegally built objects in Serbia. In 2001 the estimations for the total number of illegal objects in Belgrade varied between 100,000 and 200,000 (Secretariat for Property Affairs and Legal Rights, Belgrade, 2001).

The main research question of this thesis is why the majority of the buildings constructed in the 1990s in Belgrade were illegally built. More specifically: what were the major drivers that allowed illegal building on such a scale and what were the roles of political parties, politicians and institutions in illegal building?

In order to answer these questions, it is of crucial importance to explain how the urban realm was both dependent on and constrained by its communist past as well as by the economic and social context in the 1990s. Furthermore, it is necessary to establish who the relevant powerful actors were, what their interests were and what the relations were between them, in addition to uncovering the mechanisms and rules they set and used to achieve their goals. It is also essential to see what factors directed the construction of a dominant political coalition within a given set of structural constraints and opportunities and to explain how different political parties were creating new rules as well as informal coalitions around illegal building. In addition, an explanation is required for the failure of institutions to block illegal building.

The hypothesis is that social change and the socio-economic and political contexts do not explain enough, and that a focus on institutions in terms of rules, routines and interactions is key to getting to the core of the problem. Those rules and routines were created initially by the elite and subelites, made up of politicians from ruling and opposition parties, with the ultimate goals of gaining benefits and at the same time buying social peace which enabled them to win elections. This elite and subelites used the inherited institutional system, preventing its full transformation into a democratic transparent one, for their own benefits and fused some of its power into their own hands. New rules spread from the top down and so local authorities, no matter from which party, used them for both financial and political gain. The overall result was the rise of corruption and the creation of informal links around illegal economic and political activities at all levels of society. Corruption became a very strong 'informal institution', in some cases more powerful than many formal ones.

What additionally persuaded me to analyse the extensive illegality in building was the arrival of the police with local council inspectors at my parents' house in 1999 in order to demolish the 2.5 sq m shed which they had had in their backyard since 1987. That was the first case of an attempt to demolish an illegal object that I had ever witnessed. What particularly interested me was how a great number of illegal villas, houses and kiosks, built everywhere and mostly in public spaces, were not demolished. What criteria had local councillors and inspectors used when they decided to demolish my parents' shed? Why was it a priority to demolish a shed and not some other object that was located in a park, for example? My parents applied to legalise the shed, but after a few years they have still not received any response from the local council on whether legalisation was approved or not.

1.2 Definitions

Illegal building is a process defined as construction carried out without previously acquired building permits (Petovar, 2003). It is related to the construction of new houses, the adaptation and change of purpose of existing houses and construction of

auxiliary and concomitant objects such as garages and storage units. The socialist government suppressed the problem and kept it off the political agenda due to its inability to subsidise houses for so many newcomers. Many immigrants from rural areas built weekend cottages in the Belgrade suburbs, where they produced fruit and vegetables during weekends. Following this the number of illegally built houses rose spontaneously through the 1970s and 1980s. According to Saveljic (1988), 98.1% of illegal builders in Belgrade until 1988 were immigrants from rural areas and between 70-90 % of these belonged to the working class.

There is another type of illegal building defined as usurpation. This type of illegal building is not necessarily in suburbs but on publicly-owned land and in public spaces. In the 1990s, public spaces like parks, and public objects and parcels of private ownership have been 'attacked' by developers and investors building onto them, leading to these public spaces being legalised as private properties. The most common examples of this are kiosks, built in parks, on riverbanks, in the backyards of public buildings and on pavements, disabling safe passage for pedestrians. The number of kiosks is still unknown, but they are all around the city and have become a primary feature of Belgrade's identity, which has recently been dubbed the 'Balkan Sao Paolo' (Petovar, 2003) due to the extent of illegal building. The main actors in these cases, besides the builders themselves, are politicians at high levels within the city and republic, as well as investors, developers, local authorities and planners (Petovar, 2003). Although usurpation is associated with the period when Slobodan Milosevic's party was ruling the city, it escalated during the period when opposition parties won local elections in 1997. Between then and 2000, the number of illegally built objects increased to 200,000, a 15.95 % increase over a three-year period (Andjelkovic, 2001).

Illegal building is a phenomenon that has legal, urbanistic and social dimensions. Legally it is an expression of a violation of law by the person who builds without a legal permit. For urban planning, illegal building is an obstacle for the implementation of urban plans and it violates infrastructure, efficiency and the aesthetics of the city. Sociologically, illegal building is a self-initiative of the second-class citizens who build in order to meet their housing need due to the lack of any

other housing solution. They were not able to get anything from society despite contributing (through various taxes) to the building of houses for the upper class (Zivkovic, 1981). Apart from these aspects, illegal building in Serbia the 1990s also had political and economic dimensions that emerged from the changed political, economic and, consequently, institutional context.

1.3 Political and Economic Context

Economic crisis, civil wars and international sanctions marked Serbia in the 1990s.¹ Moreover, a command economy was replaced by state intervention in the economy by the post-communist elite, resulting in a failure to develop a completely free market. The same occurred in the property markets, where the final prices of properties were not the result of free competition. State distribution of benefits, used as a mechanism for governing, has not been undertaken transparently. This, in addition to the inherited public administration, created an optimal environment for the development of corruption. Since the state had power over the economy, it has been extremely attractive to politicians prone to corruption (Begovic and Mijatovic, 2001). Therefore, certain groups that saw the chance to benefit were stimulated to adapt the regulations and inherited institutional framework to their own interests. This could have been done in two ways: by gaining an exemption from the formal rules, or by adapting the rules to particular interests. The previous communist institutional system and rules, instead of being replaced by new ones with democratic rules, were replaced with a system whose rules were based on corruption and informal links. Corruption increased and consequently demand for corrupt behaviour increased rapidly. Growing demand for corrupt behaviour was followed by a growing supply of corrupt services. However, at the beginning of the 1990s, the elite had the intention of applying changes to rules only for the cases where their interests were involved. The late 1990s had witnessed unintended consequences when the new rules spread out to inform the conduct of the rest of society.

¹ For the period before 1990 and disintegration, the country will be referred to as the former Yugoslavia (Socialist Federal Republic of Yugoslavia), for the post 1990 period the thesis will refer to the Federal Republic of Yugoslavia (FRY) as Serbia until 2002. Thereafter the current name, the Union of Serbia and Montenegro, will be used in order to make it more clear.

The change of rules started at the very top of the political hierarchy. The best example of it was the first indictment made against ex-Yugoslav president Slobodan Milosevic in 2000 for illegal building in Tolstojeva 33 Street. Accusations of war crimes, genocide and fraud, being more complex and difficult, followed a year later. The rest of society, affected by the housing shortage and influenced by such examples, subsequently adopted the same pattern of behaviour but with much smaller profits and gains.

This thesis starts from a focus on the elite, the subelites and those individuals close to them who were building illegally and gaining profits from this, since they set up an institutional context that encouraged the rest of society to take over the same pattern of behaviour regarding building. The poorest layers of society which built illegally in order to have somewhere to live are discussed and explained but not in as much detail. This is because only 18% of illegal buildings are settled by people who live in poverty (Petovar, 2003), which suggests that the majority of illegally built structures belong to either the middle or higher classes. One of the major characteristics of the new institutional context was the existence of specific kinds of informal networks that were operating behind the scenes. The term that was first used by ex mayor Nebojsa Covic in 1995 to define those informal networks involved in illegal building in Serbia in the 1990s is the 'urbanistic mafia'. This has never been fully defined and there are different interpretations. The first one relates to informal networks made around building, including all the institutions concerned with the issuance of building permits, as well as professionals like architects and planners, and politicians and investors, as a result of the new institutional system (Zdravkovic, 2001; Saveski, 2001). The second definition includes only investors and politicians, and treats them as organised criminals (Petovar, 2001; Ilic, 2001; Prodanovic; 2000). The existence of two models results from the difficulty of identifying exactly who the carriers of illegality were. This thesis rejects the theory of illegal building being organised crime. It rather focuses on the exercise of power by the elite and subelites, informal networks and the failure of institutions to block illegality since the elite and subelites had altered them in an irregular way.

1.4 Elite, Informal Links and Corruption

Due to the complex problems related to the development of illegal building during the 1990s, it is difficult to apply a single theory from political studies or urban studies to it. Therefore, insights from several different theories will be drawn upon and should be viewed as complementary rather than competitive theoretical elements.

Classic urban political theories, such as the elitist and pluralist approaches, offer useful entry points for explaining the realities in Belgrade. Elitist theory provides help in defining the elite and an explanation of the functioning of the creators of the institutional setting for illegal building in Belgrade in the 1990s. In addition, pluralism is an alternative approach that might provide some useful insight for an analysis of relationships among different parties and the significance of elections as well as help explain the relationship between the elite and the rest of society. However, it has limitations in the present context because it has been mostly shaped and used in a democratic context, and does not have a strong institutional focus. Furthermore, neo-elitism is introduced as a theory that attempts to analyse the actual exercise of power. It is based on analysis of the hidden face of power and includes compulsion, influence, authority, force, and manipulation. It also analyses the mobilisation of political bias and latent conflicts.

Nevertheless, given that classical political studies and neo-elitism do not take corruption and other abnormal political patterns into consideration and do not focus on interaction between individuals and institutions, there is a need to add a new approach, and some elements of new institutionalism may be helpful in establishing a theoretical explanation for the questions raised. As a symptom of institutional weaknesses, corruption needs to be viewed within a broader institutional framework. The newly emerged institutional framework of the post-communist era was based on newly created rules and old rules constrained by the elite and subelites. As a consequence of increasing corruption the established institutions were unable to control the bureaucracy inherited from the communist period, to protect property and

contractual rights or to provide necessary support to the rule of law. Some institutional functions were taken over by powerful members of the elite and subelites, who were organising the remaining institutions in accordance with their political needs.

In addition, inherited institutions were also affected by a series of economic and social shocks (civil wars, international sanctions, unemployment) and consequently produced sets of new rules. This is consistent with institutionalism, both old and new, which argues that causation goes in both directions and that institutions shape social and economic life but also that society and the economy shape political life and institutions. This study will be orientated towards an examination of the formal and informal institutions and the creation of new rules that have determined decision-making and decision implementation. In order to find the answers, the research uses elements of new institutionalism to assist theoretical explanation. New institutionalism analyses institutions as sets of rules and the routines which they produce. Moreover, it uses the concept of dynamic rather than static institutions characterised by ongoing interaction with individuals. Additionally it analyses the relationship between institutions and the wider socio-economic context in which they operate. In particular, the significance of informal networks and institutions will be employed to help explain the development of illegal building through the 1990s in Belgrade.

1.5 Structure of the Thesis

The thesis is organised in three parts. The first part is focused on potential theoretical explanations for informal and illegal developments in Belgrade. It considers various political theories such as elitism, pluralism and neo-elitism as well as the concepts used in new institutionalism. Additionally, it analyses the problem of corruption from a theoretical point of view. It also includes the methodological justifications for the approach applied to the empirical research in the field. These comprise Chapters 2 and 3.

The next part is focused on the origins of illegal building during the communist period. It analyses various political, economic and institutional reasons behind illegal building, but it focuses in particular on the political determination of the communists to emphasise collective housing over individual housing. Additionally it considers the consequences of unbalanced regional economic growth and development, and the resulting migration to Belgrade, for the housing conditions in the city. Chapter 4 also deals with land nationalisation and its consequences for the housing sector. An additional factor that is analysed in this chapter is the very unfavourable financial policy for individual building. Mostly as a result of these reasons, people had started building illegally, predominantly in the suburbs and on agricultural land. Analysis of the communist period is very important since some of the problems related to illegal building were inherited from that era.

Chapter 5 analyses the political and economic situation in the 1990s. The SFRY disintegrated and the period of civil wars and economic and social destruction started. From the most developed Eastern European country, Yugoslavia became one of the poorest countries in the whole of Europe. In order to survive, many people turned to the black economy, corruption and bribery. The aim of this chapter is to explain the relation between the political and economic context and a new institutional framework created by the elite and subelites, and their impact on the housing sector under those new circumstances. Additionally, it analyses the second face of illegal building developed in this period - usurpation. Contrary to the citizens who were building in order to provide housing during communism, a new class of speculators and profit makers emerged. They were building in central municipalities, on land usually got by usurpation, and earned huge profits from selling flats. These builders were people from, or very close to, the ruling elite or subelites.

Chapter 6 addresses these issues at the city level, through the analysis of city institutions and local politics. This chapter analyses the changes in the definition of the public interest as well as of urban planning. It also analyses the direction in which city institutions shifted and which routines and rules they formed in the post-

communist period. It introduces empirical research on the elite, subelites, city institutions and their mutual interaction.

The third part of the thesis presents the findings of my own empirical research carried out in Belgrade in the form of two case studies. The purpose of Chapter 7 is to analyse the elite who changed rules and institutions and adapted them to their own interests and the mechanisms they used in the Dedinje area to gain personal benefits. Dedinje has traditionally been the area settled by the elite. There are many illegal builders, but the most interesting cases, like Slobodan Milosevic's house, the Karic Family and the Pink Television building will be analysed, and the pattern of illegal building among rich people will be established. Additionally this chapter analyses how the institutional framework (rules and routines) was changed to work to the advantage of the most powerful.

The focus of chapter 8 is the local council of Zemun since it is the settlement with the largest number (17,970) of illegally built objects. It has been suspected that there are even more, which are not registered (Gavrilovic and Curuvija, 2001). The aim of this chapter is to show how illegal building spread to the rest of the city. Informal links and corruption were the most important factors in illegal building, no matter which political party was involved, and the principles and mechanisms, as well as the purpose of, allowing illegal building, were the same as in Dedinje.

Finally, the thesis concludes with an analysis of the two case studies. The conclusions about unofficial rules, the elite and subelites, and on the strength of informal networks are presented in this part. Furthermore, the mechanisms they used as well as the interests that led them are evaluated. The final impact on the institutions and the rest of the society is considered. Furthermore, the situation after the removal of Milosevic's regime is analysed and illegal builders are assessed in light of the new political context.

1.6 Illegality as a global problem

Illegal building is not a phenomenon unique to Belgrade. Informal settlements, often referred to as squatter settlements or shantytowns, are dense settlements comprising households and communities housed in self-constructed shelters under conditions of informal or traditional land tenure. They are a common characteristic of developing countries and are typically the result of an urgent need for shelter by the urban poor. They are characterised by a dense proliferation of small, improvised shelters built from diverse materials, degradation of the local environment and by severe social problems. The illegal settlements exist globally: in Brazil, so called favelas, in Venezuela – barrios, the informal settlements in Mexico, Sub-Saharan Africa, Kenya, South Africa, as well as settlements in Turkey - gecekondu, India, Philippines, Pakistan and Malaysia, are some of the examples across the world. Recent research shows that 30 to 60 per cent of the population of cities in developing countries live in informal settlements (Durand and Clerc, 1996). It is estimated that between 40 to 60 per cent of residents of cities in the developing world operate outside of the law (Rasnah, 1999). In cities in Africa, Asia and Latin America, the urban poor often have to break the law in order to gain access to housing. The reasons behind the illegal developments are diverse, including housing shortage, different cultures and tradition, resistance to modernisation or centralised government as well as social conflict around law, property and urban space (Fernandes and Varley, 1998). In cities in developing countries, illegality is mostly associated with the urban poor.

In most of the illegal cities worldwide, the major reason for their development is housing shortage and inadequate housing supply. Furthermore, the lack of, or inappropriate, governmental response was the cause of their increase. For example, similarly to Serbia in the 1990s, in Karachi, Pakistan, the governmental involvement in illegal building was very evident (Nientied and van der Linden, 1990). “The government through the Karachi Development Agency is actively promoting illegal subdivision by systematically failing to provide an alternative. Furthermore, many highly and lowly placed persons in the government apparatus are crucial actors allowing and facilitating the system and profiting from substantially by it. In the third

place, the legal and bureaucratic systems are instrumental to illegal subdivision of government land” (Nientied and van der Linden, 1990:230). In addition to the similar pattern, in Serbia illegality was widespread, including all levels of government, not only that of the city. Another reason that can be found behind illegal building both in Serbia and in developing countries is the inadequate response of urban planning, and the laws behind the issuance of building permits. For example, in India and Pakistan, urban planning has been inflexible and the process of issuing building permits is too long (McAuslan, 1998). In many African countries local governments have little or no say in planning decisions which are purely controlled by the central government. Additionally there is no public participation in the making of plans. Most of the planning laws have a purely elitist nature in Nigeria and Zambia for example (McAuslan, 1998), while this was not purely the case in Serbia.

In addition to some similarity in the causes of illegality, there have been some similarities between attempts to resolve illegal housing problems in Serbia and other countries. For example, illegal settlements in Turkey were very often legalised. Furthermore, legalisation did not necessarily mean an increase in investment in housing and payments of services by settlers (Yonder, 1998). A clientelist nature characterised Turkish political parties at national and local levels. This consequently fuelled both the speculative building boom and informal settlement formation (Yonder, 1998). During national elections, all parties promised title deeds and delivery of infrastructure services to illegal settlements in addition to legalising illegal buildings in the existing middle income districts. However, due to the lack of financial and technical resources, municipal governments failed to deliver the services and building regulation, which resulted in selective enforcement and relaxation of regulations or “the most expedient way of the dispensing patronage” in return for votes in both the formal and informal districts of the city (Yonder, 1998:59). Similarly, political parties in Serbia promised legalisation of illegal buildings for electoral purposes, buying votes by not intervening in the illegality.

Although Belgrade was dubbed the ‘Balkan Sao Paolo’ (Petovar, 2003) the illegality in the cities in developing countries has distinct features compared to that found in

Serbia. For example, in many developing countries such as Malaysia, the illegality was the result of existing colonial policies and legal restrictions introduced while they were colonies. Those policies did not take into consideration Malayan lifestyle and so they resulted in the segregation of low income groups in slums (McAuslan, 1998). McAuslan additionally explains the roots of illegality in the South Pacific and Africa by the relationship between customary land tenure and urban development (1998). Customary land tenure is unwritten law which governs the relationship between a particular group (tribe) of people and the land on which they customarily reside or farm (McAuslan, 1998). Unofficial customary tenure still exists in towns and cities in Africa. Additionally, the illegality also occurs when the customary land is taken away from the people who use it (1998). The example of a clash between the customary land tenure and colonial land tenure legislation can be found in Bamako, Mali. The conflict between two systems escalated after Mali gained independence and the city started expanding into rural areas (van Westen, 1990). A similar dualist urban tenure system is a feature of all Sub-Saharan African cities (McAuslan, 1998).

Another pattern that can be found in developing countries but not in Serbia is a land invasion. Although it has been argued that the rapid increase in the number of kiosks in Belgrade is a kind of invasion, land invasions in Asia, Africa and Latin America resulted in the creation of squatter settlements on public land. The income and wealth structure of typical squatter settlements elsewhere are also different from those of illegal builders in Serbia. While in developing countries illegal settlers were mostly poor trying to provide shelter for themselves, in Serbia the majority of illegal builders were middle and upper class while only 18% of illegal builders were in poverty (Petovar, 2003).

However, illegal forms of production of urban housing and land are becoming more and more associated with the privileged parts of third world cities. They involve, for example, closed developments in which gates that make private enclosures may prevent the public from gaining access to the road system or public spaces such as beaches and environmentally protected areas (Fernandes and Varley, 1998). Still, the quantitative importance and social implications of illegality in low income areas has

more impact on the cities and on the qualities of life in them than the development of gated communities.

Gated communities are planned as a whole by project developers and are characterised by sophisticated security measures. They can be located in inner cities as well as on the outskirts of the cities. They represent 'new extraterritorial spaces' in the cities as a response to the social conflict and violence in everyday life in the Latin American cities (Coy and Pohler, 2001). Those gated communities are often illegal because they may prevent the public from gaining access to the road system or to other public spaces. Gated communities have a high level of fortification and often include schools, shopping centres and sporting facilities. Dedinje, an elite part of Belgrade, which is a focus in this study, also has a high level of security but that is due to the large number of politicians and foreign diplomats who live there, which is the result of the standard security procedure in most of the countries. Some of them build higher fences than allowed by regulations as Karic did (Chapter 7), but still Dedinje cannot be classified as a gated community due to the social and wealth structure of the area, allowed access to the general public, and the lack of fortification.

In summary, although this thesis does not have a comparative character, it has to be outlined that illegal building and informal settlements exist globally and especially in developing countries. However, the illegal settlements in Africa, Asia and Latin America were developed as a result of huge poverty and urban immigrants trying to resolve their housing problems. In Serbia illegal housing developed in a different context – economic, political and institutional. Contrary to small improvised shelters made by diverse materials, illegal houses in Serbia were solid, middle class houses, huge building apartments as well as luxury villas. Furthermore, in contrast to land invasions and building of informal settlements led by poor people in developing countries, illegal building in Serbia in the post-communist period was led by the elite, subelites and the existing middle class which makes the Serbian case more peculiar and different from the other existing cases.

2 Chapter : Theoretical Review

2.1 Introduction

The aim of this chapter is to give a critical review of relevant theories that could help provide an explanation for the illegal developments in Belgrade in the 1990s. The theories that appear the most relevant and explanatory are theories of power in urban politics, new institutionalism and specific theories of corruption. Specific theories about housing under socialism are also relevant because they analyse the root of the housing shortage and consequently illegal building. These are addressed in Chapter 4.

Power models analyse decision-making within a framework of the structures of power. Three power models are related approaches that are relevant to this research: elitism and pluralism (part of the so-called community power debate) and neo-elitism. These models are relevant because they can help provide insights into how power was distributed and exercised as well as into the diversity of interests which were competing for scarce resources in post-communist Serbia. Several concepts from these three models will be used for understanding of Belgrade's political context.

The first approach towards studying urban political power used in this research was made by the elitists who constructed a picture of an urban 'elite' from interconnections between individuals in positions of economic and political power. On the contrary, pluralists analysed the complexity of interest coalitions around actual policy decisions and disputes. For pluralists, power is distributed among different groups and thus no one group has enough power and resources to control the urban political process. As a result of such a distribution, a multiplicity of groups defines the (urban) power structure. In order to make a decision, private interests and political leaders have to make coalitions. Those coalitions vary from issue to issue and they tend to be short lived. Neo-elitism represents a theoretical analysis of the actual exercise of power through the mobilisation of bias. The exercise of power is

examined through the ability of politicians to decide which issues are to be on the agenda in the process of policy making, and which are to be excluded.

The aim of this section is to see what the major concepts in these theories are and to see to what extent they can help answer, in principle, the research questions set out in the previous chapter. That theoretical framework needs to help to explain why the post-communist institutional framework did not block the increase of illegal building. Therefore, new institutionalism is also assessed as it might help provide a theoretical explanation for this question. Furthermore, since corruption is a symptom of essential economic, political and institutional weaknesses, and is not only the result of the will or actions of elites, it also needs to be viewed in that context. Thus, several theories of corruption are considered for explanation of the problems of corruption in post-communist Serbia.

2.2 Power Models

The major purpose of this section is to give a critical review of the relevant urban political theories, particularly elitism and its alternative - pluralism, and present their strengths and weaknesses concerning illegal developments in Belgrade, in order to come up with an operational understanding of the elite and its influence upon the political system. Additionally it considers the explanatory potential of neo-elitist theory with its focused attention on the exercise of power.

2.2.1 The Elitist model

In the elitist model, power is unequally distributed in society and it is concentrated in the hands of a group of economically and politically powerful individuals. Elite theorists suggest that in the real world there are those at the top with the power and the masses are without power. The group of individuals who have power, and whose decisions play a crucial part in shaping the lives, choices and futures of the mass of

the people are the elite. On the other hand, the masses have the combination of apathy, insufficient time, lack of expertise and the need to be guided. Additionally, the elites' natural greed for power results in decision-making being the process which works to the advantage of those elites. Whether we live in democratic or authoritarian societies, with market or command economies, "control over crucial resources like property, money, the legitimate use of violence, political influence, scientific knowledge and so on is concentrated in the hands of a few" (Harding, 1995:35).

Two Italian theorists, Mosca and Pareto, are the originators of this model in the modern social sciences. Pareto provided a dual definition of the elite, and argued that "there are two strata in society: first, lower stratum, the non-elite; and higher stratum, the elite, which is divided into two: a governing elite and a non-governing elite" (Pareto, 1935: 1424). The elite consists of those keeping social and economic power, with some also holding political power (Pareto, 1935). Mosca concentrated more on the analysis of the relationship between the elite and the non-elite which he found "controlling, more or less legal, and more or less arbitrary and violent" (Mosca quoted in Parsons, 1995:249). However, their approach is considered individualistic since their definition of the elite was based on achievements essentially in areas of intelligence, character or skill. Although this approach first warned of the link that might exist between powerful individuals and institutions, it never gave a full explanation of those relationships.

However, the more relevant theoretical approaches for this thesis are those that address elites in accordance with their position in institutions, using this institutional location as a criterion that separates them from the mass. Some authors like Max Weber argued that an elite is necessary for the government of complex modern societies. He argued that rationalization in capitalist society leads to the formation of a bureaucracy which would replace other forms of organisation and consequently pose a threat to democratic decision-making by elected politicians (Weber, 1947). However, he was positive that the liberal democratic system could manage bureaucratic power by elected politicians who, with their authority, will maintain social control over bureaucratic power (Harding, 1995). However, according to

C.Wright Mills (1965), with the growing bureaucratisation of American society, power became concentrated within big business corporations, the central government and the military establishment. These organisations had control over the nation's vast physical, financial, political and information resources and thus the leaders of those key power centres were making all national decisions. Liberal democratic institutions gave sovereignty to the mainly non-elected 'power elite' (Mills, 1965). Mills also first addressed the issues of the masses and their non-participation arguing that the masses are not incompetent, apathetic or untrustworthy, but are rather manipulated and exploited and kept in a state of ignorance, and thus powerless, by elites who rule in their own interest (1965).

Domhoff (1983) developed a class hegemony framework combining elite theory and class theory, reconceptualising the power elite in class terms. He argued that in America there is a corporate upper class that owns major business assets and controls the bulk of wealth, including major banks, corporations, mass media, elite universities, foundations, important advisory groups and organisations, the executive branch of government, the cabinet, the judiciary, the military and the regulatory agencies. This class, by virtue of its economic power, also controls and influences important departments and agencies of the state and in this way becomes a governing class – the American business aristocracy (Domhoff, 1983).

Classes appear when the production relations result in a division of labour allowing the accumulated extra production to be taken and used in the form of the extra value, by a minority which exploits the majority (Marx quoted in Dahrendorf, 1959:174). In Marx's analysis, the existence of classes and interests implies the existence of a conflict resulting from the historical struggle between the unpropertied working class, the proletariat, and the property-owning capitalist class. Power flows from economic relations and is translated into political power and thus the dominant economic class is the ruling political class. Since classes are political groups, political conflict is class conflict (Marx quoted in Dahrendorf, 1959:176).

However, this thesis uses the concept of elite, and not class, accepting Etzioni-Halevy's (1993) argument that elite is a narrower concept than class. The elite are the individuals who, even among the dominant class they belong to, participate more in the active control over the organisational and administrative resources of power control (Etzioni-Halvey, 1983). However, the members of the elite do not necessarily belong to the class. For example, a member of the cultural or political elite of the working class movement is not necessarily a member of the working class (Lazic, 2000).

Additionally, in communist societies, class had control over merged economic, political and cultural resources, while in the capitalist societies that control was over economic resources or capital. The so-called 'collective' class monopolised power over the resources and subsystems of the society and it was the only socially and politically active subject which implied the overlapping of the class and elite in the given context (Djilas, 1963). Additionally, the representatives of the intelligentsia represented subclass of the ruling class. Other classes like the working class or peasants did not have the possibility to organise politically or economically into collective action (Lazic, 2000). However, with the break-up of the communist systems, which also meant the break-up of the collective class, this fusion of the economic, political and cultural control was continued by the emerging elite that was rising from the members of the previous class/elite that capitalised their monopolies over resources. However, this thesis does not argue that with the break-up of the previous systems, classes have disappeared but rather that it takes time for its reorganisation and the formation of the new ones. Therefore the elite is a more appropriate operational concept for this research.

2.2.2 The Urban Elite

At the urban scale, Floyd Hunter carried out an influential study about the distribution of power. In his book *Community Power Structure* (1953) he analysed power structures in a "Regional City", but everyone knew the city in question was Atlanta. He found that to analyse power in Atlanta it was "necessary to identify some

of the men who wield power, as well as to describe the physical settings in which they operate” (Hunter, 1953:10). In order to define the powerful, Hunter introduced a reputational methodology in his research, where he asked informants from Atlanta to select forty men of power who held important positions in government, the business community, and social and civic affairs. However, his approach was faced with many problems. First, Hunter had to make a clear cut distinction between the ‘exercising of power’ and ‘reputations of power’. Second, there was the problem of making a distinction between people who have the potential power and those who are actually exercising power. The third problem was related to the ‘judgement sampling’ method which does not guarantee that the experts, in this case judges, will not introduce serious biases into the results, for example personal policy preferences or personal contacts with powerful individuals. An additional problem with the methodology Hunter used was that he limited the number of persons who held power to forty, which was also subjective and made his methodology weak.

However, from the interviews he did with selected persons Hunter concluded there was no single power hierarchy or power pyramid in Atlanta. Rather, there were overlapping groups within the business community. Furthermore, different people took the lead on different policy issues depending on the nature of the initiative. Hunter drew conclusions on the power structure of policy making in Atlanta such that “there are several pyramids of power in that community which look more important than a pyramid” (Hunter, 1953:79). He found that there were five small groups of people who affected decision-making and that businessmen control the decision-making process in civic affairs. He suggested that formal governmental organisations are not policy originators. They may be the locus of decision-making and of implementing and legitimising the same, but they do not invent new policies. Hunter concluded that there are no formal connections between the government and the business community but the structure of the policy-determining committees and their ties with other powerful institutions make government subservient to the interests of those groups (Hunter, 1953).

Hunter's study, which brought the term “power structure” into social science discourse for the first time, was recognised as a controversial contribution as soon as

it was published in 1953. Besides the methodological weaknesses, his study was also criticised for failure to include the analysis of different actors' ranges of power as well as changing political relations and political power groups (D'Antonio and Form, 1965). The lack of analysis of those problems, and the unreliability of his 'reputational' methodology, led to the question: has Hunter studied power or its reputation? Furthermore, Enrich suggested that the reputational method might find out very little about the power structure and decision-making since it does not make it obvious whether the people who have a power actually use it. The relationship between power as a potential for control and power as control itself is not very easily demonstrated (1961).

Despite some theoretical and methodological weaknesses, Hunter emphasised that the elite is a rather complex concept assuming the existence of several pyramids of power in a city which take the lead on different policy issues depending on the nature of the initiative, implying that the formal political structures are not necessarily the policy originators. Thus, Hunter inferred the existence of informal links between government and business structures, and the significance of the former in policy creation.

2.2.3 *Pluralist theories*

The classical pluralist studies like Dahl's *Who Governs* (1961) and Polsby's *Community Power and Political Theory* (1963) developed a new theoretical and methodological approach to power analysis in the cities based on a critique of the elitist model. Their critique was focused on three major elitists' concepts. First, pluralists criticised elitists for their basic presumption that there is an ordered system of power in every institution because "nothing categorical can be assumed about power in any community" (Polsby, 1960: 475). The second critique was related to elitists' hypothesis that the power structure tends to be stable over time. Pluralists assume that power could be tied to certain issues which provoke coalitions among different interest groups, which does not mean that those coalitions are timelessly stable. "Power might be tied to issues and that issues, even if they are temporary or

persistent, provoke the creating of coalitions between different groups but Hunter can not presume that the set of coalitions is timelessly stable and the part of social structure” (Polsby, 1961). A third criticism of the elitist model is that it wrongly equates reputed power with actual power (Polsby, 1960).

The concept of power upon which analysis is developed in the pluralist model is an asymmetric individualist conception, regarding power as based on compromise and exchange. Power, as a political concept, is based on the concepts of liberal free market theory. It is defined as a resource to be used in the market place, in free competition with other actors, in order to maximise personal utility. According to Dahl power is the potential of A to make B do something which B would otherwise not choose to do or, in the other words, power is actually the control of behaviour (Dahl, 1961).

Pluralists focused on the actual exercise of power, and instead of deducing power relations from interconnections between the economic and political elite, they analysed complex interest arrangements around political decisions and argumentation. They rejected the notion that local politics was determined by the local economy, and argued that politics has autonomous authority and commands important resources including economic ones. Consequently, social notables do not control the state in any instrumental sense (Dahl, 1961). Power was seen as widely distributed and the political system so organised that the policy process was driven by public demands and opinions (Dahl, 1961). As a result, every legitimate group commanded sufficient resources to exercise power and no one particular group commanded sufficient resources to control the others. Consequently the urban power structure was defined by the bargaining between all these groups (Mollenkopf, 1992). Politicians and private interests built coalitions around different questions concerned with urban development, social service issues and public policy. Therefore, coalition building and participation in decision-making was central to the definition of urban power.

Furthermore, the pluralist approach attempts to study specific outcomes of conflicts in order to define who really prevails in the process of decision-making in local

communities. The emphasis in this model is put on the analysis of the concrete, visible behaviour that is lacking in Hunter's study. Identification of the individual or group who prevails in the decision-making process is the best way to identify the most influential group in social life, because direct conflict between actors shows the situation that is closest to the experimental test of their abilities to influence the outcomes (Polsby, 1963). According to Polsby, decisions are the direct and visible outcome of competition among interested actors.

The main critique of the pluralist approach was focused on its definition of interests as "actors' subjective policy preferences" (Dunleavy, 1980:30). Pluralists argued that to deduce interests other than those clearly pursued by actors was unscientific and could "only involve a substitution of the analyst's own prejudices about actors' 'objective' interest" (Dahl and Polsby quoted in Dunleavy, 1980:30). However, pluralists did not explain how to distinguish 'subjective policy preferences' from the other offered subjective options. Pluralist analysis ultimately defined interests as 'realistic' policy preferences within the status quo, and thus incorporated references to the existing distribution of power in assessing who gained and who lost in political conflicts (Balbus quoted in Dunleavy, 1980:30). Consequently, since pluralists analyse only conflict situations, their definition of interests leads to the conclusion that conflict of interests is identical with the conflicts that are already recognized by the political system as issues (Dunleavy, 1980).

Bachrach and Baratz (1970) criticised Dahl and his study of New Haven, for the focus of the individuals and decision they made. The only influence on decision-making which was analysed in the study was about local governance, with the effects from the broader region or from the national level excluded from the analysis, which made pluralist theory incapable of understanding the social reality that underlies and explains its behavioural analysis.

Although pluralism offers interesting ideas about politicians and private interests building coalitions around different questions concerned with urban development, social service issues and public policy, the shortcomings in pluralist methodology

resulted in unrevealed complex networks of power in the examined locality. The lack of analysis of a number of actors from different backgrounds and positions in society which were influencing the decision-making process resulted in the rejection of their method in urban political analysis and pluralist analysis has become considered as disembodied from socio-economic life. However, the new group of theorists who criticised pluralists for failing to understand how the relationship between the state and the underlying socioeconomic system shapes the political agenda, and restored the elite's role after the pluralist critique of it, are neo-elitists. Their approach presents a third methodological take on how to look for and/or test evidence of the exercise of elites' power.

2.2.4 *Neo-Elitism*

The most radical critique of pluralists came from Bachrach and Baratz in their works *The Two Faces of Power* (1963) and *Power and Poverty* (1970). In *The Two Faces of Power* they criticised pluralists for their failure to analyse all aspects of power. The first face is the one that was considered in the pluralist model, visible in the direct conflicts. The other one, which pluralists missed in their analysis, is hidden and includes compulsion, influence, authority, force, and manipulation.

Bachrach and Baratz (1963) based their hypothesis on Schattschneider's theory of the mobilisation of bias. "All forms of political organisation have a bias in favour of the exploitation of some kinds of conflict and the suppression of others because organisation is the mobilisation of bias. Some issues are organised into politics while others are organised out" (Schattschneider quoted in Bachrach and Baratz, 1970:8). The core of Schattschneider's theory is that interest groups, which are the foundation of the political system, are socially biased to the middle and upper strata and therefore the argument that the pressure system automatically represents the whole community is not true. "Pressure politics is a selective process ill designed to serve diffuse interests" (Schattschneider, 1960: 35). Therefore central to politics is the classification of issues into those that are significant and those that are not. The 'mobilisation of bias' could reduce the success of the raised questions that challenge

dominant principles and values with little or even no visible effect on the dominant interests.

Bachrach and Baratz argued that politics is not only concerned with making decisions about specific issues, but also constraining which issues are to be on the agenda in the process of policy making. Power is not only the control of observable behaviour and decisions but it is also contained in the non-observable realm of 'non-decisions'. Non-decision-making will involve restraint in decision-making, so as to be focused only on safe issues by manipulating the dominant community values, myths and political institutions and procedures (1963). Pluralists had failed to conceive the extent to which those with power can actually exclude problems and issues from the policy-making process. According to Bachrach and Baratz, non-decision-making is a mean by which demands for change in the existing allocation of benefits and privileges in the community can be suffocated before they are even voiced; or kept covert; or killed to gain access to the relevant decision-making arena; or failing all these things, damaged or destroyed in the decision-implementation stage of the policy process (1970). Furthermore, "the second face of power is revealed when actors create or reinforce social and political values and institutional practices which limit the scope of the political process to issues innocuous to themselves" (Bachrach and Baratz, 1970: 7).

Matthew Crenson (1971) had applied Baratch and Baratz's model of two-dimensional power empirically, analysing why some American cities had been active in addressing the issue of air pollution, whilst others had not. Crenson brought together several important areas of analysis: the study of issue formation, decision and non-decision-making and the organisational context of policy making. He found that although decision-making may be pluralistic and fragmented, non-decision-making presented a high degree of unity (1971: 179). Crenson's findings were that besides the ability of political power to bias the resolution of local political issues, there is also the ability to prevent some topics from even becoming issues and to obstruct the growth of emergent issues. "The power reputations of people and groups within the community may deter action over certain sensitive and politically unprofitable issues. Activity in one issue area may tend to foreclose action in certain

other issue areas...this power needs not to be exercised in order to be effective” (Crenson, 1971:177).

Pluralists responded to the critique from neo-elitists arguing that a non-decision is a certain type of decision because it is an observable act, thus “the second face of power in practice merges with the first face and it becomes identical” (Polsby, 1980: 212), and criticised Bachrach and Baratz’s empirical basis for studying non-events (Polsby, 1963). Furthermore, pluralists argued that non-decision-making is partly an unconscious process and it happens in cases when actors do not participate due to expected negative sanctions or due to their non-awareness about consequences caused by non-participation in the political process. Therefore, it is very difficult to identify non-decisions “which seems generally to come back to determining peoples’ real interests” (Wolfinger, 1971: 1077).

Steven Lukes also finds Bachrach and Baratz’s critique of pluralism based on behaviouralism limited, arguing that the process of non-decision-making is actually the process of decision-making and introduces a third dimension in power analysis (1974). Lukes criticised Bachrach and Baratz for three basic shortcomings. First, their focus on the individual’s behaviour, in spite of whether it is covert or overt, produces many issues excluded from the analysis because “the bias of the system is not maintained simply by a series of individually chosen acts, but also, more importantly, by the socially structured and culturally patterned behaviour of the groups, and practices of institutions, which may be manifested by individuals inaction” (Lukes, 1974: 21). In other words, there are structural constraints imposed by the economy and state which by their very nature exclude certain issues from the policy agenda (Judge, 1995). This represented a radical move from behaviouralism towards structuralism. Second, contrary to Bachrach and Baratz, Lukes suggests including the analysis of latent conflicts because the most effective use of power is to prevent latent conflict from arising (1974: 23).² Latent conflicts arise from a discrepancy between the interests of those who use power and the real interests of others, which they exclude (Lukes, 1974). His third critique was based on Bachrach

² Luke’s latent conflicts should not be equated with Ralph Dahrendorf’s latent interests which are “antagonistic interests conditioned by, even inherent in, social positions, in imperatively coordinated associations, which are independent of the [individual’s] conscious contains” (Lukes, 1974: 25).

and Baratz's argument that if there are no grievances, there is a genuine consensus on the prevailing value allocation (1970) which for Lukes represents the exclusion of the possibility of "false or manipulated consciousness by definitional fiat" (1974: 24).

In summary, Lukes focuses on an analysis of the assumed consensus of power holders centring on the control of the political agenda, and introduces the analysis of not only potential conflicts (covert and overt) but also latent conflicts, as well as an analysis of the subjective and real interests. In other words, Lukes added new dimensions to the second face of power. First, he argued that "A may exercise power over B not only by altering his behavior, but also by influencing or determining his wants" (1974: 23). Second, power exercising may occur in the absence of the observable conflict, which may have been avoided but exists as latent conflict, as a contradiction over real interests. Finally, "political exclusion occurs not only through individuals' decisions, but also through operation of social forces and institutional practices" (1974:26).

Furthermore Lukes recommends an analysis of how power is exercised since it may be exercised not only by individuals but also by institutions and collectivities. Still, the most difficult question for Lukes is where to draw the line between structural determinations on one side and the exercise of power on the other. He states that power exists where the possibility for the actor to act differently exists. If the actor does not have choice then it is structural determination (Lukes, 1974). However, the main problem Lukes faced is to define this power-structure relationship.

An attempt to overcome this duality between problem has been made by Gaventa, who tried to define the circumstances and mechanisms, in which the third dimension of power operates. He started with the delineation between direct processes that take in information control, and indirect processes that are "processes where conceptions and actions are affected through 'no direct cues' of the power-holders" (1979: 19), but represent the power relationships themselves.

However, when Gaventa tried to test this theory empirically in his case study about

the power of miners in Appalachian Mountains, he concluded that hidden aspects of power and domination are by far the least understood dimension of politics as it “involves specifying of means through which power influences, shapes or determines conceptions of the necessities, possibilities, and strategies of challenge in situations of latent conflict. This may include the study of the social myths, language and symbols, and how are they shaped and manipulated in power process. It can also locate the power processes behind the social construction of meanings and patterns that serve to get A to act and believe in a manner in which B otherwise might not, to A’s benefit to B’s detriment” (Gaventa, 1979: 15-16).

Lukes’ and Gaventa’s analysis was a radical shift in power analysis, but they failed to make the complete move from behavioural towards structural, because they retain a conception of power concerned mainly with the observation of individuals. Despite this problem, an analysis of the ‘third dimension of power’ advances the debate about power, and asks many questions that have not been initiated by pluralists and elitists.

In summary, neo-elitism starts to address questions about how the elite can exercise power, particularly through their role in structuring organisations, (the biases of) organisational behaviour and people's expectations of what is normal and/or reasonable, which are closely related to what in this thesis are defined as institutions. Still they have not fully explained the interaction of the politics, economy and institutions. On the basis of these criticisms of political science at the time March and Olsen (1984) argued for the creation of new institutionalism, with a focus on collective action for the understanding of political life. Furthermore, the relationship between political individuals, collectivities and their socio-economic environment should be reciprocal in order to explain complex political life.

2.3 Old Institutionalism, Behaviourists and Rational Choice theorists

Old institutionalists developed an important body of literature that was the foundation for the development of new institutionalism as well as for the other

schools of thought that emerged in parallel. Although it has been much criticised for its descriptive richness and methodology that was mainly based on observations and descriptions (Peters, 1999), old institutionalism gave a good impetus for the further research of political institutions and political life. The main concern of the early institutionalists was to analyse the nature of governing institutions that were capable of structuring the behaviour of individuals towards better ends and collective purposes (Peters, 1999).³ Thus the older institutionalists tended to have a strong normative component in their analysis. They often affiliated their descriptive statements about politics with a concern for 'good government' (Peters, 1999), which was consequently criticised by some as "not scientific" (Storing, 1962).

Contrary to old institutionalism, which concentrates on the formal institutions of government and the constitutions which produce those structures, the behavioural revolution in political science concentrates completely on the reverse process and analyses the inputs from society into the political system (Easton, 1953). Although institutionalism excluded many interesting and important features of political mass behaviour, the behavioural revolution went to the other extreme and denied the importance of formal institutions in determining the outputs of government. "It was the behaviour, not the performance of government that was the principal concern" (Peters, 1999: 14). Furthermore, only the economy and society were considered to influence politics and political institutions. Institutionalism, both old and new, argues that causation goes in both directions and that institutions shape social and economic life.

Rational choice theory does admit that institutions possess some influence over participants because institutional rules establish the parameters for individual behaviour (Peters, 1999) but still denies their significance in shaping the preferences of the participants (Peters, 1999). Goodin argues that the perfect generality of rational choice theory applicability has been greatly exaggerated and that the

³ The most famous school of institutionalists was the Progressive Movement in the United States, which considered political science as the study of the State in formal-legal terms, and that constituted the basis of political science research for much of the late nineteenth century and the first half of the twentieth century (Peters, 1999: 22).

behaviourists' focus serves to fix attention upon individuals and their behaviour, but those individuals are shaped by, and in their collective enterprises act, through structures and organisations and institutions. "What people want to do, and what they can do, depends importantly upon what organisational technology is available or can be made readily available to them for giving effect to their individual and collective volitions" (Goodin, 1996:13).

The initial advocates of the new institutionalism, James March and Johan Olsen, who named the movement in 1984, reasserted some of the features of the old institutionalism, and criticised behavioural and rational choice analyses for giving the central role to the state, rather than society upon which political science depends (March and Olsen, 1984). In addition, they criticised behavioural and rational choice analyses for reducing collective behaviour to individual behaviour as well as the level of significance the behavioural and rational choice approaches had given to history. Finally, March and Olsen argued that contemporary political science was characterised by the domination of outcomes over process, identity, and other important socio-political values (1984). In other words, they criticised contemporary theorists in that they analysed political life as simply something done through the public sector rather than as a complex interaction of symbols, values, and even the emotive aspects of the political process.

2.4 New Institutional Approach

The new institutionalism which emerged in the 1980s was a reaction to the dominance of theories with under analysed social, economic and political behaviour. Both behaviourists and rational choice theorists had regarded institutions as epiphenomenal or as the aggregation of individual actions (Lowndes, 2001:1950). In the first case, institutions were regarded as a result of individual roles, and in the second as an accumulation of individual choices based upon utility maximising preferences (Shepsle, 1989). In political science, March and Olsen argued that 'the organisation of political life makes a difference' and asserted a more autonomous role for institutions in shaping political behaviour (1984). Contrary to the descriptive

style of the earlier institutional theories, new institutionalism developed a more sophisticated definition of its subject matter, operating through more explicit theoretical frameworks. The new institutionalists analyse informal conventions as well as formal rules and structures, paying attention to the way in which institutions embody values and power relationships, and they study not just the impact of institutions upon behaviour, but also the interaction between individuals and institutions. Lowndes summarised the main differences between new and old institutionalism in terms of movement across several analytical points. First, there is movement from a focus on organisations to a focus on rules. The second movement in focus is made from an formal to an informal conception of institutions. Moreover, institutions are no longer considered a static but a dynamic concept (2001).

Political institutions are not equated with political organisations in new institutionalism but rather, they are the sets of rules that guide and constrain actors' behaviour. Institutions provide the rules of the game, while organisations and individuals are players within that game. As Goodin states, institutions are differentiated in the sense that they embody, preserve, and impart differential power resources with respect to different individuals and groups (1996). That means that institutions embody power relations by privileging certain courses of actions over others and by including certain actors and excluding others. "Institutional rules may produce variation and deviation as well as conformity and standardisation. They evolve in unpredictable ways as actors seek to make sense of new or ambiguous situations, ignore or even contravene existing rules, or try to adapt them to favour their own interests" (Lowndes, 2001:1960).

Peters attempted to define a common core that binds institutional approaches together. The most important element of institutionalism, according to Peters, is that institutions are a structural feature of a society and/or polity. That structure may be formal like a legislature, an agency in the public bureaucracy, or a legal framework, or may be informal like the set of shared norms or a network of interacting organisations. A second feature is the existence of stability over time. A third feature is that it must affect individual behaviour or in some way constrain the behaviour of its members. There should be some sense of shared values and meanings among the

members of institutions. Those constraints may be formal or informal but they must be constraints if there is to be an institution in place (Peters, 1998).

As Peters states, the word 'institution' is loosely used in political science to mean everything from a formal structure like a parliament to very amorphous entities like social class, with other components of the socio-political universe, such as law and markets, also being defined as being institutions. In sociology, it is often used interchangeably with the term 'organisation' (Peters, 1999). According to March and Olsen (1984) institutions should rather be understood as a collection of norms, rules and understandings, and perhaps most importantly routines. They define institutions as "collections of interrelated rules and routines that define appropriate actions in terms of relations between roles and situations. The process involves determining of what the situation is, what role is being fulfilled, and what obligation of that role in that situation is" (March and Olsen, 1989: 21). Furthermore, they define institutions also in terms of the characteristics that they and their members represent as well as by their capability to influence the behaviour of individuals for generations (March and Olsen, 1994: 99).

The most important feature of the March and Olsen's conceptualisation is that institutions tend to have a 'logic of appropriateness' that influences behaviour more than a 'logic of consequentiality' that also might shape individual action. That is, if an institution is effective in influencing the behaviour of its members, those members will think more about whether an action conforms to the norms of the organisation than about what the consequences will be for the member themselves (Peters, 1999). The extreme example he gives is of firemen who willingly enter blazing buildings because that is the role they have accepted as a function of their job. In less extreme situation, the logic of appropriateness may be manifested through activities in public institutions, like serving clients as well as possible and not engaging in corruption on the job (Heidenheimer, 1989). In this normative conception of institutions, it is the routine that appears most important. However, March and Olsen assume that institutions are not so well developed that there are chances for the development of anomalous situations and consequently there is a need for the creation of enforcement mechanisms to deal with deviant cases. Still for most of the decisions

routines will be sufficient to generate appropriate performance (March and Olsen, 1994).

Offe (1996) also argues that institutions play two major roles, the perceptive and the functional roles. The perceptive role means that “good citizens make good institutions, and good institutions are ‘good’ to the extent that they generate and cultivate good citizens or the ‘better selves’ of citizens, who at least get ‘used to’ and ‘feel at home’ in those institutions, develop a sense of loyalty, and come to adopt the cognitive expectations and moral intuitions from which the institutions themselves derive” (1996: 200). The functional role of institutions is called ‘congruent socialisation’ and assumes that institutions will function properly. In other words, it means that institutions need to accomplish the task that is set for them, or to be compatible with the supply of resources they depend upon and must therefore extract from their environment. If institutions are established properly and widely supported, they ‘fly by themselves due to the invisible operation of an autopilot’ (Offe, 1996:200). Furthermore, Offe argues that both those functions are necessary as criteria for the existence and viability of institutions, internal socialisation and external effectiveness, or the consolidation of beliefs, on the one hand, and purposive rational or strategic action on the other (1996). March and Olsen relate to the same dualism (1989:23), and define institutionalised actions as backward looking which is obligatory, and forward looking or anticipatory motivational forces. The perceptive role of institutions is a ‘logic of appropriateness’ and the functional role is a ‘logic of consequentiality’ in March and Olsen’s work (1989; 1994).

The major weakness of March and Olsen’s work is related to making a clear distinction between rules and routines. March and Olsen defined routines as a stable patterns of behaviour, without the sense of them being unchangeable or dysfunctional. Routines are assumed to make the behaviour of an organisation more predictable and more rational, although it is difficult to determine when predictability ends and inertia begins (Peters, 1999). Although not considering rules to be central to their research, March and Olsen do address rules as part of the control of behaviour within institutions and organisations. They consider rules as constitutive and to some extent as the formalisation of the logic of appropriateness (March and Olsen, 1994).

Rules serve as guides for newcomers to an organisation for example. Institutions derive a good deal of their structure of meaning and their logic of appropriateness from the society in which they are formed (March and Olsen, 1984). Routines appear to arise naturally once people begin to interact in an institutional setting (Peters, 1999). Another question that March and Olsen have not answered, according to Peters, is that of the difference between an institution and an organisation. He adds that it is easier to make the distinction if the adjective 'formal' is added in front of 'organisation' thus applying a very strict definition of organisations, and a loose, more culturally based, definition of institutions (Peters, 1999).

The institutional dimension of urban politics is conceptualised in a similar way to the new institutionalism developed by March and Olsen. Institutions refer to systems of values, traditions, norms, and practices that shape or constrain political behaviour (Pierre, 1999). However, the institutional dimension in urban politics remains unclear and ambiguous due to the much greater constraint of institutions in urban governance by organisational factors such as constitutional arrangements and other types of legal definitions of the responsibilities of public organisations, than is the case at the national level (Pierre, 1999). However, at national level organisational arrangements shape urban politics and therefore it is necessary to examine the extent and the relationship between institutions and organisations in urban politics.

This argument can be summarised in four points. First, governance refers to the process through which local authorities, together with private interests, seek to enhance collective goals. It is a process shaped by those systems of political, economic and social values from which urban governance derives its legitimacy (Pierre, 1999). Second, an understanding of local government organisations is fundamental for an understanding of urban governance. The key question should be centred on the role of local government in urban governance. To address this it is necessary to bring urban politics into mainstream political science and institutional analysis. Third, different institutional models of urban governance represent different systems of values, norms, beliefs, and practices. These systems produce different urban policy choices and outcomes. Just as new institutionalists (March and Olsen, 1984; 1989) see institutional systems as a result of values and norms, urban

governance reflects values and interests typical to local communities. Therefore, urban governance is embedded in a myriad of economic, social, political and historical factors pertaining to the exchanges between local state and local community. Finally, Pierre acknowledges the significance of the national context within which urban governance is embedded. “National politics and state traditions remain the most powerful factors in explaining various aspects of urban politics, including urban political economy, urban political conflict, and strategies of local resource mobilisation” (Gurr and King, 1987).

March and Olsen (1984) introduced new concepts into institutional analysis and defined institutions as collections of interrelated rules and routines that define appropriate actions in terms of relations between roles and situations. They also outlined the importance of informal institutions. Lowndes (2001) recognised that institutional rules might produce variation and deviation as well as conformity and standardisation since they evolve in unpredictable ways as actors seek to make sense of new or ambiguous situations, ignore or even contravene existing rules, or try to adapt them to favour their own interests. Thus corruption, as one of the possible deviations of institutions, is addressed in the next section.

2.5 Institutions and Corruption

The creation of institutions or the building of new and better social, political and economic institutions is generally considered to be the central problem that all transitional societies have faced. Institutions establish standards, both normative and cognitive, as to what is held normal, what must be expected, which rights and duties are attached to which positions, and what makes sense in the community or social domain to which the institution is answerable.

The stability of institutions comes at the cost of rigidity (Offe, 1996). Democracy as a preference aggregating machinery can only work under a framework of rights that is protected by independent courts and at least relatively immune from democratic

contingencies. One key problem to the Central and Eastern European transition from communism is the lack of the necessary rigidity for the stability of institutions (Offe, 1996). Communist regimes that could have enforced such rigidity had broken down, and there exists too little scope for reasoned choice, as all actors have a strong reason to believe that they cannot rely upon institutional parameters since they are the subjects of sudden change. However, the success of newly built institutions is likely to depend more on people's trust, compliance, and patience in enduring the transition costs involved than in the quality of those institutions themselves (Offe, 1996).

Furthermore, besides the fact that state communist institutions have failed to generate all socialist preferences, they have, as a rule, generated a state of mind, a set of assumptions and expectations that now often turn out to be inimical to the growth of democratic capitalist and democratic institutions. This state of mind, regardless of whether it has been cultivated by the last fifty years of experience of state socialist institutions or the cultural or political inheritance of the last five hundred years of precarious and often failed modernisation processes, has been described by many authors as "a combination of apathy, depletion of communal bonds, passivity, unwillingness to accept responsibility, atomisation, lack of respect for formal rules, 'short terminism' and pervasive 'grab and run attitude' towards economic gain" (Moravski, Schöpflin, Sztompka, quoted in Offe, 1996). Additionally, economic attitudes are shaped by zero-sum-assumptions as well as the expectation that success must be, as a rule, due to patronage, corruption, and cooperation, not effort.

Corruption in Central and Eastern European countries is seen to be on a par with Africa, Latin America and the Middle East, and the level is considerably higher than for the OECD countries (Kaufmann, 2000). Transition, understood as a time of systemic change, is a period which greatly supports corruption. With the collapse of a previous system, rapid political and economic changes are followed by processes of social disintegration, which means the implosion of institutions and crises of the system of values developed in the previous system, of the ruling moral norms and standards and the collapse of their significance. The state, its values and property are left with no protection. The state becomes a free for all and many see a chance to gain profit for themselves. Bribery becomes public and old value symbols are

ridiculed. Comparative studies conducted in countries of East and South East Europe⁴ in the post-communist period demonstrate that they all share a state of significant prevailing anomie, both on the level of social consciousness and on the individual level. Since the new value system has not yet been fully established, the transition from the old into the new political and economic order, in reality, is characterized by a harsh conflict of values resulting in a state of social anomie and moral deregulation (Begovic and Mijatovic, 2001). According to Transparency International, an organisation that focuses on the fight against corruption, and their Global Corruption Report 1999, the Federal Republic of Yugoslavia was ranked as the second most corrupt country in the world immediately after Nigeria (Appendix 1).

2.5.1 Definition of Corruption

“Corruption, or the practice of bribery, is as old as the state” (Begovic and Mijatovic, 2001:9). The term corruption was used by Machiavelli and referred to ‘a quality of spoiling of power’ (Machiavelli quoted in Begovic and Mijatovic, 2001:9). Today the definition of corruption means an illegal use of social position and power to incorporate personal profit or gain. Another definition is that of Vito Tanzi, used by Begovic and Mijatovic, according to which “corruption is the intentional non-compliance with the formal rules aimed at deriving some advantage and gains for oneself or for related individuals from this behaviour” (Tanzi quoted in Begovic and Mijatovic, 2001:9). According to Rose-Ackerman, corruption develops when individuals and firms who want favourable treatment may be willing to pay to obtain it. Furthermore, according to Rose-Ackerman corruption is a symptom that something has gone wrong in the management of the state. Institutions designed to govern the interrelationships between the citizen and the state are used instead for personal enrichment and the provision of benefits to the corrupt (1999).

However there is a difference between the intentional failure of objectivity and the failure of objectivity due to imperfect information. The seizing of a benefit can be carried out simultaneously with the making of a biased decision, but those two acts

⁴ www.worldbank.org/governance/corruption

can also be done at two different times. Biased decision-making by the corrupt person makes an informal but very solid obligation to return or repay the favour sooner or later. Still, the difficulty arises when the definition of bias in decision-making is to be made. The easiest way to do it is to determine if formal rules are broken. However, in many cases formal rules do not exist and decision-making is within the discretionary authority of government officials. For example, if a government official is in charge of issuing import licences, and has a discretionary authority to choose to whom he will issue a licence having in his mind 'the benefit of the whole national economy' or 'preservation of public interest', it is very difficult to determine if rules are broken and, where so, if they are broken intentionally. Furthermore, temporal delimitation between the providing of services by a corrupt party and the counter service by the corrupter creates problems in the determination of the personal gain of the corrupt person. If the counter service is not precisely specified, it is very difficult to define the second necessary condition for corruption, which is the acquisition of personal gain. This makes the definition of personal gain even more difficult.

This thesis uses an operational definition from the World Bank, according to which corruption is a misuse of public authority for the acquisition of a private gain (Kaufmann, 1997). This approach focuses only on the public sector and excludes corruption in the private sector. It links corruption to the state and its activities, to authorities and their intervention in the market and assumes the existence of the public sector. Corruption in the public sector is a more important phenomenon than corruption in the private sector in terms of dimensions and consequences.

Depending on the mechanism of corruption, or its economic and political consequences, it is possible to identify two kinds of corruption. Firstly, corruption which makes possible the implementation of rules (laws). Secondly, corruption which makes possible circumnavigating or breaking of rules (laws). Those two types of corruption are part of so the called 'administrative corruption' or corruption that is based on biased decisions by state employees making impossible the full and impartial implementation of state rules.

The first type is developed because the bureaucratic apparatus of public services prolongs the response to requests made. In order to speed up the procedure, and overcome the obstacle of bureaucratic apparatus, a citizen is ready to provide additional payment. "In Italy long bureaucratic delays are the rule" (della Porta and Vannucci, 1997: 525). Public servants explain these delays with an argument that 'something is possible to be done only if he (the public servant) ignores certain elements of procedure'. This type of corruption is most widely present because the risk of capture is lower (Begovic and Mijatovic, 2001).

The second type of corruption is related to the breaking of rules. A public servant tolerates a potential client who is breaking the rules or breaks the rules himself (in the issuing of different permits, fixing tenders, and so on). As there is no clear line between corruption and crime on either side, the risk is higher. The amount of risk, in addition to the value of the deal, increases the price for the 'service'. According to Begovic and Mijatovic (2001), this type of corruption is the most common for acquiring customs documentation, foreign currency transactions, tax administration, financial police, sanitary and urban planning inspections, and mandatory registration of foreign trade deals.

The most common reason for the corrupt behaviour of state employees is the lack of incentive to work efficiently. Regardless of the speed or efficiency of their work, their salary remains the same, and therefore the optimizing behaviour of state employees is based on the minimisation of effort for a given income. Additionally, since they are aware that there are parties ready to pay a bribe for speeding up of processes, for example of issuing the permits, state employees are acting in such a way as to increase the probability of being offered a bribe for expediting the process. The more they stall with the issuing of licenses, the greater the probability that companies will offer a bribe.

In addition to administrative corruption, there is also political corruption, which leads to changes in, or the formulation of new, rules and laws. "Political corruption is the

abuse of the entrusted power by political leaders for private gain, with the objective of increasing the power or wealth. Political corruption does not necessarily involve money changing hands, but might take a form of ‘trading the influence’ or granting favours that poison politics and threaten democracy” (Transparency International, 2004: 11). According to Transparency International, political corruption includes a wide range of crimes and illicit acts committed before, during and after leaving office, by political leaders or elected officials who have been vested with public authority and who bear the responsibility of representing the public interest. That can result in loss of faith in politicians and parties challenging democratic values. In transitional and developing countries, that has been especially the case (Transparency International, 2004).

Recent pay-off scandals affected elected politicians in Mexico, Italy, Korea, and Japan, and corruption at local level is common in Germany and France (Rose-Ackerman, 1999:113), which clearly implies that even democratic regimes do not always succeed in checking corruption and that the problem of corruption is not easy to identify and consequently tackle. The scale of the problem also depends on whether corruption is economically or politically driven, a distinction to be further discussed.

2.5.2 Economic and Political Causes of Corruption

There are variations in the nature and level of corruption, and these are dependent on context - objective political and economic conditions. One of the underlying reasons for corruption according to Begovic and Mijatovic (2001), is in rent seeking behaviour which has a purely economic basis. However, in a benevolent state, existence of corruption is explained by using principal-agent theory.

Begovic and Mijatovic assume the existence of an asymmetry of information between the principal (the state, or the legislative authority) who defines the rules of conduct, and the agent (state employees) who enforces those rules. The agents do not

have the same goals as the benevolent state, which is to enhance the public interest and welfare, but rather their basic goal is to maximize their personal welfare. For the state to control the work of the agents, it has to be perfectly informed about their jobs, but in reality, there is a significant asymmetry of information. Agents know much more about their activities than the state, embodied in the legislative authorities. The core of the agency theory is that, under conditions of asymmetrical information, state employees act in such a way that personal goals to maximize personal well being are realised independently from the task given to them by the principal. Therefore, this theory is concerned with a benevolent state and wicked state employees. Or, as defined by Leninists, with the 'scoundrels within our own ranks' (Begovic and Mijatovic, 2001: 17). In other words, corruption is the consequence of asymmetric information between a benevolent state and corrupt state employees.

However, the question of the applicability of this theoretical approach arises, at least for Serbian society, from the assumption of the lack of a benevolent state in the 1990s. Therefore, Begovic and Mijatovic offered an alternative theoretical approach, which starts from an assumption about a kleptocratic state. It is assumed that the only goal of the state is to maximize its income, while the only goal of the state leadership is to maximize its personal welfare. This case we are dealing with 'a so-called predator state, or as it is called lately, a kleptocratic state' (Begovic and Mijatovic, 2001). Very often a kleptocratic state is identified with dictatorship, or an undemocratic regime, while the benevolent state is identified with democracy. Regardless of the fact that such an assumption is a simplification, a kleptocratic dictatorship represents an acceptable framework for the explanation of the mechanism of corruption in many countries (Table 1).

According to Begovic and Mijatovic, inside the given conceptual framework the dictator is only a robber, who uses the dictatorship as a means for maximizing his personal welfare. Corruption in this case represents only a mechanism for increasing the welfare of the dictator. The necessary condition for maximizing income is that the existing dictator remains a dictator for as long as possible, so that he can succeed in plundering as much as possible. This is rendered more complex by the existence of

those who covet the dictator’s power and position. The dictator must carefully share the spoils among all members of the ruling elite, so as to curtail their incentive to realize their ambitions. In other words, there exists a division of spoils. In that context, “the corruption of state employees does not represent a random phenomenon, but only a well-elaborated role inside institutionalised plunder” (Begovic and Mijatovic, 2001: 18).

Moreover, there is a significant difference between centralised and decentralised types of corruption. Begovic and Mijatovic explained the difference using cartel theory, arguing that centralised corruption is based on the same principles and factors as cartels are, such as the implementation of credible punishment and the impossibility of breaking out. A good example of centralised corruption was found in communist Russia, where the basic institution for the implementation of centralised corruption was the KGB, which had the means for detecting the breaking of centralised corruption, and refined methods for punishing violators (Begovic and Mijatovic, 2001).

Table 1: Different types of corruption

Type of rule	DEMOCRACY	DICTATORSHIP
Character of the state	Benevolent	Kleptocracy
Source of corruption	Agency problem	Character of the state
Intensity of corruption	Uncertain	Great
Character of corruption	Decentralised	Centralised

Source: Begovic and Mijatovic, 2001

Rose-Ackerman agrees that one of the most dangerous forms of corruption for democracy is kleptocracy, and makes a distinction between two basic types. The first kleptocracy is the one where the corruption is organised at the top of government, and the second type includes other states where bribery is the province of a large number of low-level officials (Rose-Ackerman, 1999). Additionally, those who

become rich from the ruler's favour will not wish to expose all their assets to the risk of regime change.

Furthermore, kleptocrats might face additional problems of bureaucratic control. Corruption at the very top creates expectations among bureaucrats that they should share the wealth and reduces the moral and psychological constraints on lower-level officials. "Low-level malfeasance that can be kept under control by an honest ruler may become endemic with dishonest ruler" (Lundahl 1997:43).

At the moment when the state and its institutions begin to weaken and the power of an individual begins to ascend over these institutions, corruption starts growing. "Those who hold a certain state function are in a position to be the first to notice the weaknesses of state institutions, and to determine if there is a will and a way to resolve those shortcomings. If their assessment is that it cannot be done or that there is no will to do so, discipline breaks down, fear of consequences decreases or disappears, which causes character changes in the individual" (Begovic and Mijatovic, 2001:26). Moreover, state property is considered property without a real owner and is acted upon accordingly. It is believed that representatives of the state property can be persuaded to turn a blind eye to certain activities.⁵

2.6 Conclusion

Illegal building in Belgrade is a complex problem. Therefore, several theories and various angles from them are pulled together and assessed in an attempt to formulate a comprehensive explanation for the research question.

The elitist approach developed by Hunter, assumes power to be unequally distributed in society, where power is concentrated in the hands of group of politically and

⁵ Common practices in such persuasion are: 'the state will not fail because of our small deal'; 'it will be good for you, and good for me'. Proverbs 'money drills where no drill can', 'one hand will wash the other hand'; 'crow will not poke another crow's eyes out' are popular illustrations of corruption.

economically powerful people, and the rest are the masses without power. It might be applied to any form of society and its concepts can be broadly applied when analysing the stubborn persistence of centralised, minority rule within the one-party systems of communist states, as well as of the less centralised communist system in the former Yugoslavia and post-communist Serbia, where the elite ruled for fifty-five years. Although elitism is a circular theory, arguing that the powerful group constitutes those who have power, Hunter's approach is beneficial to this research, due to his argument on the existence of several pyramids of power similarly to the hypothesis that elite and subelites were the drivers behind the illegal developments in Belgrade. These elite and subelites are addressed more in detail in the fifth chapter which analyses the specific shape of elite, their emergence and their actions in Belgrade in the post-communist period.

Additionally, the reputational model, although criticised for its bias, is useful as a starting point for the definition of elite and subelites, which are not easy to be empirically defined due to the lack of elite studies during the communist era. As Lazic suggested, "studies of elites in communist countries used to be 'forbidden fruit'" (2000: 21). Even though Hunter's model analyses reputation rather than the exercise of power, the intuition of the informants involved in the analysed issues should not be ignored. The expert informants are not necessarily the members of the elite, but they witnessed many actions of the elite and subelite, and they can provide useful insights into their mechanisms and functioning. Additionally, the analysis of reputation of power is easier nowadays due to the development of various media and especially electronic access to many information sources, as well as due to the greater involvement of the public in politics. Media today compete on delivering information on time, and they are especially interested in reporting on the members of the elite, particularly the political and economic elite.

However, although elite theory is indispensable in the case of the Serbia, since it helps address questions about the the drivers of illegal building, it does not address the masses or the other groups who benefit from the actions of the elite. Thus, pluralism is helpful in terms of explaining the elite's and subelite's relationship with the rest of the society with regard to illegal building, especially during election times

when political bargaining among them was taking place. Pluralists' assumption of a natural balance of power among various groups is preserved through bargaining and compromise, and thus equilibrium is reached in group struggle included an existence of shared acceptance of the basic political framework, i.e. consensus of values, democratic traditions, procedures and principles. However, the democratic political framework assumed in this concept did not really exist in Serbian post-communist society. Furthermore, the pluralists' assumption that economic and governmental institutions are separate, not overlapping, power sources also is not applicable to the Serbian state.

On the other hand, although useful in defining who the powerful are, elitist theory does not give an answer as to how the powerful exercise their power, and how, as it sometimes suggested, they shape the political agenda, which neo-elitism made an attempt to answer. Their argument was based on a critique of pluralism, suggesting that power is not only the control of observable behaviour and decisions but it is also contained in the non-observable realm of non-decisions that involve constraint in decision-making, such as focusing only on safe issues by manipulating dominant community values and political institutions and procedures. Following Schattschneider's line of thought that some issues are organised into politics while others are organised out, analysis of whether the analysed problem of illegal building was on the agenda or was suffocated even before being voiced by politicians in both communist and post-communist systems, is necessary. Furthermore, if the second face of power is revealed when actors create or reinforce social and political values and institutional practices which limit the scope of the political process to issues innocuous to themselves, then the institutional response to illegal building is crucial for testing of the hypothesis whether the elite was the driver of it. Moreover, following Lukes' argument, the bias of the system is not maintained simply by a series of individually chosen acts, but also by the socially structured and culturally patterned behaviour of the groups, and the practices of institutions, which may be manifested by individuals' inaction. Political exclusion occurs not only through individuals' decisions, but also through the operation of social forces and institutional practices. In other words, power may be exercised not only by individuals but also by institutions and collectivities. Still, the most difficult question

is where to draw the line between structural determinations on one side and exercise of power on the other. The approach taken is that power exists where the possibility for the actor to act differently exists. If the actor does not have choice then it is structural determination.

Nonetheless, the question raised in this thesis is how the elites exercised their power and managed to change the rules and routines in institutions in their favour, since it is the institutions that provide the rules of the game, while organisations and individuals are players within that game. The changed rules did not become the structural determination for the rest of the society, because they had the choice not to build. However, the majority followed the new rules and built illegally. Therefore, new institutionalism, which focuses on mutual interaction between institutions, individuals and economy and society, is the approach that was added to help theorise the institutional aspects of the problem. March and Olsen (1984), who developed new institutionalist theory, defined an institution as a collection of rules and routines. Institutions in new institutionalism are differentiated in the sense that they embody, preserve, and impart differential power resources with respect to different individuals and groups. However, institutional rules may produce variation and deviation as well as conformity and standardisation. They evolve in unpredictable ways as actors seek to make sense of new or ambiguous situations, ignore or even contravene existing rules, or try to adapt them to favour their own interests (Lowndes, 2001). However, what happens when corruption becomes an imposed 'logic of appropriateness' in most of the public institutions? Corruption consequently becomes informal institution itself and structures, such as legislature and legal framework, administration, and norms and values, start working more on an informal than a formal basis.

Additionally, communist institutions have as a rule generated a state of mind, a set of assumptions and expectations that now often turn out to be in opposition to the growth of capitalist and democratic institutions. As previously mentioned, this state of mind can be described as a combination of apathy, diminution of communal bonds, passivity, unwillingness to accept responsibility, atomization, lack of respect for formal rules, and a pervasive 'grab and run attitude' towards economic gain.

Additionally, economic attitudes are shaped by the expectation that success is a result of patronage, corruption, and not effort. The final result was a corrupt state with the sole goal of maximising its income, while the only goal of the state leadership is to maximise its personal welfare. Furthermore, the rising corruption of state employees did not represent a random phenomenon, but only a well-elaborated role inside institutionalised plunder.

Many phenomena characteristic of the period of transition in Serbia, such as the grey economy, irregular economic and business transactions, smuggling, illegal money trading, and unauthorised premises development and bribery and corruption are not considered by many people as serious moral or legal offences. The practice of the breaking of moral and legal rules and routines was so widespread that this was accepted as customary and normal. The conditions that caused and reproduced corruption are unresolved issues of statehood and the constitution, internal political trouble and infighting, economic depression (made even worse by international economic sanctions), the experience of hyperinflation, drastic pauperisation and differentiation of the populace, a rising rate of unemployment, war psychoses and refugees.

In summary, using elements of elitism, neo-elitism and new institutionalism in post-communist conditions, as a set of tools, rather than a theoretical framework, means focusing on several themes: the elite as drivers of illegality, illegal building as a visible exercise of power in space, new rules and routines in institutions, and formal and informal coalitions. The thesis will address the elite that had an important role in defining the institutional environment and the ways in which it produced deviation in society. The second focus is a shift from formal to informal institutions, which means a focus on the informal rules that shaped decision-making, rather than the formal structures. These themes combined form the theoretical framework for the thesis' explanation of the defined problem of illegal building in Belgrade.

3 Chapter: Methodological Approaches, Data Collection and Analysis

3.1 Introduction

The purpose of this chapter is to explain in detail the methodological approach adopted for the empirical study of illegal building in Belgrade in the 1990s. This approach emerged in response to the need to address the overarching aim of the research which was to identify the key drivers of illegal building. The methodological framework adopted is explained in detail here, including a theoretical justification of the specific research methods employed, and the methods from the elitist, pluralist and institutionalist approaches used. Special importance is placed upon the appropriateness of using the multiple-case study method.

The chapter also details the way research questions are designed to address the objectives of the research. A degree of flexibility was retained in definition of these questions, due to the absence of a single theoretical understanding of the concept of illegal building as it relates to the institutional context. The principal methods employed are open-ended interviews and documentary analysis. They are analysed in respect to the ways in which they were applied in the collection of data. Finally, careful analysis of the limits of the overall research methodology is given.

3.2 Reputational Method, Conflict Analysis and Institutional Description

The purpose of this section is to explain the methods of the theories used in the Theoretical Overview chapter in addition to the methodological approach that was chosen for the analysis of illegal building in Belgrade.

The elitist method is derived from Floyd Hunter's controversial study about the distribution of power in Atlanta, based on the "necessary identification of some of the men who wield power, as well as description of the physical settings in which they operated" (Hunter, 1953:10). Hunter began by asking a panel of 14 people who

were reputed to be knowledgeable about the city, essentially upper-middle-class professionals, to pick out the top ten leaders from lists of organisational leaders he had collected from the Chamber of Commerce (business leaders), the League of Women Voters (government officials), the Community Council (civic leaders) and newspaper reporters and civic leaders (“society” leaders). From these lists containing 175 names, he picked those 40 people who gained the most votes, and then set out to interview as many of those people as he could. Hunter interviewed 27 of the 40, and they overwhelmingly agreed that most of the top leaders in Atlanta were on the list

However, this method faced many problems. First, there was no clear-cut distinction between the ‘exercising of power’ and ‘reputations of power ability’. Second, there was the problem of making a distinction between people who have the potential power and those who are actually exercising power. The third problem was related to the ‘judgement sampling’ method which does not guarantee that the experts, in this case judges, will not introduce serious biases into the results. The other problem with the methodology he used was that he limited the number of persons who held power to forty. Another critique was related to the non-inclusion of any analysis of the different actors’ ranges of power as well as changing political relations and political power groups into the research (Miller, 1958⁶; D’Antonio and Form, 1965). The lack of analysis of these problems, and the unreliability of the ‘reputational’ methodology, posed the question: has Hunter studied power or its reputation? Another criticism of the method is that empirical studies were defined by geographical boundaries and they conflated geographical places with communities, and power of local governments with power per se. In so doing they gave an unrealistically high degree of local autonomy to the local governments (Harding, 1995).

Reputational analysis does not offer any convincing evidence about power but it still has considerable potential as a starting point for research, since researchers need to have a hypothesis of who is powerful and why. With the development of local media, business and political leaders and their activities become more visible to researchers and the community. They are no longer behind the scenes, as was the case during

⁶ Compared the workings of power in governmental institutions in Bristol in the UK and in Washington in the US.

Hunter's research, which makes them more accessible to detailed analysis. Furthermore, in this research the reputational model was used in a wider political setting than simply the local, following the hypothesis that all levels of power were involved. In addition, analysis of the wider political context is necessary to provide the overall context of the problem.

Pluralists were mostly criticised for their methodological individualism in defining conflict interests and power actors. If power is an attribute of individuals' relations then how can researchers analyse a situation where such a relation is not determined? If power is ascribed to anyone who is involved in the process of decision-making then it leads to the conclusion that power is widely dispersed in all layers of society and that makes analysis of power almost impossible for the researcher. Bachrach and Baratz criticised Dahl in his study of New Haven for the use of decisional individualism. Dahl (1961) delineated the city into administrative boundaries and 'localised' the problems. Two of the three key criteria Dahl used, electoral nomination and public schools, were largely influenced by the people who lived out of those boundaries (Bachrach and Baratz, 1970). The only influence on decision-making, which was analysed by the pluralists, was about local governance, but the effects from the broader region or from the national level have been excluded from the analysis.

All of these shortcomings in the pluralist methodology resulted in unrevealed complex networks of power in the examined locality. The lack of analysis of a number of actors, from different backgrounds and positions in society which were influencing the decision-making process, resulted in the rejection of their method in urban political analysis and pluralist analysis has become considered as disembodied from socio-economic life.

And finally the old institutionalist approach was heavily criticised for its descriptive nature and a methodology that was mainly based on observations and descriptions (Peters, 1999). However, there is a lack of a methodological approach in new institutionalism in urban politics and, a methodological approach has not yet been

offered which would lead research, especially in relation to the analysis of informal structures or networks in institutions.

Therefore, one approach that might be helpful is that recommended by Mollenkopf, who, in order to overcome the weaknesses of urban political theories and methodologies, suggested their synthesis. According to him, a satisfactory political approach must operate at three interdependent levels:

1. How the local state's relationship to the economy and society conditions its capacity to act;
2. How the 'rules of the game' of local politics shape the competition among interests and actors to construct a dominant political coalition able to exercise that capacity to act;
3. How economic and social change and the organisation of political competition shape the mobilisation of these interests (Mollenkopf, 1992).

The focal points for starting on an analysis of the political urban arena in Belgrade were therefore the elite and subelites, and the relationship between the state, the economy and society and their mutual interaction and influence, as suggested by new institutionalists. The next relationship investigated was the one between the state, urban politics and newly created rules of the game. Finally, the way the institutional changes imposed by previously explained change in the relation between the elite and subelites and the state resulted in new mobilisation of interest and bias, and the creation of informal networks in particular around illegal building, are analysed. The multiple-case study approach was used to compare and analyse the newly created rules of the game in the real life context (Yin, 1994).

3.3 Justification of the methodological approach

Following the research goals, a multiple-case study approach was applied involving an empirical investigation within two of Belgrade's local municipalities – Dedinje and Zemun. Data for each case study was collected by using two main methods: semi structured, open-ended interviews with key planning actors, local authority officials from different political parties, city level officials, representatives of various local and city institutions, academics; and documentary analysis of key policy texts, laws, plans and decisions. The findings from the two case studies were compared and analysed in order to inform wider theoretical understanding of illegal building in post socialist Belgrade.

In designing the research, three key factors were taken into consideration. Firstly, that the study of illegal building is inseparable from the underlying political and economic institutional context which gives it meaning. The second factor was the need for flexibility to be taken throughout the study due to the limited amount of existing research on illegal building since it relates to illegal activities and corruption. Thirdly, given the sensitivity of information on illegal building, in addition to the interpretability and reliability of qualitative data which are frequently subject to uncertainty, there is a need to ensure the internal and external validity of the research that the observations accurately represented the issues that surrounded illegal building, and that specific conclusions could be extrapolated.

3.4 Case studies

The case study method was chosen due to its suitability for studying contemporary phenomena within a real life context (Robson, 1993; Yin, 1994). Petermann (1989) defined a case study as an “in-depth study with a single unit of observation, where the research question aims at the whole, irreducible behaviour of the whole; and observation is made with regard to some intervention in the system”. The case study

is considered to be most useful when the contextual conditions are believed to be highly relevant to the phenomenon being explored and has proved a popular choice for conducting research within the fields of public administration, public policy, political science, city and regional planning research, and organisational and institutional studies, particularly in relation to current practice research (Robson, 1993; Yin, 1994). In implementing a case-study approach, the research recognised that the context of the institutional organisation would be highly important to any observations made about illegal building. Robson (1993) suggests that by researching a phenomenon in its 'natural setting,' the internal validity or the extent to which the researcher is actually measuring what they think they are measuring, is significantly enhanced.

The case study method best addresses 'what', 'how' or 'why' types of research questions that constitute both exploratory investigation into a new phenomenon about which relatively little is understood or where explanation of the phenomenon is needed (Yin, 1981; Yin, 1994). "Case study attempts to examine a) a contemporary phenomenon in its real life context, especially when b) the boundaries between phenomenon and context are not clearly evident" (Yin, 1981: 59).

Case studies are usually criticised for their lack of rigour and for being biased. They also tend to take too long to do and too long to read. However, contrary to the findings of a single case study that are usually considered as suggestive and descriptive, "...multiple case studies, or evidence from a variety of sources, is more likely to lead us to interesting generalisations about the phenomenon under investigation" (Remenyi and Williams, 1996:142). Data from multiple-case studies are often considered to be more convincing and the overall study considered stronger if it includes a case study (Yin, 1994).

3.4.1 Selection of case studies

Advocates of positivist research methods put emphasis on the selection of case studies based on the representativeness of a sample drawn 'scientifically' from a

defined population (Travers, 2001). However, for this research representativeness as a criterion did not provide the basis for case study selection, as the main objective was to generalise from one case to another in order to match the underlying theory, rather than generate universal, indisputable truths about illegal building in a post-communist context. In this respect, Yin has argued that when using multiple-case studies, each case must be carefully selected so that it "...either (a) produces similar results (literal replication) or (b) produces contrasting results but for predictable reasons (theoretical replication)" (1994:46).

Looking for literal replication (Yin, 1994) of findings from Dedinje through a second case study was not considered sufficient in terms of the contribution of the research to wider theoretical understanding. As Robson has argued, a second case "...need not limit itself to confirmation of suggested relationships...it could throw further light on relationships, or even suggest alternative views of the phenomena" (1993:149). The second case study was therefore selected on the basis of its potential to contribute additional evidence to the research. However, due to political and institutional differences that characterise different local authorities, identical findings could not be expected, but a certain degree of similarities and complementarities were expected. Investigation within Dedinje guided by the theoretical framework, enabled refinement and re-focusing of the investigation towards issues observed to be relevant. This understanding was then carried forward and built upon within the second case study, Zemun.

The first case study is based in Dedinje, an area historically settled by the elite. The second case study is the local authority of Zemun, which had the highest increase in the number of illegally built objects in post-communist period. However, the boundaries of research are not identical with the boundaries of the local authorities. Those two case studies are chosen due to their distinction from each other in terms of social and economic structure, as well as being run by different political parties in the 1990s. The local level boundaries are important because they help to constitute local power relations. "They are one element in the local narratives of power" (Cochrane, 1998:2126). However, those localities were not analysed as isolated units, but rather, as Massey suggested "...localities have to be constructed through the set of social

relations which bind them inextricably to wider arenas, and other places” (1991:279). Furthermore, the key points, according to Giddens (1984) are that places are defined through overlapping and crosscutting social relations not by boundaries which are the product of the social processes of interaction and representation, internally and externally. Those processes develop as the products of interaction between people, groups and institutions in places over time (Giddens, 1984). However, an understanding of the particular localities is necessary for an understanding of the broader social systems and interactions, and it enhances the theoretical frameworks.

3.5 Qualitative research

The purpose of the research is to draw together a range of perspectives on illegal building in order to develop a theoretical explanation for it. Therefore, it needs to include an array of methodological approaches in order to reach the set objectives.

Qualitative research incorporates the use of qualitative data, such as interviews, documents and participant observation to understand and explain social or political phenomena (Yin, 1994). Qualitative research emphasises meanings, experiences and descriptions (Yin, 1994) and it tries to understand individuals’ own perceptions of social or political phenomena (Flick, 2002). Contrary to quantitative research, which is built upon a positivist paradigm and emphasises objectivity, qualitative research is more based on the socially constructed nature of knowledge and the role the researcher plays in interpreting it (Mertens, 1998). Although the quantitative approach is used to bring us closer the scope of the problem, it does not provide an explanation for the motivations and institutional context that enabled the problem to be developed to that extent.

The use of multiple-case studies and qualitative research methods is considered the most useful approach because it allows emerging issues to be explored during the investigation, improving the accuracy and credibility of the research through refinement of concepts and theories (Rubin and Rubin, 1988). Interviews and documentary analysis also provide the opportunity to refine the focus of the research.

“If you feel uncomfortable about what you are hearing, if the narratives do not ring true or ideas described are not consistent, or you learn new and unanticipated things, you redesign the questions and shift the setting and/or interviewees until you can figure out what is happening. You will gradually build a consistent portrait” (Rubin and Rubin, 1988: 92).

A common criticism of qualitative research is that it often fails to address issues of internal validity (did the observations accurately represent the issues that surrounded illegal building?) and external validity (can specific conclusions be extrapolated?). Such validity can be increased by means of ‘triangulation’. It is important to bring together different sources and different forms of evidence around the same phenomenon. This might involve a combination of what Sayer (1984) calls ‘intensive’ and ‘extensive’ research, or the gathering of qualitative and quantitative data, of documentary evidence, interview evidence, and survey evidence (Foster, 1996:91). Validity in this research was achieved by asking multiple interviewees within each case study to consider the same issues which enabled problems to be explored from different perspectives. Methodological triangulation was achieved by exploring these same issues using documentary analysis. An attempt at conducting a survey among the illegal builders was made as well. Although some of the illegal builders agreed to take part in the survey, when the questionnaires were sent to them they were not completed. An explanation could be the fear of legal consequences, and the illegal builders were not willing to document their illegal actions, even though anonymity was maintained since names and addresses were not required. Due to the zero response rate on the fifty questionnaires sent, after two months it was discontinued.

3.5.1 Semi structured, open-response interviews

By definition, illegal building is poorly documented and private, although still of public concern. Consequently, most of the research that is focused on the informal sector and activities highlights at some point the extreme difficulties of tracking its

empirical dynamics due to the lack of the secondary and in particular quantitative data (see Fernandes, 1998; Klitgaard, 2000; Kaufmann, 2000).

The collection of data was predominantly by a semi-structured, open-response interview style in preference to a more rigid and structured approach. Semi-structured, open response interviews consisted of a set of open-ended questions carefully worded and arranged in advance. The major strength of semi-structured interviews is that they enable the researcher to develop a positive rapport with the interviewee. King has suggested that the semi-structured, open-response interview is most useful where “factual information is to be collected, but there is uncertainty about what and how much information participants will be able to provide [and] where the nature and range of participants’ likely opinions about the research topic are not well known in advance, and cannot easily be quantified” (1994:17). Since corruption and illegality are very sensitive issues and difficult to quantify, most of their measurement is based on individuals’ perceptions and observations. Consequently, the indices like Transparency International’s CPI index and the World Bank’s governance index, created to measure the level of deviations and corruption in societies, are based on perceptions. Furthermore “the basic subject matter is no longer objective data to be quantified, but meaningful relations to be interpreted” (Kvale, 1996). In this sense, the interviews adopted a flexible and continuous approach to data gathering (Rubin and Rubin, 1995), contributing to the iterative and self-corrective nature of the research process.

Research questions were grouped into five major themes (Table 2)⁷. The first theme was the causes of illegal building development and its dimensions. The following theme was addressing the official policy responsiveness towards the problem. The next set of questions was focused on an investigation of the mechanisms used by illegal builders. The fourth theme was focused on the interviewees’ perception of corruption. The final theme was investigating the role of various institutions in illegal building.

⁷ See Appendix 2 for interview guidelines used in all interviews.

Table 2: Research Themes

Research objectives/ themes	Key research questions
Objective 1: Causes of illegal building	What are the core perceptions and beliefs about the cause of the illegal building? What is the extent of illegal developments in Belgrade?
Objective 2: Policy Response	Have any official decisions or policies affected illegal building?
Objective 3: Mechanisms	What were the mechanisms illegal builders had used to achieve their goals?
Objective 4: Corruption levels	According to the interviewees' perception, was there corruption involved in the illegal building process? If yes, what was the extent of the corruption in the process of illegal building?
Objective 5: Institutional failure	What was the role of institutions in the whole problem? What was the role of political parties and politicians? What was the role of different professions like urban planners, architect, and lawyers? What was the role of informal links?

The interviews were recorded and transcribed and cross-referenced with notes taken during the interview to ensure clarity and understanding of both interview content and documentation. Respondents were informed of the purpose of the interviews (part of a doctoral thesis). All respondents agreed to be interviewed and to have their interview recorded, except Spasoje Kronic⁸, ex-head executive of Belgrade's city executive board, who refused to be interviewed on illegal building stating that "(he does) not know anything about it, and (I) could have chosen some nicer topic, for example the architecture styles in Belgrade" (Interview 10, 2001). At the time of interview, permission was obtained from interviewees to contact them again if clarification of research data was required, or if further questions arose during analysis. Following the interviews, a number of interviewees continued to send material when, data became available. Permission was obtained from each interviewee to present evidence obtained from interviews in the final research report. However, to a certain number of informants, anonymity was assured and names are not used. This approach was adopted in order to protect participants from the reporting of any particularly sensitive comments made during the interviews.

⁸ It has to be mentioned that Kronic was head executive of the city government during the late 1990s, when illegal building was booming, and that in 2001 was indicted for abuse of the power at the time. The outcome of the trial is not known to the researcher.

3.5.2 Gaining access and sampling of interviewees

Interviews were carried out between 1st July 2001 and 30th September 2001. A total of 26 informants were interviewed, with interviews ranging from one to three hours in length. The following sections explore in more detail the rationale behind the research methods adopted and their application within the study.

Interviewees were selected from those who were the staff of city institutions, the local political and business elite, local community associations and illegal builders. Led by the principle of 'triangulation' in methods, the same was applied when choosing the respondents with expectations that different views and knowledge about phenomena would provide more detail and understanding. Although the same questions were asked to all informants, consideration was given to their particular relationship to illegal building, and questions that were more specific were asked in regard to their position. The issue of power runs throughout the thesis, both from an academic interest in the elite's responsibility for the problem and in regard to how to access and interview the local elite.

Although Hunter's reputational method has been criticised as being biased and examining reputation more than real power, it still has the advantage of being straightforward to operationalise, and it might also be possible to focus on reputations among selected groups (Cochrane, 1998). Following this method, the main emphasis in this thesis has been on local and city politicians and officials. The groups selected to be examined were related to actual political parties that were running either the city or local authorities. Moreover, businesspeople and developers were also included in the research.

In all city institutions, the Town Planning Institute, the Secretariat for Property Affairs and the Agency for City Building Land and Development of Belgrade, respondents were interviewed as having key responsibilities in relation to planning, building land and housing.

Initial contact was established in each of the case study authorities. Within Dedinje three contacts had already been established during the process of documentary analysis and through university contacts. In the case of Zemun, initial contact was established with an elected member identified by the contacts from Dedinje. These initial contacts were used, along with a review of the documentation, to gain a general, preliminary and contextual view of the structure and functioning of the authority. In both cases, initial contacts were used as informants who, after the interview, were asked to identify other individuals, who were in turn used to continue to identify further relevant interviewees - method known as snowballing.

3.5.3 *Documentary analysis*

This method can be used to clarify research questions, thus improving the focus of interviews and reducing the need for explanations of basic issues and concepts raised during their course (Robson, 1993). It must also be recognised however, that documentation may be inaccurate, fragmented and subjective and may not represent correct records of issues and processes (Forster, 1994). In this sense, it has been argued that the most important use of documentary analysis within case study research is to support and enhance evidence from other sources – reinforcing the robustness and rigour of the research through a process of triangulation (Cochrane, 1998; Yin, 1994). During the course of the two case studies, council plans and strategies, policy documents, internal reports and statistical material were analysed. A number of relevant documents and laws and their impact on the current situation was examined. It has to be acknowledged that the detailed analysis of plans, although central to planning, has remained a neglected area of planning studies in Yugoslavia. Even in the ‘post-modern’ era when it is expected that plans would be an ‘area of intensive investigation and deconstruction’, nobody has investigated their power and influence on illegal building⁹.

⁹ There is a similar situation in the Western countries. Healey argued that the status of plans has become somewhat diminished since there is a shift towards communicative planning. Plans used to be, according to her, regarded as directive statements in which planning authorities used scientific knowledge to exercise control over urban development. Now, these plans were replaced with post-

In addition, some information was gathered from newspapers and magazines. However, although the development of various media made research on the elite easier, in Serbia the volume of writings on illegal building, especially on the elite's activities, was small due to a lack of freedom of speech and fear of journalists and reporters. However, several small independent media such as the radio station B92 and the magazine *Vreme* investigated elite and illegal building, and their reports provided valuable references for this thesis.

As a part of the preparation for interviews, documents were reviewed in order to provide a context for the case studies. Information on activities relating to the research objectives were gathered, as well as policies and statistics relating to illegal building. Documentary evidence was also used later on to supplement detail and to expand upon and support or challenge points raised during interviews, and was also utilised to generate additional questions or themes for investigation, thereby contributing to the iterative and continuous nature of the research process.

3.6 Reporting the findings

Interpretation of the data collected was undertaken via their ongoing review during the course of the case studies, in order to both determine their contribution to informing the research objectives, and to refine further data collection. Data gathered were used to produce detailed case study reports which clarified the key drivers of illegal building in the context of each individual case. Yin (1994) suggests that while the objective of the multiple-case study may be more analytical than descriptive, a descriptive approach to each individual case study may help to identify the appropriate causal links to be analysed through cross-analysis. Evidence was drawn

modernist or post-positivist plans which are developed from the relationship between planning authorities and developers, local communities and many other interest groups concerned with an urban development. "Plan is now seen to play an interactive rather than directive role, it should no longer be assessed as an authoritative document, reflecting planners' power to intervene effectively in the world, it is rather an arena of struggle with different interests competing to determine its content" (Healey, 1993:84).

together at the end of each case study analysis in order to reflect upon the key issues arising from each case study.

Finally, evidence was explored across the two case studies in order to inform the research objectives and to build theory by examining, challenging, finding support, or conflicting evidence for, the initial theoretical framework. Individual case study assessments for Dedinje and Zemun are presented in chapters seven and eight respectively, with cross-analysis of evidence from the two case studies presented in chapter nine.

3.7 Limits of the research

The nature of the research required an intensive and in-depth case study approach, rather than the more 'broad-brush' approaches offered by such research methods as surveys or questionnaires which in any case did not produce a response when attempted. The reason behind it is the fact that illegal building is, obviously, illegal, and that the carriers of it do not want to talk about it because they are aware of the consequences they might have to face. Therefore, they would rather choose silence. The same happened when the 2001 Census was carried out and many illegal developers refused to take part in it. Additionally, due to the neglect of the problem by the state, the issue has not been statistically covered. Most of the statistics used come from the internal statistics of various local and city institutions. Additionally, there were several legalisations of illegal objects which the statistics had not incorporated properly. Time and resource restrictions placed upon the research prevented the inclusion of more than two case studies.

An additional disadvantage of the research was the lack of transparency in the source and legality of the money used for buying properties, especially among the elite. The wage levels during the communist period, and especially during the 1990s, were kept low by constant hyperinflation and a generally poor economic situation. However, if the sources of the large amounts of money among the elite is analysed, it can be

assumed that much evidence for corruption and fraud would be found (Zdravkovic, 2001; Ilic, 2001).

Additionally, as analysed in the theoretical chapter, there is no universal approach to defining the elite. It is even more difficult to define the elite in communist countries due to the scarcity of elite analysis, which was not 'allowed' during the communist era (Lazic, 2000). Furthermore, the definition is most difficult in the post-communist period as the elite is transforming and going through, as Lazic called, 'adaptive reconstruction' that often involves illegality (2000). Illegality, as stated before, is a phenomenon which is complicated and not easy to investigate nor to prove. Researchers can be easily misled or find themselves faced with walls of silence that cannot be passed. Moreover, power relations and social and economic relations are a complex problem, difficult to conceptualise and therefore to research.

Concerning the interviews, several problems occurred while they were conducted. First, there was a problem in the responses of the potential informants to take part in the research. Although most of them accepted the invitation to take part in an interview for academic purposes, when informed on the topic, many of them refused to take part. There was a noticeable avoidance of talking about the subject. Parallel with the limit in the resources, there was a problem of limits on truth. There was visible subjectivity in the responses, and the majority of those interviewed were trying to hide the institutions they work with, and to 'pass the buck' to the other institutions. Therefore it was very important for me to retain a form of continued scepticism and not to believe the stories interviewed told about themselves and their role in illegal building and corruption. However, these stories need to be taken seriously in their own right as well as in providing evidence of how illegal building was institutionally driven. In that sense, as Cochrane suggests, it is necessary to allow the interviewees to speak for themselves (1998) and to give their insight into problems that they have witnessed. Although they know only a fraction of the whole story, due to the lack of data and research on illegality in Serbia, the views of expert informants constitute very valuable information.

Equally, while triangulation of data and research methods seeks to increase the reliability of findings and thus the validity and utility of the research, the role of the qualitative researcher in the interpretation of data must be addressed. The search for objectivity within research is perhaps the most debatable point of departure between the traditions of quantitative and qualitative research. While quantitative researchers seek replication of conclusions as a means of limiting researcher bias, the intuitive component of qualitative analysis makes replication more difficult and rare within social science research. Bryman (1988) argues that in seeking robustness and reliability within qualitative research, it is not replication but replicability that is important. Through a clear and detailed account of the methodology employed, it should be possible for a researcher to pursue a repeat of the study.

3.8 Summary of methodological approach

This chapter has detailed the research methodology used in order to identify the key drivers of illegal building in Belgrade in the 1990s. In addressing this aim, five core themes were identified from the theoretical framework contained in chapter two and which thereafter informed the research objectives. In order to address these objectives, a multiple-case study approach was adopted which sought to compare illegal building practices within two local authorities: Dedinje and Zemun. Data were collected from 26 interviews conducted with a range of politicians, businessman, planners, architects, local community associations and finally illegal builders. In addition, a range of documents was analysed. Triangulation of data and methods was pursued in order to increase the reliability and usability of findings. Cross-analysis was applied by comparing and contrasting findings from each of the case studies in order to inform existing theory and to develop an understanding of the particular institutional drivers of illegal building.

4 Chapter : Belgrade as a 'Socialist city'

4.1 Introduction

The aim of this chapter is to examine various features of the now defunct socialist system in the former Yugoslavia which have lived on, shaping the more recent patterns of behaviour and illegality without being able by themselves to account for these patterns. One of the reasons behind illegal building in Belgrade was the weakness of the institutional setting developed during the communist period. As Smith argues, transition is not a one way process of changing a system, but rather a complex reworking of old social relations in an attempt at constructing capitalism on and with the ruins of communism (Smith and Pickles, 1998:5). Political and economic transition is path dependent because it is based upon existing institutionalised forms of both learning and struggles over pathways that emerge out of the intersection of old and new (Smith and Pickles, 1998:13). Inheritance from communist ideology and institutions created a route for future institutional inefficiency and corruption. Therefore, careful consideration is given to legacies from the socialist period as being of crucial importance in explaining the roots of illegality in post socialist Belgrade.

Illegal building is defined as construction carried out without previously acquired building permits (IAUS, 2001; Petovar, 2003). It is related to the construction of new houses, adaptation, a change of purpose of existing houses and the construction of auxiliary and concomitant objects such as garages and storages.

Illegal developments in Belgrade in fact started at the very beginning of the 20th century. However, most of the authors who have analysed housing in Serbia in the communist and post-communist period have not taken into consideration the condition of the pre-Second World War period. According to a historical study of Belgrade (Markovic in Petrovic, 2002:61), between the two world wars home

ownership was the privilege of the wealthy, partly due to a law which did not allow the ownership of parts of houses but only of the whole house. That made housing ownership difficult even for the middle class who were mostly civil servants and it also implied the power property owners had at that time. At certain times rents were 60% of workers' wages, resulting in spontaneous housing developments (Markovic in Petrovic, 2002:61). According to Petrovic (2002), the 'initial' phase of housing dates from this period, and the supply phase followed in the socialist period. The majority of the underlying causes of illegal construction in Belgrade, and the former Yugoslavia in general, were developed during the socialist period during the supply phase, especially in the 1970s during the huge economic crisis (Zegarac, 1999).

Due to the multidimensionality of the problem, the purpose of this chapter is to analyse in particular the legacies from the socialist period related to illegal building. In addition to exploring the major characteristics of the communist type economy and urbanisation, and especially the Yugoslav self-management system, the chapter analyses five major groups of causes of illegality in construction during the socialist period. First, it focuses on unbalanced regional economic growth and development that consequently resulted in the migration of some of the population to Belgrade, causing an increase in demand that was not met. A second cause was the political determination for collective housing and the subsequent neglect of individual housing that resulted in the individual housing shortage. Emphasis is also placed on an unfavourable financial policy for individual building, ineffective legislation and complex city administration and massive bureaucracy that produced the continuing lack of available sites and parcels for legal, individual building. Fourth, consideration is given to lack of maintenance of the existing housing stock that further increased the demand for new housing. Finally, the state's passive political response, reflected by not demolishing illegally built houses, is addressed, as it stimulated illegal development too. Additionally, urban planning in Belgrade was viewed as an inadequate response to solving the problems of illegality in the city due to its slowness and inefficiency, and the production of very rigid and non-flexible plans.

4.2 The City of Belgrade

Belgrade is located at the mouth of the river Sava where it joins the Danube, on the tangent line of Middle Europe and the Balkans, half way between West and South East Europe, a location that has been of much benefit to the city. There has been a settlement at this site for over 2000 years, from the earliest known town of Singhidunum (UN Habitat, 2001). During its twenty-three centuries of existence, from ancient Singhidunum to modern Belgrade, the settlement has been devastated and rebuilt forty times. The name Belgrade was mentioned for the first time in the ninth century when the city was called Alba Graeca – White Town (Yugoslav Habitat Report, 1995). In the twelfth century, it was the capital of medieval Serbia, until the downfall of the Serbian Kingdom under the Ottoman Empire. After the First World War, during which it was occupied by the Austrians, Belgrade became the capital of the newly founded Kingdom of Yugoslavia, and after the Second World War remained the capital following the creation of a communist Yugoslavia (Socialist Federative Republic of Yugoslavia - SFRY) under Josip Broz Tito.

With the disintegration of SFRY in 1991, Belgrade remained the capital of the Federal Republic of Yugoslavia (FRY). Again, in 2002, due to the new political conditions and changes of internal borders, the FRY re-arranged its constitutional covenant and changed its name to the Union of Serbia and Montenegro (S&M), and Belgrade has continued as the capital. Belgrade's metropolitan area today comprises 16 municipalities (opstina), 10 of which are inner-urban and 6 of which are outer-urban or sub-urban municipalities.

Apart from the historical geopolitical and locational advantages, the status of the capital has had a substantial influence upon the demographic, economic, social and spatial development of the city. The emphasised advantage of the city itself contributed to the high density of inhabitants as well as different activities (productive and services). Apart from being the political and administrative, as well as the educational and cultural centre, Belgrade has emerged in the post-Second World War period as the strongest economic and industrial centre in the region (Yugoslav Habitat Report, 1995). However, the urban growth of Belgrade was not

only a result of economic and demographic forces and its own policies, as was the case in Western European capitals (Cheshire, 1995), but also of centrally planned development led by the communist ideology of high industrialisation and quick urbanisation. Petovar (2003) defined development directed by the communist ideology by a formula whereby:

$$\textit{Socialism} = \textit{industrialization} + \textit{urbanisation}$$

which implies that the main economic driver of socialism was industrialisation and gives the ideological rationale behind the rapid development of the cities. “Ruling politics and ideology tried to convert cities into the centers of industrial development and growth, because they saw industrialization and urbanisation as synonymous, and employing the influx of rural population to the cities was the major driver for the fulfilment of the ‘project of socialist society’” (Petovar, 2003:10)

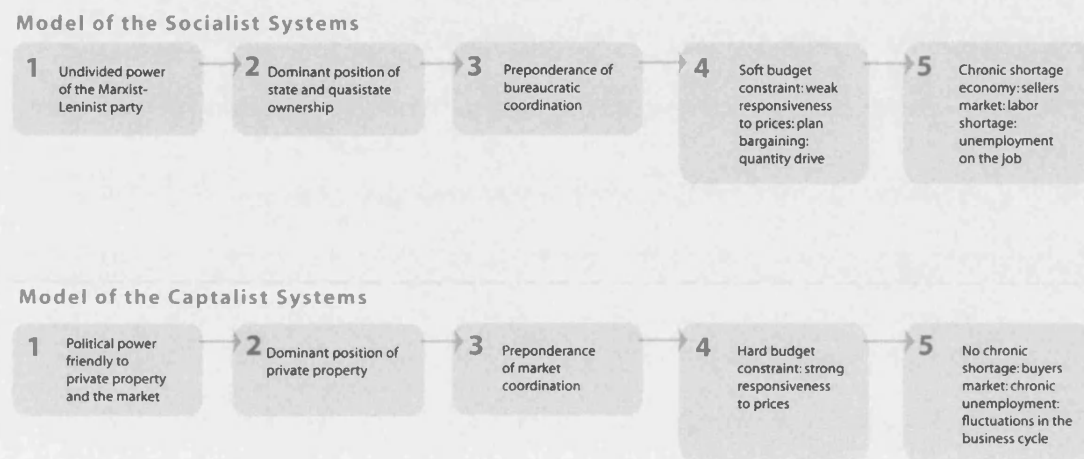
4.3 Socialist City

Differences between socialist and capitalist cities were the result of different political, economic and institutional contexts within which the cities developed. A very minimalist characterisation, but which is sufficient for outlining the main attributes of each system, is given by János Kornai (2000). The first three blocks in Figure 1 sum up the fundamental features of each system: what characterises political power, the distribution of property rights, and the constellation of coordination mechanisms. The fourth block is defined as the type of behaviour typical to economic factors, and the fifth block as the typical economic phenomena. The figure shows only a few of the behavioural regularities and lasting economic phenomena typical of each system, and those lists could be continued (Kornai, 2000)¹⁰, but for the purpose of this research they show the key differences between two systems in which cities have been developing. The capitalist system is based on political power being friendly towards private property that consequently had a

¹⁰ Kornai has not included democracy as one of the features of the capitalist society because he argues that democracy is not a necessary condition for development of capitalism, and that it can be developed in authoritarian societies as well (2000).

dominant position in the system. This system is based on a free market economy and hard budget constraints. The domination of Marxist ideology, state ownership and bureaucratic predominance as well as a soft budget and over-subsidising of almost everything by the state, were the features of the communist institutional environment in which cities developed and housing policies were created. Thus, institutions and relationships within cities and resulting housing politics were heavily marked by relationships of the broader contexts in which they operated.

Figure 1: Model of Socialist and Capitalist systems



Source: Kornai (2000:31)

However, there are different opinions on the nature of urbanisation in the state socialist system among the researchers concerned with Eastern European cities. Some writers argue that the socialist city is very distinctive from the capitalist city (Szeleny, 1983). Hamilton (1979) defined socialist cities as cities of industrial societies which had abolished private means of production and private property, and which were characterised by a centrally planned economic system. According to Hamilton, there are three main differences between socialist and capitalist cities. First, there is state monopoly ownership of the means of production and of the means of collective consumption as well. In the socialist city, land ownership, land use, the degree and direction of industrialisation, capital investment in all sectors, and at all levels of the economy, rents, wages, prices, and movements of population were controlled by the state (1979). The principles of the free market did not exist, only the principles of a highly commanded economy. Secondly, there was the political

domination of the Communist Party. Through a strongly centralised state apparatus, it controlled all aspects of social, economic and political life. Finally, there was the development of a distinctive class structure or socialist rank order, with the elimination of the former city bourgeoisie as a distinctive social category and the creation of a modestly differentiated broad 'middle class of the population' (Hamilton, 1979; Harloe, 1996).

Additionally, Szeleny argues that the socialist city should be seen as the result of an independent model of urbanisation (1983). Post Second World War urban population growth and spatial concentration of the population has been smaller in the socialist city than in the capitalist city. During the extensive socialist industrialisation, the growth of industrial jobs seems to have been much faster than the growth of the permanent urban population. Thus these cities became 'under-urbanised' (Szelenyi, 1996:294). The ecological structure of the socialist city differs from the pre-war structure and from the structure of capitalist cities.

Contrary to Szeleny's independent model of socialist city urbanisation, Enyedi describes industrial and post-industrial cities as cities with the same spatial structure. According to him, urbanisation in Central and Eastern Europe is not different, but has been delayed, compared to Western Europe, for five centuries due to historical reasons. The industrial revolution has never been completed in Central and Eastern European cities and it was halted after the First World War. As a result of the late transformation from a rural to an urban society, the majority of the national population still lived in the countryside in Central and Eastern Europe in the 1950s. In spite of this delay in urbanisation, spatial forms of urban development have followed the urban development in Western Europe. As in Western European cities, the main features are the ageing of the urban population, the slowing down of the growth of the metropolitan population, and the depopulation and social erosion of central residential districts. Industrial development has had the same consequences in every country in terms of migration from the countryside to the cities, urban concentration, suburbanisation, and the integration of villages into agglomerations (Enyedi, 1998).

Either though a delayed urbanisation or under-urbanisation, the countries of Eastern Europe have had a different urbanisation process in the post war period. The cities of socialism and capitalism both form and are formed by their respective structure of economic organisation, elite formation and political factors. As Harloe (1996) suggested, the social-spatial organisation of cities, their politics and administration, their housing and property markets and their patterns of social interaction are directly linked to the major characteristics of the socialist and capitalist orders. In the communist countries, the state was the major carrier of the process of urbanisation and the determinant of urban-centric politics, which resulted in “specific developments of the cities on the one side, and economic, social, and cultural underdevelopment and backwardness of the rural areas on the other” (Petovar, 2003:10). Urban growth, based on the transfers of the working active population from villages into cities, was partially followed by the construction of nurseries, educational and health institutions, and housing, while the social, cultural, and environmental components of urban living were neglected. Development of the settlements was not led by economic and independent market criteria but was directed by political ideology and the Communist Party. Additionally, the physical organisation of old cities in Eastern Europe was similar to those in Western Europe, but new socialist towns had a different physical structure¹¹ (Hamilton, 1979).

The former Yugoslavia belonged to the Eastern European group of countries due to a shared political ideology and economic systems. It consequently had the same type of urbanisation, but with small differences due to its own regional characteristics and policies, as well as due to the existing pre-war network of settlements (Petovar, 2003). The pattern of socialism applied from the Soviet Union to Eastern Europe varied from country to country. A major difference between the former Yugoslavia

¹¹ New Towns were based on Milyutin’s post WW II model of the ‘linear city’ that consisted of comprised parallel belts of housing and industrial plants separated by a green sanitary zone. Green space and water bodies had to be located windward, and industrial zones leeward of the residential areas. Additionally, the basic unit of new housing construction was supposed to be in the physical format of a micro unit designed by Strumilin, who was led by idea of a self contained community of residential quarters, including dormitories, communal eating and recreational places, kindergartens, schools and local medical facilities, shopping and other service provision (Milyutin, 1974; French and Hamilton, 1979; Bater, 1980). French and Hamilton argue that socialist cities comprise of several distinctive zones: historic or medieval core; the relict capitalist city; zone of socialist transition or renewal; socialist housing of the 1950s; integrated socialist neighbourhood and residential districts of 1960s and 1970s; open or planted isolation belts; industrial related zones; and open countryside, forests, and hills including tourist complexes (1979).

and other communist countries was that Yugoslavia had had a more liberal and decentralised organisational form of politics and governance called self-management. It was adopted in the 1970s and it introduced distinctive characteristics into the housing provision system.

4.4 'Self-management'

The most unique characteristic of the SFR Yugoslav political economy was the concept and practice of self-management, which was the antithesis of the other Eastern European systems. Its distinctive feature, self-management, aimed to resolve the problem between the state and market and to transfer political power and decision-making to the lower layers of society. In the simplest terms, self-management meant decentralisation of power.

However, if a transition from a communist dictatorship into a self-management system is analysed through a framework of institutional change, then at the beginning institutions were centralised and one party dominated with totalitarian tendencies and with the communist party establishing and defining the rules. The change into a decentralised network of political institutions was non-linear with some interruptions and lasted until the 1974 constitution (Pusic, 1985). The Communist Party of Yugoslavia, which later changed its name to the Alliance of Communists of Yugoslavia, held the central place in political life as a consequence of leading the revolution and the war and having established the revolutionary dictatorship. However, a change of system, led by the group of people from the top of the party, took place. Although this process was contradictory in many situations, the change from a one party system to a system where people influenced the decision-making system through a self-management process, resulted in a move from the national to the local level. Self-management was imposed in order to enable the transfer of decision-making from the central government to local councils, particularly in the fields of culture, urban development and the development of technical and social

infrastructure.¹² However, the creation of a self-management system and decentralisation created uncertainty, since the existing channels of power of the Communist party and their elite were broken and the number of people responsible for decision-making rapidly increased. Additionally, some of the leaders from the Communist party were resisting changes, rendering the process even more difficult. Edward Kardelj made the exit from this situation in 1974 by the creation of the new Constitution that provided a delegate political system. This was a radical version of the Parliamentary system, which suited the Alliance of Communists, giving it equal power to the other delegating organisations (Pusic, 1985).

However, the changes followed by constant conflict between reformers and certain influential members of the Communist Party who were opposing reform of the dominant communist system, had a negative influence on institutions and their stability. As a result of the strong ideological influence combined with the imposition of the delegate self-management system, a massive system of complex institutions was developed. This was the case not only with political institutions but also with economic and other social systems. The enormous, bureaucratic but very powerful institutions had continued to exist until the 1990s.

The belief was that a decentralised, bottom-up and localised system would produce more and progressively distributed benefits for local workers and residents within the confines of a one-party state. Self-management was based on the idea of pluralism and participative democracy. However, the development of self-management as an alternative democratic system was not feasible in the one party system. A free market and a civil society, as major components of democracy, did not exist in Yugoslavia. The major difference between democracy in Western societies and self-management was that the latter was missing an authentic component - civil society - and therefore it had not been the product of the need of the civil society as was the case in the United States (De Tocqueville, 1994). On the contrary, it was the system enforced by the ruling regime. Although self-management meant the participation of 'everyone', there was a top-down hierarchy in the entire society and in government, and only

¹² The equal organisational 'units' existed in state enterprises and they were called 'basic organisations of joint work';

those who were on the top of pyramid had full access to all information. Access to information was not practically decentralised.

In the economic field, problems that arose from self-management were related to the justification of the positions of directors, doubts about optimal allocation of investments, and increasing discrepancies between the market and the plan. Accounted problems were the result of the clash of the principals of self-management and the hierarchical organisation of work. The failure of the full development of free market institutions was additionally exacerbated with the problems of slow economic growth and the underdevelopment of the economy (Pusic, 1985). As described by Pusic, the former Yugoslav society was like a society in the middle level of development, in between two worlds with the political and legal systems that were constantly under construction. "Illegitimate but well organised political and professional minorities (elite and subelite) had to be reconsolidated with bureaucracies, politocracies, and technocracies, that were trying to stabilise their privileged access to already limited sources" (1985:75). Although the ownership of most of the means was transferred from the state to the society, the major role in decision approval was still in the ruling party and the top officials, who were the elite at the time. Petovar also considers the decentralisation to have been illusory: "through careful analysis of responsibilities of newly created communes it can be seen that they were based on 'starting initiatives and taking stances' on many issues, but without real practical and political power in their hands" (2003:24). As a result of strong ideological influence combined with the imposition of the delegate self-management system, a massive system of complex institutions was developed, which again were not independent but strictly controlled from the top. This was the case not only with political institutions but also with economic and other social systems.

In spite of the fact that the Yugoslav communist system was different from other communist systems by a unique attempt to give everyone economic, social and political equity, genuine political pluralism did not exist in self-management due to the one-party rule. Many witnesses of that time argue that true decentralisation did not exist in practice (Simmie and Dekleva, 1991). An explanation might be taken from Dahl's argument that in any socialist country where the planned economy is

owned by the state or where a so-called command economy functions, democratically orientated governance cannot exist but rather there would be an authoritative dictatorship (Dahl, 1990). The reason for this is that such an economic system enables all resources to be in the hands of the leaders that could be used for regulation, compulsion and bribery. Since decentralisation in Yugoslavia was not supported by genuine political pluralisation, the imposition of a free economy and civil and human rights, the idea of democratisation remained theoretical. "Personal connections and party subordination of economic, state and administrative levels supported the fulfilment of assignments from the top (vertical or top down hierarchy), which resulted in the creation of a horizontally controlled personnel whirligig that enabled full implementation of the party politics on the local level" (Petovar, 2003:25). Self-management created an increased number of inefficient institutions, resulting from the principle that every idea from the bottom has to be approved at the top. Both the 'logic of consequentiality' and the 'logic of appropriateness' were determined by the ruling elite and institutions did not have the flexibility or freedom to make the best choices considered on their own.

With regard to housing, the former Yugoslavia adopted similar housing policies to the other communist societies in the post WW II period. With the imposition of a more liberal form of socialism - self-management - the housing policies were to some extent changed and adapted to the new system, but they were still dominated by the 'Eastern European Housing Model' developed under communist systems.

4.5 'East European Housing Model'

The former socialist Eastern European countries were for several decades governed by distinct ideological principles from capitalist countries, with extensive state control over property rights and the provision of housing, including infrastructure provision, land acquisition, construction and allocation of public rented housing, rent control, as well as more indirect measures of control like urban planning, setting standards, building codes, determining the level of consumer subsidies and property taxes (Pichler –Milanovic, 2000). These characteristics were part of the egalitarian

philosophy that certain necessities such as health, education and housing should be provided as a constitutional right to citizens (Ambrose, 1991; Petovar, 2003). Contrary to the neo-corporatist approach to housing in capitalist societies, the socialist approach could be defined as statist, considering the small number of stakeholders whose interests were included in decision-making by the state when the housing policies were created.

There is a perception that due to the similar framework based on a communist ideology and planned economy, a common 'East European Housing Model' developed with similar outcomes in all countries. The specific characteristic of the socialist housing sector is that it treated housing only as a consumption good and not as a production sector, resulting in economic problems since it had not been one of the cornerstones of economic growth but a constant burden on the state budget (Hegedüs and Tosics, 1992; Hegedüs and Tosics 1996). Housing was considered part of collective consumption and totally regulated by state institutions and public enterprises.¹³ The state and its actors were investors, developers and distributors of housing units, and the public renting sector was its dominant type of housing.¹⁴ This concept assumed that the wage does not include housing investment, in addition to fact that the state was both employer and renter to everyone. Consequently, the calculation of wages was based on low rents in the public-renting sector (Petrovic, 2002).¹⁵

Public rented housing was built usually in multi-dwelling buildings in mass housing estates in large cities and industrial centres. Allocation of public rented housing was based according to the criteria of 'need' and 'merit' and officially recognised space standards (e.g. floor space per person). In addition, the rents were subsidised and controlled by the state to ensure that they were generally affordable. However, they

¹³ Social security in communist countries was based on three main pillars: full employment, price control and general accessibility to rare goods and resources. Citizens in the cities were promised full employment; high and similar level wages, production growth, and consequently, consumption growth. The working place was the 'production' place but also the channel for distribution of the resources of social politics (Dixon and Kim quoted in Petrovic, 2002:66).

¹⁴ The term 'public rented housing' relates to non-owner occupied housing (e.g. state, social, cooperative, employers-related, institutional, etc) with a different role to state institutions in ownership, financing, construction and distribution of housing (Pichler –Milanovic, 2000).

¹⁵ 3-6 % per household income (Petrovic, 2002).

did not cover the cost of maintenance and renovation (Pichler –Milanovic, 2000). Additional constraints that the governments in Eastern Europe faced were budget shortages for housing provision of new ‘mass housing blocks’, high costs of control over private transactions, and the existence of the informal market process (Clapham, 1996; Hegedüs and Tosics 1996).

Consequently, as a result of ‘consumption commodity logic’ and subsidising, the socialist housing system was neither efficient nor equitable. The persistent housing shortages, overcrowding, long waiting lists, and deferred maintenance of multi-storey buildings were the main characteristics of housing systems across Eastern Europe (Pichler–Milanovic, 2000). Due to all the problems described above, and in spite of official support of public rented housing, many governments directly or indirectly allowed owner occupation, which had become a dominant form of tenure by the end of the 1980s, especially in Bulgaria (92 %), Hungary (77 %), Romania (76 %) and the former Yugoslavia (80 %) (Pichler –Milanovic, 2000). Furthermore, priority in access to public rented housing was given to political and party officials, bureaucrats, military members, and employees of the strategic industrial sectors rather than to workers and disadvantaged social groups (Szelény, 1983, Szelény, 1987), which created a non-equitable housing system that ran contrary to a Marxist ideology based on an equal and classless society. As Ladany argues, the state distribution of housing was not guided by a unique criterion, but there were two principles. The first was social, based on the needs of citizens for accommodation. The second was determined by status, and this ‘merit’ based principle became the dominant one (Ladany, 1992).

In free market systems, attention was given to the institutionalisation of cooperation and solving of housing problems in both directions, with a top-down approach from policy creators and a bottom-up approach from other actors. Contrary to that, in the socialist system, the creation of housing policy was predominantly in the hands of the political elite (top-down) without any institutional possibility for the creation of bottom-up influence. The experience of the socialist housing policies implied an indirect influence by those social actors who did not have an opportunity for firsthand impact on the housing system. The non-efficiency of the housing system

led to the creation of alternative approaches, mainly used by people excluded from an official system of provision of flats, which had resulted in an expansion of illegal building and the creation of informal settlements. The political elite's response had been one of reactive policies (Petrovic, 2002).

However, certain differences between housing systems in those countries existed and these were based on their institutional and political characteristics, while common trends were driven by structural and economic changes. Consequently, due to self-management, the Yugoslav model was different and was considered a 'deviation' from the 'mainstream' communist housing policy (Hegedüs and Tosics 1998). Therefore, the aim of the following section is to assess the extent of 'deviation' in the Yugoslav housing system.

4.6 Urbanisation and Housing in Socialist Belgrade

The population of the former Yugoslavia has been growing continuously for the past fifty years from less than 6.9 million in 1948 to 10.6 million in 1996 (UN Habitat, 2001). However, beside the natural growth of population, one of the major drivers of the increasing urban population was agricultural reforms that were also part of the forced urbanisation imposed by the communist government in its project of creating a socialist society. This rapid increase of the urban population was not met by a proportionate increase in urban housing stock mainly due to the inefficient housing policy.

4.6.1 Urbanisation and Rural reforms

The first agricultural reform started on 23rd August 1945 with the passing of an Act on agricultural reform and colonisation. According to this Act, the state allocated half of the previously nationalised and expropriated land to people who did not

possess any, such as small agricultural producers and colonists.¹⁶ Approximately 316,000 rural households received plots of 2.5 hectares average size, which they were allowed to sell in 15 or 20 years' time. According to Petovar, this reform had a 'social function' (2003:11) and it was politically popular among the rural population, because it confirmed the concern of the communist state for their welfare (Veselinov quoted in Petovar, 2003). However, this reform was followed by other less popular policies that were anti-stimulating, especially for the bigger farms, due to the limitation of the farm size (10 hectares), the ban on buying necessary machines, experiments with collectivisation of the farms which were taken from the Soviet model, and price control. Additionally, farmers and the agricultural population had less privileged social rights and had restricted access to social welfare institutions compared to the urban population employed in either state enterprises or administration. All those disadvantages of rural living stimulated numerous farmers to immigrate to the neighbouring cities or to the capital, and look for a job in the state sector where the working class had many privileges that were attractive to the rural population. Among them, the most popular were access to public rented housing, free education and health insurance. The right to 'sick leave', which was very often misused by workers, guaranteed wages no matter what quantity or quality of work, and all these exerted a magnetising force on the rural population to give up their hard life in the villages and move to the cities. In addition, the Communist Party was relieved of the potential development of socially and economically strong and independent 'peasants' that might have resisted their rule. Petovar argues that these were the instruments of 'pacification and integration' of the rural population into the system which made them even safer from further political uprisings and changes (2003: 12).

Furthermore, Petovar suggests that this was not only the result of labour migration, but was the product of 'forced urbanisation' that had a political background (Petovar, 2003). One of the goals of the communist party was to industrialise the country and as part of that project, 'peasants' had to be discouraged from living in rural areas by various policies, and consequently transferred into the industrial working class in the

¹⁶ Colonisation was the process of a massive transference of the local population from poor mountainous areas into more developed agricultural regions with houses and land that the state gained by nationalisation and expropriation.

cities. Table 3 shows the actual change in percentages of the rural population from 72.9% in 1953 to 28.4 % in 1991. The total population in rural settlements decreased by 44.5% over 38 years, and the urban population increased by 34.8 % (Petovar, 2003). It is also evident that the process of de-agriculturisation was much faster than the process of urbanisation.

Table 3: Percentage of rural, urban and mixed population in former Yugoslavia

	Population				
	1953	1961	1971	1981	1991
Rural	72.9	62.8	40.2	31.0	28.4
Mixed	5.1	7.9	10.8	16.4	14.8
Urban	22.0	29.3	49.0	52.6	56.8

Source: Petovar, 2003; Federal Statistics Office. Statistical Yearbook of Yugoslavia 2000

Through these marginalizing policies, the state managed to keep the rural population and farmers under economic control and on the social and political margins (Petovar, 2003). In addition, the price of food was in the function of a transfer of accumulation from agriculture into industry, the creation of high spending on agricultural goods by urban citizens, and subsidising the industrial overpopulation. “That was the politics of the anti market, cheap agriculture and cheap food” (Veselinov, 1987: 172 quoted in Petovar, 2003).

The situation was that rural households sent one member to find a job in the state sector, in order to get free access to health and education, and through this state employed individual the rest of the household would have access to these benefits. Another phenomenon created because of those politics was the emergence of ‘peasant-industrial workers’. These were the peasants who worked in the factories during the week, and then spent weekends working on their farms. They travelled every day from their farms to their work place and back (Petovar, 2003).

Consequently, massive migrations from rural to urban areas resulted in the rapid increase of the urban population, but at the same time the cities were not capable of

accepting the huge flow of new residents. As an outcome of this forced urbanisation (Petovar, 2003:14), cities were characterised by low living standards for working class households, bad infrastructural equipment and finally, a shortage of housing that resulted in the development of illegal building mostly in suburbs and on plots without the necessary communal infrastructure. Consequently, Belgrade was not sprawling from the centre towards the periphery, but the sub-urban matrix and the culture represented there were aggressively conquering the old traditional urban spaces, bringing their own rural culture (Vujovic, 2000).¹⁷

The local authorities, in the late 1970s when the eruption had started, did not have the necessary autonomy and instruments to prevent those inflows due to the top-down decision-making system. Additionally, due to the incapacity to talk publicly about city problems, local authorities that had the political will to resolve raising housing and shortage problems could not have found an adequate policy response (Petovar, 2003; Vujovic, 2000).

The number of citizens in the city of Belgrade continued to rise, and consequently increased 2.27 times and grew in administrative area 1.56 times from 1948 to 1991 (Spatial Plan of Serbia, 1996).

Table 4: Increase of population in Belgrade from 1948-1991

Year	Administrative area of Belgrade
1948	633,209
1953	731,837
1961	942,190
1971	1,209,361
1981	1,476,000
1991	1,602,226

Source: Spatial Plan of Serbia (1996)

¹⁷ Rural culture relates to culture of the rural immigrants who were not using cultural, urban amenities of the cities like theatres, cinemas, etc. They were mainly preserving the habits brought from rural areas, and were trying to live the same lifestyle in the city as they did in villages (Vujovic, 2000).

In summary, agricultural reforms had the political aim of transforming the society from a rural into an urbanised and industrialised one. The rural population was then stimulated to migrate to the cities which created a pressure on the housing sector. However, the supply of housing in the cities, and especially in Belgrade, was not enough to support the increase in the urban population and the demand for housing units. One of the reasons behind the housing shortage was the housing policy.

4.6.2 Housing policy

The aim of this section is to assess what the major features of the housing system in the former Yugoslavia were and the extent to which it had an impact on illegal building.

Similar to the other Eastern European housing systems, the housing system in the former Yugoslavia after WW II was determined by ideological principles which considered the mechanisms of the free market to be the primary source of inequality, and private ownership the major result of exploitation. Led by Marxist ideology, political and party hierarchy was marginalising the market, private ownership and private initiative. The relationship between the state and marginalised civil society and the market was based on a full asymmetry of power (power held by the state) and without any possibility for its future formalisation or institutionalisation (Petrovic, 2002).

However, a housing reform was introduced in 1953 and completed by constitutional changes in 1969 and 1974 by the full introduction of self-management. Even before the imposition of self-management, the government realised the increasing financial and organisational burden of trying to maintain a very large amount of collective socially owned housing across the country. In the 1960s, the government tried to sell part of the housing stock under its control to the existing tenants, but had little success. The economic reforms of 1965 set new policies for housing that encouraged savings and attempted to increase housing rents to market levels. However, the

progressive increases in rents were discontinued in 1968 in order to reduce the accompanying pressures to raise wages (UN Habitat, 2001). In the early 1970s, the state faced the shortage of necessary housing funds and consequently transferred ownership of its housing stock to the Republics and Autonomous Provinces who subsequently turned them over to the cities.

The constitutional changes of 1974 aimed to establish a decentralised and plural system of industrial, political, territorial and interested delegated decision-making. Regarding the housing sphere, the proposed ideal was to be realised through the formation of “self-managing housing communities in which both the consumers and the producers were represented” (Mandic, 1992: 297). Self-management communities were fully responsible for the organisation and management of the housing sector. Housing in towns and cities was mainly provided through the construction of apartment buildings developed through social development housing funds. However, economic criteria were not used to govern the construction and use of housing (Petovar, 2003; UN Habitat, 2001).

Consequently, as suggested by Mandic, self-management reform did not lead to a markedly more efficient form of housing provision than the previous socialist model (1992). “The self-managing housing communities ended up functioning as a hyper-protective institutional environment, which reduced both efficiency and the productivity of the socialist housing sector” (Mandic, 1992:299). In the self-management housing model, competition between building companies was avoided, and the monopolistic position of state owned developing companies caused a steep price increase. The existing private sector was under strict control to prevent the development of free market elements. Private ownership was restricted to two housing units per family, and there was not much possibility for private development to occur legally. Despite the fact that private earnings and savings were channelled into housing (in the absence of any other possible investment), state control over the housing sector prevented the private sector from developing in free market terms (Mandic, 1992:302).

Local self-management housing communes ran urban land management too, and they estimated future needs for development. After needs were predicted, with planning documents, the communes would assign the urban building land for specific requirements to already known investors, most often to socialist enterprises (Babacic, 2005). These processes of development were specifically defined in Programmes. The Programmes used to be carried out in two forms: as a medium-term, which was a five-year period Programme, or as an annual Programme. The latter was only an expansion of the former, with detailed specification of the works. The main goal of the medium-term Programme for Belgrade was to accomplish the social plan for the development of the City of Belgrade and to provide residential space for the population, so usually around 80% of the financial means was determined for the arrangement of land for public housing (Babacic, 2005).

Although the self-management housing model was giving a more decentralised approach in decision-making than was the case in the other Eastern European countries, it was still not the bottom-up approach represented in Western European countries. There was no private initiative and free market competition, and consequently the state and state enterprises were subsidising most of the housing. This resulted in a shortage of funds, and subsequently in a shortage of housing. As argued by Simmie, due to economic non-sustainability and inefficiency and the lack of a real democracy, at the end of 1980s the system and practice of socio-economic planning in Yugoslavia, or so-called societal self-management planning, had been in a deep crisis for more than a decade (Simmie and Dekleva, 1991). From the institutional point of view, the real democratic institutions were not developed. The housing allocation was, as in the other Eastern European countries, led by criteria of need and merit. The dispersed decision-making resulted in long waiting lists and bureaucratic rules that were waiting for approval from the top before implemented. For the private sector, the laws were very restricting, and even if land was provided for an individual building, the process of getting of building permit could last for years, if in the end it was approved at all.

4.6.3 *Development versus Bureaucracy*

The process of building for the small individual sector was characterised by long waits for necessary permits. Before starting construction, individual developers had to obtain building permission that allowed them to build property on the specific site, where this type of property had been planned by the planning document. There was a large number of documents that individual developers had to submit when applying for building permission. They had to prove that they had the right to use the land in question, that their proposed development was in accordance with the planned development, and that they had the consent of all PCEs (Public Communal Enterprises) that the building can be connected to the utilities. The process of individual development was not favoured by the state and was not helped by complicated and time-consuming bureaucratic procedures. However, the argument was that this was necessary since it enabled the property to be built by adopted standards.

In practice, the process was even more complicated. There were around 64 legal regulations that were related to building in Serbia. There were approximately 64 legal acts that an ordinary citizen had to understand and interpret in order to get a building permit (Janic, 1998). This is the clearest evidence of how bureaucratic this system is. Furthermore, there was a lack of information systems and networks between all organisations included in the process of granting building permits which are necessary when confusing procedures like this exist. In addition, the granting of building permits was often rendered more difficult by the obstacles placed by civil servants (Janic, 1998) whose attitude to private developers reflected the general attitude of the state and Communist party towards them. According to Djuricic, the applications of private developers were usually put on the bottom of the list of the applications which made the process even longer (Interview 1, 2001).

In addition to the complicated process of getting a building permit, another obstacle for individual building was the shortage of available building land. After WW II,

large companies were either divided into smaller units or converted into state-run enterprises. The vast majority of land in rural areas continued to be privately owned. Large areas of urban land were proclaimed “building land” in the period between 1956 and 1959 and automatically became owned by the state.¹⁸ Land and property ownership within urban areas were recorded as being held by the city in a cadastre court, which resulted in the elimination of any practical need to keep the legal property cadastre up to date. Land ownership was no longer considered when land zoning, plans and site layouts for new development were made, either in their conceptualisation or implementation. Only the use of land was recorded and kept up to date, since it helped to determine the amount of fees to be collected by the government for using the land (UN Habitat, 2001).

However, the complicated building permit procedure and lack of available building land were not the only obstacles that individual developers were facing. Even if there were an available site, and all necessary documents obtained, there was a lack of necessary supporting financial means.

4.7 Financing

One of the major issues facing the housing sector in socialist Belgrade was the very limited access to formal housing finance. Two main sources of funds used in the past to finance new housing building were individual housing finances and collective housing funds created from wage deductions from public sector and enterprise employees.

Individual household finance included incomes, savings, and, to a significant degree, remittances from expatriate workers that were used for the construction of individual housing outside the urban areas. The amount of remittances grew steadily during the 1970s and 1980s and more than doubled between 1985 and 1990, when it increased from the equivalent of US \$ 3.3 million to US \$ 8.8 million. It is been calculated that

¹⁸ This was regulated by the Leasehold Properties and Land Nationalization Act (1958) or by the Act on Proclamation of Building land in Cities and Settlements with Urban Character (1968, 1969).

US\$ 22 billion or around 70% of the documented remittances to the former Yugoslavia was spent on housing (UN Habitat, 2001).

In the self-management period, monies accumulated by the solidarity housing funds were the major source of housing finance in cities. Between 3% and 6% (Petrovic, 2002) of wages were deposited into public enterprise funds and some enterprises allocated parts of their corporate profits into housing funds in order to provide housing for more workers. Half of the money from these funds was allocated for new socially built housing and the other half was used for the building of low income rented public housing, rent subsidies for low income tenants in public housing, developing land and infrastructure and later, in the post socialist period, for building a limited number of housing units for war veterans (UN Habitat, 2001). The same principle for housing funding was applied in government and public organisations as well as in military institutions.

The construction of individual housing was mainly dependent on household income and funds. Individual houses as well as apartment buildings were built on a contractual basis by public construction enterprises. However, there was only a limited choice in the supply of individual units or flats built for the market and they could have been bought either from construction firms directly or self-managed housing communities. Additionally, enterprises were solely responsible for both housing funds and for extending privileges to their employees (UN Habitat, 2001). They could allocate housing funds or low interest loans for the purchase of apartments, renovation or construction of new houses on enterprise grounded criteria. The number of years spent working in a company and household size were the main criteria for access to the housing waiting lists. However, these criteria were not applied equally to everyone, and privileged managers were always on the top of the list, while non-qualified workers could be on the list for years.

Additionally, there was very little access to commercial credit for housing, because banks were not interested in providing mortgages for housing. A limited number of loans were obtained, but only accompanied by strong guarantees based on the income of the borrowers. Commercial banks required a down payment amounting to

almost a third of the loan, often payable in hard currency, and annual interest rates were generally fixed ranging from 5 to 10 % until the 1980s and from 10 to 18 % in the 1990s (UN Habitat, 2001). However, the prices of newly built apartments were very high in relation to incomes. “In the 1970s and 1980s, the price of a 60 sq m flat was equal to 60 annual salaries. There were no subsidised housing mortgages, and most often buyers of flats were big and economically very powerful companies, and especially state and state agencies and institutions, financed from the budget” (Petovar, 2003: 27).

This financial construction left many people in a position of never being able to afford formal housing. The waiting lists in enterprises and other organisations were too long, and the possibility of getting a mortgage was very limited and to the majority of citizens unachievable. The non-efficiency of the housing system led to the creation of alternative approaches, mainly used by people excluded from an official system of provision of flats or mortgages, which had resulted in the development of illegal building and the creation of informal settlements.

4.8 Urban Planning

Finally, urban planning was the factor that worsened the housing situation and made illegal builders even more determined to build. As with the other institutions, planning went through various changes, usually following the changes in socio-economic planning. Papic (1998) identified three different periods of socio-economic planning in the Socialist Federal Republic of Yugoslavia (SFRY):

- i. During the 1947-1965 period, the mode of central administrative planning dominated, directed at the reconstruction of the country (1947-1951), and subsequently supporting dynamic economic growth and social progress (until 1965);
- ii. In the period between the mid 1960s and the mid 1970s, along with partial de-etatisation and recourse to market mechanisms, a new system of so-called

"societal planning" was put in effect, aiming at supporting integral development;

- iii. From the mid 1970s until the end of the 1980s, a system of self-management bargaining and societal negotiating in planning was developed (Pacic, 1998).

One of the most decentralised forms of social and physical planning in communist societies was to be found in Yugoslavia during the self-management era (Simmie and Dekleva, 1991). The essential formal features of this are that decisions were supposed to be generated from the bottom to the top. This principle was incorporated in most forms of local government. In spite of this, there was still a dominant position of state and quasi-state institutions and actors, which resulted in urbanism and planning with double standards (Simmie and Dekleva, 1991).

Republican and local authorities have always been responsible for the provision of urban planning in the former Yugoslavia. The plans were hierarchically organised, and those on the top made by Republic governments had power over those made at city and local level. The plans were produced for territorial units and their time length was strictly determined. These plans were categorised in the following clusters:

1. Long-term spatial plans for the republics, provinces, and regional associations of communes;¹⁹
2. Long-term spatial plans for infrastructure and demography;
3. Long and mid-term urban plans for the city areas;
4. Short term 'site plans' for specific development projects;
5. Plans for rural areas called 'urbanistic orders' (Simmie and Dekleva, 1991).

Such a diversity of plans resulted in many inconsistencies in both the process of preparation and their implementation in practice. Madzar listed a number of both general and specific deviations of the Yugoslav planning system: First, inadequate institutional location of planning units within the central guidance cluster followed by improper organisation and poor performance of planning institutions (a huge

¹⁹ SFRY consisted of six republics (Serbia, Croatia, Slovenia, Bosnia and Herzegovina, Montenegro and Macedonia) and Serbia had two provinces: Vojvodina and Kosovo.

discrepancy between the “planned” and the “realised”); secondly, there were inconsistent changes in institutional and organisational arrangements: a number of inconsistencies between development documents at various planning levels (and often within the same level); a lack of harmonization between macroeconomic policy and development planning as well as insufficient financial and other resources were making system even more ineffective; and finally, the decentralisation of decision-making in planning made it slow and bureaucratic (Madzar, 1992). “However, the misconceptions in question were not ascribed to planning in general, but rather to the hypertrophied and bureaucratized system of ‘societal self-management planning’ on one hand, or to the ‘central-command planning system’/ ‘administrative–dominant style of planning’ - ‘GOSPLAN system of planning’, on the other” (Vujosevic, 2001:2).

One of the reasons why planning was not efficient or benevolent towards individual housing was the definition of the public interest. The public interest in the Former Yugoslavia was imprecisely defined as a ‘common interest’ of all citizens. It was equated with state public ownership which meant that the public interest could be achieved only by the actors who were the representatives of publicly owned sectors. It is also considered of key importance for planning as a public activity and as a mechanism of intervention, equally in socioeconomic development and land use planning. As long as the public interest is not being jeopardised, planning decisions appear legitimate in socio-political terms, in conjunction with promising “smooth” implementation. Identification of the public interest with state ownership formed the key legitimising base for planning and policy making in Yugoslavia (Vujosevic, 2001). Consequently, “urbanism was very open towards the representatives of common/public interest which were coming exclusively from the state sector, and on the other hand, urbanism was very restrictive towards individual or private interests, which were equated with private ownership and interpreted as being dissonant to public interest. For example, construction of collective housing had been considered as a public interest, while construction of individual family housing as an individual interest” (Petovar, 2003:32).²⁰ Due to the equation of ‘public interest’ with ‘state

²⁰ Additionally, Law on Expropriation enabled compulsory purchase of buildings with private apartments in order to build collective housing on the plot, which was defined as a public interest, and the developer was public enterprise (Petovar, 2003).

ownership', state actors had been able, through planners, to fulfil every intention in city spaces, because that was defined as being in the public interest, and planners were covering it with necessary plans (Petovar, 2003).

There were a number of failed attempts to make the planning system more operational and transparent (Vujosevic, 2001). Therefore, in 1984, planning authorities, aiming to decrease the inconsistencies among plans and to improve their coordination, passed new legislation. Legislators aimed to cover all aspects of development by 'integrated societal planning' and the planning integrated long and medium-term social, economic and physical plans into 'societal planning'. Short-term plans in each of these primary concerns were derived from the requirements which emerged from societal planning (Simmie and Dekleva, 1991).

Concerning planning in Belgrade, there were only two Master Plans prepared for the post WW II period. The first one was made in 1950 and the second in 1972 (IAUS, 2001). They were very rigid and complex and they did not incorporate ongoing economic and social changes. Moreover, Master plans were also led by the definition of 'common' interest and were not concerned with private ownership. Consequently, the Master Plan and supporting detail plans became some of the main obstacles to housing development in Belgrade, by not allocating enough space in the city for individual building. Politicians kept their eyes shut to the rising problem of illegal building. Perisic ironically described the attitude of plans towards illegal building using the example of the Master Plan for Belgrade, that treated Kaludjerica, the biggest illegal settlement in Europe, as a location for a golf course (1995).

4.9 Legal versus Illegal Building

In spite of the impressive amount of building, there were serious shortfalls in meeting housing needs, related especially to low income and self-employed urban families (UN Habitat, 2001) because housing costs and various constraints in obtaining access to socially owned housing made it difficult for these households to obtain decent, affordable housing.

Annual production in Serbia during the 30 years prior to 1990 averaged 40,000 units, mainly as a result of general post-war economic prosperity and the need to accommodate the migration of workers to the cities (UN Habitat, 2001; Petovar, 2003).

The population of the city increased by 33 % from 1971 to 1991 (Table 4). Although there was a boom in housing construction, the housing stock did not increase by 33%. The years in which the greatest number of flats were built were 1974 (14,056 residential units) and 1981 (13,042 residential units), followed by a decrease of 25 % on average per year as presented in both Table 5 and Figure 2. In the period between 1981 and 1991, there was a decrease of 60 % in legal housing provision in Belgrade, while the number of citizens increased by an additional 8.9 %, which resulted in an even wider gap between demand and supply in housing.

The total number of residential units/ housing units in 16 municipalities was 512,407 (30,281,055 sq m) (IAUS, 2001). If compared with the number of households, assuming that there is one residential unit per household the result was a deficit of 2,633 units in the suburban municipalities, and of 9,488 in the urban municipalities (IAUS, 2001). The building of one, or at maximum two, family houses was the only type of individual housing production allowed by the urban regulations and planning. Law did not allow private companies to buy locations in the city and build

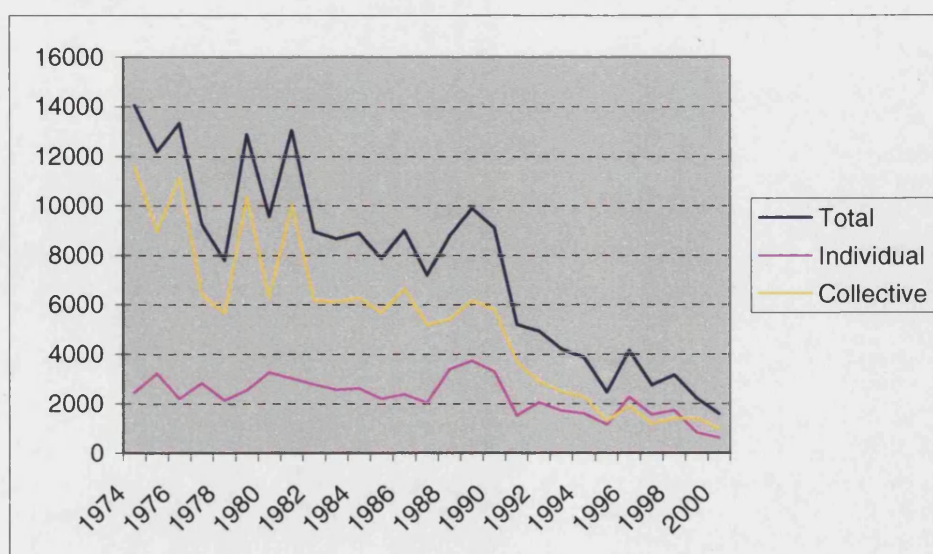
apartments to market, and therefore the building of family houses was the only form allowed in the private sector (Petovar, 1992).

Table 5: Number of residential units built by Individual and Collective Sector in Belgrade (1974-1991)

Year	Total	Individual	Collective
1974	14,056	2,461	11,595
1975	12,170	3,222	8,948
1976	13,323	2,194	11,129
1977	9,247	2,832	6,415
1978	7,782	2,136	5,646
1979	12,874	2,541	10,333
1980	9,542	3,272	6,270
1981	13,042	3,023	10,019
1982	8,940	2,779	6,161
1983	8,649	2,545	6,104
1984	8,878	2,616	6,262
1985	7,860	2,198	5,662
1986	8,993	2,368	6,625
1987	7,182	2,015	5,167
1988	8,794	3,401	5,393
1989	9,879	3,728	6,151
1990	9,084	3,293	5,791
1991	5,188	1,516	3,672

Source: Statistical Yearbooks for Belgrade, 1974-1991;

Figure 2: Number of residential units built by Individual and Collective Sector in Belgrade (1974-2000)



According to the 1991 Census, in 10 urban municipalities, two or more families lived in 10,000 residential units, 61,000 units were in the category of 'overcrowded' in which every inhabitant had between 6 to 10 sq m, approximately 15,000 units were older than 70 years, and 31,500 units could be categorised as being unhygienic, without basic living necessities like water, electricity or connection to a sewage system (Census 1991, and IAUS, 2001). If data on the deficit number of flats are combined with data on the flats where two or more families lived, the real projection of the housing deficit was 19,500 units in 1991. If the number of deteriorated properties is added to this number, the deficit was 70,000 residential units (IAUS, 2001)

Due to the constant housing shortage exacerbated by the inflow of immigrants, citizens used many strategies to provide a secure tenure for themselves. Illegal building in Serbia was the outcome of housing shortages. Urban plans were rigid and slow to incorporate changes on the ground, and many objects thus had an illegal status, because they were built on plots that were not zoned for individual residential buildings. Additionally, construction in the cities was very expensive due to the high infrastructure and administrative costs and the monopoly over building by state enterprises. The result was incredibly high housing prices. "In the 1970s and 1980s, one residential square metre was more expensive in Belgrade than in London and some other European capitals" (Petovar, 2003:30). Since the state was not capable financially of providing housing for everyone, in addition to creating inefficient housing policies, people were forced to turn to illegal ways to provide housing. Most of the houses were built in suburban areas of the cities, on agricultural land. "The carriers of illegal building are mostly immigrants from rural areas, with low economic capability, 10 to 20 years employed, with basic education, with small savings and a high share of bank loans borrowed for building purposes" (Vasic quoted in Petovar, 2003:35). According to Vujovic, many illegal builders in the former Yugoslavia were construction workers and builders, employed in public construction companies. Many of them were not able to get on official lists for subsidised public renting housing, and their wages were not enough to provide housing. Therefore, they were using resources, for example, building material from

most often obtained in an informal and illegal way, to build houses. The political elite's response was one of reactive policies such as the temporary legalisation of objects (Petrovic, 2002). Additionally the political elite was not even opposing the low wages they were earning because, contrary to the working class, they had open access to the distribution of luxury goods and houses (Petrovic, 2002).

Other types of illegal building included housing extensions or renovation. Due to the rigid planning regulations, many individual housing areas were banned from any intervention on the houses. Residents were extending or renovating their properties in order to improve basic housing standards. Interventions like building a balcony or a necessary lavatory were penalised by either fines or a jail sentence up to 60 days. The households were taking this step because to obtain a permit for these kinds of interventions was very time consuming. "It lasted for months if not for years, and was dependant on the goodwill of the local council or city servant, intermediation, family connections, bribing or giving a counter service" (Petovar, 2003: 35).

Table 6: Housing construction by categories in cities in Serbia (1971-1976)

	Total	Collective building (1971-1976)	Individual building (1971-1976)	Number of issued building permits (1971-1976)	Estimation of number of illegal objects (1968-1976)
Serbia (32 cities)	172,64	92,229	80,411	41,769	38,642
Belgrade	72,337	58,993	13,344	5,718	7,626
31 city	100,303	33,236	67,067	36,051	31,016

Source: Petovar (2003:61)

Table 7: Housing construction by categories in cities in Serbia (1971-1976), percentage

	Total	Collective building (1971-1976)	Individual building (1971-1976)	Number of issued building permits (1971-1976)	Estimation of number of illegal objects (1968-1976)
Serbia (32 cities)	100	53.4	46.6	24.2	22.4
Belgrade	100	81.6	18.4	7.9	10.5
31 city	100	33.1	66.9	36	30.9

Source: Petovar (2003:61)

Due to the lack of data on illegal building in Serbia at the time, Petovar (2000) used the number of collective and individual housing units built and compared them with the number of issued building permits (Table 6 and Table 7). In Belgrade, collective housing dominated over individual housing, and the ratio was 81.6 % collective housing units versus 18.4 % individually built units. In that period, the ratio between legally and illegally built individual housing units was 50:50 in Serbia. In Belgrade, the number of illegally built objects was greater than the number of legally issued permits for legal building. In the rest of the cities, the average share of illegal housing object was a third. Additionally, as a result of unequal regional development policy, 64 % of all collective housing in Serbia in the period between 1971 and 1976 was built in Belgrade (Petovar, 1992)

Illegally built objects in Belgrade were evidenced twice. First in 1975, when it was recorded that the number of illegally built residential objects increased by 10,975, 1,062 weekend cottages, 8,628 auxiliary objects, 3,564 other and 6,928 renovations in the period between 1955 and 1975 (Saveljic, 1988). Between 1976 and 1986, the number of residential illegal objects increased to 20,060; 2,456 illegal weekend cottages, 20,152 auxiliary objects, 7,974 other illegally built objects as well as 17,670 adaptations and renovations (Saveljic, 1988).

Table 8: Increase of illegal building in Belgrade (1955-1997)

Year	Residential Objects	Weekend Cottages	Auxiliary and other objects	Others	Total
1955 (Saveljic, 1988)	6,928	0	0	23,599	30,527
1975 (November)	17,903	1,062	12,192	30,527	61,689
1976-1986 (Saveljic, 1988)	37,963	3,518	40,291	48,197	129,969
1995 (November) ²¹	33,594	3,351	39,754	76,669	153,368
1997 (August)	37,425	3,357	43,290	84,072	168,144

Source: *Internal data on illegal construction in Belgrade (1998), Belgrade Town Planning institute; Saveljic (1988);*

²¹ The number of illegally built objects in 1995 seems smaller than in 1986. That can be explained by the lack of data and the lack of accurate information held by the Town Planning Institute in 1995 (Zegarac, 2001) as it is explained in the Methodology Chapter 3.

If we compare the number of 12,170 legally built housing objects in Belgrade (Table 5) in 1975, with the 17,903 illegally built residential objects (Table 8), we can see that for each legally built residential unit, 1.47 houses were illegally built. If we compare the number of legally individually built houses with the number of illegally built residential objects, the ratio is 5.56 illegal houses to one legal.

The city government did not have a strategy to stop illegal building, apart from demolition. According to Saveljic, only 26 % of illegal objects, including auxiliary and others, were demolished in the period 1976 to 1986 (Saveljic, 1988). In 1975 it was realised that demolition would not stop illegal building, and the city government passed the Programme for prevention against illegal building that allowed all citizens who lived in pre-1975 illegally built objects to stay and live in them until the urban plans for that area were implemented (Petovar, 1992). This decision was only a reflection of the lack of political will to change housing policies, which were still dominated by collective social housing provision. Consequently illegal building continued its steep increase.

4.10 Conclusion

This chapter has examined various features of the now defunct socialist system in the former Yugoslavia, and the heritage from this period that has been shaping more recent patterns of behaviour and illegality. However, this inheritance has been different from the stated goals of a communist ideology that included the abolition of private property, the removal of privileged classes, and the application of equity principles espoused by Marxist leaders, which should have radically altered urban patterns. In the housing arena, the expectation would be one of non-discriminatory and non-spatially differentiated housing in general. "No social or occupational group would have better or more favourably located residential sites so that one would find a randomly distributed housing pattern. Similarly, public services of all kinds, including transportation, should have an equal quality, availability, and accessibility.... Such amenities as high quality physical environment, including

recreational environment would be equally accessible to all” (Demko and Regulska, 1987: 290).

Clapham (1996) summarised four major principles that applied to most state socialist countries to varying degrees. First, everything was under state ownership and distribution, which meant that housing was built and owned by state agencies and distributed according to state defined needs, and this was achieved through public rented housing. Second, there was centrally planned production coordinated with a central economic plan which defined the quantity of resources that would be allocated to housing based on the assessment of needs. Third, housing was considered a necessity and therefore was free. It was paid out of general taxation, and housing expenditure was to form a part of the social wage. Finally, there was an exclusion of free market mechanisms and private ownership because state planning was meant to be a more egalitarian mechanism of allocating resources, and since private ownership was the driving force of capitalism, it was to be abolished (Clapham, 1996).

However, those main principles behind Eastern European housing were never developed to their full extent, due to the shortage of finances and resources for investment. Nevertheless, the failure of the socialist housing model, cannot be blamed on the command economy alone. The socialist housing policy had a major function in the complex process of reproducing the social system and the control of social inequalities, because it contributed to the implementation of a policy of controlled wage differences (Lazic, 1987, Lazic, 1994). The agricultural policies, unequal regional development, migrations of people from poor rural areas into cities, and industrialisation and investment mostly in the cities, were additional factors that created the massive shortage in the housing sector. Although the communist housing model ideal called for collective housing and defined housing as a basic need and as an interest of the working class, it had not been removed from the social context because its removal would further increase the existing housing crisis (Rogic, 1991).

In the former Yugoslavia, economic pressures and a housing shortage led to the support of individual housing building through the provision of loans and mortgages

from enterprises and public agencies. Thus, in Yugoslavia, the difference was that the pressure for housing was transferred from the state to enterprises and social communes by reforms from 1965 to 1974. However, as Clapham suggested “the difference is only a marginal one as the enterprises were subjected to similar pressures and constraints which faced the state in other countries” (1996: 683).

As a result of the Eastern European housing model, four basic types of housing developed. The first type was legal-formal practices that were part of the socialist type of housing provision. Second was the legal-informal type of self-built housing. The third type was the illegal-formal type in which the actors were socially powerful people in both the private and social housing sector. Finally, the fourth type of housing was illegal - informal housing in which the actors were desperate people without any other option (Kos quoted in Petrovic, 2002). Privileged social groups were attached to the official housing politics and they were fulfilling the ‘right on housing’ principle, but the less privileged groups had to develop alternative strategies to secure tenure. Most of those strategies were either quasi-legal or illegal and they were out of step with the official communist housing system (Hegedüs and Tosics, 1992). So in addition to constraints that the governments in Eastern Europe faced due to shortages of finances for housing provision of new ‘mass housing blocks’ and high costs of control over private transactions, was the existence of the informal market process too (Clapham, 1996; Hegedüs and Tosics 1996).

In the former Yugoslavia, the illegal sector was developed as a result of the weaknesses of official housing policies. Apart from minor demolitions and the adopted Programme for prevention against illegal building that allowed all citizens who lived in pre 1975 illegally built objects to stay and live in them until the urban plans for that area were implemented, there were no other organised political or institutional actions against illegal building. Furthermore, the elite mobilised the question of illegal building out of politics, and never started action on a broad scale to tackle the rising problem. Consequently, the housing sector became a fertile ground for the development of a black economy, corruption and nepotism (Petrovic, 2002).

The consequences of the communist housing model and self-management practices in Belgrade were the following: in 1991 there was a deficit of 70,000 residential units (IAUS, 2001), and around 40,000 illegally built houses. The elite and privileged groups with social power had priority in housing allocation. This trend carried on in the post-communist period as well. Following Kleinman et al's (1998) argument that housing policies are 'path dependant' on historical circumstances, and that political and institutional forces have an impact on housing systems and set parameters for future changes (Pichler-Milanovic, 2000), it can be argued that there was a 'path dependency' of illegal building in Belgrade, resulting from its connection with an 'East European Housing model' and self-management policies from that time. The institutional context for illegal building was grounded during socialism, and not only that those institutions shaped cities during the communist era, but that they also left residues on present institutions. Choices from the past shape present preferences and therefore it was important to see 'not just where we sit at the moment but also how we got there' (Goodin, 1996:10).

To summarise, the features from the communist period that remained and exacerbated illegal building in the post-communist period are: a massive and bureaucratic institutional system, state control over property rights, priority in access to housing given to political and party officials – the political elite and based according to the criteria of 'merit'. The people and the private sector inherited the complicated building permit procedure and the lack of available building land as well as the informal market practices. There was a huge shortage in housing and the planning process stayed almost unchanged, rigid and inflexible, with a top-down approach to problems.

The elite with economic and social power in their hands had an active role in decision-making and capitalised on that power and became the 'new' political elite in post-communist Serbia (Lazic, 2000). Using the same channels as during the communist era, the elite continued to allocate properties to themselves. Furthermore, they used the newly emerged political and economic situation to fuse power from institutions to their hands, leaving institutions complex, bureaucratic and mostly inefficient. Institutions were selectively applying the rules, as a result of their bias,

and consequently produced a deviation in society which was the fertile basis for the development of corruption and an explosion of illegal development. Moreover, learning from the experiences of the past, when the communist government mobilised illegal building out of general politics, the public realised that they could bypass the law and build illegally without major consequences. The result was that informal links and corruption became the major weapons for the fulfilment of their interests.

5 Chapter : Political and Economic context of Post-Socialist Belgrade

5.1 Introduction

The previous chapter addressed the political and economic context of communist societies, in particular the former Yugoslavia. The chapter also addressed the housing policies in communist states and the variety of problems which resulted. However, due to defects in the planned economy, which were part of a broader systemic crisis, communist systems had become urgently in need of change. In the late 1980s and early 1990s the communist governments in the Central and Eastern European countries (CEEs) that had dominated political life since the World War II were overthrown or collapsed. The present chapter considers the changes in both the political and economic contexts in post-communist Serbia and addresses their impact on institutional change. Furthermore, it addresses the shortage problems and the financial problems in the housing sector and the rise of illegal building.

As suggested in the previous chapter, in the communist period cities' development was not based on their own economies but on sources redistributed from central government. Cities were financed from state budgets and from large, heavy industries that were located within them and the service sector was underdeveloped. With the collapse of the communist regime, the system of centrally planned urbanisation was destroyed (Harloe, 1996:21) and the transformation of cities started, but due to their path-dependency on the previous systems (Smith and Stenning, 2004) they could not change overnight into capitalist cities.

Furthermore, as central level political arrangements shape urban politics, it is therefore necessary to examine the extent and the relationship between institutions and organisations in state and urban politics (Pierre, 1999). "National politics and state traditions remain the most powerful factors in explaining various aspects of urban politics, including urban political economy, urban political conflict, and

strategies of local resource mobilisation” (Gurr and King, 1987; Keating, 1993; Pickvance and Preteceille, 1991 quoted in Pierre, 1999: 375).

The first part of this chapter is related to economic transition. Instead of economic restructuring, political decentralisation and democratisation, the Serbian transition was marked by civil wars, the war with NATO, economic collapse and systemic corruption. The second part of this chapter is focused on the period after the 1989 elections when Serbia experienced a change in political context which was followed by the emergence of a new elite and new interests and conflicts. New political forces appeared on the Serbian political scene, although most of the key positions in politics were kept by members of the previous communist hierarchy. The political set-up of Belgrade and its political relationship with frequent federal and republic elections and the participation of numerous political parties is also analysed. From 1989 to 1996 Belgrade was ruled by a pro-communist nationalist coalition. In autumn 1996 pro-democratic forces overthrew it. However, the pro communist-nationalist coalition stayed in power on the republic level and controlled Parliament, all state owned enterprises and the budget. Differences in ideology and political programs between parties ruling on the Republic and city level were evidenced with many conflicting decisions and passed laws. However, regarding illegal building, different parties often made silent and informal coalitions.

The purpose of this chapter is to analyse the newly created political and economic contexts and to see whether and how they influenced the transformation of political and economic institutions inherited from the communist period. The first part focuses on the economic context and analyses how it was influenced by political changes, and what the mutual effect of the changed political and economic environment on institutional settings was. The second part of the chapter addresses the political setting using the concept of ‘post-modernist dictatorship’, viewing the parties as the main organisations that set the rules in political institutions. The third part of the chapter focuses on changes in housing politics resulting from the new economic and political settings.

5.2 Economic collapse

The economy in Yugoslavia failed to start a restructuring process as was the case in the other Eastern European countries. The reason for this was the capacity of the former communist elite that had controlled the all resources in the previous regime to reposition themselves and take part in the new political arrangements (Lazic, 2000). Lazic used the term 'adaptive reconstruction' of the elite by which he implied that a high percentage of members of the ex-collective class was now a part of the new elite (2000). He was criticised by Petrovic (2002) for failing to analyse the changing mechanisms of social reproduction under which the elite had to create these new adaptive strategies in order to be coordinated with the nature of resources that had to be accumulated and over which power had to be concentrated. The new mechanisms of recruitment for elite positions were carried under the conditions of the breakdown of the command economy, irregular privatisation and constant political competition for new positions. However, Lazic (2000) argues that many members of the communist elite and subelite managed to convert formerly accumulated resources and become members of the post-communist elite. Under non-democratic political conditions and due to their renewed political power, they managed to control the level of transformation of the economy and state apparatus, keeping control over all the critical resources of social reproduction. That led to a freeze of the necessary separation of politics from the economy, which was, according to Lazic (2000), the main barrier to transformation in Serbian society in the 1990s.

Genuine economic reform was not a priority for the political leadership of the country. The most successful, society-owned enterprises were transferred into state ownership, and the members of the new political elite took managerial positions in them. Newly created private enterprises had to compete with the monopolistic position of the state-owned ones and their success was dependent on their connections with the ruling elite.

According to Staniszikis (1991), the relationship between the private and public sector had features of political capitalism in which members of the political elite simultaneously took on a managerial role in state enterprises but at the same time held a shareholder position in private companies. "It is also followed by a transfer of costs from private companies to state ones, keeping the profits at the same time, which led to erosion of laws, delayed the implementation of regulations, and strengthened monopolistic positions of state companies" (Staniszikis, 1991:48). The economy functioned according to rules which were social and bureaucratic rather than economic and legal (Thomas, 1999). In 1996, 85% of economy was still state owned while only 15% was privatised (Goati, 1996). Additionally, the transformation of the Serbian economy had characteristics of demagogic populism as defined by Greskovits (1995), which although very often used by rightwing commentators to insult the regimes they did not like, was obviously characteristic of Milosevic's regime. It was characterised by a strategy that aimed to ensure the popularity of representatives of the national economy with the lower class of society. It was based on unrealistic economic promises supported by state subventions and other redistributive policies (Greskovits, 1995: 96), and promoted through state-controlled media. An example was when the SPS announced through Radio Television of Serbia that they had discovered oil resources in Pozarevac, the birth town of Milosevic, which would bring enough income to improve the economic situation in the country.

This approach to the macro economy, followed by civil wars and economic sanctions by the United Nations and the international community, resulted in an extremely high rate of almost 50% unemployment amongst the population in 1995 and a rapid decline in GDP. According to official figures, the economy shrunk at an average rate of 7% a year between 1990 and 2000. Bouts of hyperinflation in 1993, followed by the freezing of hard currency savings to pay for the war in Bosnia, had affected the middle class (The Economist, 2000: 31). Average wages in 2000 were \$38 a month and GDP per capita was \$1,200, less than half the GDP per capita of 1989.²² Foreign debt in 2000 reached \$14 billion which was 116% of the GDP. The whole economy

²² If GDP slips below \$1,000, health, education and welfare systems cannot function properly any longer. "And once you've lost those, you're staring third-world poverty squarely in the face" (Economist, 2000:31).

had a technologically obsolete structure and had not started restructuring, unlike the other Eastern European countries.

In order to survive, people turned to illegal and semi-legal ways of making a living. The black economy is estimated to account for as much as 70% of the country's economic activity. The black economy and farming prevented people from starving. However, crime is hardly an ideal form of social welfare, although it was unofficially allowed by the ruling government because it meant social peace for them. Gangsterism, which is characteristic of many Eastern European countries, is exceptionally powerful in Serbia. Almost every layer of Serbian society is involved in the black economy in some way. Corruption is deeply rooted at every level of economy, politics and society and it is the most obvious characteristic of everyday life (The Economist, 2000; Transparency International, 2000).

Economic decline was followed by extreme social polarisation. A process of pauperisation occurred, which is also characteristic for many ex-communist countries, but again was exceptionally strong in Serbia. Two thirds of the nation became poor in contrast to approximately 5% of the population who became extremely rich (Vujovic, 1998:9). This nouveau riche class comprised individuals who were politically and economically close to the ruling regime of Slobodan Milosevic. The state did not have the resources to deal with the increasing number of refugees due to the huge crisis of public finances. The scarcity of public revenues, the adverse structure of public expenditures and bad management of existing resources contributed even more to the very bad situation. As a consequence of the lack of investment, infrastructure was in an extremely poor condition. Contrary to the other post-communist countries, there was virtually no foreign investment in Yugoslavia in the 1990s.

Zoran Zivkovic, Serbian Prime Minister (2002 to 2004), summarised the economic conditions his party faced when they came into power in 2000. Serbia was excluded from all international organisations and had a part of its territory (Kosovo and Metohia) under a foreign protectorate. The damages due to NATO bombing totalled

over EUR 20 billion and the internal debts totalled to EUR 15 billion. The overall debt for unpaid pensions and other social benefits totalled EUR 230 million. Inflation was 113%, the average salary amounted to around EUR 40 (7.7 times less than in 1990) and the average pension amounted to around EUR 35 (5 times less than in 1990). There were 735,000 unemployed and approx 770,000 “sheltered” unemployed workers (on forced leave) and 65% of families with income per household member lower than needed to survive. Zivkovic explained this by the existence of the monopoly enterprises and the individuals intimate with the ex-authorities who used state funds and budgetary resources to get richer. Additionally he argued that there was a strong conjunction between the state and the police leaders and the mafia with alienated centres of power, which resulted in a high degree of criminality in society. Consequently, Serbia became one of the poorest countries in Europe with a completely destroyed economy. Moreover, “Serbia was the state that ranked among the first ten countries in the world for jeopardizing the human rights of its citizens, restricting the freedom of the press, persecuting and assassinating political opponents” (Zivkovic, 2004).

In addition to economic collapse, the civil wars in neighbourhood countries created further economic pressure and a constant inflow of refugees for whom the state did not have enough resources. This had a similar effect on housing as the rural urban migrations from the socialist period, resulting in an increase in population and a bigger shortage of housing.

The pre-publication manuscript by the United Nations Refugee Agency UNHCR and the Serbian Commissioner for Refugees regarding the refugee registration exercise which took place in Serbia from March to April 2001 indicates that the total number of registered refugees and other war affected persons²³ decreased by 165,748 persons from the previous registration which took place in 1996, and stood in 2001 at 451,980, of which 377,131 were registered refugees and 74,849 were war displaced persons (UN Habitat, 2001). By July 2001, more than 200,000 IDPs from Kosovo and Metohia were registered in Serbia. The greatest number of refugees was from

²³The UNHCR definition refers to citizens of FR Yugoslavia who have been displaced within its territories as Internally Displaced Persons.

Croatia (about 63%), while the percentage of those from Bosnia-Herzegovina had declined to 36% as refugees from the latter returned to their homes in greater numbers than those contemplating return to Croatia, where the process is quite difficult. Within Serbia there were 408 registered collective centres, accommodating 30,056 people in 2001. Of this number, 20,949 were refugees, while 9,107 were Internally Displaced Persons (IDPs) from Kosovo-Metohia. About 10,000 lived in unregistered collective centres, while others lived with their relatives or friends, in their own houses and apartments or in rental housing.²⁴

However, the economic situation in a country results from the political context and the politics created by the political leadership. The following section analyses the political conditions in Serbia in the 1990s and explains the role of the elite and political parties in the reshaping of Serbia's institutional context during the post-communist period.

5.3 Post-modernist dictatorship

After the fall of the Berlin wall in 1989, ex-communist countries set out to deconstruct the mechanisms and institutions of complete social and political control which had characterised the old order. In their place they started to try to build durable and pluralist institutions. In Serbia, however, the real shift away from dictatorship to pluralism had not been realised by 2000. The political system had seen the adoption of some of the formal attributes of democracy without the stable institutional underpinning associated with that system (Thomas, 1999). This section aims to analyse the political deviation of the Serbian political system during the 1990s.

There are several definitions of the Serbian political system in the 1990s. Linz and Stepan identified it as being an 'authoritarian system with limited, not responsible, political pluralism, without elaborate and guiding ideology but with distinctive

²⁴ www.srbija.sr.gov.yu/refugees at the time when the website was accessed.

mentalities, without extensive or intensive political mobilisation, except at some points in their development, and in which a leader or small group exercises power within formally ill-defined limits, but actually very predictable ones” (Linz and Stepan, 1996:38). Furthermore, Linz and Stepan described Slobodan Milosevic’s regime in particular as being a ‘sultanist’ regime where “public and private are fused, and there was a strong tendency towards familial power and dynastic succession, there was no distinction between state career and personal relationship to the ruler, and finally there was a lack of rationalized impersonal ideology. Furthermore, economic success depended on personal relationship to the ruler, and the ruler acts only according to his own unchecked discretion” (Linz and Stepan, 1996:52). However, Thomas disagrees with such a definition of the regime in Serbia since it left little room for the competing opposition political parties, independent media and civil initiatives, which despite their evident weaknesses, had been a part of Serbia’s political life in the post-communist period. Instead, “Serbia exists in a classificatory limbo where stunted democratic institutions mix uneasily with authoritarian structures and both of these elements are overshadowed by the sultanist influence of the leader of the ruling party Slobodan Milosevic” (Thomas, 1999:4). Milosevic used ‘nationalist mobilisation’ as a means by which Serbia was kept in a state of ‘permanent revolution’. The fact that the Serbian people were faced by constant threats and crises meant that an ideological vacuum developed in political life where, in the eyes of part of the electorate, the government was not held responsible for its failings and political suitability was assessed on the basis of dedication to the national cause (Thomas, 1999). Mobilisation of bias by the elite based on nationalism resulted in basic issues, such as housing for example, being organised out from political life, and considered less important.

A third definition is given by Prodanovic, who defined the Serbian political system as being a post-modernist dictatorship (2000). “The dominant communist hierarchy (state capitalist/ bureaucratic class) maintained its hegemony through systematic misuse of information and telecommunication technologies and the media to exercise ‘a monopoly of knowledge’. This control of information in large part ‘enabled’ initially informal groups of ‘apparatchiks’ in the former Yugoslavia to induce regional conflicts and war as a principal means of retaining power in the face of

otherwise determining processes of 'transition' (to the market economy and democratic politics) and to create new forms of ruling regime that can best be termed 'post-modern dictatorship'" (Prodanovic, 2000:278). The post-modern dictatorship that has transformed the cities has been characterised by the development of specific instances of selective and fragmented control whereby dictatorial power no longer expressed itself in obvious and visible forms of oppression (Prodanovic, 2000). Ironically, there were visible appearances of a multiparty system and a form of parliamentary life with quite frequent elections and there were also symbols of the market economy with privatised commerce and advertising, giving an impression of an ongoing transition. The frequent elections were usually used to legitimise the ruling regime's reign making the state appear more democratic. Additionally, elections were the mechanism for the relief of the internal pressure made by opposition parties, and for giving an impression of developing democracy. Due to the control of the majority of media, along with electoral law which ruling parties were changing according to their needs, the ruling regime had a significant advantage and so was very keen on the use of elections as a defence tool from opposition parties. However, the opposition parties had significant support from voters, and therefore the ruling parties were trying either to remove them from the political scene by using the media they controlled or to get them into the coalition. Therefore, an analysis of the political parties and their building up, and why they mattered in the post-modern political dictatorship environment, is crucial for any explanation of the political institutional context, and for an explanation of the function of defining the 'rules of the game' that ruling parties overtook from existing institutions.

5.4 Elite and political parties in Serbia in the 1990s

Similarly to Hunter (1958), this thesis argues that there is not only one pyramid of power but a few smaller ones in Belgrade. Depending on the nature of the initiatives, both formal and informal, these elites and subelites participated in the decision-making process. Lazic (2000), who used elitist theories to define the elite in Serbia, analysed the emergence of the new elites and subelites in the post socialist period. According to Lazic (1997), the elite during communism was a collective class, consisting of top party members/politicians, managers of state-owned companies and

the highest military officials, which monopolised in a totalitarian way control over all aspects of society, while other social groups had no power for collective action. The ruling elite in communism had control over all resources – economic, political and cultural. This fusion of control over economic, political and cultural systems also characterised the beginning of the transformation of Serbian society in the late 1980s. The emerging elite consisted of members of the previous hierarchy who converted previously accumulated political capital into economic capital, and became entrepreneurs and managers; intellectuals converted their cultural and social capital into political capital and became leaders of political parties (Lazic, 2000). In addition to the various members of the previous elite such as Milosevic himself that converted various capitals from the previous system, the transformation process was characterised also by growing subelites that were also converting their capital. They found it easier to succeed due to the lack of direct connections with the previous regime, and they were becoming an entrepreneurial and political elite. Those conversions of capital were very often illegal, and in order to keep its position the new elite blocked the full transformation of Serbian society (Lazic, 2000).

Contrary to Hunter who defined the elite in Atlanta as coming from powerful business organisations such as banks, in Serbia the elite could be defined through political organisations. It can be argued that the members of the elite in Serbia in the 1990s included Slobodan Milosevic, members of the federal and republic governments (ministers, MPs and various advisors) and the leadership of his party. Contrary to Hunter's Atlanta which had a strong business elite, most of the political elite members in Serbia were becoming the business elite by getting managerial positions in the state-owned companies as a result of party membership. Subelites are also defined through political organisations. All leaders as well as the leaderships of the opposition parties represented in Parliament and/or the city government are considered as subelites.

A majority of the relevant political parties in Serbia formed mainly in 1989 and 1990 managed to, in less than a decade, build up and set up 'capillary' organisations countrywide, despite a string of financial, personnel and institutional difficulties (Goati, 1999). Goati (1999) suggests that it is safe to consider these parties

institutionalised in the sense used by Richard Rose and Thomas Mackie (1988:536), who argue that a party is institutionalised if it has contested national elections more than three times. Political life in Serbia and Belgrade was marked by the existence of many political parties that were taking part in elections. The ruling regime deliberately initiated the formation of many parties for two reasons: first, to confuse the electoral body, and by showing them the weaknesses of new parties to persuade them that they are the only appropriate party; second, to prove the existence of democracy by having a multiparty system.²⁵ However, there are only six parties that could be put under the category of 'institutionalised'. Parties that were ruling on the national level from 1989 to 2000, sometimes independently and sometimes in coalition, as well as at city level, from 1989 to 1996, were the Socialist Party of Serbia (SPS), the Serbian Radical Party (SRS) and the United Yugoslav Left (JUL). JUL cannot be considered being an institutionalised party since it has not participated three or more times independently in elections. Still, due to the marriage relationship between Slobodan Milosevic and Mirjana Markovic, leaders of the parties, JUL was mostly in coalition with the SPS which granted those seats in Parliament as well as a few Ministry positions.

The Socialist Party of Serbia (SPS) is a party that emerged from League of Serbian Communists and led by Slobodan Milosevic. It was a party with an official communist infrastructure and ideology, created by members of the former communist elite. Due to the inherited well-organised infrastructure, the SPS had an immediate advantage in politics, compared to other parties that had to develop their organisation, attract memberships, and develop statutes and rules. The SPS inherited not only the buildings, funds and organisation from the previous communist party, but it inherited the membership, including powerful members from the army and the police as well as managers from public companies. However, the SPS was different from its communist predecessors in its policy. Contrary to the politics of ethnic tolerance, developed by communists, the SPS, as well as leading parties from other former Yugoslav Republics, started 'nationalist mobilisation'. Milosevic, using his charisma, started spreading nationalism and mobilising political bias, arguing that

²⁵ In the period between November 1989 and the end of 1990, 50 political parties were established. This number increased to 160 at the beginning of 1996, while in 2001 there were 230 registered political parties in Serbia (Goati, 2004).

Serbs were economically and politically disadvantaged compared to the other ex-Yugoslav nations. This became his major political weapon for getting popular support for the coming civil wars. Milosevic's popularity was rapidly increasing due to the control over media which the SPS inherited from its predecessors, which became his strongest mobilising weapon. There were few independent media that existed at the time, and these were powerless compared to the massive state-owned and SPS-controlled media and propaganda machinery. In addition to control over media, Milosevic took control of the army and the police, which made him the most powerful person in the country.

The SPS was always supported in its politics by the United Yugoslav Left (JUL), party established by Milosevic's wife Mirjana Markovic. The program and ideology of the JUL was closest to the authoritarian communism in the former Soviet Union. It is not represented in Table 9 because it had not managed to get into Parliament independently but always as a coalition partner of the SPS. Due to the seats in Parliament and Ministry positions that the JUL was getting due to the marriage connections of its leader to Milosevic, it became very influential and powerful, especially in the business community.

The third party that was occasionally in coalition with the SPS, but always represented in Parliament, was the Serbian Radical Party (SRS), an ultranationalist right party led by Vojislav Seselj. Although it represented itself as being an opposition party to the SPS, the SRS actually supported the SPS in its politics whenever it was necessary, justifying such support with the idea of the nation being endangered by the international community. They also formed coalition governments after elections in 1996 and 1997. Additionally, the SRS was sponsored and bolstered by the SPS as a shield for its nationalistic policies (Thomas, 1999). The SRS was particularly popular among refugees due to the promises it gave out on fighting to get back the territories that were lost during the civil wars.

On the opposition side, the most influential opposition party at the beginning of the 1990s was the Serbia Renewal Movement (SPO), led by its charismatic leader Vuk

Draskovic. Established in January 1990, it was a nationalist party at the beginning, but it moved towards the centre in the mid 1990s. Another prominent and very active opposition party was the Democratic Party (DS), established by Dragoljub Micunovic on 3rd of February 1990. Zoran Djindjic took over the leadership in 1992. The DS is a centre-right orientated party with a pro-European program and mobilised the intellectual elite in Serbia. The Democratic Party of Serbia (DSS) was a small pro-nationalist opposition party formed by a fraction of the DS, led by Vojislav Kostunica in May 1992, but it only took part in elections in 1992 and 1993, after which it boycotted them due to an irregular electoral process. Another party that was very active, although small in size, was the Civic Alliance for Serbia (GSS) with a pro-European program, led first by Vesna Pesic, and then by Goran Svilanovic. It had been always in coalition with the DS and occasionally with the SPO when the broader coalition blocks were formed. The majority of the leaders of the opposition parties belonged to the intellectual subelite during communism which they were criticising and to which they were opposed.

Apart from analysing different orientations among parliamentary parties, it is also important to analyse how those parties performed in elections and the effects of the electoral patterns on institutions. Frequent elections were held but under conditions which were determined by the ruling party (Thomas, 1999). According to Thomas, the political dominance of the electoral system whereby contests are weighted in favour of the ruling party meant that the 'democratic bargain' did not function properly. Opposition parties did not have a guarantee that they would have a fair and legally equal chance of contesting the dominance of the political scene by the ruling party, which had fused its power structures with those of the state. Furthermore, civil society remained weak and under constant harassment by the ruling elite (Thomas, 1999).

Table 9: Political parties and votes (%) on Parliamentary elections 1990-2000

Parties	Orientation	Votes in per cent
Serbian Socialist Party (SPS)	From pro communist to nationalist	46.1 (1990)
formerly League of Serbian Communists (SKS)		28.8 (1992)
led by Slobodan Milosevic		36.7 (1993)
		34.3 (1997)*
		13.2 (2000)
Serbian Renewal Movement (SPO)	From the ultra-nationalist in 1990 to pro royalist centre-right in 2000	15.8 (1990)
Organised in January 1990 and led by Vuk Draskovic		16.9 (1992)**
		16.6 (1993)**
		19.2 (1997)***
		3.5 (2000)
Serbian Radical Party (SRS)	Militant ultra-nationalist party	
led by Vojislav Seselj		22.6 (1992)
(sponsored and bolstered by Milosevic regime as a shield for its nationalist policies)		13.8 (1993)
		28.1 (1997)
		8.6 (2000)
Democratic Party (DS)	Pro-European rightist party	7.4 (1990)
(founded on 3rd February 1990, led first by Dragoljub Micunovic, than by Zoran Djindjic)		16.9 (1992)**
		5.1 (1993)
		Boycott
		64.7 (2000)***
Democratic Party of Serbia (DSS)	Small right wing party	
in May 1992 left DS and joined DEPOS for '92 elections led by Vojislav Kostunica		16.9 (1992)**
		5.1 (1993)
		Boycott
		64.7 (2000)***
Democratic Community of Hungarians in Vojvodina (DZVM) ****		2.6 (1990)
		3.0 (1992)
		Boycott
		64.7 (2000)***
*Coalition of SPS, Yugoslav United Left (JUL) and New Democracy (ND)		
** Alliance of DEPOS - Democratic Opposition of Serbia against Milosevic		
***DOS - coalition of 17 opposition parties		
**** Democratic Community of Hungarians in Vojvodina (DZVM) who represents Hungarian ethnic minority was participating in elections		

Source: www.cesid.org.yu

Opposition parties tried various strategies for elections, but were failing on the national level. Beyond the control of institutions by the ruling elite, and the lack of accessibility to the media, another reason for this failure was that they could not have based their strategies on social and economic development programs. Due to the civil wars, they had to play on nationalist strategies in the same way as the ruling parties. In addition, the proportional electoral system provided the ruling party with a certain number of seats in Parliament for many years. Although this system is the most common of all electoral systems, because it is designed to elevate minority parties, in Serbia it was not working due to the boycott of elections by Albanian parties in the province of Kosovo. The boycott by Albanian parties resulted in the taking over of their seats by the ruling regime.

Due to the frequent elections and political trading for positions between political parties, institutions started losing their continuity. The major political institutions like Parliament were constantly changing and this was followed by changes in laws passed as well as rules and routines, which created an uncertain institutional and legal atmosphere, and subsequently produced grounds for the flourishing of informal links influencing decision-making.

5.5 Electoral patterns in Serbia during 1990s

From 1989 to 2000 there were four elections at the Republic level, three at federal level and three at the local level in Serbia (see Appendix 3 for information on electoral turnouts and political parties' success). At the local level, the opposition took over certain municipalities. This provoked the ruling regime to keep changing laws to try to hinder them as much as possible. This section addresses the way political institutions were affected by frequent elections and the resultant emergence of new values and rules.

5.5.1 Federal and Republic elections

The first Serbian multiparty elections, held in 1990, were characterised by the spread of nationalist euphoria and xenophobia in Serbia due to the increasing ethnic tensions in Croatia and Bosnia and Herzegovina. Opposition parties forced the Socialists to organise elections on the tide of euphoria about the fall of communism in other Former Yugoslav republics, and were positive of their own victory. Opposition parties failed to react to the fact that the media and public information were controlled by the SPS which was running propaganda against any reformist or civic option. The opposition experienced complete disaster and did not win any seats in Parliament.²⁶ The nationalist political option, personified in Slobodan Milosevic, won convincingly in the elections. In spite of election irregularities implied by the Organisation for European Security and Development (OESD) observers, the opposition was unable to prove them in any institution. This resulted in the creation of a belief concerning the invincibility of Slobodan Milosevic among voters (Stevanovic, 1998). This invincibility was also derived from the exercise of power through a disrespect of law and the institution of free elections. Since Milosevic held control over the secret as well as national police, and already controlled the army, he set his own rules as the major sources of power and enforcement were in his hands.

The next elections were before schedule and held in 1992 in the context of civil war in neighbouring republics and under an atmosphere of economic and political sanctions imposed by the international community and the UN. The opposition took part in the election and united into the Democratic Movement of Serbia (DEPOS), led by Milan Panic, a Serbian businessman from the United States. The DS and the GSS took part independently. Although 62% of Belgrade's citizens, approximately 20% of the electoral body, voted for Milan Panic, and Milosevic's number of votes

²⁶As a result of the collapse in the elections, the opposition parties decided to form a coalition – the United Opposition of Serbia. They made an agreement that every opposition party would support the candidate that won the most votes in the voting district in the first round. After that agreement, the opposition had 23.4 % of votes as opposed to 76.7% won by the SPS (Goati, 1999).

decreased by one million compared to the 1990 election, he won again and remained the president of Serbia.

Elections in 1993 were also marked by nationalism and xenophobia.²⁷ Opposition parties united under the DEPOS. At this point, the SPO moved from the right towards the centre, the DS from the centre to the right and the GSS left the coalition. This incoherence of opposition parties and change of orientations resulted in a convincing victory for the Socialists who won approximately 21% more votes than in the previous election (Goati, 1999). However, for this election the mobilisation of bias based on nationalism was again used by the ruling elite as the winning mechanism.

In 1995 Milosevic signed the Dayton agreement, marking the end of war in Bosnia. The United States and the European Union politicians called Milosevic a peacemaker and 'the factor of peace and stability in the region', which strengthened his already powerful position on the national political scene making him even more unbeatable in elections by the opposition.

In 1996, once again the SPO, the DS and the GSS formed a coalition, this time called 'Zajedno' (Together) in order to take part in the forthcoming 16th November federal and local elections. Due to the huge disappointment of voters in the previous election, Belgrade experienced the highest level of abstentions among voters. 37.35 % refused to vote and the SPS in coalition with the JUL won 38.15% of the vote. At the federal level, the coalition 'Together' won only 22.5% of votes compared with the 47.3% won in elections in 1993 which also implied a decreasing popularity among voters, and the Socialists won 42.9% (Goati, 1999).

Republic and Serbian presidential elections in 1997 were held under peaceful conditions. Milosevic, who in the meantime shifted from the position of President of the Republic of Serbia to the President of Yugoslavia, based his party campaign on

²⁷ The ruling regime blamed the international community, especially the United States and the European Union for the 'genocidal sanctions' imposed that resulted in the deterioration of the economic situation as well as for wars in surrounding countries.

economic growth realising that he could not play on nationalism at that time. The DS and the GSS decided to boycott the elections because of the newly passed electoral law that favoured the regime and restricted opposition access to the media for campaign purposes. The leader of the SPO, Vuk Draskovic, took part in the elections, despite the bad public polls and appeals from the other opposition parties to boycott. Understandably, the SPO lost the presidential election without its candidate passing into the second round. The SPO won approximately 50% of 824,674 votes won in the 1990 election (Cesid, 1998). The failure of Vuk Draskovic and his party was explained as a response of citizens towards the SPO's bad governance of Belgrade, illegal building, and the corruption in which they were involved.

Additionally, on 23rd March 1999, due to the war in Kosovo, NATO decided to intervene and bomb Yugoslavia. Belgrade and the rest of the country were bombed for 78 days. Many civilians were killed, and many buildings were destroyed or damaged. In the internal political scene, Milosevic's position among his voters had strengthened, as he was a 'defender' of the country against the entire international community.

The next elections were called for 24th September 2000, a year and a half after the NATO intervention. Seventeen opposition parties from all over Serbia, with the exception of the SPO, joined into the Democratic Opposition of Serbia (Demokratska Opozicija Srbije, DOS), and defeated Milosevic at the federal and local level. The regime refused to accept the results and hand over power. As a response, the DOS organised the uprising and demonstrations of more than one million people in Belgrade on the 5th October 2000 which brought the removal of Slobodan Milosevic's regime from power. Milosevic himself was arrested and extradited to the International Criminal Tribunal for the former Yugoslavia located in The Hague, Netherlands in June 2001.

5.5.2 Elections in Belgrade

Belgrade had experienced to some extent different election outcomes and consequently different parties had governed it. In Belgrade in 1990, the opposition won significantly more votes than in the republican elections. The ratio was 35.71% for the opposition versus 64.9% for the Socialist party. There was also a difference in results among Belgrade's municipalities. In the inter-urban municipalities Vracar, Savski Venac, Stari Grad as well as the parts of Palilula and Vozdovac, closer to central Belgrade, the United Opposition of Serbia won 62% and SPS 38% of votes (Stevanovic, 1998). However, in 1992 at the local council level, the situation changed slightly in favour of the opposition. In addition to the three central municipalities the opposition ran since the previous elections, Vozdovac and Zvezdra were also taken by the opposition. In the remaining eleven municipalities, the Socialists retained the majority. At the city level, the government remained under Socialist control. The DEPOS had 18 representatives and the DS 8 as opposed to the SPS who had 60 and the extreme right wing SRS who had 9 (Table 10).

Table 10: Number of representatives by Parties in Belgrade's City Council, 1992-2000

Parties	1992	1996	2000
SPS (Socialist Party of Serbia)	60	24	4
SRS (Serbian Radical Party)	9	17	1
DEPOS	18		
DS (Democratic Party)	8		
DSS (Democratic Party of Serbia)		2	
Together		67	
DOS			105
OTHER	5		
TOTAL	100	110	110

Due to the growing power of opposition parties in the capital, the regime had decided to try to prevent this. Consequently, the 'post-modernist' regime imposed forced receivership in opposition-run municipalities and took control over all media including Belgrade's independent TV station Studio B, leaving the capital without any independent electronic media.

The next local elections were held in November 1996, when at the second round the opposition coalition won a majority in 27 Serbian cities, which came as a big surprise for both the opposition and the Socialists. However, Milosevic decided to annul the elections and to proclaim the victory of the socialists the day after he recognised the opposition victory (Thomas, 1999). Since he and his party controlled the judiciary and the electoral commissions, it was easy to ignore the voters' will and to impose his own rules of the game. Again, the basic institution of democracy, free elections, was ignored and informal rules were imposed. The signal sent to voters was that the elite was stronger than formal institutions, and that they can change the rules in accordance with their needs.

Nevertheless, rigging the elections mobilised the citizens to react and to start demonstrating against the violation of their basic human rights. Eighty-eight days of continuous all-day demonstrations on the streets of all Serbian cities²⁸, and the boycott and closure of Belgrade forced the SPS and the JUL to hand over power in the cities to the opposition. Consequently, the Belgrade City assembly was composed of 67 municipalities from the opposition coalition 'Together', 24 Socialists, 17 municipalities from the Serbian Radical Party and 2 from the Democratic Party of Serbia (Table 10). The opposition won the majority in most of Belgrade's municipalities, apart from Zemun, where the nationalist Radical Party won power.²⁹

However, the Socialists were the majority in the Serbian Parliament that passed the laws and controlled the judicial system, the police and all state-owned enterprises in the country which enabled them to use all means to prevent the proper functioning of the city government. One of the many blockages by the Republic government was, for example, not to allow buses intended for public transport, that were donated from the German government to the opposition government, to pass the border. The Socialists and the JUL also closed an open market in the New Belgrade council

²⁸ Although the regime used brutal police force many times, it did not stop citizens from demonstrating on a daily basis in order to get their political will respected.

²⁹ That was explained by the huge numbers of refugees from Croatia and Bosnia and Herzegovina, who lived in Zemun and voted for the leader Vojislav Seselj, due to his nationalistic promises that the Radical party would return lost territories and help them back to their houses in Croatia and Bosnia and Herzegovina.

(Buvljak) that was the most profitable city enterprise at the time, in order to prevent the City getting tax revenue from it.

That was not the only problem facing Belgrade's citizens. Due to the conflict between the leaders of the SPO, Vuk Draskovic, and leader of the DS, Zoran Djindjic, the coalition 'Together' disintegrated. Djindjic, who was voted in as mayor on 21st February 1997 by the city assembly, was dismissed on 30th September 1997, after only six months. The Serbian Renewal Movement, supported by the Socialists and the Radical Party, voted in Vojislav Mihajlovic, the SPO's member, as mayor (Table 11).

In this way, the opposition party created a coalition with ruling parties in order to fulfil its interests at the city level. Due to this exception made by the ruling regime towards the SPO and the informal coalition in the city government, it could be argued that the SPO was doing nothing to stop the elite, especially in Dedinje, from building illegally in order keep their support in the city assembly. Belgrade's citizens reacted to this with demonstrations but these demonstrations were brutally stopped after only two days.

Table 11: Mayors of Belgrade and their party memberships

Mayor	Party	Year
Aleksandar Bakocevic	Socialist Party of Serbia	1986 - 1990
Milorad Unkovic	Socialist Party of Serbia	1990 - 1993
Slobodanka Gruden	Socialist Party of Serbia	1993 - 1994
Nebojsa Covic	Socialist Party of Serbia	1994 - 1997
Zoran Djindjic	Democratic Party	21. 2. 1997 - 30. 9. 1997
Vojislav Mihailovic	Serbian Renewal Movement	22. 1. 1998 - 5. 10. 2000
Milan St. Protic	DOS	5. 10. 2000 - 20. 3. 2001
Radmila Hrustanovic	DOS	1. 6. 2001- 2004
Nenad Bogdanovic	Democratic Party	2004 onwards

Personnel changes also occurred in all city institutions for the second time in six months. Immediately the members of parties that were in opposition to the SPO, which was now governing the city, were replaced by SPO members. Following this, city institutions were shaken again, and the new rules created were in accordance with the ruling politics. A special 3% tax, paid only by Belgrade residents, and which

was removed by Djindjic, was re-imposed by Mihailovic's government. The city was on the edge of collapse. All communal services, including public transport, were in poor condition. The SPO was not able to govern the city, and blamed the Socialists for its failure, arguing that they suffered constant blocking from the Republic institutions, particularly with regard to budget and legal support. However, the same SPS was enabling the SPO's majority in the city assembly where they had an informal coalition. At the municipalities' level, the SPO stayed in power together with Democrats.

The situation got worse after the failure of Vuk Draskovic to become president in elections in 1997. "...On the city level, the chaos was even bigger. Belgrade's Public Transport Company was constantly on strike. The project for the renewal of Sava's banks and city centre 'Euro polis' has never started but it was repeatedly misused for propaganda for elections. Living standards were at the bottom of Europe, and the young and educated were emigrating abroad, due to the failure of their hopes in the opposition and their ability to change the regime" (Stevanovic, 1998:30). All aspects of urban infrastructure were impoverished - housing, transport, public health, crime prevention, and overall planning regulation. Due to the lack of minimum information about civil society and political urban options, citizens were not reacting against the ruling regime on a broader scale. "The official media was mainly engaged in politically vulgar propaganda, disguising the real destruction occurring in urban economy and social life" (Prodanovic, 2000:279).

The change occurred in 2000, when Milosevic was removed from power. At the city level the DOS won 105 out of 110 seats in the City Hall, the Socialist party four and the Radicals only one. The SPO did not pass the minimum quota which resulted in their shift back to opposition, without any seats won at any level. It was explained as a punishment for the corruption and illegal building while they were ruling. The DOS took power in all sixteen of Belgrade's municipalities

5.5.3 Illegality and elections

On the subject of illegal building and politicians at the city level, in 1994 the Mayor of Belgrade, Slobodanka Gruden (SPS), was dismissed due to her involvement in scandal with Dafiment Bank (a pyramidal bank that defrauded thousands of savers in Serbia) and illegal building. This was the first official scandal about illegal building in Belgrade. The next Mayor was Nebojsa Covic, again a member of the SPS. When he became the major, Covic's first promise to voters was that he would destroy the so-called 'urbanistic' mafia. This was the first public mention of the rapidly growing problem of illegal building in Belgrade. However, Covic never made much effort to stop the problem.

With the change of political parties on power in 1996, the number of illegally built objects increased to 200,000, at 15.95%, the highest ever increase over a three-year period (Andjelkovic, 2001). The city government as well as the municipalities realised that an alternative way of funding, not only for the city but also their parties and themselves personally, was to sell the most profitable resource of the city - building land. They did not block illegal building, the profits from which were enormous (Petovar, 2001). One could speculate that part of the bribe money for building permits was going to party funds. Many political parties were acquiring significant headquarters, offices and other assets for their parties. However, this is difficult to prove due to the lack of regulation of the financing of political parties at the time. The SPO together with the DS were controlling most of the local municipalities, which were responsible for the issuing of building permits for individual housing as well as for temporary objects including kiosks. Illegal residential construction and the boom in the number of kiosks were associated mostly with these parties. Additionally, the same increase in illegal developments characterised Zemun which was controlled by the Radical party. This implied that illegal building was not only associated with the elite but also with subelites.

Furthermore, the ruling regime did not act to prevent this chaos and misuse of position in spite of having all the necessary instruments to do so. It was in the interest of the regime, apart from gaining properties themselves, to discredit the city government, private ownership and the market economy. It was in the regime's political interest to allow opposition parties to break laws and show their corrupt behaviour, so one could have said to Belgrade's citizens "...this is democracy, you got what you asked for. Look what local government and private builders do!" (Stevanovic, 1998:30). They deliberately organised out the question of blocking illegal building from politics. On the other side, as suggested by Petovar "for the parties in city government, building land was the golden mine. They were using it to the maximum, without taking future political and economic consequences into consideration" (2003: 29). The opposition parties also mobilised out the illegal building, but argued that they could not have stopped it due to the lack of support from the central government (Cotric, 2001).

5.6 The Housing Sector in Transition

The newly created political and economic systems resulted in a lack of housing provision and enabled privileges in housing for the ruling elite. The same elite whose action potential was the biggest in the deconstruction of institutional inheritance had contributed to the further institutional breakdown of the housing system by neglecting its deregulation and by a tolerant attitude towards illegal building. Together with the overall economic fall, it had resulted in an increased problem in terms of access to housing. Consequently, during the 1990s, "the population from all social levels got involved into illegal building but with different positions in terms of future ability and access to legalisation of the houses" (Petrovic, 2002:137). Furthermore, Petrovic argues that housing was absorbing the shocks of economic collapse to an even greater extent than was the case in other post-communist societies.

GDP decreased by 35% over the past decade and the construction sector's contribution to GDP diminished by 65% (UN Habitat, 2001). Given the sudden

decline in the building sector, combined with an annual growth of 50,000 persons per year (Federal Statistics Office, 2001), and with the influx of refugees, a huge housing deficit was created in Serbia. The slowdown was much bigger in the socially-owned housing sector than in the private sector (Table 12). New laws and procedures on housing were made to boost private sector production of housing, but the government additionally stopped the building of affordable housing for low-income households and vulnerable groups.

Table 12: Legal Collective and Individual building in Belgrade (1990-2000)

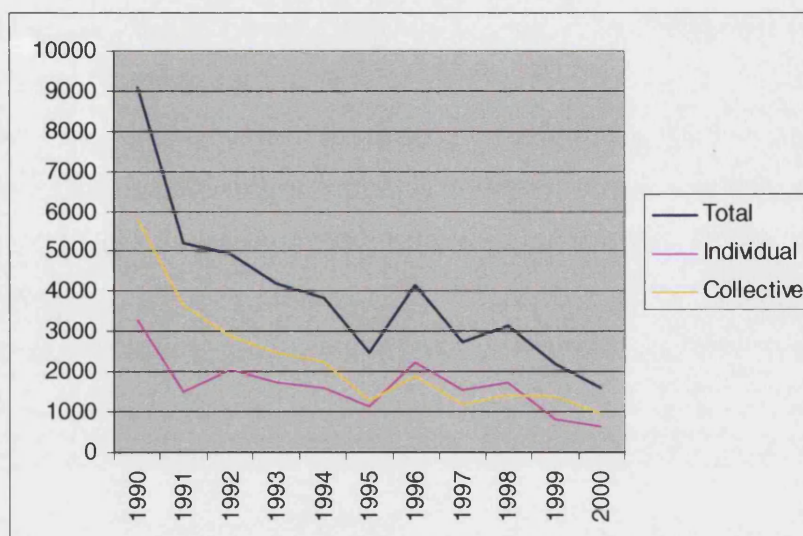
	Total	Individual	Collective
1990	9084	3293	5791
1991	5188	1516	3672
1992	4926	2045	2881
1993	4202	1723	2479
1994	3850	1606	2244
1995	2448	1151	1297
1996	4134	2255	1879
1997	2739	1567	1172
1998	3139	1731	1408
1999	2196	817	1379
2000	1577	619	958

Source: The First Results of 2002 Census, Federal Statistics Office, 2001

The quantity of legally built individual housing decreased by 81%, and collective even more, by 83% (Table 12, Figure 3) in Belgrade over ten years.³⁰

³⁰ A discussion of changes in population and housing indices is given in Appendix 4.

Figure 3: Decrease of legal construction in Belgrade (1990-2000)



Although housing problems were largely ignored by the then government, “housing privatisation was one of the channels used by the political elite to transfer state owned capital into private hands” (Petrovic, 2002:139). The law on privatisation of state owned flats was passed in 1990, and the issue of de-nationalisation and restitution was not considered.³¹ The privatisation price of the flats was based on a calculation of the revalorised construction cost of the flat without taking the location value into consideration. Although the privatisation price of the flats was approximately 30% of their market value, the privatisation was not undertaken on a large scale because although undervalued, flats were still too expensive for the majority of citizens (Petrovic, 2002).³²

The next law on Privatisation of Housing was passed in 1992 and combined with hyperinflation it enabled 90% of socially owned housing to be privatised (Petrovic, 2002).³³ However it has to be added that neither of these laws specified or established the institutional body or necessary agency that would have been in charge

³¹ Law on Housing Issues published in Official Bulletin of Republic of Serbia 1990 (12) and 1992 (50).

³² Petrovic (2002) emphasises that although she tried to get information on the numbers of flats privatised, no institution, including the Ministry for Construction, nor public enterprises, were able to provide any. This is an indicator of the institutional confusion under which privatisation was carried out .

³³ 60sq m property could have been bought from the state for approximately £35.00 in Belgrade in 1993.

for investing the resources collected from privatisation into new housing provision as was the case in other Eastern European countries. The law did not define the necessary goals of housing politics, and the role of the state was vaguely defined as supportive to new mechanisms for housing provision that would need to be established in the future. Another obligation of the state was to provide affordable housing for people on social benefits.

Nevertheless, Petovar argues that the law did not incorporate any new approaches in housing politics, since housing provision remained the obligation of public enterprises, which was in direct opposition with the definition of the role of the state in housing provision defined by the same law (2003). The enterprises kept the role of the main provider of housing, which meant that housing was again dependent on employment criteria, as was the case during the self-management period. Given that there was 50% unemployment, this raised the question of how unemployed residents without housing would solve their housing problems. Additionally, every enterprise had to participate in 15% of the building costs, which under the given economic circumstances became impossible for most public companies. Therefore, only employees that had monopolistic managerial positions had access to those affordable flats, or so-called flats of solidarity, but not the employees who really needed them (Petrovic, 2002). Petrovic adds that the principles used for distribution of the solidarity housing at the city level³⁴ were not defined with social criteria. Additionally, the law allowed privatisation of the solidarity flats but the resources gained from this were not used for the provision of new solidarity flats for socially disadvantaged groups (2002).

In addition to the obligation of the enterprises to provide housing to their employees through solidarity flats, the local councils were responsible for providing social housing as they were during the self-management system where housing was provided by self-management communes. Local councils did not have necessary funds, and they were supposed to collect funds for it through privatisation of housing that had not been privatised. Most of the non-privatised flats were engaged by the

³⁴ Official Bulletin of Belgrade 1996/ 1997.

tenants with the legal right to live in them and those properties could not have been privatised or sold. Local municipalities were thus left without institutional support or the necessary resources to provide needed social housing. Furthermore, after the loss of power at the local level in elections in 1996, the Republic government centralised all funds and sources of income, leaving local councils almost without any income. The rents from non-privatised housing were very low, since they were determined on the same non-economic basis as was the case during self-management. Additionally, the city government did not have much income from local tax and communal charges since most of the citizens were not capable of paying it or were refusing to pay it as a way of civil protest against the government which was not providing them with jobs to earn incomes³⁵.

The housing sector was not supported by a sound financial policy. Banks were not providing housing mortgages. The only exception was Beobanka, which provided very affordable mortgages not for the general public, but only to members of the ruling elite (Petrovic, 2002).

Political parties also did not include housing problems and possible solutions on their agendas, which was confirmed in interviews done with members of city ruling parties at the time (Interviews 11, 14, 15, 18, 2001), although some of them (the DS and the GSS) were using the 'fight against illegal building' as one of the arguments in their pre-election campaigns. The problem of housing was kept covert, and it was organised out from politics. The only political party that took into consideration economic difficulties that citizens had been meeting in providing housing was the SPS but only as a part of the 2000 election campaign propaganda, in which the SPS promised to build 10,000 new apartments for young couples. That promise was based on an assumption that banks would provide mortgages with a 5% annual interest rate (Jovicic, 2000). Although many economists and analysts were arguing that this program was economically unsustainable³⁶ and that it was used as a part of political

³⁵ The Democratic Party started this protest in 1996 that called on citizens to boycott all duties towards the state that was failing to provide them with basic needs.

³⁶ The mortgage conditions were affordable and the calculated price of £259/sq m on average (based on building costs and state subsidised communal infrastructure) was also low. However, the monthly mortgage was predicted to be around £60, which was still not affordable for the majority of citizens under the given

marketing, 25,000 young couples applied for the program, although it was not even specified at which locations housing would be built (Petrovic, 2002). Additionally, the SPS itself was aware of the program being too ambitious and subsequently gave an advantage for applications to couples who were able to pay for the whole apartment without taking mortgages. That would enable the SPS to get initial funds to start the program by finishing buildings that public enterprises started to build, but never finished due to lack of financial resources. However, there are no data on how many couples gave money for these apartments, although the first moving-ins were promised for 15th September 2000, a week before the elections, which did not happen.

5.7 Illegal building and Usurpation

As a result of the overall economic environment, lack of political response and lack of proper government intervention in housing provision in the 1990s, the housing shortage became critical in Belgrade. The residents had turned to various methods of housing provision, most of them being illegal. Additionally, a new layer of entrepreneurs and developers emerged. They realised that huge profits could be gained by housing provision in Belgrade and illegal building acquired another face, that of usurpation. Usurpation is illegal construction, but this time on publicly owned land and in public spaces. In the 1990s, public spaces like parks and public objects and parcels in private ownership had been 'attacked' by developers and investors building on another property, leading to them being legalised as private properties (Petovar, 2003). The most common examples of this are kiosks, built in parks, on riverbanks, in the backyards of public buildings and on pavements, which prevented safe passage for pedestrians.

Illegal construction and usurpation were constantly increasing in the 1990s. In 1995 there was more than double the number of illegally built objects compared to legally built ones, and in 1996 the number was equal. Privatisation of the housing stock boosted illegal construction in the central areas, especially after 1997, when the City

economic circumstances. In order to overcome this obstacle, program initiators were considering including extended family members into the repayment scheme (Jovicic, 2000)

government made a decision on the reconstruction of buildings. This decision allowed developers to build in common rooms of buildings, lofts or to make extensions if they got 51% of residents of the building to sign an approval. Consequently, illegal building, characteristic of suburban areas during communism, escalated in the central areas of Belgrade. Moreover, 90% of Belgrade's building had not been registered in the cadastre which meant the sale of illegal objects was legal without obstacles.³⁷ It had encouraged the creation of a secondary real estate market for illegally built objects and attracted developers to build and sell on an even larger scale. Additionally, the Law on Building was allowing the connection of built objects, without building permits, to the electricity network, water and sewage systems. It treated illegal building as a violation of law but not as a criminal violation. Therefore, illegal builders knew that the maximum penalty they could get was to pay fines which were also very low since hyperinflation was decreasing the value of money on an hourly basis.

Although illegal buildings are visible everywhere around Belgrade, it is very difficult to represent the extent of them statistically, especially for illegally built extensions. The Town Planning Institute collected statistics but these were mostly partial for the needs of the regulatory plans they were creating. As suggested by Petrovic, the creation of partial urban plans was forced, mostly for the purpose of legalising illegally built objects in elite areas of the city such as Dedinje (2002). The Secretariat for Property Rights and Construction Affairs also had its own internal statistics (Table 13). According to their data it can be seen that the highest number of illegal buildings was in the local council of Zemun, and the highest increase in illegal building was in Novi Beograd. On average, illegal building increased by 41.31% in urban local councils. The total number of illegal buildings was 96,410.

³⁷ www.beograd.org.yu; www.beoland.co.yu

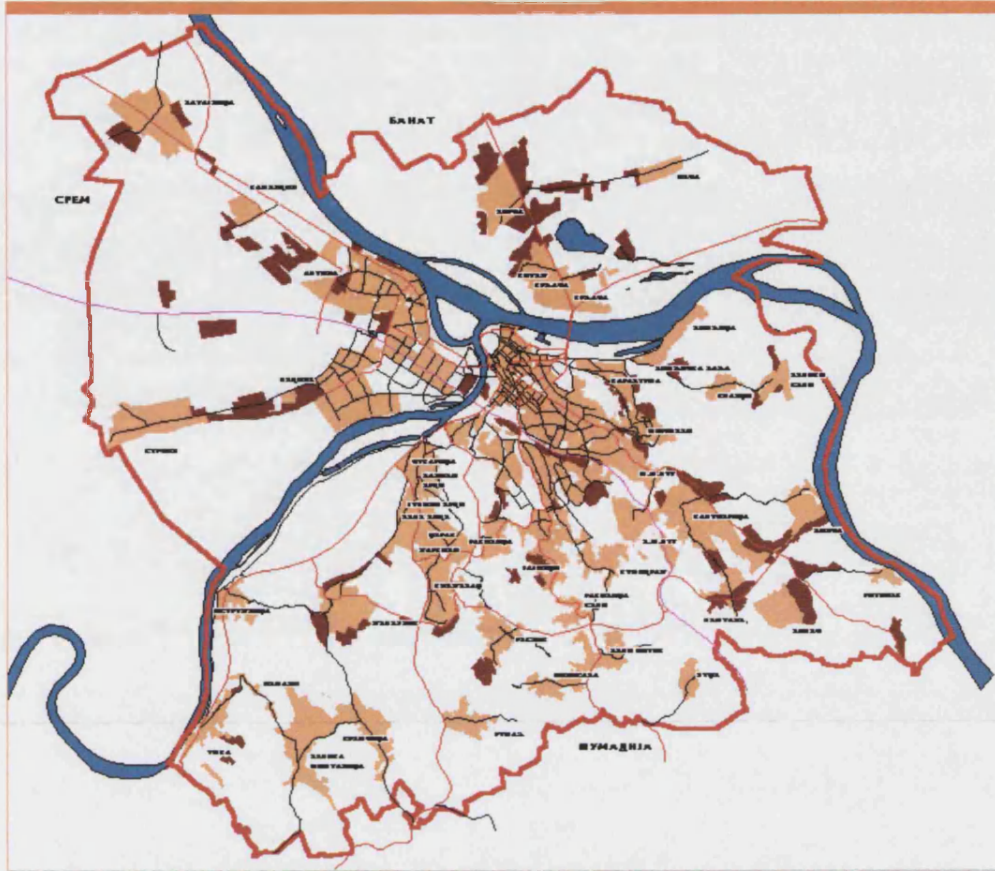
Table 13: Increase of illegal building in Belgrade (1994 – 2000)

COUNCILS	1994	1995	1996	1997	1998	1999	2000	% change
City Councils								
Zemun	14,890	15,390	15,912	16,738	17,307	17,691	17,970	20.69
Cukarica	9,348	9,947	10,447	11,184	11,657	12,117	12,444	33.12
Palilula	8,561	9,399	10,124	10,983	11,405	11,631	12,491	45.91
Zvezdara	6,829	7,039	7,432	7,940	8,137	8,733	9,239	35.29
Vozdovac	4,647	5,723	6,434	6,982	7,338	7,555	7,881	69.59
Novi Beograd	2,441	3,011	3,594	4,288	4,583	4,730	4,983	104.14
Rakovica	2,233	2,544	2,939	3,329	3,536	3,243	3,448	54.41
Savski Venac	2,046	2,121	2,099	2,081	2,069	2,091	2,262	10.56
Stari Grad	828	951	1,107	1,204	1,345	1,422	1,604	93.72
Vracar	522	678	862	1,132	1,295	1,474	1,646	215.33
Total	52,345	56,798	60,950	65,861	68,672	70,687	73,968	41.31
Suburban Councils								
Grocka	9,246	9,912	10,478	10,789	10,891	11,064	11,246	21.63
Barajevo	3,233	3,222	3,224	3,295	3,349	3,323	3,359	3.90
Sopot	2,237	2,304	2,365	2,401	2,426	2,430	2,487	11.18
Mladenovac	1,637	1,700	1,819	2,011	2,092	2,099	2,141	30.79
Obrenovac	1,431	1,644	1,597	1,711	1,774	1,893	2,018	41.02
Lazarevac	1,109	1,119	1,137	1,149	1,149	1,156	1,191	7.39
Total	18,893	19,901	20,620	21,356	21,681	21,965	22,442	18.78
Total Councils	16	71,238	76,699	81,570	87,217	92,652	96,410	35.34

Source: Internal data of Secretariat for Property Rights and Construction Affairs (2001)

The number of these objects is still unknown, but they are all around the city and have become a main feature of Belgrade's identity. The extent of the illegal building is presented on Map 1 and Map 2, both made by the Town Planning Institute.

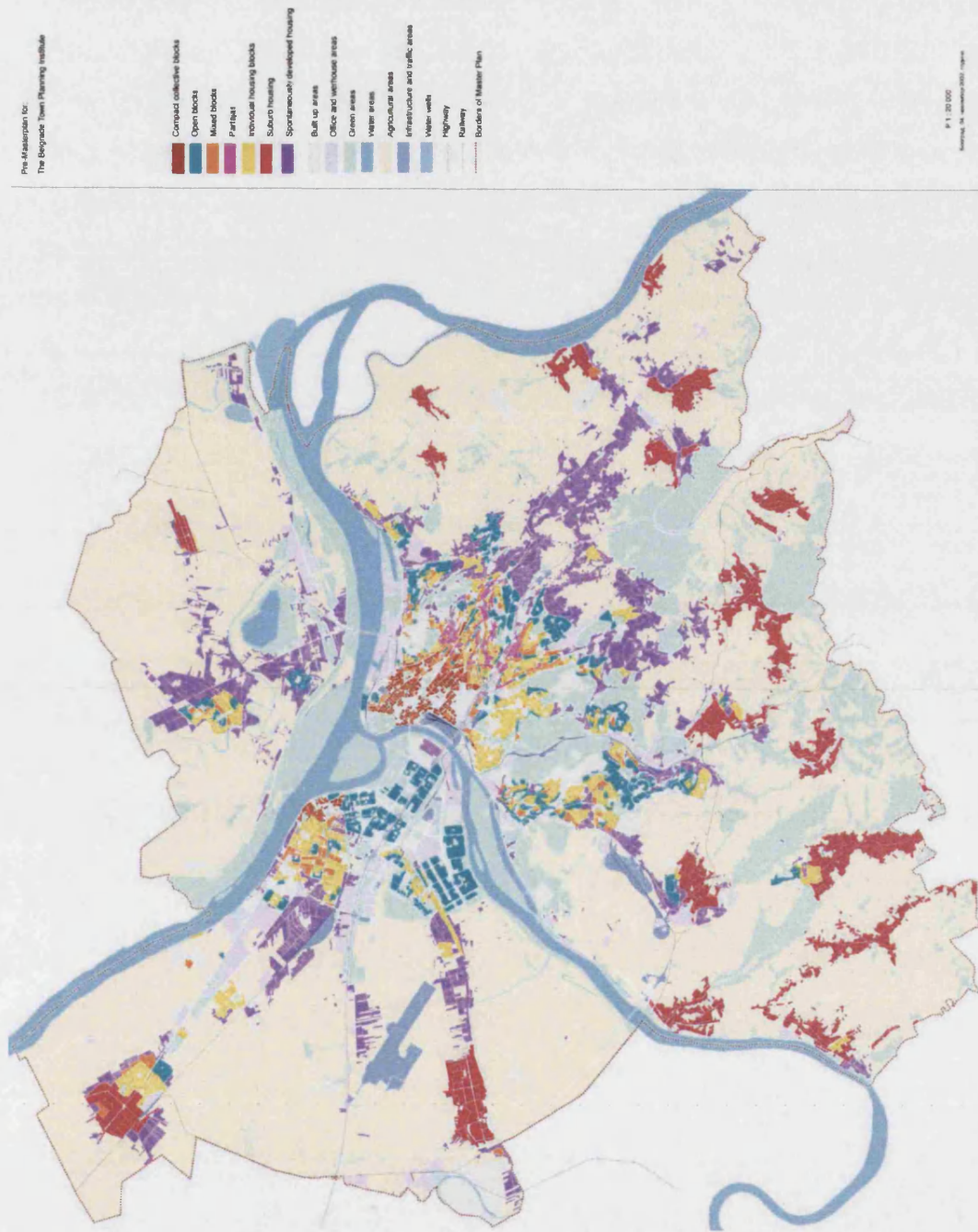
Map 1: Illegally built areas in Belgrade – Town Planning Institute (June 2001)



Source: Town Planning Institute, 2003

- Illegally built areas
- Legal residential areas

Map 2: 'Spontaneous' building in Belgrade (November 2002)



Source: Pre Master plan for Belgrade, Town Planning Institute, 2003

If Map 1 and Map 2, both made by the Town Planning Institute, are compared, it turns out that the extent of illegal building is almost double on Map 2. Map 1 was made in 2001 and shows the much smaller extent of illegal building than Map 2 which was created in 2002, on which illegal developments are represented as spontaneously developed housing. Such an increase did not happen in one year, but the Town Planning Institute had not mapped the situation on the ground regularly during previous years. Additionally, those maps do not include illegal extensions, due to their scales. Otherwise, if all illegal lofts and extensions were included, there was a danger that the whole map would represent mostly illegally built objects.

5.8 Conclusion

In the period from 1991-2000, which was used by other former communist countries to build and strengthen their economic systems and state institutions, Serbia passed through a 5-year civil war, international isolation and economic sanctions, hyperinflation, escalation of terrorism and secessionism in Kosovo and Metohia and NATO bombing. The new elite emerged during this period and it consisted mostly of the elite from the previous system that converted its previously privileged access to various sources into economic or political capital. It was also followed by the emergence of subelites who had taken the opposition parties' positions. The elite was grouped around Milosevic and his Socialist party. The elite was characterised by a tendency towards familial power and dynastic succession, and there was no distinction between a state career and a personal relationship to the ruling regime. Furthermore, economic success depended on a personal relationship to Milosevic, and Milosevic acted only according to his own unchecked discretion and set up his own rules. Terminology and categories were taken from free economy systems but the meaning associated with them was in the service of the new elite. However, the features from the previous system that were functional for the new elite and lobbies, no matter from which party, were also kept. All those factors combined brought the state to the edge of economic collapse. The population in Serbia managed to survive thanks to a black economy and black market.

The political institutional context was determined by the post-modern dictatorial system in which the elite controlled flows of information, allowing a surface freedom to marginalised independent media and fragmented groups of civil society that were simulating democratic practices through oral and direct face to face communication. The allowed visible oral communication in public space but without media coverage gave an impression of the existence of freedom of expression and speech and the regime acquired legitimacy. The control of media inherited from the previous system, and strengthened further, enabled the ruling regime to use instruments and institutions of the old 'Party State' apparatus, where legislative, executive and juridical powers were combined together to reinforce overall hegemony. By controlling the majority of the media, the elite were in a position to mobilise bias and to keep many latent interests from arising. The lack of democratic traditions, habits of public control, and the non-existence of civil control, which are part of every democratic society, also enabled this. The rule of the converted elite once known as 'the avant-garde of the working class' and who became 'the saviours of nation and avant-garde of the patriotic front', actually involved the usurpers of power skilfully invoking nationalistic rhetoric to prepare for confrontation even with major national institutions (Prodanovic, 2000).³⁸ Furthermore, the opposition or subelites had to oppose to the strong elite and employ a nationalistic agenda too in order to compete in elections. Due to the frequent inconsistencies in the political agendas and changes of direction as well as informal coalitions with the ruling elite as was the case in the 1997, they kept failing to change the regime and Milosevic and the elite stayed on the power.

The elite controlled the Federal and Republic Parliaments, and the laws that were passed were in accordance with their needs. Consequently, they enforced new institutional rules that were primarily used for their own distributional benefits. For example, when the SPS lost power over local municipalities it passed competencies from them onto the city and changed the laws in order to improve and regain its position. Additionally, when the SPS lost power in the city in the next elections, they

³⁸ In order to do this they also compromised the Yugoslav National Army, the Serbian Orthodox Church, major national media, intellectuals from the National Association of Writers, The Serbian Academy of Science and Arts, and even major football club supporters associations.

transferred city competencies to the Republic level, which resulted in legal chaos in which it was difficult to know whose competency is whose, and thus left a lot of space for informal arrangements.

Moreover, frequent elections had shaken institutions, since new people were constantly coming to run them and they were introducing different rules all over again. The changes of the parties' orientation from the right to the left and vice versa, also sent confusing messages to the already confused population. There were some attempts at a united approach of opposition parties against the regime but usually they failed due to the rivalry among party leaders. Furthermore, as a result of the new political institutional context and the rules imposed by the regime and Milosevic himself, the opposition parties failed and expressed almost the same degree of ignorance toward formal institutions and laws. When in power, the opposition also exercised corrupt behaviour and used informal links and structures to achieve political and economic goals. This produced chaos at the city institutional level.

Consequently, housing was not a priority for either the elite or subelite, and it was mobilised out from politics. The problems of housing were kept covert, and they had never been on the priority list of the problems that needed to be solved. Housing privatisation was used only for the transfer of capital in their hands. In addition to the inherited problems of rigid institutions, house shortage and existing illegal building, there were a few other inheritances from the previous system. First, housing was again dependent on employment, and enterprises stayed in charge for housing provision. In view of the fact that the unemployment rate reached 50%, it is obvious that housing was an unsolvable problem for most of the population. Second, the necessary financial support for housing from banks missed again. Illegal building boomed everywhere, including national parks, public spaces, preserved zones, and archaeological locations. According to Petovar, this was not a result of "pure violence and seizing by those who had occupied those spaces, but also the way for the local, city and republic governments to, through arrogation of the rent, fill their parties' funds as well as their own" (2003:29). However, corruption was institutionalised and became both rule and routine in political institutions, and since everything was politicised, including the economy, it became the rule and routine for

all institutions. The analysis of individual institutions and examples and practices of institutionalised corruption will be addressed in the following chapters.

6 Chapter : Institutions and illegality

6.1 Introduction

Institutions derive a good deal of their structure of meaning and their logic of appropriateness from the society in which they are formed (March and Olsen, 1984). As suggested by Peters, routines appear to arise naturally once people begin to interact in an institutional setting (1999). Therefore, the aim of this chapter is to assess the direction in which institutions have shifted and what routines and rules they formed in the post-communist period. It is of crucial importance to analyse the mutual interaction between individuals and institutions as institutions are now perceived as being dynamic rather than static (March and Olsen, 1984).

A public interest is to be analysed first, and this chapter will assess how it has changed as a consequence of the overall political and economic changes. The next focus of the chapter is the planning system that represented a mere renovation of the previous system, effectively with old procedural rules applied to new problems. In general, appropriate planning institutions for a resolution of existing conflicts failed to develop. An overview of the city institutions involved in housing and building and their responsibilities is given as an explanatory context for the analysis of the interrelation between the city institutions and illegal building

Finally, the analysis of empirical research is introduced. The perception of interviewed informants of the interaction of central and city/local governance is presented, as well as analysis of the city institutions and their roles in illegal building. In addition, the meaning of term 'urbanistic mafia' is assessed from different angles.

6.2 Public versus individual interests

The beginning of the transition period in Serbia was characterised by the collapse of many previous public interests and the escalation of the number of new legitimate and individual interests, very often mutually competitive. Most of them contended for the status of a public interest. Most of the social values and rules, widely accepted in the former ideological and political system, had lost their previous significance. “The newly emerging social values often do not reach a useful and effective consensus, as they are basically relevant only to specific interest groups and consequently cannot represent the public interest and a set of the key criteria upon which decisions are made” (Vujosevic, 2000:6). The following section will analyse how public interest, in terms of rules and values, has changed, especially in relation to building land.

As described in the previous chapter, at the national level, the public interest was defined through nationalistic politics. On the spatial level, it was determined by the Law on Expropriation, passed on 28th December 1995. According to this law, the public interest cannot be equated with public goods any longer, as was the case during the communist period, but was defined in relation to state ownership. The law did not define the relationship between individual ownership and the state, but became the instrument of compulsory purchase (Petovar, 1998). Through the institution of such a vaguely defined public interest, elite was able to satisfy its own interests (Petovar, 1998). Additionally the Law on Planning and Arrangement of Space used public interest as the basis for compulsory purchase for many reasons. For example, compulsory purchase can be used for acquiring land for building schools, hospitals, military objects, for protecting the environment, for building affordable houses and so on. Compulsory purchase can be undertaken by federal, republic or local governments, public and state foundations as well as by state companies.³⁹ Such a definition of compulsory purchase caused two problems. First, ‘private ownership’ was endangered because private property could be expropriated at any time by the state. Second, the mechanism for protection from jeopardising by

³⁹ Law on Expropriation, point 8 (1995) published in the Official Bulletin of Republic of Serbia.

law was not defined. The most frequent abuse of law was demonstrated in the change of 'initial land use', or in the use of the expropriated object after a short period of time (Petovar, 1998). For example, a private developer could get some expropriated land on a 99 year leasehold in an auction sale in order to build a school, but after some time the developer could decide to change its use and to build some other object from which he/she could profit more. Or, even more frequently, cases of jeopardising the law and private interests arise when the state-owned company obtains land and builds an object on it and then after a few years decides to privatise the object and sell it (Petovar, 1998). In this case, the law, based on public interest, acts as a mediator in transferring the properties under much more inexpensive circumstances than would be the case under free market conditions (Petovar, 1998). This was actually the quasi-legal way for the powerful state company managers, ministers and private developers close to the regime, through informal networks, to gain huge profits. In the state controlled media, compulsory purchase and public interest were represented and justified as being the priority for the development of the nation and the individual but private interests and ownership of the ordinary citizens did not have any importance.

Furthermore, under the circumstances of the absence of legitimate and unquestionable public interests to direct public policy and planning in the common interests of the society at large, many individual interests legitimised themselves almost exclusively by means of supremacy of the power they rested upon. It has long been recognised among commentators that many "new" individual interests, in effect, figured as mere "disguised" interests of that part of the old political and economic hierarchy which had taken on a leading role from the very beginning of the post-communist transition period (Lazic, 1994, Vujosevic, 2000). In addition to the lack of a definition of individual interests of ordinary citizens due to the social control imposed by the ideological and political monopoly, a large number of real social conflicts had not been "accepted and approved" and they consequently stayed hidden (Vujosevic, 2000), as they were during the previous communist period.⁴⁰ These

⁴⁰ Conflict and power need to be addressed, especially in communist dominated societies, because a basic reason for their deterioration and loss of vitality may be in their suppressing of social conflict. "If societies that suppress conflict are oppressive, perhaps social, political and planning theories that

conflicts were 'latent conflicts' (Lukes, 1974) and the elite used their power to keep them from arising.

This change in the definition of the public interest and the lack of a definition of the private ones resulted in apathy among the deprived and disempowered (the true "losers" of the period), who have so far been neither organised enough, nor successful enough, in voicing and articulating their interests (Vujosevic, 2000). However, the final product of the change of the definition of the public interest was that the interests of the ruling elite were protected contrary to the individual interests and ownerships that stayed unprotected. Moreover, the change of the definition of the public interest also provoked change in other institutions and rules, initially in the planning sphere.

6.3 Urban Planning

Due to the change in the definition of the public interest in politics in general, planners lost their indisputable key legitimising base for decision-making. "A 'cosy and comfortable carpet' of the almost indisputable key legitimizing base of planning has been abruptly and crudely slipped beneath planners' feet" (Vujosevic, 2000:5). At the beginning of the transition period, there were high expectations among planners that urban planning would be separated from the other instruments of social regulation and control. However this did not happen as "...the state was mainly focused on introducing of the more rigor into the over-regulated 'p(l)andemonium' self-management planning, and to searching for an appropriate theoretical 'escape' to that end" (Vujosevic, 1998: 7). Additionally, the planning system was re-centralised at the beginning of the 1990s. The structure of the new Act on Planning and Arrangement of Space passed in 1995 only confirmed this (Vujosevic, 2000; Petovar 2003). Centralisation of planning consequently slowed down the speed with which

ignore or marginalize conflict are oppressive, too. And if conflict sustains, there is good reason to caution against an idealism that ignores conflict and power" (Flyvbjerg, 1998:209).

plans were created and passed. Plans stayed as rigid and inflexible as they had been during the communist era.

At the beginning of the 1990s, federal and republic governments made many mid and long term socio- and macro-economic plans and documents, which have never been implemented or used in practice. The reason for this is that instead of focusing on solving real problems like the high rate of unemployment, the decline of the economy and the rapid worsening of citizens' standard of living, creators of plans and documents concentrated on making ambitious and non-realistic proposals.⁴¹

In addition to non-realistic plans, Vujosevic (1998) argues that, parallel with the beginning of the transition, various forms of 'quasi-planning' started and dominated in urban planning . "Another hindering circumstance was that planners in the field of spatial, urban, and environmental planning started to advocate the interests of the emerging powerful groups. Consequently, as the majority of planners have not even attempted to constitute a new legitimization base for planning, many decisions in public policy and planning which were passed in the 1990s were simply missing a democratic and participative legitimacy" (Vujosevic, 2000:7). Thus, the key problem for most of the planners and other experts engaged in planning matters was how to mediate among the competing individual interests and to make them join together around certain common interests, as well as how to cope with the increasing influence of informal pressures on planning. Planning failed to develop as a positive response to the deviant institutional setting but rather, with its already heavy problems inherited from communism, fitted into new rules and values.

The city institutions that had a monopoly over building land and planning were inefficient and as corrupt as the rest of the society, which in combination with rigid centralised planning made very fertile ground for the development of informal networks and rules and consequently of illegal building.

⁴¹ The best example of the failure of planning plans is "Spatial Plan of the Republic of Serbia" (1995), whose decisions and proposals have never been implemented or applied.

6.4 City Institutions

The aim of this section is to present briefly the institutional setting of Belgrade with regards to land regulation and planning, which gives a context for the empirical research of the values and rules that those institutions produced during the 1990s. A puzzling array of institutions shared responsibility for running Belgrade's services but due to political changes, frequent elections and changes in parties' orientations, as addressed in the previous chapter, these institutions have often been reshaped or even abolished and their responsibilities reshuffled and reformed. However, this did not result in increased efficiency of those institutions but rather their instability and the creation of a space for informal networking.

Apart from local municipalities which issue building permits for individual building, there are many other city institutions that deal with the issues of planning, land management and building permits: the Secretariat for Urban Planning in the City Assembly, the Secretariat for Property Rights and Construction Affairs, and two enterprises founded by the City Assembly of Belgrade, the Town Planning Institute of Belgrade and the Agency for City Building Land and Development of Belgrade (Agency). Additionally, the City Assembly has a Council for city planning, and the Executive Board has a Commission for Architecture and City Planning and a commission for property right issues and building land (Table 14). Due to the inherited complex bureaucratic organisation of the accounted institutions and laws, followed by the changes of political parties ruling the city, and the automatic changes of personnel running those institutions, those institutions lost their continuity and stability. The laws were very often misinterpreted, and those institutions became corrupt (Begovic and Mijatovic, 2001). The change in the 'definition' of public interest and planning also created a favourable environment for the elite rather than for the individual interests of the people.

Table 14: Institutions of the City Government of Belgrade related to planning and building

City Assembly	Executive board	City Administration	Local Municipalities (16)	Public enterprises (Founded by City Assembly)
Council for city planning	Commission for architecture and city planning Commission for property right issues and building land	Secretariat for Urban planning Secretariat for Property rights and Construction Affairs Secretariat for Inspection	Secretariat for city planning Building Inspections	Town Planning Institute Agency for City Building Land and Development of Belgrade

The whole process of getting a building permit became less transparent and more complex than it was during the communist period (explained in section 4.6.3). Building permits for individual building were issued by local municipalities and the city government issued building permits for objects built by companies (commercial properties) and for infrastructure systems. However, if the object were very big and placed on a site of more than one council, then the Ministry would be in charge of issuing a permit. As urbanism was not under local governments' authority since the imposition of the law on planning in 1995 and its centralisation, this resulted in an unclear distinction between the competencies of local, city and republic inspections, which made the legal context even more complex.

However, at the beginning of the transition it was realised by the city and local authorities in the 1990s that urban land was the most valuable and profitable resource of the city that was not deployed enough during the communism period. The same authorities had realised that complex and bureaucratic city governance with various institutions and organisations provided enough legal loopholes for corrupt behaviour. Obtaining building permits in a regular way became even more difficult than it used to be (a full explanation of this process is in Appendix 4). However, the elite and subelites did not show any intention of changing the legal requirements and making the process easier.

In addition to the previously mentioned factors analysed in the previous chapter, the length and complexity of obtaining a permit had also led to an increase in illegal construction. Since the process could last up to 3 years (Figure 4), many developers skipped the permit obtaining and started to build either holding only urban consent or in most cases without any document or permit. The lengthy process for acquiring a building permit prompted developers and builders to start thinking how to avoid the institutions and the whole process. If the legal path was less time consuming and less complicated it can be assumed that many builders would follow the procedures but would still perhaps opt for bribery and disrespect of law.

Moreover, since the process was so multifaceted and bureaucratic, and all levels of power (Republic, City and Local) were included within it, there were many ways in which institutions could be involved in illegality and corruption. Beyond the local municipalities, which are the focus of the case studies, institutions that were covered by the empirical research with regard to illegal building are the Agency for Building Land and Construction of Belgrade, the Town Planning Institute and the Secretariat for Property Rights and Construction Affairs. The choice of these institutions was based on the several criteria. First, their legal competences with regard to illegal building. The second criterion was the intense competition among the parties who would run them. Finally, these institutions were often mentioned in the media with relation to illegal building.

6.4.1 Agency for Building Land and Construction of Belgrade

During the early 1990s, it was recognised that changes to the obsolete and inherited urban land management system were necessary. Previously, land was allocated in an administrative way, without recognising its location value. Investors were obliged to pay only the costs of preparing and servicing land (Babacic, 2005). In order to improve the land management system in Belgrade, the City Council founded the Agency for Building Land and Construction of Belgrade (Agency) in 1994. The Agency became active in the property development process in Belgrade in three

different roles: as an agent of the City Government, as a developer and as an investor of all major public developments in the City of Belgrade.

Even though, according to the new Act on Building Land (1995) all urban building land stayed within the ownership of the state, changes in the concept of urban land management increased private investors' interest for building land. The Agency was responsible for publishing a catalogue of available sites for development, and for organising the city's supply of urban building land (Babacic, 2005). When there was any interest for a specific site, the Agency announced a public auction, in which all interested parties could participate. Details of the public auction and conditions for participation were published two weeks in advance in the local press.⁴²

The land that could be offered at the auction could only be land owned by the state. It was not sold but only "given to use" (leased) to an investor or developer. As an agent, the Agency also determined the starting price of urban building land. Although there is a standard procedure for calculation, there are assumptions that the elite and people close to regime were getting building land for non-market prices (Interview 16; Interview 20, 2001).

However, although founded in 1994, the Agency inherited the legal base for the making of the Program from the communist period - the Rules for Making the Annual Program of Arrangement of Urban Building Land, adopted in 1986. The main objective of producing the Program was to coordinate the development of urban areas, according to estimated needs (Babacic, 2005). In the transitional period, the Program was not only based on social estimations but was supposed to include market analysis and existing demand. However, in spite of the increase in population and the demand for individual housing and residential space, priority was given to investors and private enterprises, which due to the lack of the financial means to produce large quantities of residential space, invested in smaller properties, possibly

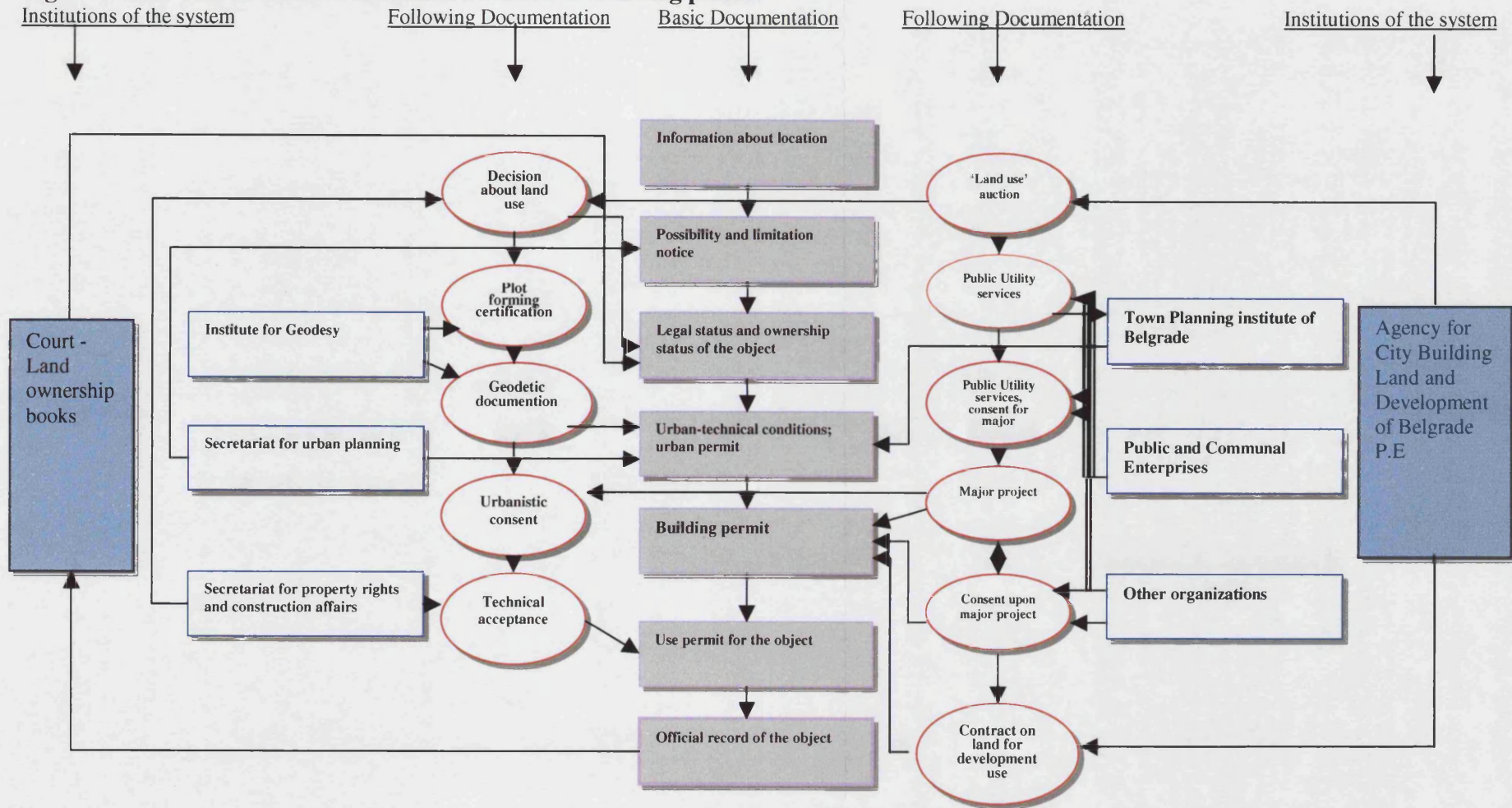
⁴² Details include: place, date and time of the auction, starting price, size of the property and the type of use, investors' obligations considering the site preparation and servicing.

for business use, for which there is market demand (Babacic, 2005). This further increased the shortage in the housing market.

In the late 1990s the Agency was gaining income from many sources such as building land arrangement costs compensated by investors and developers, from transactions on residential or business properties, constructed by the Agency, and also from profits from selling building materials when the site was cleared. Additionally, the financial means were given to the Agency as part of the city's budget.

Analysis of the competencies shows that the Agency had a monopoly on building land in Belgrade in the late 1990s. With the political changes in 1997, when the SPO took power in the city, they appointed its members to run the agency. In that period, the Agency became the most powerful financial institution in the city, which can be associated with its political links to the city government and by its monopolistic position in the market. It became so powerful that at one moment it was owed money by the city of Belgrade (Interview 20, 2001). That power was associated with money received from auctions of building land that many characterised as being set up and based on informal political connections (Interview 20, 2001).

Figure 4: Institutions and documentation related to building permit



6.4.2 *Town Planning Institute*

The Town Planning Institute is another city institution, established in 1948. By a decision of the City Assembly of Belgrade in October 1999 it became a public enterprise. Contrary to the Agency, the Institute does not have such array of responsibilities. The main activity of the Institute is making urban development plans at different levels and it includes: general plans for the territory of Belgrade, plans for regulation of particular parts of the city's territory - regulation plans and urban development projects (mostly reconstruction of already built areas, restoration and legalisation, specific-purpose plans, development plans for traffic and public utility infrastructure).

A large part of the activity of the Institute is defining urban-planning and technical conditions for the construction of individual buildings, as well as expert studies and research, urban development analyses, location analyses and opinions on individual requests. The latter activity, in addition to defining the urban-planning and technical conditions for individual building, used informal links in some cases. But the slowly passed plans and their rigidity actually became one of the pillars of illegal building.

6.4.3 *Secretariat for Property Rights and Construction Affairs*

The Secretariat for Property Rights and Construction Affairs consists of five main offices. The Property Rights Office is in charge of management, arrangement and use of building land and other rights on that land as well as determining legal and urbanistic elements for land allotment for the construction of buildings for which the city issues building permits. Additionally, it is obligatory to prepare a proposal for the Executive Board of the City Assembly of Belgrade on city building land allotment, the termination of the right to use city building land, and the change of previously made decisions on land allotment. The Property Rights Office is also in charge of record keeping of the city's real estate and settling property rights relations

regarding utilisation of the city's real estate and real estate registration in favour of the City of Belgrade. The Construction Affairs Office is responsible for issuing Building and Utilisation Permits for Infrastructural Facilities and for issuing Building and Utilisation Permits for Residential and Business Facilities.

Additionally, the Secretariat also has a Building Inspection Sector and an Illegal Building Prevention Office. Their responsibility is to find illegal buildings and to keep records of illegal buildings for all 16 municipalities in cooperation with competent municipal bodies. Additionally they are also involved in checking legalisation requests for built structures and for submitting filed charges for illegally finished or started buildings to the Building Inspection Sector or the competent municipal body, depending on the territorial or real competence of that body. Moreover, they are accountable for the evaluation and determination as to whether legalisation conditions are met. Finally, the office for Administrative Law Affairs undertakes activities of the second-instance administrative body on the city's territory in proceedings against decisions and resolutions on permission of execution made by municipal administrative bodies competent for building affairs, building inspection affairs, and prevention of illegal building (www.begrad.org.yu).

Following the description of the responsibilities of the major city institutions, empirical material collected during the research is analysed in order to find the rules and practices that were functioning in those institutions with regard to illegal building. The following sections deal with the examination of the responsibilities and involvement of the accounted institutions in illegal building, and try to establish the relevance of the elite, subelites, informal networks and corruption in the whole process.

6.5 Central, City or Local Government?

Following the elitist approach developed by Hunter (1953) that assumes power concentrated in the hands of groups of politically and economically powerful people

as well as the existence of several pyramids of power, the empirical research attempted to identify those pyramids in Belgrade. Semi structured, open-ended interviews with local authority officials from different political parties, city level officials, representatives of various local level and city level institutions, key planning actors and academics were conducted in order to draw together a range of perspectives on power, institutions and illegal building. Validity in this research was achieved by asking multiple interviewees to consider the same issues which enabled problems to be explored from different perspectives.

The first question was related to the assessment of the responsibility of various levels of government for illegal building. The answers varied, depending mostly on the political or institutional membership of the informant. A significant number of the informants denied the involvement of the organisations they belonged to but accused all others. Some of the respondents argued that the local level governments and the parties that ran them were the most responsible for the development of illegal building. In contrast, some blamed higher instances of government.

Slobodanka Prekajski, who works in the Agency, stated that many citizens who were coming to the Agency to legalise objects in the early 1990s claimed that all 'business can be finished' in local municipalities. According to Prekajski, citizens argued that they made an 'agreement' with local municipalities not to send inspectors and not to demolish their objects.

"Many witnesses confirmed to me that it has been told to them in local municipalities to 'go and finish building, anyway everyone does it'" (Interview 9, 2001).

Zoran Zegarac, Vice Director of the Town Planning Institute, also suggested that the responsibility is on inspections of local municipalities but explained their failure by the political war context and the eruption of the black economy.

"In the environment of the bordello, you cannot establish individual responsibility...it is easiest to attack local inspections when the higher levels of power created overall corrupt environment... Politicians did not allow the demolition of those objects. We had had very frequent elections and no party wanted to lose an electoral body of around 100,000 illegal builders in Belgrade alone" (Interview 6, 2001).

The mechanism on the ground was as follows. When a building inspection caught investors or developers building illegally, they first had to issue them a warning and demand that they provide the necessary documentation and permits in a month's time. However, everyone was aware that it would not be possible to provide this in such a short period due to the complexity of the procedure. In the meantime, the investors kept building and finished the object. The finished objects were usually not demolished. As a result, finished illegal objects went on the market and people were buying them, relying on the lack of the state intervention with a strong belief that the objects would be legalised one day (Interview 11, 2001).

Saveski, the vice president of the Savski Venac council and member of the DS also agreed that it is the responsibility of local inspections but added that inspectors were working as they were told to work either by the president of the local council or by the executive board.

“There was a directive from the authorities to leave illegal builders to build apart from those who had not ‘paid’ corruption fees” (Interview 15, 2001).

Zoran Nikezic, (ex Director of the City Secretariat for Urban Planning, 1996-2000, and member of the SPO) explained the involvement of local municipalities and inspectors in illegal building by several factors. The first reason was the rooted corruption, due to the lack of financial incentive to employees in the local municipalities. The second reason was the pressure on local governments not to intervene since there was big money involved (Interview 11, 2001). Additionally, Saveski argued that illegal building in local municipalities occurred due to the informal coalitions among parties. Saveski argued that he personally witnessed, as a councillor, an informal coalition between the SPO and the SPS in the Savski Venac council regarding its elite area Dedinje, with the aim of gaining enormous profits (Interview 15, 2001).

Even though the SPO was considered the party which profited most from illegal building, the informants from this party reject any responsibility by the SPO, arguing that all levels of power are equally responsible due to the lack of general consensus

on illegal building. Furthermore, Nikezic (2001) argued that when the SPO was in the power in Belgrade and tried to demolish some of the illegal building, they did not have the necessary support from the Republic level ruled by the SPS. All the SPO's attempts to stop illegal building were useless. The same view was represented by Sasa Cotric from the SPO and also a member of Belgrade's government from 1996 to 2000. Cotric defended the SPO arguing that when it took power in 1997 the problem of illegal building already existed. In spite of their attempts to demolish existing developments and stop further illegal ones, the SPO did not have any assistance from the police, which was controlled by the SPS who deliberately obstructed them by not providing them with needed support.

“Some of our communal inspectors tried to do something but some of those objects were built by criminals, who were threatening them... we were confronting people who were organised, close to the regime and we could not do anything to them” (2001).

In addition, Nikezic admitted the lack of consensus also on local and city levels:

“There was also a silent agreement on not intervening between local municipalities and the city, although the city had the right to intervene. If a local council was not asking for help, the city was not reacting...the level of corruption was extremely high. From one side corruption and from the other indifference of politicians towards illegality...” (Interview 11, 2001).

Furthermore, both informants argued that it was not only the SPO who was running the local council. The DS and the GSS were in coalition with them, and thus as responsible for illegality as the SPO was (Interviews 11 and 15, 2001).

Ljubisav Djuricic, a Director of the Secretariat for Property Rights and Construction Affairs in Belgrade 2000-2002 and a DSS member, blamed the SPS for illegal developments. When the SPS lost power over local municipalities, it passed their competencies to the city level, and when it lost power in the city, it passed competencies to the Republic. The result was legal chaos in which it was difficult to know what is whose competency – legal, economic or political. Additionally, Republic authorities passed the Law on Assets in the Republic's ownership in 1997 and changed the rules in accordance with the regime's own interests. Republic

authorities took the whole city's property and legal documentation out from the Secretariat for Property Rights and Construction Affairs.

"As soon as that documentation was taken, the space for 'combinations' with properties and assets was open..." (Interview 1, 2001).

What's more, Ljubicic argues that city and republic powers had some kind of compromise at the same time. According to him the city was obliged to ask the Republic for agreement on every legal issue, which the city was not doing when it knew that the request would be rejected, intentionally breaking the law. The Republic again reacted only if it had a direct interest. If not, it turned a blind eye to the city's illegal decisions (Interview 1, 2001).

"...It is all connected with the centres of power that established this voluntaristic approach to everything. And when you have situation that there is something you can or you don't have to do, the result is perfect fertile ground for corruption" (Interview 1, 2001).

Tanja Jaksic, architect and member of the Secretariat for Urban Planning of Belgrade, also agreed that the trade was taking place at all levels of government:

"...We cannot say that illegal builders were entrepreneurial and brave, but that they had 'the deal' with everyone: inspection, administration on different levels, communal public enterprises, and Secretariats on the city level..." (Interview 2, 2001).

Responsibility for illegal building cannot be ascribed to only one level of government, either at the top or bottom of the hierarchy. On the contrary, all parties took part in a different ways but tried to shift the responsibility either to other parties or to different levels of government. There was a lack of consensus over illegal building among all levels of power as well as among all political parties. It is implied that this was the result of the big capital involved in illegal building as well as frequent elections, and neither of the parties was willing to tackle the problem of illegal building in order to keep its electoral body.

"Political parties on all levels did not want to oppose the electoral body, and illegal builders were representing a significant electoral body" (Interview 9, 2001).

Although the parties had a right to block the illegality on their level of governance, they did not use it. There was informal political bargaining between them based on

keeping illegal building out of decision-making, and parties were focused only on safe issues by manipulating the dominant community values and political institutions and procedures. As a result, political exclusion was occurring not only through individuals' decisions, but also through the operation of social forces and institutional practices. Although the central level of government had the most power to stop illegal building, it never used it. However, other levels of government - city and local - expressed the same ignorance and kept problem covert, while at the same time made informal coalitions and traded around the issue. However, although there was a lack of consensus over illegal building by all levels of government and city institutions, new rules and regulations were passed. There are different views on the intentions and impacts of the laws passed.

The Law on Special Conditions for Building which was passed in 1997 was marked by being more of an initiator of illegal building than prevention of it. Aleksandra Tilinger, a planner in the Town Planning Institute, described its effect in the following way:

“That Law had effect like that somebody blew into a whistle for illegal building” (Interview 4, 2001).

Slobodanka Prekajski, from the Agency, described the effects in a similar way to Tilinger:

“That law was a green light for illegal building” (Interview 9, 2001).

The reason this Law created a worse situation was that it made people expect that one day they would be allowed to legalise illegal buildings, as was the case with the object that got the right to legalise with this law. It influenced people psychologically. As Zoran Nikezic, described, the law did not only initiate new illegal building but

“...many people built houses after this law was passed and then fraud papers that they had objects before the law was passed gaining the right to legalise objects” (Interview 11, 2001)

This law was made by politicians to allow all illegal builders who did not have any permits, to be legally and geodetically registered, to pay necessary location fees and get either a status of temporary objects or a building permit if they fit into existing

planning documentation. Every illegal builder was supposed to pay fees, but most of them were avoiding them. The law was misinterpreted as being a legalisation law and actually boosted illegal building even more. Plans were created additionally to cover illegal building. People were aware that they had the opportunity to pay less or to get loan to pay legalisation, contrary to those who were building legally and who had not had any alleviation.

However, Djuricic (Secreteriat) argued that the law was just the official recognition of the state that they could not do anything against illegal building and that they just decided to let it take place. The state thought that it would be able to control and put illegal building into a legal framework, and earn money from legalisation, but they failed to regulate mechanisms and financial means that would enforce the law (Interview 1, 2001). Additionally the biggest problem that was related to the Law on legalisation was:

“ a lack of mechanism that would resolve practically which objects could be legalised, which could get a temporary status” (Interview 1, 2001)

that resulted in the opening of even more space in city institutions for corruptive behaviour.

Another law that was considered as an enhancer of illegal building was a Law on the Maintenance of Buildings, especially Articles 26 and 27.⁴³ The law gave an opportunity for maintenance works to be done, provided 51% of residents in the building agreed, which left 49% of residents without any rights. These maintenance works very often included building extensions and construction of new lofts that were illegal. According to Tanja Jaksic, the Law was passed by the then Minister for Building and Urbanism, Branislav Ivkovic, from the ruling SPS, in order to legalise his own illegal works and those of his party members. However, it was later misused by every illegal builder in Belgrade. Tanja described the effects of the law:

“You only needed to know somebody either in local council or in the Secretariat for Urban Planning, and you could build...” (Interview 2, 2001).

⁴³ Published in Official Bulletin of Republic of Serbia 44/1995.

Cotric, who at the time was a member of the city government and an SPO member, welcomed this Law and had a different view on it:

“We just wanted to help people to legalise their objects and to prevent further illegal building” (Interview 12, 2001)

He rejected any possibility that his party just wanted to earn some profits for itself and the city. However, by looking at the statistics, it is noticeable that after this law the intensity of illegal building increased rapidly. Regarding its effects, all informants agreed that they enhanced illegal buildings. Regarding the motivations for passing the laws, there was a consensus among the majority of the informants that these motivations were financial rather than as a solution of illegal building. In spite of the motivation for passing those laws, the outcome was new rules under which people started building illegally even more.

6.6 City Institutions and Illegal Building

In addition to central, city and local governments that have all been perceived as advancers of illegal building, the institutions that were highlighted the most in interviews as well as in the press were local municipalities, the Agency, the Secretariat and the Town Planning Institute. However, most of those interviewed expressed a reluctance to talk about those institutions in detail and only a few expressed their view.

The Agency was mentioned in the interviews most frequently with regard to public auctions for locations. It was argued that

“...maybe 10% of locations are publicly announced for auction, the rest is not...” (Interview 20, 2001)

According to the same informant, this was not the result of the left or right coalition, but of an informal coalition that was based on money. The Agency became an institution that had more money than any other in the city since it was the only one that collected money as compensation for the use of urban building land, and

everyone who wanted to build had to go to the Agency. The allocation of the locations for building was based purely on money rather than the interest of the city (Interview 20, 2001). Djuricic agreed that the Agency became the most powerful financial centre in Belgrade thanks to the resources they were getting from investors for locations and due to that power it became a very influential factor in the city structures, adding that

“...then they started allocating locations using a method which I would not be able to characterise as legally correct” (Interview 1, 2001).

However, the Director of the Department for Building Land in the Agency, Ljubica Zivotic, and the Chief of the Department for Marketing, Slobodanka Prekajski, argued that everything done in the Agency was in accordance with the law. However, although Prekajski denied the Agency’s responsibility as a whole institution, she stated that there might have been some individuals who were using ‘different paths from the legal one’ declaring that she had heard about it from the daily press writing:

“...everything that was assigned to Agency should be maybe assigned to some individuals and their deals with the city government because things were going on that level, starting from the 700 flats Agency had to give up on and give them to the City. That happened due to the orders from politicians ...People employed in Agency were finding out about these affairs from the newspapers” (Interview 9, 2001)

Prekajski fully rejected comments that auctions of building land were usually ‘set up’ arguing that everything was done in accordance with the law. However, she implied that, due to the country being poor, there were not many investors. Consequently, when there was an interested investor asking for a location, the Agency found appropriate locations and organised auctions (Interview 9, 2001) which might lead to a conclusion that the Agency was doing what was requested by the investors, and auctions were not held at the competitive environment, but were a pure deal between the Agency and certain investors.

With regards to the work of the Secretariat, an interview was conducted with the then Director Ljubisav Djuricic. Djuricic argued that coalitions based on illegal building existed on all levels. The mechanism that was used in the Secretariat was the

following. The administration clogged the process first, creating delays. Some applications were intentionally considered more slowly compared to others, which opened the space for corruption:

“...to speed up or slow down the process was the main instrument of bureaucratic administration. Putting the documents on the bottom of the pile creates a perfect opportunity for corruption... and in this Secretariat administration was influenced by political pressure” (Interview 1, 2001).

The investors and developers were forced to use bribes in order to get their applications approved. The bribery payment for the service became a non-official rule when applied to building documents and approvals. Regarding the informal prices for getting permits, Djuricic suggested that it depended on the object size and it was not the same price for houses and for gas stations. Additionally he described his personal experience regarding the bribery and building permits:

“When I got this position of director here in the Secretariat, I found a pile of dossiers in my office. I looked at them and asked my deputies and assistants why they are there when they fulfil all conditions and procedures. It was said to me that those dossiers had been waiting for the last six months to be approved by my predecessor who did not want to sign them until she was ‘paid’... certain investors had to bribe to get permits which they would otherwise not get” (Interview 1, 2001).

When an informant from SPO, Sasa Cotric, was asked his opinion on the Secretariat, he accused it directly of boosting illegal building. On the suggestion that a member of his party was running that institution, he said that she was assigned to that position by the city government and not the SPO, and that the party did not have anything with it (Cotric, 2001). Ironically, the SPO was running the city government at the time which meant that her party colleagues appointed her to the position. Moreover, they had the authority to call her off from the position, but never used it, which meant that her work was approved.

Concerning the Town Planning Institute, Zoran Zegarac, vice director, argued that due to the massive scale of illegal building, the Institute was forced to make plans for legalisation of illegal building instead of plans for the future development of the city. However, some informants such as Prekajski blamed the planning system:

“Plans have not reacted quickly enough according to needs that were changing from second to second due to all the things that have happened here in last decade and the massive number of refugees that came...I think that, in order to buy a social peace everyone was keeping their eyes shut...” (Interview 9, 2001)

However, regarding the suggestions that rigid planning and informal networks boosted illegal construction, Zegarac responded by blaming the legal context, the Law on Expropriation, and the general political and economic situation. Contrary to Zegarac, Alexandra Tilinger, a planner from the same Town Planning Institute agreed with the suggestions and noted that:

“...there were pressures through directors from higher instances how to do some things in plans that should not have been done in such a way” (2001).

Similarly to the politicians who were mostly passing the buck to the other levels of the government they in which they were not involved, the informants from the city institutions showed the same tendency regarding the institutions they worked for. Most of the informants rejected the existence of illegal operations in their institutions on a broad scale, although did not reject the existence of individual cases. However, reluctance to speak about the organisations they worked for is understandable due to the fear of losing jobs as expressed by the informant in Interview 20.

Nevertheless, all informants suggested that informal networks and rules were a general characteristic of all institutions apart the ones in which they worked. Furthermore, there was not an organised attempt made in the fight against the illegal building from these institutions. Additionally, neither the Republic nor the City government had reacted or tried to block the work of these city institutions. Political parties were competing to run them, and each of them was embodying its values with respect to different individuals and groups. City institutions were a reflection of the overall political and economic system, non-transparent and inefficient and with high levels of corruption.

6.7 'Urbanistic Mafia'

The aim of this section is to incorporate all previously analysed views on illegal building together and to try to narrow down even more the responsibility for illegal building through the examination of the meaning of the term 'urbanistic mafia'. Major Nebojsa Covic who ran Belgrade in the period 1994 to 1997 first introduced that term. However, although very frequently used in the media later on, there was not a clear definition of the term and the views and perceptions of the 'urbanistic mafia' differed among different parties and different professions. The views of informants were also diverse. Some of them agreed that it is related to urbanists, architects and planners, and some related it to local government administration, politicians and investors.

One of the informants who was involved in the work of the city government during the Mayor's Covic mandate argued that Covic meant by the term urbanistic mafia bureaucratic planning institutions with poor trained staff.

"Unfortunately planning has not been a profession above the institutions of administration but the institution of administration. Due to the weak state organisation, planners were able to misuse information they had access to and to help in some quasi-legal operations and get involved in corruption" (Interview 20, 2001).

Ljubica Zivkovic, Director in the Agency, pointed to planners as being the mafia since they were doing their jobs unethically in an arrogant way (Interview 8, 2001). Djuricic also suggests that planners were responsible for the chaos. According to him, the plan-making process was slow and by the time the planners passed a plan, the building on the ground was already finished. However, he suggested that some builders knew what would be in the plan and they built before it was passed which implied some teamwork between some planners and illegal builders. He used the case of Mirijevo for example, where the plan had not yet passed but everything had already been built as set out by the plan. Moreover, those builders pushed those objects that were not planned to be incorporated and planners accepted this. Djuricic

also suggested that attention should be paid on the secret manner of passing plans and on certain zones. As an example, he stated it had taken five years for the regulatory Plan for Dedinje to be passed because it waited for everyone who built illegally to fit somehow (Interview 1, 2001).

Tanja Jaksic, an architect by profession, added that architects should be treated as a part of the 'urbanistic mafia' arguing that all those illegal projects were signed off by some architect or another. In addition, she stated that there were actually many such architects who were proposing to developers methods for illegal building and everyone was hiding behind the overall social and political situation, even the highly recognised architects. Additionally, she found the silence of architects unacceptable because it implied approval for illegal building.

“However, there are many politicians who were asking for some irregular things. Some of them were more perfidious and they were sending representatives who would discreetly warn you to do what is asked for you...for example one lawyer who came with his bodyguard, to ask something that was against the law, visited me once. When I refused to break the law the bodyguard warned me to do what I was said, and I made a big scene, called the police and they left. But I was really scared” (Interview 2, 2001).

Contrary to these views, some informants were arguing that urbanists were unfairly marked as 'mafia'. For example, Predrag Zdravkovic, leader of the local community association for protection against illegal building, argued that the regulatory plan for Dedinje was a well created plan until it had to be changed because higher political positions required it from planners (Interview 16, 2001). Similarly to Zdravkovic, Tilinger, a planner, argued that the term was related not to people in urbanism but to politicians (Interview 4, 2001). Furthermore, Jelena Stojanovic, a chief planner from the Town Planning Institute, said that the urbanistic mafia constitute a powerful business and political elite:

“Investors and builders who illegally build huge objects do so because they had an approval from somebody and because they paid a lot for that...there are rumours that there were information desks on which you can pay to forego the whole procedure and to get building permits immediately...” (2001).

However, when Sasa Cotric and Miodrag Jaksic, both from the SPO, were asked to explain why so many people related the 'urbanistic mafia' to their party they replied that those are lies spread by their ex-coalition partners, the DS and the GSS. However, when asked to explain how his party was not involved in the illegal building when they were controlling the city and there was a boom in illegal objects, Cotric blamed local municipalities and the DS and the GSS who were sharing power within those municipalities - for example Savski Venac, Vracar, Stari grad (Interview 12, 2001). Another SPO member in Interview 21 also rejected any responsibility by his party arguing that:

"None of the permits could not have been issued in the local councils without agreement from all ruling parties in the coalition. The city did not have anything with local municipalities" (Interview 21).

However, an attempt to define clearly who exactly the urbanistic mafia were had failed. Many of informants refused to talk about it arguing that they did not know. Those who did talk about it were very general. Some of them like Zoran Zegarac, vice director of the Town Planning Institute, and Slobodanka Prekajski, from the Agency, suggested that the term is too strong since the illegal builders were not mutually organised. It cannot be clearly defined nor individually specified who were the actual urbanistic mafia, and the concept sounds more like a conspiracy theory.

Nonetheless, it is evident that there were people behind the scenes who were involved in illegal building. Most of the statements led to the ruling elite and subelites who were running the city and local municipalities. However, it is also evident that informal networks existed, including planners, architects, politicians and illegal builders.

6.8 Conclusion

In this chapter it was established, through an analysis of changes in the definition of the public interest, planning and empirical research, that all levels of government had their share of responsibility for illegal building, both the ruling SPS that initially set

up such an institutional context, and opposition parties which accepted and followed the same rules. Additionally the same pattern and rules were found in city institutions. Furthermore, if the hidden face of power is revealed when actors create or reinforce social and political values and institutional practices which limit the scope of the political process to issues innocuous to themselves, then the institutional response to illegal building implies that the elite and subelites, and the rules they created, were its principle drivers.

At the beginning of the 1990s in Serbia, the rising numbers of newly created individual interests were not channelled through the legal and institutional framework. The one party system was replaced by a multiparty system of cohabitation and cooperation in which the interests and goals of the new hierarchy were quickly reconciled, especially in jobs related to sale of the city's resources and spaces (pavements, parks, public spaces, recreational areas etc). It brought new practices and arrangements into cities that had different names such as 'urbanistic chaos', 'work of the urbanistic mafia', 'illegal building'. The actors of that destruction were members of the corrupt government at all levels, which was mercilessly selling all public goods and issuing illegal and quasi legal permits for reconstructions and extensions and usurpers, that used the greed of the ruling elite to grab properties which they would not be able to if there were a rule of law and urban regulations. "Flirting with democracy and opening to a private ownership that was treated more like para-state than free market category resulted in 'programmed chaotic situation' created for the purpose of legitimating many newly created illegal interests" (Petovar, 2003:28-29).⁴⁴

Urban Planning, which came into transition as an obsolete and inefficient institution, was blocked and centralised in such a way that it started producing inflexible, rigid and very slow plans and rules that did not have enough power and capability to keep rising problems under control. Additionally, planning was under constant pressure from the ruling elite and subelites, who tried to legalise its activities through this institution.

⁴⁴"Big business empires were made only by those who were behind the regime's skirt" (Petovar, 2003: 29)

According to most of the informants, the elite and subelites, although in political opposition to each other, had some kind of compromise over illegal building at the same time. Therefore, responsibility for illegal building cannot be ascribed to only one level of government, either at the top or the bottom of the hierarchy. All parties took part in different ways but tried to shift the responsibility either to other parties or to different levels of government. There was a lack of consensus over illegal building among all levels of power as well as among all political parties and housing problems were kept covert. There are many underlying reasons for this, such as the lack of political will among all parties to tackle the problem of illegal building in order to keep the electoral body and maintain social peace. Additionally, it was argued that big capital was involved in illegal building.

As a result, structures like legislature, administration and rules and values were reshaped by the elite and subelites and started working more on an informal rather than a formal basis. Informal pressures shaped decision-making, rather than formal structures, and the elite and subelites had a leading role in defining that environment. Even the laws passed that were supposed to prevent the further rise of illegal building were the exercise of power of the elites with the prime aim of protecting their interests.

The resulting logic of appropriateness, which was strongly manifested through various activities in institutions, was engaging in corruption on the job. Most of the informants confirmed that corruption existed at all levels of government and all institutions, apart from the one to which the interviewed belonged. Additionally, the same 'passing the buck' occurred when informants were asked about the 'urbanistic mafia'. All those interviewed blamed all the other professions apart from their own and they generally rejected involvement of the institutions for which they worked. Although the term 'urbanistic mafia' is too strong to describe illegality in Serbia, the informants' claims revealed the existence of informal networks that involved all professions and institutions boosting illegal building as a result of both the pressure from the top and of a general acceptance of the new institution – corruption. Therefore, in the continuation of the work, the term 'urbanistic mafia' relates to

informal networks that were involved in gaining profits from either allowing illegal building or by actually building illegally.

The next two chapters document the empirical case studies. In these case studies the political elite, subelites and their exercise of power through their breaking the formal rules is addressed. Furthermore, these case studies analyse the way the new rules and informal institutions were created by the political elite and subelites, and how they helped them fulfil their interests, both financial and political. In addition, the following two chapters address the way the elite and subelites further encouraged illegal building for the rest of society.

7 Chapter : Illegality for the Elite: the Dedinje case study

7.1 Introduction

After a careful consideration of the political, economic, housing and institutional context of Serbia, and Belgrade in particular, this chapter presents some empirical material on the impact the context had on illegal building on the ground. This chapter is also used for an analysis of the elite. The area chosen for analysis is Dedinje, the most elite residential area in Belgrade. The purpose of this case study is to analyse how the political elite exercised power and created a corrupt environment, changing rules and institutions and adapting them to suit their own interests. There are many examples of illegal building, but this chapter focuses on the cases of Slobodan Milosevic's house, the Karic family houses and the PINK Television building, to analyse the patterns of illegal building among the elite. This chapter uses these examples to look at how changes were made to institutional frameworks (building rules and regulations) and decision-making systems to render them the most advantageous for the most powerful and the most disadvantageous for the least powerful in the Belgrade area of Dedinje run by the SPS in early 1990s, and by the SPO and the DS in the mid and late 1990s. The following chapter is a case study of a contrasting area and considers how illegal building spread to the rest of the city, particularly in Zemun, which was run by another political party – the SRS.

The chapter uses data drawn from interviews with expert informants and witnesses, combined with an analysis of controversial decisions by local governments and of the Regulatory Plan and the way it was used by the City Government. Since corruption is very difficult to prove, the validity of the research is achieved through open-ended interviews that were carried out with various actors (local government representatives, plan-makers, inspectors, local activists and community representatives as well as with illegal builders themselves), so that different perspectives and views were obtained for analysis. Additionally, primary and secondary documentation is carefully considered, and used as support or refutation of

certain arguments presented by some of the informants. Cross-examination of both case studies is carried out in the conclusions of the thesis.

7.2 Savski Venac – Dedinje

The local council of Savski Venac⁴⁵ is located on the southeast side of Belgrade and covers an area of 1,400 ha, with a population of 47,682 (Census 2002). In the post-World War II period this area belonged to the city areas III and VII. In the period 1952-1957 the territory of the local council consisted of three former municipalities: Topcidersko brdo, Savski Venac and Zapadni Vracar. The local municipality of Savski Venac was formed in 1957. Today it consists of four local communities: Dedinje, Topcidersko brdo, Senjak and Lisiciji Potok (www.beograd.org).

The municipality of Dedinje is historically the most prestigious and expensive residential area in Belgrade. Those of high social, economic or political status in Serbian society have traditionally tended to live in Dedinje. This development started at the end of the nineteenth century, when Dedinje was mostly a wooded area with only a few residences. A number of politicians, officials, industrialists, bankers, diplomats and others of high status built their summer houses in this area. The King of Serbia, Alexander Karadjordjevic, and Prince Pavle Karadjordjevic, built their residences there, acting as a further draw for the rest of the elite of Belgrade to start settling there.

After the Second World War, and with the imposition of communism, the owners of these villas were declared traitors and bourgeoisie and were removed. Following this the houses were nationalised and the Partisan winners of the war moved in. Under the slogan 'In the name of the people' Tito, the communist leader of Yugoslavia, and the politicians and officials from the Communist Party and the Army - who formed the new political class (Djilas, 1963) - moved into these nationalised villas. So during

⁴⁵ The name of the Local Council symbolises a wreath, settled next to the riverbank of the Sava (Savski Venac = Sava Wreath) (www.beograd.org).

the communist period, Dedinje remained the symbol of prestige and position from earlier times.

This trend continued with later regimes. When Milosevic came to power in 1989, he immediately moved into one of the most prestigious villas in Dedinje. Other high ranking officials from Milosevic's and his wife's party and people close to them followed their example and started moving to Dedinje. Besides the politicians, newly rich people, mostly entertainers but also many young entrepreneurs who gained enormous wealth through suspicious ways such as dealing oil and smuggling cigarettes, wanted to buy their way up the social ladder, so they also moved into the area.

Since Savski Venac, including Dedinje, was protected for years from individual building (Table 15) but also from any kind of intervention including the building of extensions and balconies, it was not very easy for interested parties to find available houses or flats and demand had exceeded supply. Despite these restrictions, certain developers realised that if they were to build new flats and houses in the area they could earn huge profits, and some of the most powerful people decided to build houses for themselves. Since, due to the rigid regulations and plans, this was impossible to do legally, most of them decided to take the illegal path.

Table 15: Number of residential units (in flats) completed from 1974 to 2000 in Savski Venac

Number of residential units (in flats) completed during the year			
	Individual sector	Collective sector	Total
1974	0	150	150
1975	0	0	0
1976	0	53	53
1977	0	4	4
1978	0	0	0
1979	0	1	1
1980	0	0	0
1981	0	1	1
1982	0	12	12
1983	0	130	130
1984	0	3	3
1985	0	178	178
1986	47	73	120
1987	0	23	23
1988	20	54	74
1989	80	57	137
1990	66	214	280
1991	0	207	207
1992	0	199	199
1993	36	0	36
1994	0	365	365
1995	0	0	0
1996	0	47	47
1997	0	0	0
1998	15	41	56
1999	12	26	38
2000	2	52	54
Total	278	1890	2168

Source: The First Results of 2002 Census, Federal Statistics Office, 2001

If we consider the fact that collective housing actually consisted of flats built up in the mass housing blocks, there were only 278 legally built individual objects in the past twenty-seven years. Actually, individual objects were allowed to be built for only eight out of twenty-seven years. However, the table has limitations since it relates to the whole of Savski Venac, and there is no separate data on Dedinje. Still, the whole of the municipality is residential and has very similar housing, mostly with family houses and villas, with very few scattered collective buildings. The all-inclusive table gives the general picture for the pace of development of Dedinje.

Table 16: Total number of illegally built objects

	Up to 31.12.2000	01.01.2000-31.12.2001	Total up to 31.12.2001
Savski Venac	2091	171	2262

Source: Internal data of Secretariat for Property Rights and Construction Affairs (2001)

Due to a lack of statistics, illegal objects have not been properly categorised into residential units, extensions, auxiliary objects, garages and balconies. Furthermore, since the number of residential units is not comparable with the total number of objects, it is not possible to quantify illegal building, even though it is very visible on the ground. If we compare the 278 individually built houses (Table 15) with the 277 individually built villas (Saveski, 2001), we can deduce that there was an equal number of illegal and legal individual objects built in the last 27 years in Savski Venac.

The main difference between the illegal building that flooded the whole of Belgrade, and the illegal building in Savski Venac and in Dedinje in particular, is the quality of building and the purpose of building. Considering that Dedinje has traditionally been a settlement for the very rich and powerful, new construction in the last decade reflected status rather than shelter requirements.⁴⁶ According to Bransilav Belic, the president of the Savski Venac council in the period 2000 to 2004, the Dedinje area was kept for powerful politicians who built beautiful and grandiose villas (2001).

7.3 Mechanisms of corruption

This section examines the different informal mechanisms used by the elite for obtaining properties in Dedinje and the failure of institutions to prevent this. Analysis of mechanisms (such as annexation - often a precursor to illegal building) in Dedinje is important since it also shows that only politicians and privileged business people

⁴⁶ Due to the hyperinflation, the existing statistics are not reliable indicators of income structure across municipalities in Belgrade. Furthermore, there was a lack of transparent reporting of real income especially by politicians and rich businessman.

close to them were able both to break the formal rules, to create new ones and to access the area. Reconstruction and invasion mechanisms confirmed this, and even the regular purchase of a house or flat which was the rare but only legal way of obtaining a property can be related to corruption and fraud in some cases. If the source and legality of the money used for buying properties could be analysed (considering that the wage levels during the communist period, and especially during the 1990s, were kept low by constant hyperinflation and a generally poor economic situation) then much evidence for corruption and fraud would be found (Zdravkovic, 2001; Ilic, 2001).

7.3.1 *'Invasion' of properties and land*

Obtaining “the right to use” a property is a very common way that politicians and officials from the Republic and Federal establishments get access to state-owned properties. An investigation organised by the new government showed that many ex-officials misused their positions and used fraudulent actions in order to get properties and to make a profit by changing their ownership status and selling them. A number of them expanded or demolished houses and replaced them with new buildings. Since this occurred without a permit it could be categorised as illegal building as well. Some are in Dedinje and have been listed as extra profit tax payers; therefore they are of interest to this study.

The Federal Ministry for Justice, in coordination with building inspectors, launched an investigation into the missing properties and the work of the Federal Committee for Housing Issues. As a result of the investigation, a report⁴⁷ showed that in the last ten years, since the disintegration of the SFRY to the present day, around 12,000 properties ‘disappeared’ from the federal fund. The SFRY used to possess 12,500 properties in Serbia in 1989. There were only 277 flats and houses left in the Federal Republic of Yugoslavia in 2001. Officials from the former regime as well as some Montenegrin politicians and officials, who were in the coalition with the DOS after

⁴⁷ Report no 030-01/2001 is signed by following inspectors: Miroslava Djurovic, Biserka Markovic, Dragana Radovanovic and Slobodan Macura (Jakovljevic, 2003);

the removal of Milosevic, cost the state 1.5 billion euros (Danica Ilic, 2002) in lost properties.

Additionally, despite a regime change, the report was treated as top secret, with only a few copies in circulation and its authors avoided giving any statements. Nevertheless, fragments of the report were published in various newspapers, although the journalists who wrote about it faced pressure from those involved in the frauds. Charges were brought against a journalist from Glas Javnosti because of information he published (M.D., 2003). Two years after it was written (November 2000), the whole report was presented publicly in February 2003, by the television channel B92 which produced a documentary based on it.

According to this report, many flats and houses that used to be federally owned changed their status to family-owned properties and were used as gifts to 'friends', relatives, or party members. Some of these new owners sold their properties later at market value and earned huge profits. All profiteers whose names have been published so far are, or used to be, members of the SPS, the JUL, the SRS or their coalition party from Montenegro and were high officials of that time. For example, Borisa Vukovic (SPS member, ex Federal Minister for external trade and ex President of the Federal Commission for Housing that was responsible for the properties allocation and management), Goran Percevic (ex-SPS vice president and representative in Federal parliament) and Margit Savovic (JUL member and ex-Federal minister for sport) were involved in property annexation (Report no 030-01/2001).

Dragisa Pesic (Montenegrin official, who was Federal Prime Minister until March 2003) and Jugoslav Kostic (SPS member at the time and ex-Federal Minister) purchased federal properties for very low, almost ridiculous, prices. Dojcilo Radojevic (JUL member and ex-Federal Minister for telecommunications) made a contract for the exchange of his flat for a state-owned one. One year later it was discovered that he could not fulfil contractual conditions since the flat he offered for exchange was not his own but his son's. A similar example is of ex-Yugoslav

President and SPS member Zoran Lilic who somehow “exchanged” two flats of 74 sq m and 21 sq m for a house of 231 sq m in Dedinje, while managing to retain ownership of the state properties (Ilic, 2002). The accounted examples are only few. Nonetheless they show the involvement of the politicians, and in particular from the ruling parties in the corruption.

7.3.2 “DIPOS”

However, the biggest enigma about the ‘disappearance’ of properties is related to the Diplomatic Housing Enterprise, Dipos. Dipos dealt exclusively with the renting of real estate which was state property and had a licence from the Federal Ministry of Foreign Affairs in Belgrade. The fund of Dipos consisted of residences, villas, buildings, apartments and offices. These properties were used by diplomatic and council branch offices from all over the world, as well as European and international organisations such as the OSCE Mission, the United Nations office and the World Bank office in Belgrade. This section, as with the previous one, examines the methods used by the powerful to gain access to properties via breaking the existing formal rules.

According to the Report no 030-01/2001 mentioned before, 27 villas, 90 flats and 5 garages that belonged to the Federal state, in addition to 25 villas, 106 flats and a few dozen garages that belonged to the Republic of Serbia, had vanished from state ownership between September 1996 until the end of 2000 (M.D., 2003) at a cost of 32,000 sq m or 60 million euros (Zivkovic quoted in Vasic, 2003).

In 1996, Milena Arezina, the ex-president of the Court in charge of economic and corporate fraud, argued that the Court was under huge pressure from the ex-president of Serbia, Milan Milutinovic, not to react when the diplomatic housing enterprise was transferred to the Federal Ministry for Foreign Affairs, and was soon liquidated

despite being very profitable.⁴⁸ Zoran Loncar, President Milutinovic's cousin, was nominated as a liquidation manager and later on as a director of Dipos. Arezina called this a typical 'corruption happening' in which fraud by individuals from the political world was rationalised in the Court (Ast, 2003). Arezina also stated that when she began dealing with the case, her office was burgled and all documentation was stolen (Arezina quoted in Ast, 2003: 26). According to her, the process involved many judges as well including ex-Minister for Justice Jankovic, a JUL member.

However, another reason for the liquidation of the enterprise was to avoid the claiming of properties by former Yugoslav countries. If any seceding country claims properties now, it is going to be very difficult to get them back due to the change in ownership status. Most of the properties are now privately owned and the process of restitution would not be easy. Dipos was created in order to avoid the perils of secession since it was not responsible for the obligations of the liquidated properties or the management of the remaining properties.

Although there are strictly defined rules and conditions under which properties managed by Dipos can be used and rented, members of the old regime found a way to skip those rules and procedures. By creating fake contracts in which properties were given to 'unknown' or 'non-existing' people who were 'intermediates' who would later sell those ones to the actual owners, they ensured that these names would never appear publicly (Ast, 2003). Government officials also used this method. A certain number of properties were set apart and transferred to Federal or Republic ownership in order to make annexing very easy. Milos Loncar, ex-director of Dipos, who was recently indicted for fraud, argued how he was pressurised to exempt some properties from Dipos and to allocate them to the Federal or Republic government. He directly accused ex-presidents of the Housing Committee of the Federal Government Vuk Ognjenovic, Jugoslav Kostic and Zoran Vujovic who forced him to do it (Loncar quoted in Vasic, 2003).

⁴⁸ Although in this case she may have tried to improve the situation, one has to be sceptical about Arezina's intentions and not take her statements at face value, since she was accused of fraud and dismissed from office last year (Republika, 247, 16-31.10.2000)

Government officials furthermore exercised power over institutions and changed rules by renting those exempted villas as though they were ordinary flats. The underlying reason was the rule that tenants who rented the flats had a right to buy them, whereas this was not allowed in the case of villas. The easiest way to ignore that rule was through buying houses as flats. This practically meant that when the values of houses were calculated, basements, lofts and gardens were not taken into account, and officials were buying them for very low prices. Moreover, when they sold these houses later, they sold them at market prices and therefore made large profits.

Fraud with flats was even easier. They were simply transferred from state ownership to private ownership. The President of the Housing Committee of the Federal Government, ex-Federal Minister and a member of the executive board of the SPS at the time, Zoran Vujovic, annexed a five bedroom flat in this way and also allocated one flat for his driver in central Belgrade. This was against regulations as the driver already possessed a flat (Vasic, 2003). These politicians were so confident in their positions and the duration of their power that they ceased concealing their fraud from the public.

Those involved in house takeovers were members of the ruling political elite, mostly members of the SPS and JUL, including (Vasic, 2003):

- Zlatan Perucic (SPS member and ex-Director of Beobanka, 400 sq m);
- Zoran Lilic (SPS member, and ex-Federal President, 309 sq m);
- Zoran Andjelkovic (SPS member, 232 sq m);
- Borislav Milosevic (brother of Slobodan Milosevic, SPS member and ex-ambassador in Russia, 299.5 sq m);
- Zivadin Jovanovic (SPS member, ex-Federal Minister for Foreign Affairs, 374 sq m);
- Dragan Tomic (SPS member, ex-Serbian Prime Minister, 160sq m);
- Milovan Bojic (JUL member and ex-Federal Minister for health), etc.

Even greater detail is possible given the lack of concealment practised. For example, Zivadin Jovanovic, ex-Federal Minister for Foreign Affairs and SPS member, 'exchanged' his flat first for a villa of 374 sq m in Generala Save Grujica street in Dedinje, than later did so again for another, bigger one in Cakorska street. Both villas used to be owned by DIPOS, but according to a decision made by the Housing Committee of the Federal Government on 6th August 1998, the second villa was allocated to an unnamed person, in exchange for three other flats. However, there is no evidence that these flats had ever been given to DIPOS (Vasic, 2003).

Villas and properties were given not only to individuals but also to companies run by people close to the regime. Among others, Karic Bank, owned by the Karic family, got 416 sq m; Asi Bank owned by Nebojsa Maljkovic, a high ranking official from the JUL, acquired 506 sq m and so on (M.D., 2003). This type of behaviour was not restricted to Dedinje, but also other very central and expensive locations in Belgrade.

Unfortunately, there is no evidence of all the properties that disappeared and those accounted for are only a small drop in the ocean. So far, detected fraud and corruption have involved ex or current SPS, JUL, SRS and SNP members from the coalition parties that ruled the country from 1989 to 2000, which does not necessarily mean that all of them were committed only to these political parties. However, it is a clear indication of the group that initiated the change of the formal rules in the field of property ownership regulation. This was also a message sent to the whole of society that rules could be disrespected and replaced by new practices that conformed more to private interests. Politicians, who illegally used their social positions and power for personal gain, created a new perceptive role of the property related institutions among the society.

7.3.3 'Reconstruction'

Takeover was not the only new practice used in this area. Vesna Ilic, an activist from the "Association for the Protection of the Environment of Senjak, Dedinje and

Topcider Hill” and Nikola Saveski, vice president of the Savski Venac council, argued that the most common mechanism for obtaining land was the reconstruction mechanism. As described by Ilic, the investor would first find a house owner who does not have any money and then make a deal with him. The house owner would get a permit and officially start reconstruction and reparation of the object in order to improve living conditions. After this, on that plot, for example of a size of 10 acres, an object with at least 10 residential units and a few thousand square metres would appear. The formal house owner would receive two new flats from the developer, and the rest would be sold on the market. “If we take into consideration that the building of 1 sq m costs around £250, and the market price when you buy in that area is approximately £1000, you can easily calculate that millions would have been earned this way” (Ilic, 2001). However, it was not always the case that owners were willing to co-operate with developers. “There were cases when investors used to come and threaten the elderly and poor house owners who refused to make deals with them. People were frightened” (Saveski, 2001).

Belic, president of Savski Venac council, also confirmed this mechanism. According to him, investors would ask for a permit to reconstruct the existing building on the plot and then as soon as they got it, they would demolish the building and build a new object, sometimes ten to twenty times bigger than former one. Urban plans were not considered or respected by these people and even areas where building and restructuring were strictly forbidden by law were changed and built upon. Belic also accused the SPO party as being ‘the biggest accident for this area and the whole city because they allowed and even promoted urban chaos in the whole of Belgrade including Savski Venac’ (Belic, 2001).

Zdravkovic, President of the Association for the Protection of the Environment of Senjak, Dedinje and Topcider Hill also argued that it was not only the SPS, but also the SPO and their corrupt behaviour at the city and local council level that contributed to illegal building in area. As indicated by him, another mechanism for illegal building was ‘competence confusion’. According to Zdravkovic, an investor would spot a plot and start to build on it. Surrounding neighbours reacted and went to the local council to appeal. The local council controlled by the SPO sent them to the

city council, arguing that the case was not under their competence. The city council sent them back to council also arguing that is not their competence, and while this 'ping-pong' went on, the object was finished, and then nobody wanted to demolish it.

“or in other case scenarios, the investor goes directly to Savski Venac where he pays the required amount of money, and inspectors do not come for site seeing and checking” (Interview 16, 2001).

Interviewed illegal builders in this area also confirmed this mechanism. Interviewees A and B both said that the time necessary for legally obtaining a permit was too long, and that they did not have that much time (Interview A, 2001; Interview B, 2001). Interviewee D confirmed that he paid certain officials the necessary 'corruption fee' so he was unofficially allowed to finish the objects (Interview D, 2001). They explained that the profit they were gaining by selling flats was covering all the costs of building, including the corruption fees that were counted as a 'normal' building cost, an indication of the extent to which corruption became accepted and part of normal culture in Serbian society (Interview C, 2001; Interview E, 2001). One of the respondents was offended when asked why he did not use the legal path. He responded:

“I am not stupid. Why should I do it when the whole city builds illegally?” (Interview D, 2001)

This statement represents the attitude of illegal builders that emerged from the new rules and values developing in the society. It shows that it became widely accepted to build illegally without fear of consequences. Additionally, once developers had sold their flats, they did not have anything to do with the buildings and the new owners would have to pay all legalisation and other fees (Interview A, 2001; Interview B, 2001). This left them clean in the eyes of the law. In addition to informal networks, investors were heavily relying on this institutional weakness. The non-functioning institutions of the system failed to prevent corruption, but enabled it to expand in every segment of society and the corruptive rules became the normal ones. According to those interviewed, all city institutions, including urban planning and building permit issues, were corrupt with their own interests clearly defined.

“But everyone was silent about it either because of the money they were getting or in order to maintain a holding position” (Interview 16, 2001).

Zoran Nikezic also confirmed this in his interview, while simultaneously rejecting any responsibility of his party, the SPO. Nikezic implied that all levels and people involved in corruption and fraud could be easily detected by analysing documents. If somebody built more than was allowed by the permit, the inspector who was in charge for that territory was guilty. If inspectors made a decision about demolishing, and the object was still there, then it was the police's fault because they did not help to prevent further building. If somebody built on the plot where it was not allowed by the plan, and he/she had an urban permit, then it should have been checked by whoever issued that paper.

“It could be detected who was in charge in most cases. However, when you found out who signed the permit, you could not do much but to fine them with 5,000 dinars (£50). If some procedure has not been followed properly it could not be because somebody did not know their own job, but because they gained some material benefit.” (Interview 11, 2001).

Petovar, who is a local representative in Savski Venac, also underlined the necessity of analysing quasi-legal permits and deducing responsibility (Interview 18, 2001). The huge problem was that the law did not treat those cases as criminal offences, which left a lot of maneuvering space for corruption and fraud.

“Corrupt services were issuing fake and quas-legal permits and the government on every level was tolerating this practice since the majority of illegal builders were either voters or their protected clients” (Interview 18, 2001).

The political elite and subelites were the major perpetrators of illegal activities in Savski Venac and their corrupt behaviour gave the green light to ordinary citizens to do the same. In spite of a corrupt environment, oppressive circumstances and the non-existence of local community involvement in urban development of the city since 1994, the Association for Protection of the Environment of Dedinje, Topcidrsko brdo and Senjak emerged and tried to oppose the illegal building. This association of around 150 members and even more supporters was the only one of its kind in the whole city. Among many organised actions against illegal building, the biggest resistance they showed was in the case of the Regulatory Plan and its implementation. The Regulatory Plan was the most obvious exercise of the power of the elite and subelites who reinforced social and political values and institutional practices which limited the scope of the political process related to illegal building,

to issues innocuous to themselves. Although the plan was partially implemented, members of the association questioned the legality of the plan in the Constitutional Court in 2001.

7.4 Regulatory Plan

The creation of the Regulatory Plan for Dedinje (RPD) was surrounded by interesting circumstances from the very beginning. Decisions about the plan were made in 1995 by the SPS, which was then in power. In 1997, the coalition 'Together' (Zajedno) took control over Belgrade and the mayor was from the DS. However, the Plan was finally adopted in 1999, when the structure of the City Parliament was completely changed for the third time⁴⁹.

7.4.1 Political arrangement

There is a hypothesis that the regulatory plan for Dedinje was the legal basis for the legalisation of houses built by powerful people and politicians. The way it was passed in the City Council and the controversy surrounding Act 43 have raised many public debates about the legality of this document.

The Regulatory plan for Dedinje was passed in the City Council under very dubious circumstances. Planners from the Town Planning Institute, the creators of the plan, argued that production was in accordance with law and regulations. The initial proposal they made was sent to all city institutions and commissions, for analysis, as well as for public consultation. Around 200 public comments made by local citizens and businessmen were taken into consideration (Belos, 2001). The next step was to pass the RPD for an adoption procedure to the City Government. Until that moment the controversial Act 43 was not in the plan and it was actually added by the Secretariat for Urban Planning of the City Government.

⁴⁹ The coalition between the SPO and the DS had collapsed, and the SPO took over city governance due to their majority in the City Parliament.

The first attempt to adopt the RDP was made on 8th October 1999, but it failed since SPS, SRS and JUL representatives left the City Council meeting without the necessary quorum. The reason for this was Act 43, which they did not want to accept because it would legalise all illegal objects. This was a somewhat paradoxical situation since their party members or supporters built most of the objects. However, it is possible to speculate that they refused to support it not because of any benefit to citizens and the area but for purely political reasons, in order to challenge the opposition parties. DS representatives refused to stay and vote due to the rejection of all 12 amendments on the RPD which they proposed, and they left the meeting.

One month after December 1999, all the representatives were informed that they had to meet urgently and adopt the plan in order to make the city function normally. On 31st December, a meeting was held and the members of the SPO, the DS and the DSS voted for the Plan. The SPS, the JUL and the SRS refused to vote for it. A paradoxical change of stance came from the DS. Immediately before the meeting started, Aleksandar Bukumirovic, representative of the DS, said that his party decided to accept the Plan because “the existence of any plan is much better than having none”. At the same time, representatives of the Association for Protection of the Environment of Dedinje, Topcidersko Brdo and Senjak were promised by the president of the DS city representative group, Radoje Prica, that his party would not vote for it (Zdravkovic, 2001), but in spite of this the DS did vote for it. He justified this later stating that it was the only way for the DS to get the budget for the following year. One year later, when asked about that meeting again, he said that he remembered that there was some problem between the city government and the DS, and that there was a lot of pressure on the DS to vote for the plan, but he did not remember any details. “There was some Act 43, I remember....” (Prica quoted in Skrozza, 2001:31).

The way the Plan was passed was a big surprise to many, including Ljiljana Belos, Chief Planner for the Regulatory Plan for Dedinje. “For me the most interesting fact is that at that meeting when the plan was passed, the representatives of the SPS did

not vote for it although many of their party members have illegally built villas there. It is unbelievable that the SPO and the DS are the ones who voted for it. After three unsuccessful meetings and a lack of a quorum, they managed to pass it. What kind of arrangement it was among them, I don't know!" (Belos, 2001)

The only conclusion is that some agreement was made among the SPO, the DS and the GSS, but it is very hard to know what the truth behind it was. There was some speculation in local newspapers that the DS accepted the Plan in exchange for more space on the city TV Studio B. Despite huge resistance from local communities expressed through written complaints (Ilic, 2001), the plan was adopted.

7.4.2 Act 43

Act 43 was a controversial aspect of the Plan, concerned with allowing the issuing of building permits to any object 'which with its characteristics did not essentially disrupt the urbanistic standards and parameters'. In practice, this meant that the issuing of building permits depended on how and by whom the 'essential disruption of standards' would be interpreted. Since it was not clearly specified who and which criteria would be used, a huge space for corruption and misuse of position was created.

Another problematic rule imposed by this plan was that it anticipated that everyone who built an object without a building permit before the plan was passed, meaning before 1st January 2000, had the right to get it retrospectively. Therefore, this act was in complete contradiction with the Law on Special Circumstances of the Republic of Serbia under which building permits could be issued retrospectively only for the objects built before 4th November 1995.

Practically, this rule, combined with Act 43, allowed all illegal builders who had built in the meantime to legalise their objects without paying any penalties and without any legal consequences. Act 43 meant the abolition of every illegal builder

in the period from 4th November 1995 until 1st January 2000, and even for the period before 4th November 1995.

The most famous example of the implementation of Act 43 in practice, demonstrating how it could be misused, is related to a 4,221 sq m object in 34 Sanja Zivanovic Street built by the Eurotrend Company. After a few unsuccessful attempts by the Savski Venac council to demolish this object, the owner of the company, Milan Ljumovic, appealed to the Ministry for Urbanism and Building of the Republic of Serbia. The Ministry redirected his appeal to the Secretariat for City Planning and the Secretariat for Property Rights and Construction Affairs to establish if the object essentially disrupted the urban standards. The Secretariat for Property Rights and Construction Affairs refused to do that, arguing that as Eurotrend did not have any documents and that furthermore they had questionable ownership status, the problem was not under their competency but under that of the Ministry, to whom they returned the case. Minister Sumarac replied that the implementation of Act 43 was under the City's competency (Skrozza, 2001). In the meantime, the local council's teams for demolishing gave up and Eurotrend managed to finish their building.

This example, among many others, just confirmed how Act 43 created a vicious circle of passing responsibility to the other side among officials. Instead of preventing illegality, the RPD helped illegal builders to keep building and legalising their objects later on.

“From very beginning, the attitude of my team was that we should not allow the Regulatory Plan to become the plan for legalisation of illegal objects. All objects that fit in the standards can be legalised but not the rest. That was related to the objects built before the Plan was brought, because we wanted to cut this illegal builders' attitude of ‘I will legalise that later’” Ljiljana Belos, Chief Planner for Regulatory Plan for Dedinje (Skrozza, 2001). Unfortunately, she failed to achieve this.

7.4.3 Building coefficient

The third problematic rule that was brought about by the Plan was a change to the 'building coefficient'. The building coefficient determines the size of the built object on the plot. For example, if it is 0.8 that means for a plot of 1000 sq m the maximum size of the object can be 800 sq m (1000 x 0.8). According to the General Urban Plan for Belgrade (GUP), the building coefficient for Dedinje was 0.8, and an object could consist of the ground floor plus a first floor. However, the new plan allowed an office building to have a building coefficient of 1.2 which meant that the built-up area could be 20% bigger than the area of the plot. Additionally, instead of a ground and first floor, the plan allowed a ground floor, first floor plus a loft. In reality, this meant that those investors could double the size of the object if they stated that they had built the object for business purposes. If these excess numbers of square metres were multiplied by £1,000 per square metre (which was the price at the time), it is clear that huge amounts of money could be made in this way.

Contrary to the position adopted by members of the Association for Protection of the Environment, Ljiljana Belos, Chief Planner for the RPD, argued that the plan was not in contradiction to the law or the General Urban Plan (GUP) for Belgrade (Vreme, 17.05.2001). The building coefficient for Dedinje in the GUP was 0.8 and while the number of floors was not clearly defined it depended on the purpose of the building. According to Belos, it meant that two floors allowed by the plan for business purposes were of a reasonable parameter and in harmony with the GUP. She accused investors of breaking the law by not respecting the given parameters and the Plan by building areas two to three times bigger than was allowed by the Plan.

In spite of the fact that the change of building coefficient and the allowed number of floors was in harmony with the GUP, this change in practice meant that investors, who built objects bigger than was allowed at the time they were built, and if the parameters were close to those determined by the new Plan, automatically got the right to start with the legalisation of their objects. This was another method of abolishing the illegal builders.

The Plan was considered advantageous in that it was very flexible and simplified, based on digital technology, compared to the former rigid and cumbersome plans it replaced, and the team won an award at the Annual Urban Exhibition in Nis in 2000. However, the main creator, Ljiljana Belos, was fired from the position of team leader with no explanation. "I did not leave the position of Team Leader as everyone said. The director fired me with no explanation, although the Plan received an award. I was fired on 2nd of February 2000, one month after the plan was passed, I was really shocked" (Interview 7, 2001). According to Belos, the director's justification was that City committee for public consultation confirmed some of their suggestions, but public comments and complaints that they accepted in TPI by Directors' committee were rejected by them. The Committee had supported some of TPI proposals and supported it even when TPI got involved in ownership problems, however 'some influences' were occurring then.

"At the end there was a situation where some of our proposals which the City committee knew, were unknown to the Institute and Directors. I think that is a lie. First, the City Committee was working without us. Only on the last day they asked us to clarify a few issues from those 200 public comments. Second, the material about public comments was very clear and the Director of our department had it, which means that it was not anonymous to our company. The meeting and passing of the plan had been delayed for three months, they had enough time to analyse the plan many times. The problem actually was in our hard attitude that we have to protect public interests by this plan. It did not mean that we would deny or not consider private interests, but we did not allow private interests, especially those suspicious ones, to be held over public interests! Therefore, I was fired." (Interview 7, 2001).

Belos clearly argued that there was political pressure coming from the top, through informal channels which she resisted and consequently lost the position (2001). According to others interviewed, Belos should not have been fired. Her initial plan was very good, but it had since been changed due to the huge political pressures on her and she should not be fully blamed (Saveski, 2001; Ilic, 2001; Zdravkovic, 2001; Petovar, 2001).

Analysis of the passing of the plan in the City Hall and how it was changed over time shows how the elite and subelites exercised power and changed the rules in

accordance with their needs. Although the building coefficient was in opposition to other laws, it was changed reflecting how the institutions were neglected. The elite created new rules and embodied new power relationships through Act 43 for the purpose of legalising their own properties. New rules, based on power and money resulting from informal networks between parties that were supposedly in opposition to each other, prevailed in the political life of Belgrade.

7.5 Extra profit tax –punishment or abolition?

As soon as the new government came into power on 5th October 2000, the promises about stopping further illegal building as well as the demolition of existing illegal objects were raised almost every day by politicians at all levels of power. They were claiming that they should start sorting out the problem as soon as they established governance at every level of power. However, as time passed, building in Dedinje had not stopped, but continued on the same scale as before (Ilic, 2001).

After a few months, the term ‘demolition’ was substituted with ‘legalisation’ and ‘harmonisation of illegally built objects with the Regulatory Plan for Dedinje’ in political addresses, and additionally a law on extra profit tax was imposed. This law divided public opinion. Although it had many supporters because it would increase revenue and correct injustice to some extent, there were many publically opposed to this law arguing that the payment of extra profit tax would actually legalise businesses and properties gained in a suspicious way.

The following section will analyse this extra profit tax and use it to determine who the people were who had to pay it, in order to prove that they were in fact members of the elite and subelites. The section is based on an analysis of the extra profit tax payers from Dedinje and it examines how they got onto the list. A few of the more controversial examples will be explained in detail in order to identify the different modes of corruption and the neglect of law and institutions.

As mentioned before, during President Milosevic's years of rule corruption was one of the main pillars of the regime. The rule of law was suspended and tax legislation was not applied equally to all taxpayers. Isolation of the country from the international community and subsequent trade embargos imposed on Serbia, non-transparent public procurement as well as the largest hyperinflation in Europe ever recorded (which occurred in late 1993) were all seen as fortunate circumstances for a small circle (estimated number of around 200 families) around President Milosevic and his ruling elite, to accumulate wealth illegally using their privileged positions.

The new Government of Serbia, elected in late December 2000, took fiscal reform and the fight against corruption as its primary goals. Therefore, underlying the principles of the rule of law and fiscal justice, the Parliament of Serbia adopted on June 22, 2001 a "Law on one-time taxation of extra income and extra property acquired by using special privileges". The tax was aimed at extra income and extra property acquired from January 1st 1989 up to June 23, 2001 (the day of the implementation of the Law), which was generated by use of special privileges defined by the Law. The taxpayers were those legal and physical entities which had access to special privileges during the time span specified by the Law.

There have been certain concerns that newly enriched individuals and companies, which made their fortunes during the Milosevic reign, would try to take their capital out of the country. Therefore the Law had built-in provisions extending the tax liability to persons to whom the taxpayer has transferred capital, in the form of gifts, the rights (parts of the property), acquired through the transactions.

The Law specified transactions which fell under the concept of special privileges accessible to particular persons. Some of these transactions were peculiar and occurred under the circumstances of a closed economy, a suspended rule of law and highly non-transparent public finances. Being described as such in the new Serbian Law, they created a quite unique case in the post World War II tax history of Europe. There were 22 different tax bases, but the following one is of interest in this work: 'Construction of the representative residential or business facility (i.e. value of more

than 500.000 DEM~£150.000) with a surface larger than the one allowed by the applicable construction regulations. In this situation, we find a description of the case where privileged persons were able, irrespective of the Law, to build large size facilities such as villas and office buildings. For this type of transaction, the taxable base is defined as the market value of the surplus surface of the constructed facility above the one allowed by the regulations'.⁵⁰ The tax assessment could be initiated by the Anti Corruption Commission established in 2001, as well as by the Inland Revenue Service of Serbia which is obliged to submit monthly reports to the Parliament of Serbia about the progress on the proceedings initiated in tax collection under this Law. By passing the "Law on taxation of extra income and extra property acquired by using the special privileges" the new Government of Serbia has identified sources of wealth creation through the corrupt behaviour of members and allies of the former regime. Through this legal act, the government intended to tax those individuals and companies that held a privileged position during the rule of Slobodan Milosevic. Soon after the enforcement of this law, Savski Venac published the list of individuals (Table 17) and companies that were categorised as extra profit payers (Table 18).

Tables 17 and 18 show the years in which the objects were built, their sizes, the area illegally built in as well as the sizes of the houses for which there was a building permit if granted. Additionally, in Table 17, in which the residential objects that needed to pay extra profit tax are presented, there is a comment on the type of permit for the object if it existed.

⁵⁰ Government of Serbia, www.vlada.gov.org.yu/extraprofit

Table 17: The list of extra profit tax payers-residential buildings

	Investor	year	object size (sq m)	building permit granted for sq m	illegally built (sq m)	permit/consent granted
1	Babovic Milija	1996	2,000	1,060	940	temporary building permit
2	Vranjesevic Despot	1998	460	0	460	
3	Grujic Dusan	2001	1,600	0	1,600	unfinished
4	Gazikalovic Nenad	2000	576	295	281	
5	Dimitrijevic Blagoje	2000	550	0	550	unfinished
6	Djordjevic Vladan	2000	507	393	114	
7	Jankovic Madlena	1999	970	800	170	temporary building permit
8	Jovanovic Jovan	2000	1,284	834	450	temporary building permit
9	Karic Bogoljub	2000	650	450	200	temporary building permit
10	Karic Danica	1997	1,100	0	1,100	
11	Karic Zoran	2000	2,000	0	2,000	
12	Karic Sreten	1996	1,120	685	542	temporary building permit
13	Lucic Zorica	1999	700	395	305	temporary building permit
14	Ljumovic Milan	1997	4,222	0	4,222	unfinished
15	Maksimovic Milenaka	2000	600	360	240	
16	Markovic Slobodan	2000	550	0	550	unfinished
17	Mijatovic Vojislav	1998	993	585	408	GEMAKS
18	Milosevic Slobodan	2000	735	479	256	unfinished
19	Narandzic Branka	1997	500	341	159	temporary building permit
20	Paljic Slobodan	1998	1,020	150	870	
21	Radosavljevic Sokolka	1999	706	0	706	GEMAKS
22	Stanimirovic Dragan	2000	414	0	414	
23	Spasic Tomislav	1994	900	439	461	temporary building permit
24	Stojic Ranko	2000	800	0	800	unfinished
25	Trojanovic Dragoslav	1996	1,000	0	1,000	
26	Hajdukovic Miroslav	1999	400	0	400	unfinished
27	Sarenac Slobodan	1999	780	553	237	

Source: Law on one-time taxation of extra income and extra property acquired by using special privileges (2001)

Table 18: The list of extra profit tax payers-office buildings

	Investor	year	object size (sq m)	building permit granted for sq m	illegally built (sq m)
1	Badzevic Slobodan	1999	394	0	394
2	Badzevic Slobodan	1999	609	0	609
3	Bosnjacki Dragoljub	1992	500	250	250
4	Bircevic Slobodan	1992	1,200	638	562
5	Zivkovic Srba	1995	2,100	700	1,400
6	Karic Jelena	2000	500	0	500
7	Krstovic Savo	1994	710	355	355
8	Novakovic Mirko	1991	300	180	120
9	Petrovic Branislav	1995	300	25	275
10	PINK	2001	3,150	1,200	1,950
11	Stevanovic Nenad	1991	300	180	120
12	Trajkovic Nenad	1994	500	133	367
	TOTAL		10,563	3,661	6,902

Source: Law on one-time taxation of extra income and extra property acquired by using special privileges (2001)

Many of the people from the list in Table 18 are famous businessmen like Milija Babovic, the owner of Verano motors, Serbia's biggest car import company, Madlena Jankovic from Zepter, Ljumovic Milan, owner of Eurotrend, Bosnjacki Dragoljub, furniture factory owner and the Karic family which owns banks, a mobile phone operator company and a TV station among many other companies. All individuals on the list used to be very close to the old Milosevic regime and some of them were members of ruling parties. For most of the people from the list it was not possible to track party membership because they were politically anonymous. However it can be assumed that they were connected to the top of the regime because in order to build objects of such size in such areas, it can be deduced that it was supported by very powerful people. It was also a very common practice of ex-officials and businessmen to sign ownership papers to their family members, cousins or friends. Furthermore these lists show that most of the business illegal objects were built under the rule of the SPS. In contrast, most of the listed residential objects were illegally built or extended in the period 1997 to 2000 when opposition parties were ruling Savski Venac. This, in addition to the lack of any institutional blockage, implicates all political parties in the illegal building.

7.5.1 Slobodan Milosevic

The most interesting case of illegal building, from the perspective of the elite driving the illegal building and changing the rules in order to fulfil their interests, is that of ex-Yugoslav president Slobodan Milosevic in Tolstojeva 33 Street.

Immediately after the eighth Congress of the Communist Party, when Milosevic took power in Serbia, he moved from his flat to a villa in Uzicka 33, Dedinje. However, the property he was indicted for in Tolstojeva 33 was a villa that he bought in 1991 and which had a 350 sq m surface area at that time. In January 2002, the then governor of the Federal Bank of Yugoslavia presented evidence and material from Beobanka about the way Milosevic bought his villa in Tolstojeva 33. The price he

paid for it was DM 2,500 or £ 780.00, which was the price of one square metre in New Belgrade's Blocks⁵¹. The mortgage repayment period was 38.5 years, and during inflation the monthly mortgage was only one dinar (£0.27). However in July 2000, Milosevic claimed a permit for an extension of his property for 5a on the neighbouring plot in Tolstojeva 31. Soon after making an agreement with Zorka Stojanovic, an enlargement of his house started. Although he had a permit for building issued by the Secretariat for Property Rights and Construction Affairs on 19/09/1996 (Danas, 3.11.2000) the intention was to enlarge the house by 1,100 sq m. However, due to his subsequent decision not to go ahead with the proposed indoor swimming pool with a dome roof, the total extension ended up at 900 sq m.

Picture 1: Milosevic's villa in Tolstojeva 33



(Source : www.novosti.com)

Soon after this extension, Milosevic and his wife claimed an approval for the purchase of the plot next to their first property, in Uzicka 33, from the Republic Committee for Housing Issues and immediately received an approval from the Republic Minister for Finances at the time (and SPS member) Borislav Milacic (Radosavljevic, 2003). He made a purchase contract with the Republic of Serbia on 22nd March 1999 and the price he paid for the plot was 150,359.60 dinars or £1,566.00. This amount was decreased by 30% because the Milosevic couple had been paying a housing contribution for 30 years. Furthermore, the rest was decreased by an additional 20% since they repaid their debt up front. The Milosevic couple then

⁵¹ New Belgrade, a local council that had the lowest flat prices among all central Belgrade's councils

moved to Uzicka 15, and soon after to villa Mir in Uzicka 11⁵², where Milosevic was later arrested. The expanded villa in Tolstojeva 33 was left to their son, Marko Milosevic. However, in December 2002, the court annulled the agreement for purchasing the location in Uzicka 34, but the Milosevic lawyer appealed. The only penalty they would have to pay was the extra profit tax at the time.

7.5.2 Karic Family

Another interesting case is that of the Karic family which was close to the Milosevic regime from the very beginning. The hypothesis that the elite always manage to be exempt from rules can be supported in this case. They were not penalised or forced to demolish their properties as many current officials promised during their pre-election campaign, but through extra profit tax they managed to legalise everything.

‘Bogoljub Karic sang pop songs for President Tito, drank coffee with Slobodan Milosevic and rose to be the richest businessman in the Balkans’ (Wagstyl, 2002). The man who established Yugoslavia’s first significant private bank, its first private television station, its first private university and its first mobile phone operator has been cast as a symbol of the corruption of the Milosevic regime. He was also a link between Yugoslav and Russian businesses. Mr Karic was accused of tax evasion and improperly diverting funds from his mobile phone company. His bank’s management was accused of wrongfully authorising transfers to the Karic family companies in Cyprus, and of forgery (Wagstyl, 2002). They were also accused of getting access to hard currency savings that were taken from the bank’s clients⁵³.

Among many other privileges the Karic brothers had the right to move into Dedinje. According to the Savski Venac Local Council, the Karic Family owns seven objects

⁵² Villa which was an official residence of Marshal Tito

⁵³ In the early 1990s, Milosevic sequestered billions of Deutschmarks from citizens’ hard currency savings for the regime’s use. Most Yugoslavs were restricted to holding fast depreciating dinars.

in Dedinje. All these villas are very close to each other and are located in following streets:

- Uzicka 17 - new object,
- Uzicka 27 - new object,
- Uzicka 35 - reconstruction and extension of existing object,
- Tolstojeva 29 - reconstruction and extension of existing object,
- Street Generala Struma 1a – residential building,
- Street Generala Struma 1- office building Jelena,
- Street Generala Vasica 5 – new object.

However, they are all illegally built with an estimated surface area of 3,842 sq m, and the value of their properties is DM 17 million (£5.5 million) (Stevanovic, 2001). Danica Karic did not have a permit for 1,100 sq m or Zoran Karic for the object of 2,000m² surfaces (Table 17).

As the regime collapsed, Mr Karic was trying to develop connections with the anti-Milosevic opposition, but with some of them he failed. The central bank governor and the new government devised a special tax on ‘excess profits’. An estimated DM 3.8 billion (£ 1.2 billion) in extra profits earned by those individuals, including Mr Karic, had to be paid back.

However, when asked for his motivation to build illegally, Bogoljub Karic justified it by the lack of time to acquire all the necessary documents since it could take three years to get them all. He also said that “he can not take all these villas to heaven, but he will leave them to the Serbian people, so they should not complain” (Karic in Ast, 2000:30). Karic’s statements show the typical arrogance of the former regime as well as a belief that its members can be above the rules and that everything can be legalised no matter how illegal it is. This attitude is a reflection of the widespread societal acceptance of corruption as well as institutional weakness (Ast, 2000).

Villas with no permits caused a lot of controversy in the media and among architects and designers, not only because of their illegality but also because of their architectural style, despite being very expensive. The main characteristics of these villas were the mixture of different architectural styles and a failure to fit into the existing built environment. Usually they had numerous triumphal arches, fountains, mosaics, ceilings painted with frescos and high surrounding walls. “Everything that belongs to the Karics is huge, but they still apparently feel crowded, as evidenced by new buildings increasing in size from previous villas, and their appropriation of parts of public and green spaces for their needs as well as surrounding pavements” (Ast, 2000a; Ilic, 2001; Petovar, 2001).

Picture 2: Karic’s House surrounded by high walls



(Source: B92)

Picture 3: Karic’s house in Uzicka



(Source: B92)

Mr Karic was a neighbour to Mr Milosevic in Tolstojeva Street, who actually intervened for him when an ex-major of Belgrade, Nebojsa Covic, wanted to demolish his house in 1995 (Ast, 2000). Although he did not have any papers or approvals, he ordered the demolition of the house that was under state protection and built a new one instead with the gold plated triumph gate (Picture 4). In building this gate they also broke regulations which, according to the Plan for Dedinje, allowed gates to have a maximum height of 0.9 m or, if transparent, 1.4 m. The walls they usually had around their properties were 2 m high and not transparent.

Picture 4: *Karic's Gate*



(Source: B92)

Nevertheless, the threat of demolition that was used so much in pre-election campaigns is out of the question now. The Karic family applied for legalisation of their properties and they paid extra profit tax, although a few years ago, according to Stojanovic Chief Planner in TPI, they were not interested at all in legalisation, having acted above the law. They, as many other powerful citizens of Dedinje, never even came to ask for the conditions for legalisation (Interview 5, 2001). Furthermore, according to Vladan Mikovic, chief of communal inspection in Savski Venac Council, objects that were built for family living, as was the case with Karic's objects, will not be demolished and they have a strong chance of being legalised, contrary to those buildings constructed for selling and profit-making which will

probably be demolished (M.K., 2001). Therefore, seven permits are going to be issued for all of the seven illegal villas of the Karic family.

The first instalment of the extra profit tax of DM 8.2 million (£2.5 million) was paid on 19th November 2001 and the second and third, in January and March 2002 (B.J., 2001). They legalised their villas, and are now more 'clean' in front of the law than many other small illegal builders and ordinary people who built some small objects of poor quality or extended their small houses but were not capable of paying the necessary fees for legalisation due to their extremely low incomes. With this example it appears that the elite managed to adapt and manipulate the new laws to their own benefit and without forfeiting their properties. Although they paid the extra profit tax, they still lived in their villas and they are still protected and guarded from ordinary people.

In September 2002, I went to Dedinje to take photos of Karic's villas. The police, who were guarding the front of the villa, asked me for the official permit issued by the police. Since I did not have it, I was informed that the police would confiscate my camera and arrest me. My argument that I did not know that I needed a permit for that street and that I was undertaking academic research did not gain me access. After a long argument, I was allowed to leave with my camera, but without any photos. The question I did not receive an answer to was why it should be forbidden to photograph the villa.

7.5.3 *Pink*

The headquarters of Pink Television is another case where people close to Milosevic's regime were using privileges, ignoring the law and making huge profits. Zeljko Mitrovic, who was a member of the JUL and the owner of television PINK, launched his career as a successful TV magnate as the owner of a small video shop.

According to Vucinic, TV Pink used to be the most defamed and the most recognisable symbol of primitivism and trash that characterised the old regime. Established as a TV station that offered entertainment for the masses, it was part of the ruling Pink ideology whose main goal was to promote an alternative reality in which poverty, violence and the contravention of basic human rights and freedoms did not exist. TV Pink has always been included as part of the ideological and election apparatus of the old regime (Vucinic, 2002).

It turned out that the new government's settling of accounts with Pink, as was promised in the pre-election campaign, was very superficial. The biggest problem was the fact that their private property, which had obviously been illegally acquired, was not being called into question. Although Zeljko Mitrovic gained an urban permit for 1,200 sq m, TV Pink ended up having 3,500 sq m, which meant that 2,300 sq m were illegal. Mitrovic argued that the size of his building was in accordance with regulations and the excess sq m constituted the basement where the studios were located. However, the building will not be demolished. Following the advice of the local council to buy one of the surrounding plots, Mitrovic bought one and gained the right to apply for legalisation since he was fulfilling the 'building coefficient' of the plot.

Professor Cedomir Cupic, a member of the Anti-Corruption Agency founded by the Government of the Republic of Serbia in 2001, asked for the demolition of the Pink building. He said that "measures to be taken to institute the rule of law included, among other things, toppling of the TV Pink's building as it had been raised illegally". In taking such a step the administration would prove its intention to establish a law-abiding state wherein no-one was above the law. "If the Pink building stays untouchable, I'll know that I live in a state where justice has been used in different ways with different people. And the political and economic power which enables that is above the state and law!" (Cupic quoted in Pink Special, www.b92.net, 2002). He also said that his statement was addressed to state bodies rather than to the owners of the buildings in question.

The response from Mitrovic consisted of the following press release: "Dear Professor: As I hold your person and endeavour in high esteem, I would like to draw your attention to several well-known facts that you have probably ignored unintentionally. It is common knowledge that TV Pink has legalised its building in the most costly way. Under the Law on Extra Property, we have paid 2.4 million DEM (~ £600,000) for having exceeded the prescribed size of the building, plus around 2 million DEM (~ £530,000) paid to the City Administration. So we have fulfilled all our obligations to the state. As far as I understood your statement, you are in a destructive mood when it comes to the TV Pink. So, there are only two solutions to this newly emerged situation...To save your honour and reputation, you will have to immediately topple the TV Pink building. Otherwise, people may see you as a coward...or, you will give up the idea, whereby making people suspect that I have bribed you..." (Mitrovic quoted in Pink Special, www.b92.net, 2001).

The most surprising aspect of this story was the silence of the Republic Government which did not support its own agency. The owner of TV Pink obviously felt secure enough under the new regime to criticise the Agency in such direct terms. His security is a result of his TV station's importance in public life, with current politicians having been guests on his TV station, and the message was clear that the new government did not have anything against 'populist' television that might support them during election times. It has been realised that Pink might be as effective an instrument for propaganda for the new government as it was for the previous one (Vucinic, 2002).

For almost two years, the Serbian public was convinced that this process was finished and many were very disappointed by the government's inactivity in solving the Pink issue. In April 2003, it was publicised that Pink had not actually been legalised, but it only had an urban consent, not a building permit. Due to the post-election conflict that emerged between the two ruling parties in Serbia, the Democratic Party (DS) and the Democratic Party of Serbia (DSS), and the obvious media support of TV Pink to the DS, the DSS announced that Pink had not been legalised. Furthermore, they announced that a request for legalisation had never been submitted to the Secretariat for Property Rights and Construction Affairs which can

issue a building permit for office buildings. The DSS accused the DS and Nenad Bogdanovic, the president of the city's executive board at the time, that they were trying to protect Pink and to create the legal conditions necessary for legalisation, by verifying the urban-technical conditions of the plot where the station was built. That means that they tried to shape the rules and technical conditions to suit the already existing object. The part of the Regulatory plan that allowed this was disallowed by the Constitutional Court in the meantime, rendering Pink legalisation unconstitutional (Stanimirovic, 2003). However, Pink did not apply for the required building permit. The step that the city government should have taken would have been to demolish the building, but everyone was aware that this would not happen. According to Goran Djurasinovic, the legal representative of Pink, they do not intend to apply since they are already in procedure and they paid extra profit tax (D.R., S.B., 2003).

It is indicative of the continuing power of the elite that Mr Mitrovic managed to establish a new position in the new government and to find a way to escape justice. The elite started a new round of adaptive reconstruction and repositioning in the society, using the monopoly over resources accumulated during the 1990s. Mitrovic's TV station has retained its status as the most popular broadcaster in the country. This new positioning of TV Pink was also enabled by the inefficiency of the juridical institutions, which failed to prevent, and later on to punish, those acts.

Picture 5: *Pink TV*



(Source: B92)

7.6 Conclusions

According to Transparency International, political corruption is “abuse of the entrusted power by political leaders for private gain, with the objective of increasing the power or wealth. Political corruption does not necessarily involve money changing hands, but might take a form of ‘trading the influence’ or granting favours that poison politics and threaten democracy” (2004: 11).

The previous sections raise questions over the involvement of the elite and subelites in political corruption and illegal building in Dedinje area in 1990s. Understanding which party, individuals and coalitions controlled the resources and decision-making, and who had the power to change regulations in Dedinje, is key for the definition of the elite and subelites and for an analysis of the processes that were behind institutional changes and newly created rules. The parties whose members were identified as involved in illegal building in the area are the SPS and the coalition consisted of the SPO, the DS and the GSS which was in power in Savski Venac council. However, informal coalitions and networks among the SPS and those parties based on self interest were created in the Savski Venac council (Petovar, 2001). The informal political coalitions formed around illegal building were very strong and had the power to change and set new rules that would benefit them in spite of being in opposition to the rule of law. They consisted of different politicians from various parties as well as various businessman and developers who controlled everything from urban land allocation in the Agency to development, urban permits, building permits and the legalisation and demolishing process (Petovar, 2001; Ilic 2001). According to Petovar those political networks between the elite and subelites were stronger than the institutions of the system (Interview 18, 2001). They created their own rules that were followed by many, as well as new rules and routines that defined inappropriate actions and relations between individuals and situations.

Political institutions produced new sets of rules that changed both the functional (logic of consequentiality) as well as the perception role (logic of appropriateness) of the institutions related to building in this area. One of the first rules that was changed and adapted to suit the needs of elite was related to the change of ownership status of state-owned properties. The political elite, who inherited distribution channels for goods from the communist period, started changing rules and transferring state-owned properties into their hands. The existing formal rules on the ownership of properties were ignored, and properties were given to friends, family members or party colleagues. In some instances houses were rented as apartments in order for the elite to get the right to privatise and sell them.

Another example of changing the rules in Dedinje was the reconstruction mechanism when developers applied for permits for reconstruction, but usually built new objects exceeding up to ten times the size allowed in the permit. However, this mechanism was never blocked and none of those objects was demolished. One of the explanations given by informants for the huge number of issued permits of that type was that developers had corrupt connections with either local, city or republic authorities.

The change of the planning rules in the Regulatory Plan for Dedinje revealed the strength of informal networks. Both ruling and opposition parties took part in passing the Plan that incorporated new rules such as Act 43 which exempted the elite in Dedinje from legal consequences and enabled them to legalise their illegally built properties. The changed building coefficient had the same purpose end enabled objects, the size of which exceeded the size allowed in the building permit, to be legalised.

Furthermore, it has been revealed that in the highest political institution in the state, President Slobodan Milosevic was breaking the rules and obtained and extended his villa illegally. The most successful businessman in the country also illegally built or extended seven objects in Dedinje. The headquarters of Pink Television is another case where people close to Milosevic's regime were using privileges, ignoring the law and making huge profits.

The functional role of institutions changed and corruption became an embodied rule and routine in Serbia in the 1990s. The extent of the development and depth of corruption throughout the whole system became very visible, in particular in the area of housing. The change of the functional role of institutions was caused and shaped by the elite and by their needs. The rules and laws were ignored or changed and shaped to fit private aims, as was the case with Act 43 and the building coefficient in the Regulatory Plan. The elite and subelites created and reinforced institutional practices which limited the scope of the political process to issues harmless to themselves.

This was additionally enabled by a lack of reaction from judicial and other institutions, which were again controlled by the same political parties. “You can use many laws to prove that some building is illegal from many aspects. The problem is that courts and judges are still old communist relics. The bureaucratic apparatus and administration has not been tackled, and they do not want to react. Ordinary citizens are helpless. 36% of the decisions of the High Court of Serbia have not been executed due to the inefficiency of implementation and resistance of some people who hold position and power in their hands” (Interview 17, 2001).

The best proof lies in the many attempts by the Association to appeal against illegal building, with no response from any court, either at the council level court or the Constitutional Court. Zdravkovic even argued that the new regime was deliberately postponing the re-establishment of the Constitutional Court in order to buy time to finish many suspicious activities started under the old regime, as well as to gain quasi-legal permits. However, in the summer of 2002, the Constitutional Court announced Act 43 from the RPD as unconstitutional and ordered its removal from the Plan.

The policy of charging extra profit tax in response to illegal building in Dedinje served to legalise many illegal builders, particularly as the source of money used for tax payment was not questioned. Additionally, Zdravkovic and Vesna Ilic claimed

that the law on extra profit tax was passed only to enable less than 1% of population to launder their illegally earned money. “It is very strange, that in a country where for a short period of time the political and economic elite had earnings and profits bigger than anywhere in the world, while 99% of population struggled to survive, nobody is asking today of the money source of those rich people” (Interview 16, 2001; Interview 17, 2001).

Consequently, due to new values and power relations embodied in the institutions by the elite, the perceptive role of institutions has changed as well. As argued by Offe, “good institutions are ‘good’ to the extent that they generate and cultivate good citizens or the ‘better selves’ of citizens, who at least get ‘used to’ and ‘feel at home’ in those institutions, develop a sense of loyalty, and come to adopt the cognitive expectations and moral intuitions from which the institutions themselves derive” (1996: 200). In contrast, in Serbia, citizens led by the example of the elite and subelites became disloyal to existing formal institutions and started accepting the new ones. The perceptive role of institutions was changed. Furthermore, the changed perceptive role and rising disloyalty triggered even greater change in their functional role.

The logic of appropriateness and the logic of consequentiality were changed to the extent that in 2001, after the political change in Serbia, illegal builders and members of the former regime realised that they would not be accused or sentenced for their illegal operations, and decided to fight the proposals for demolition. They even organised a society for the protection of illegal builders called “Solidarity”. Bogoljub Karic was the organiser of that society, but due to the lack of participation by small illegal builders and poor people, his threat that all illegal builders would start a general strike in the country was unsuccessful (Zegarac, 2001).

In summary, in Serbia the elite took control over structural power and started changing and adapting rules according to their needs. This chapter assessed that process in the area of Dedinje. However, the following chapter will address how the

rest of the society was affected by the change of institutions and rules, and what the response towards illegal building was.

8 Chapter : Illegality for the rest

8.1 Introduction

The previous chapter dealt with the experience of the Serbian elite, but there are differences between illegal building by this elite group and the illegal building undertaken by the rest of society. The main differences are in terms of locations, sizes, the objects' purposes and their architectural styles. However there are many similarities in the way illegal building was organised especially in the way informal links were established in order for the state institutions to be avoided and bypassed. This chapter focuses on Zemun, a socially and economically different council from the previous one, and examines the differences in patterns of illegality.

The political elite and the business elite close to them were able to build illegally as a consequence of their formal and informal positions. In cases where it was difficult to achieve their goals, they were capable of pressing for changes in the relevant institutions, as was shown in the case of Dedinje.⁵⁴ Led by example from the elite, the non-elite⁵⁵ or mostly middle class citizens also started to build illegally, exploiting the weaknesses of the system that had been created by powerful groups. Consideration of the cause of social and political circumstances demonstrates a high degree of corruption. Illegal builders were hoping that they would be able to keep their houses without paying the penalties, as was the case with the elite, and they started building everywhere in the city. Political parties or coalitions that were governing local councils in Belgrade went with the corruption tide and started avoiding institutions and the law in the process of issuing building permits. In addition to the inherited political and economic bureaucratic administration and

⁵⁴ For example, the changing of the 'Regulatory Plan' for Dedinje which was the topic of the previous chapter.

⁵⁵ It has to be outlined that contrary to developing countries' practices where illegal developments are associated with poverty, in Belgrade only 18% of poor settlements or slums were categorised as illegal (Petovar, 1998).

complex regulations, the new rules created by the elite and subelites and the resulting corruption enabled local authorities to ignore plans and reshape the territories to their will.

The most striking example of this is the illegal settlement is Kaludjerica, which is considered to be the biggest illegal settlement in Europe (Interview 19, 2001). It developed in the mid 1970s as a result of the housing shortage in Belgrade, on land that was zoned to become a sport facility. Today, it is estimated that around 50,000 households are in Kaludjerica (Interview 19, 2001), but there is no official data on how many properties have been legalised, or when houses were built.

However, the focus of this chapter will be the local council of Zemun, which has the biggest number of illegally built objects - 17,970 (Table 14, Chapter 5). This official estimate does not take into account those properties that have not been registered, and the actual number is therefore much higher (Gavrilovic and Curuvija, 2001). The aim of this chapter is to show how informal institutions and corruption were the most important factors in illegal building, and to prove that no matter which political party was involved, the principles and the mechanisms of illegal building, as well as the purpose of allowing it, were the same. The political goal was to buy social peace and the economic one was to earn huge profits, or as Boarov suggested with regard to political involvement in illegal works, "... the biggest wealth in Serbia was earned by the provision of 'legal papers'" (Boarov, 2004:25). In the case of Zemun, especially interesting are the examples of ignorance of the law in the Businje area that was allocated for waste disposal by the General Plan for Belgrade. Land, although state owned, was parcelled out by the ruling Radical Party and sold for residential building. Another example of illegal building was a shopping centre built on an archaeological site protected by law. However these are not the only examples. The most endangered area was Zemun Quay, protected by UNESCO as cultural heritage. It was almost completely ruined by illegal objects built in the park that connects the quay with the city, and by eleven restaurant terraces that were illegally built on the quay. There was a danger of flooding in Zemun as a consequence of the additional pressure made on the quay by illegal objects (Interview 14, 2001).

The City Hall building (Magistrat), the Square of Victory (Trg Pobede), the Stara Kapetanija building, as well as the KUD Branko Radicevic buildings, are only a few examples of conserved and protected buildings and areas that were heavily damaged during the reign of the nationalist Radical Party.

Though it was a widely accepted opinion that illegal building was undertaken by the non-elite for the purposes of securing tenure, it has to be emphasised that many flats were built for selling. Corruption was by necessity on a larger scale because the non-elite did not have political connections, and thus could not rely on such connections in the way the elite did. However, the way the law and institutions were avoided reflected the behaviour of the elite.

In addition to Zemun, the analysis is extended and some of the examples of illegal building across the city are presented in the second part of the chapter. The aim is to illustrate the examples of illegal construction and to analyse briefly different mechanisms employed by the illegal builders. However, they will not be analysed specifically, since the builders were not willing to talk about the building. Finally, the last part of this chapter analyses the rapid increase in the number of kiosks in Belgrade during the late 1990s.

8.2 Zemun in the 1990s

The Zemun settlement originates from the 7th century BC. As a city it existed from the 9th century and was called Taurunum, a name given by the Ancient Romans while settling the area. Due to its rich cultural and architectural inheritance⁵⁶, central Zemun has been protected by the Law for Protection of Cultural Goods. The Bureau

⁵⁶ Zemun's cultural heritage consists of 9 spatial, cultural and historical complexes, 21 archaeological sites, 278 cultural monuments, 33 traditional construction projects, 28 sacred architecture projects, 28 projects related to famous persons or events and 20 public monuments and memorials (www.beograd.org.yu).

for the Protection of Cultural Monuments of the Republic of Serbia and the Bureau for the Protection of Cultural Monuments of the City of Belgrade⁵⁷ are in charge of protecting central Zemun, Gardoš and Zemun Quay. Those institutions undertook all types of spatial planning studies as well as designs for rehabilitation, reconstruction, restoration and conservation of cultural properties and other projects registered according to their spatial architectural, cultural and historical values. Making and implementing plans for these areas of Zemun that were not conserved is under the competency of the Town Planning Institute and Agency.

In 2000, Zemun had 181,692 citizens of which 34,521 were refugees (19%). 76.5 % of the 438 sq km area is agricultural (Kaljevic, 2000).

Table 19: Statistical picture of Zemun

Population	181,692
Area	438 sq km
Agricultural Area	76.5%
Number of employed	53,727
Refugees	34,521

Source: Kaljevic, 2000

In spite of its rich cultural and architectural wealth, and the protection it apparently received, Zemun was not bypassed by illegal building in the 1990s. It was seriously damaged by illegal building and there is a fear that some of the damage cannot be undone (Interview 3, 2001). “Today, after so many centuries, we have an opportunity to discover the glory of one old civilization and culture, but our modern conquerors of Zemun do everything to prevent that. In their stupidity, lack of education, and blindness from greed, they convert the city into the appendix of civilization, blocked by bazaars and blind streets instead of making it part of the world cultural heritage” (Hronika Kulturnog Zivota za Zemun, 2000). The rapid increase of illegal

⁵⁷ Their responsibility is to perform permanent terrain recognition, research and valuation of immovable architectural, sacred and profane, archaeological, ethnographical and historical buildings and areas.

development is mostly associated with the rule of the Radical Party from 1996 to 2000 (Interviews 1-5, 14-18, 2001; Petovar 2003).

In the 1990s, in addition to ethnic and ideological divisions and traditional metropolitan and provincial divisions, a new modern division between established urban populations and recent refugees emerged. Those divisions had been used by political forces to strengthen their own positions and to undermine the power of their opponents. “Such a manipulation of the existing fault-lines in a divided society acted as an alternative to charting a course of political and economic reform” (Thomas, 1999: 6). This division was especially exploited by the Radical party when in power in Zemun, where it was promoting nationalistic politics which targeted refugees. Despite this, the party realised that it could not base its rule only on ‘nationalism’ but that voters had expectations in terms of quality of living standards.

In his role as mayor of Zemun, Seselj, while continuing to follow the SRS ultra-nationalistic programme, sought to project a ‘pragmatic’ image. The pages of *Zemunske novine*, the local newspapers, were full of articles describing his attempts to improve local public infrastructure. Spectators started regarding Seselj’s combination of social radicalism, energetic local government and ultra-nationalism as an increasingly dangerous force (Vasic, 1997). “Seselj retains his extreme nationalism but he does not empathise it, giving priority to the realities of society. While the Zajedno coalition is trying to its best to win over church, students, intellectuals, actors and lawyers, the Radical’s leader is talking to impoverished, the uneducated and semi-literate masses, particularly to workers, and is trying to win over farmers and refugees by using demagoguery that can sound ridiculous and even anachronistic to his political opponents, but it finds its mark where it counts, where power is won” (Nasa Borba, 1997:5). Although Radicals were giving an impression of successful local government, the reality was different.

“After local elections in 1996, Zemun became the ‘private’ property of the Radical party. Although the Radicals were arguing that Zemun is an economic miracle, most of its residents and architects regarded Zemun as becoming an urbanistic massacre” (Interview 3, 2001).

According to Majdin, since the local council's budget was not inexhaustible, the same principle, already tested by the other local municipalities, was applied. Radicals started issuing permits for temporary objects and kiosks to everyone who was ready to pay. Lofts had been sold in order to be converted into flats, and at the end the Radicals were allocating or selling plots for individual building. During their rule, the Radicals sold around 200 lofts, more than 7,000 plots, and the number of permits for kiosks is unknown (2004). "Regarding the sold lofts, it has not been established whose property they use to be, because the contracts were not verified either in courts or tax revenue offices, and there is legal documentation missing. Money gained in this way was used by the Radicals to refurbish their party offices, to buy new cars and other things..." (Majdin, 2004:18). Djurucic also argued that Zemun was a strong centre of power, where everything was out of control including allocation of state-owned land, issuing of permits, and so on.

"Zemun was a very powerful political centre, and the Radicals were using their political power to do everything they wanted. Since the land was owned by the state it was very easy to manipulate it. However, the final result of the actions from that centre of political power is a catastrophically bad position for citizens of Zemun today" (Interview 1, 2001).

According to the data collected by the new authorities, there were around 17,000 illegally built residential and 4,000 illegal business-purpose objects. They all had in common permits for temporary prefabricated buildings or kiosks. On the ground, all these objects were 200 to 300 square meters, built from solid materials which made them difficult to demolish (Barovic, 2001). Although it was argued by local authorities that it was the most successful local council in Serbia, when the DOS took power in Zemun (October 2000), they found 16 dinars (£ 0.16) in the budget (Barovic, 2001), which left them without any resources for running the council (Kaljevic, 2000).

8.3 The extent of illegal building in Zemun

Illegal development in Zemun originated in the 1970s. It started developing with the growth of industrial complexes in New Belgrade and Zemun. Contrary to Dedinje,

where individual building was mostly banned by plans, it was allowed in Zemun. Factories were partially subsidising the development of individual houses by the allocation of plots, but since workers were not fully supported by mortgages and banks, most of them turned to illegal building. The government at the time did not react due to the lack of resources to provide housing and to keep social peace (see chapter 4). In the 1970s the number of individual houses was up to 20 times smaller than that of collective housing. In the 1980s that ratio changed, and collective housing was on average two to three times larger than individual housing. In the 1990s the extent of building was noticeably small, followed by a new trend of more individual housing developments and a complete cessation of collective developments in 1992, 1995, 1997 and 1999 (Table 20).

In 2002, Zemun had 191,938 citizens, which was an increase of 16,122 in 10 years. Despite the 34,521 registered refugees that came to Zemun (Kaljevic, 2000), the index change was only 9.2. This could be explained to a certain extent by the high immigration rate and mortality rate during wartime. However, in terms of housing, the number of dwellings increased by 9,640, and the index change was 17.3 (Table 21). However, there is a suspicion that the increase was bigger but that many of the illegal builders refused to take part in the census because they were afraid to, due to the illegality of their properties (Petrovic, 2002).

Table 20: Legal Housing Construction (1974-2000)

Year	Individual	Collective	Total
1974	121	2,600	2,721
1975	31	68	99
1976	13	1,913	1,926
1977	162	1,053	1,215
1978	138	451	589
1979	398	1,624	2,022
1980	417	729	1,146
1981	263	1,140	1,403
1982	110	221	331
1983	186	692	878
1984	248	977	1,225
1985	457	843	1,300
1986	325	767	1,092
1987	181	326	507
1988	152	44	196
1989	163	277	440
1990	160	587	747
1991	134	139	273
1992	115	0	115
1993	95	123	218
1994	25	37	62
1995	2	0	2
1996	54	31	85
1997	24	0	24
1998	0	98	98
1999	8	0	8
2000	43	224	267
Total	4,025	14,964	18,989

Source: National Census 2001 (National Statistical Biro, 2003)

Table 21: Change in Population and Number of Dwellings in Zemun (1991-2001)

	Population		Dwellings				absolute change	index 1991=100
	1991	2002	absolute change	index 1991=100	1991	2002		
Zemun	175,816	191,938	16,122	109.2	55,855	65,495	9,640	117.3
Urban	156,941	168,495	11,554	107.4	50,074	58,239	8,165	116.3
Other	18,875	23,443	4,568	124.2	5,781	7,256	1,475	125.5

Source: National Census 2001 (National Statistical Biro, 2003)

According to data from Table 20, the total increase in housing was 1,152 housing units in the period 1991 to 2000. According to the national census, there was an increase of 9,640 dwellings in the same period (Table 21). It should be emphasised that dwellings might comprise of more than one residential unit, which would increase the differences among those data. The differences can be explained by the fact that the census included illegal objects in the calculations. Moreover, according to data from the Secretariat for Property Rights and Construction Affairs, there were 17,970 illegal objects in Zemun in 2000, which constituted a 20.69% increase since 1994.

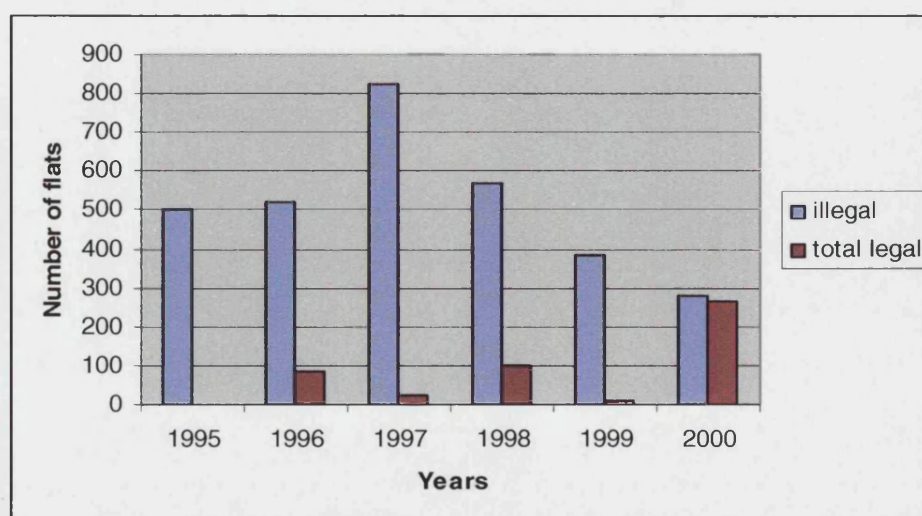
Table 22: Illegal objects in Zemun (1994-2000)

	1994	1995	1996	1997	1998	1999	2000	% change
Zemun	14,890	15,390	15,912	16,738	17,307	17,691	17,970	20.69

Source: Internal Data of Secretariat for Property Rights and Construction Affairs (2001);

The difference between the number of illegal and legal developments is represented in Figure 5, and it can be seen that the biggest increase occurred in 1997 and 1998, immediately after the Radicals took over power in Zemun.

Figure 5: Comparison of legal and illegal developments in Zemun (1995-2000)



If we compare the number of total legal (individual and collective) and illegal constructions (Figure 5), it can be concluded that illegal building was the major type of building in that period. Additionally, it must be borne in mind that the other types of illegal objects like kiosks and extensions were not included in these statistics, and that their number was even larger than that of whole objects. Furthermore, until 1988, there were around 30 illegal settlements in Belgrade (Saveljic, 1988). However, in the 1990s this number increased, and there were ten new illegal settlements in Zemun in this latter period.

8.3.1 'New Settlements'

From 1996 to 2000, the Radical authorities had sold 6,569 plots, upon which were built between 1,500 and 2,000 objects, comprising approximately 4.5 million square metres. The objects were built with temporary permits. 12,000 reconstructions of existing objects without any documentation were undertaken. According to the Local Community Association, Zemun, the revenue from sold plots was more than 230 million dinars (approximately £23 million) (Kaljevic, 2000).

Furthermore, according to Raznatovic, vice president of Zemun council in the period 2000 to 2004, in the 1990s there were ten newly created settlements in the council district, of which the most striking examples were Businje, Plavi Horizont and Grmovac. This was the result of the official politics of stimulating refugees to settle in the cities (especially Belgrade and Novi Sad) with the aim of increasing the electoral body and votes (Petovar, 2003). Furthermore, local authorities in Zemun divided the state-owned agricultural land and sold it for £5 to £10 per sq m, but without any infrastructure including water, electricity, roads and sewage (Petovar, 2001).

"The Radical party was selling state-owned land to refugees and other interested parties. The General Plan for Belgrade allocated the area of Businje for new waste deposition due to its marshy character. However, the Radical authorities plotted the area for the construction of 1,200 residential objects, and sold it. Due to the high underground waters,

today when it rains, you need to use boats to access the houses” (Interview 14, 2001).

“Regarding Businje, and the refugees, the Radicals just brought civil technicians who parcelled out by ruler the land that was predicted for waste management. They have not planned sewage systems, water systems, or electricity. Today, those citizens live on the margins of urban life, without ambulances or shopping facilities” (Interview 3, 2001).

Additionally, Businje is not the only newly built area that faces many problems due to its illegal nature. Raznatovic continues:

“Grmovac nowadays is in an even worse situation due to being five kilometres away from the electricity connection. Additionally the water system, since it was done by local residents, is poorly done and now cannot be connected to the city’s infrastructure systems” (Interview 14, 2001).

Prekajski argued that because of the Radical party it was not only Zemun that was the loser but the whole of Belgrade, especially in Altina which is the biggest illegal settlement in Zemun.

“The Agency and the City invested in that location and prepared infrastructure (water, electricity, heating) for the development of the huge mass housing block, in which each building would be 4+1 floors tall. Since the area was occupied by illegal builders who built ground floor houses that do not need such infrastructure, we lost the money irretrievably” (Interview 9, 2001).

The new city government tried to improve the life of citizens in illegal settlements but it was a slow and expensive process. “Altina is huge settlement and we will do our best to urbanize it, and first we’ll try to introduce public transport...in Becmen, another semi legal settlement which has around 20,000 citizens, the city government will build a water management system to provide them with drinking water this year, and a sewage system next year. Additionally we shall try to legalise all illegal connections on the water system” (Nenad Bogdanovic, executive president of the City Government, in K.V, 2001).

Although the Radicals were arguing that the illegal housing they allowed was in order to provide housing for refugees, many informants rejected that justification. Raznatovic refutes the theory that everything was done in order to help to refugees, stating that there were around 6,000 people settled in those new settlements and that they were not all refugees. This figure is a fraction of the almost 35,000 refugees that came to Zemun, and this raises questions about the location of the remainder (Interview 14, 2001). According to Raznatovic, pure political and financial interests, coupled with a poor legal system, were behind illegal building and the cultural inheritance of Zemun was ruined intentionally (Interview 14, 2001). Dabezic agrees about the intentional devastation of Zemun, stating that the main motivation was a demonstration of power (Interview 3, 2001). Additionally Jaksic argues that if a sociological analysis of the area, as well as an analysis of how many objects were kept and how many were sold, were undertaken, a completely different picture would be obtained from the one presented by the Radicals and it would prove that building was allowed primarily for the generation of high profits (Interview 2, 2001).

However, contrary to the other local councils, the Radicals tried to give an impression of legality in the process of the allocation of land.

“The mechanism was the following: Authorities would announce a competition either in Zemunske novine (local council’s newspapers) or Velika Srbija (Radical Party’s newspaper) for building. The bids were secret, and the whole process was non transparent, but the illusion of legality was created. However, the local council was not allowed to issue permits for business purposes building, which they were in fact doing, breaking the law at the same time” (Interview 14, 2001).

Dabezic describes the process of allocation of land in the same way arguing that the Radicals created an illusion of legality through announcing the allocation of land in local newspapers. Although they stated that land allocation was only for a temporary period of time, people were buying it believing that they would be able to legalise in future.

“Radicals legally protected themselves in that way, but they misled people to invest and buy land that was state-owned and prohibited for sale. In that way, the Radicals endangered human rights and destroyed the urban identity of the area...citizens were ‘seduced’ by the idea that

despite illegality they can built whatever they want...we were trying to stop that but our decisions ended up in drawers” (Interview 3, 2001).

Tilinger, a chief planner of the urban plan for Zemun, also agreed that the auctions organised by authorities were set up.

“The locations were very cheap, but still not accessible to everyone and it was known in advance who would get locations. Those locations were in most cases resold soon after the auction. When the plan was adopted, those involved were doing it even more openly since they knew that the plan was made and that all illegal objects would be legalised. Additionally, the prices went up, and the profits were higher” (Interview 4, 2001).

As an example, Tilinger uses the case of a plot that the first buyers divided into three parts.

“On one part they built a house to live in, but they sold the other two and made a huge profit. Additionally, illegal houses were built on the sold parts too. However, everything was ‘approved’ by the local council since it issued them all with official house numbers, which was not allowed by law” (Interview 4, 2001).

But contrary to Dabezic and Raznatovic (2001), Tilinger thought that the major reason for the increase in illegal building was the increase in refugees, because they increased the demand for houses (2001). Tilinger rejected the idea that refugees should be blamed for the situation in Zemun, but rather that the blame rested with the authorities, both at local and city levels. According to her, the Zemun Local Council broke the law by selling the state-owned land. The Secretariat for Urban Planning in this case also bypassed the law for political reasons. Some citizens, who were ignorant of the legal status of land they bought, broke the law due to a lack of knowledge.

“They did not know what they got involved in, they believed that the local council as an institution was doing things legally. Some of them have to pay back because of that, especially builders who built on public spaces. For example, on a location zoned for a school, there were built foundations for six houses. However, they have to be demolished now” (Interview 4, 2001).

Moreover, Tilinger blamed city authorities for the chaotic way in which illegal building was undertaken. According to Tilinger the Secretariat for Urban Planning

prescribed the Town Planning Institute to incorporate illegal objects in a plan, to legalise them. There were many objects that were built on directions that were planned for streets. However, Tilinger had to change the locations she planned to build streets on and to leave illegal objects where they were.

“Consequently we had to plan streets without logical directions for movement. They were not straightforward, but streets with strange shapes, just in order to go around illegally built houses. It would be much better if we (the Town Planning Institute) were involved from the very beginning in having an advisory role and helping people to build. Instead, authorities just brought engineers who just plotted an area that was sold by auction” (Interview 4, 2001).

But furthermore, she argues, it was not the Radical Party that was pressuring for this since it was not their representative in the Commission created by the Secretariat for Urban Planning.

“It was more a cautious and political concession towards the Radical party by the Secretariat for Urban Planning” (Interview 4, 2001).

In contrast Zegarac, an Executive Director of the Town Planning Institute, thinks that the manner in which the Radicals plotted the area is a much better way than the chaotic illegal building in the rest of the city.

“Although the Radical party broke five to six laws, they showed more sense in the arrangement of land than any other party in other city municipalities” (Interview 6, 2001).

Regarding the creation of a plan for Zemun, it was argued that it had a mostly political background.

“Contrary to the other local municipalities’ plans that were aiming to earn some profits cheaply, in Zemun the plan had a political background, and power and dictatorship were exercised” (Interview 4, 2001).

Additionally, it has to be emphasised that although the Radicals were in power in Zemun, they were not the only party responsible for illegal developments. As stated above by Tilinger (2001), city authorities were as responsible as Republic authorities (Dabezic, 2001). Dabezic argues that the situation in Zemun became even worse when the Radicals formed a coalition with the SPS on the Republic level.

“Considering that Zemun is a culturally protected area, building permits are issued in the Ministry. Our (Bureau for the Protection of Cultural Monuments of the City of Belgrade) decisions on interruption of building in Zemun have not been implemented. Regarding the centre of Zemun, there was coordination between local and republic authorities. The land was used in a most vulgar manner...without plans, without documents, with some fake approvals. Unfortunately, the damage made cannot be fixed now” (Interview 3, 2001).

With respect to the Radical Party, when the new authorities took power they asked the Ministry to check the legality of 7,000 building permits that the Radicals had issued. This was based on an investigation performed by new authorities who implied that most of the money citizens were paying for land tax was ending up in the Radicals’ hands. The land tax money was used for buying ‘necessary’ equipment and presents, and through that the transfers were ending up in the Radical Party. Most of the contracts are in the courts now (Gavrilovic and Curuvija, 2001).

A very controversial case of illegality is the case of the Magistrat building in Zemun which proved the involvement and informal networks of all authorities. Although it was not only a typical case of illegal building, it was also a case where the purpose of the building, determined by law, was changed. Additionally, in its backyard, a shopping centre was built on a protected archaeological site.

8.3.2 “Magistrat”

The Magistrat building is the oldest public administration building in Belgrade built in 1751. It is a protected cultural monument under the control of the Bureau for the Protection of Cultural Monuments of the City of Belgrade. However, when the Radicals took power in Zemun, they refurbished the building and changed its interior completely without an appropriate permit and they paid using the local council’s money.

In December 1998, the Radicals created a lease contract with public enterprise ZIPS which was in charge of the office space in Zemun, to rent the newly refurbished

building of the Magistrat. The price was 1.52 dinars per square meter, which was around 1.5 pence per square metre (Majdin, 2004). The monthly rent for the Magistrat building (2,000 square metres) was therefore around £30 per month, which was cheaper than renting a kiosk in Zemun. The contract was made for a thirty year period, and the entire rent money, which amounted to 1,356,919.50 dinars (around £13,569) was paid in the first few months after the contract was signed. At the same time, the executive board of the Zemun local government, which allocated 5 offices in the basement of the ZIPS building (actually to the Radical Party's newspaper 'Velika Srbija') which was approved officially by the Republic Agency for Real Estate owned by the Republic of Serbia. Additionally the Executive Board of Zemun council allocated computers, furniture and telephones to ZIPS, the value of which was double thirty years' rent for part of the Magistrat building. In effect, the Magistrat building was given to the Radical Party to use (Majdin, 2004).

The Radicals argued that when they came into power the building was ruined, and that they collected money and renovated it. After that they gave the building to ZIPS to use and they rented part of it. That contract also included two annexes, from which one gave part of the courtyard, originally a local handball playground and later a shopping centre (Krasic quoted in Majdin, 2004: 18). Krasic argued that the rent price was acceptable, since it was based on criteria that were given to other parliamentary parties to rent space, including a 5% discount (Majdin, 2004).

That was not the end of the manipulation with the Magistrat building. One year after the Magistrat was allocated to the Radical Party to use, there was a new annex built that separated the courtyard from the rent contract, and was allocated to businessmen, to build a shopping centre, who bid 3.5 million dinars for it (around £56,000). "According to bank statements, the whole sum was paid off three months before the contract was made" (Majdin, 2004:19).

"In an auction held in the local council, certain businessmen got the right to build the shopping centre on a plot that was protected as part of a cultural monument-complex. First the construction was started, and then the application for approval was made to the Bureau for the Protection of Cultural Monuments of the City of Belgrade, which we refused to issue" (Interview 3, 2001).

Picture 6: Zemunikum Shopping Centre



According to the official decision based on the application made by Dejan Obradovic, the Bureau for the Protection of Cultural Monuments of the City of Belgrade refused to issue special approval and conservation conditions for the building of a shopping centre on Trg Pobede 3, in the courtyard of the Magistrat building. The explanation for the decision was the following: “This block represents part of the protected Zemun old central core as a cultural and architectural monument from the 18th century, that shows development of architecture from the 18th century onwards...Additionally, the Magistrat represents the clearest example of classicist architecture at the time and it is the work of the famous architect Jozef Felber and it is the oldest building of public administration in Belgrade. Moreover, any changes in this block would endanger neighbouring blocks which are also preserved as cultural and architectural monuments. Additionally, there is an assumption that under the courtyard there is an archaeological site of Antic Taurunum. Any building will ruin the site” (Decision no. 991186, 26.10.1999).

Additionally, the Bureau for the Protection of Cultural Monuments of the City of Belgrade issued a decision to stop further building after the investor had started development. That decision ordered the immediate cessation of any works, and to return the courtyard to its previous condition at his own expense, within five days. The investor was also obliged to inform the Bureau within three days after these conditions were fulfilled (Decision no. 991186, 26.10.1999). Regardless of the

investor's right to appeal to a higher level, the decision had to be applied immediately.

The investor did appeal, explaining that he bought the courtyard at the official auction organised by the local council of Zemun, and that he was willing to modify the project in order to fit into the environment (Decision no. 5/302, 23.05.2000).

“No matter the fact that we (Bureau for the Protection of Cultural Monuments of the City of Belgrade) rejected his application for conservation approval and that the Republic Bureau for the Protection of Cultural Monuments, which is a higher level of competence, also refused his application (Decision no. 5/302, 23.05.2000) and supported us, the investor ignored all our decisions, kept building and finished the shopping centre” (Interview 3, 2001).

Moreover, Dabecic continues, due to the lack of an entrance to the newly built shopping centre, builders demolished the wall that separated the neighbouring house built in the 18th century, which is also conserved and protected (Interview 3, 2001).

The size of the shopping centre is 2,700 sq m, and it is divided into 57 shops (Vlahovic, 2001). However, the Radicals issued a temporary permit for 1,792.20 sq m on 2nd October 2000, three days after they lost the elections and when they were in the midst of relinquishing power to the DOS. However, the rest of the 2000 sq m were not covered by any documents.

With regard to the new authorities, in July 2001 they asked for an interpretation by the Ministry for Construction of the contract made between Dejan Obradovic and the ex-council authorities. The unclear case of Zemunikum also divided local councillors who voted 6:5 to issue a temporary permit to part of the object without any documents (Vlahovic, 2001a). The Ministry and Minister Sumarac backed up this decision, but it was opposed by the president of the executive board of Zemun Jovancevic, who refused to sign it, arguing it was not within the local council's competence. Despite this, the permit was issued but the councillors and building inspectors refused to give any comment in public (Vlahovic, 2001a). Deputy Minister Mr Radovanovic, who signed the permit, argued that although the law was

broken initially, there were other laws including the law on spatial planning and the law on legalisation that had to be followed and therefore the permit was signed. “We just want the law to be followed” (Radovanovic quoted in Vlahovic, 2001a: 22). However, clearly contradicted the earlier rejection of the building permit issued previously by both the Bureau for the Protection of Cultural Monuments of the City of Belgrade and the Republic Bureau for the Protection of Cultural Monuments. Despite election campaigns that were based on anti-illegal building politics, the same illegal objects whose destruction was promised were now getting permits.

Raznatovic explained this by the fact that the investor paid the Agency for the cost of the infrastructure meaning that he got official approval for what he was doing (Interview 14, 2001). Radovanovic argued that the citizens who had bid for this location were not obliged to know the legal background, and could have assumed legitimately that everything was legal as the auction was organised by the local authorities. “Investors got the location, started to build and finished” (Radovanovic quoted in Vlahovic, 2001b). Furthermore, Radovanovic argued that the new authorities were not analysing the permit issued by the former authorities, and also expressed his surprise at the negative reactions of the Bureau for the Protection of Cultural Monuments of the City of Belgrade regarding the temporary permit they issued (Radovanovic quoted in Vlahovic, 2001b). He cited this as an example of how badly informed the new authorities were. He also maintained that there would be no advantage in demolishing the object. It would be very expensive to demolish the shopping centre, and local authorities could not afford demolition from their budget. He also emphasised that the shopping centre would employ many people. However, despite his points, the shopping centre was built illegally on an archaeological site and in the election campaign its demolition was promised. Contrary to Radovanovic’s claims, issuing the permit seemed undemocratic (Radovanovic quoted in Vlahovic, 2001b). This is particularly questionable given that the same protocol was not applied in the case of an object close to the shopping centre, which belonged to Zoran Marcetic, which was demolished. In this case both the Ministry and the new authorities in Zemun annulled the building permit he had for the object, and removed the object with the assistance of the police. This example clearly illustrates that while illegal building might have used the same informal links and

culture of corruption, there is a definite institutional interest in maintaining some illegal decisions and prosecuting others. This suggests that some illegal builders enjoyed state protection, to the advantage of both parties.

Although Zemun was the council in which the ruling party exercised power and created new rules to benefit its own interests, illegal building spread across the whole of the city in all municipalities. The next section shows what kind of mechanisms were used by citizens to build illegally. The objects are obvious proof of a disrespect of laws, but since there was no institutional response towards them, they are still the mark of Belgrade. Although they were not built on archaeological or UNESCO protected sites, they have endangered the quality of the life of citizens in Belgrade. Some of them even put the lives of residents in danger.

8.4 The rest of the city

Picture 7 shows the most famous example of illegal building in central Belgrade. Instead of building up one floor more, investors built two houses on top of the building. Although there were many promises by the new authorities that the houses would be demolished, the only change was that the investors built walls to conceal the two houses.

Picture 6: Houses on the top of the building



One consequence of illegal building was that the quality of building was in many cases very poor. In one case in Karaburma (local council of Palilula), several new buildings collapsed (Radulovic and Klaric, 2003), putting the lives of residents in danger. In addition, 1,500 unsafe flats that were built (for examples see building in Pictures 7 and 8) and were not demolished by the new authorities because they did not have the resources to resettle the buyers. However they forced investors to knock down two newly built floors, in the hope that this reduction in weight would ease the pressure on the foundations (www.novosti.co.yu).

Picture 7: Karaburma I



Picture 8: Karaburma II



Source: www.novosti.co.yu

Other photos also show various irregularities. Picture 9 shows a very common situation whereby investors who had some permits or approvals which specified the number of floors and technical details of development hid one to two floors under the huge roofs. They were not paying any taxes on these flats, and the profit from selling was pure.

Picture 9: Flats hidden under the roofs



Picture 10 shows how by building too close to existing objects developers ignored urban plans and regulations. In many houses people were able to cross from their window to the window or balcony of the neighbouring house.

Picture 10: Proximity of the houses



Picture 11: New residential area without streets and arranged public space



Picture 11 shows how most of the investors were interested only in finishing the objects and selling them. The provision of all necessary infrastructure and the arrangement of public spaces around the buildings were not their concern. This kind of development, in isolation from wider urban plans, was costly to the state and provided a low standard of living to residents.

Furthermore, in addition to the various illegal developments and extensions, another phenomenon occurred in Belgrade in the 1990s when its citizens started calling Belgrade 'kioskland'. The reason for this was the enormous number of kiosks across the city. Unfortunately, none of the city's institutions holds data on the total number of kiosks. Local municipalities are supposed to have evidence, but they do not (Curuvija, 1999).

8.5 Kioskland

The hyperinflation, which considerably curtailed local markets, and the imposition of economic sanctions badly affected the city economy. The scope of production and services decreased. Due to the ensuing massive unemployment and the collapse of the economy, most citizens realised that they had to turn to the black economy. One of the visible aspects of the black economy were the kiosks in which everything was sold, from food, cigarettes and flowers to clothes and pets. They were located everywhere. It became almost impossible to walk on pavements. Petovar describes a situation in which it was impossible for mothers to push prams with babies on usurped pavements, forcing them to go on the streets in order to pass by them, which was extremely dangerous (2003).

“..It is more and more difficult to walk on pavements. The number of kiosks grows every day. It is really hard to find two of the same or at least similar kiosks. They exist in various sizes, shapes, colours...the new class of businessman owners compete to see who is going to find a new model as well as who is going to find the most inappropriate location. Kiosks are everywhere: close to crossroads, on the bus stops, on green

spaces. It seems like every day there is at least one new kiosk built in Belgrade, and I do not see the end. Sometimes I think that it will stop when there is no available space left, although I would not be surprised if they would keep building them on the top of the trees then...However, planners are powerless and not asked for any professional advice. It became more important to find 'the right person' ready to accept a 'big envelope' (bribe), and to issue a permit. It is chaos" (Medic, 2000:1).

Zekovic calculated the costs and damage to Belgrade as a consequence of the huge number of kiosks. Kiosks and temporary objects covered 800,000 sq m of public space and 1.6% of the total available office space. Since the owners were not paying tax and the land rent they were paying was too low, she estimated that the city's budget was around £33.3 million less than it should have been. Additionally, Zekovic estimated that the total value of the land occupied by those objects was between £12 and £50 million, and consequently the total loss was around £100 million excluding the loss from property tax and communal tax for companies that did not pay (Zekovic, 1999).

Picture 12: Kiosk on pavement in central Belgrade in front of Town Planning Institute



Source: Curuvija, 1999

It was also common knowledge that if somebody wished to operate a kiosk they would require good connections with local councillors or the local council administration. This was confirmed by all interviewed informants (Interview 1 to Interview 22, 2001). Unofficially, it was also known that the 'price' for a kiosk location varied from location to location. It went up to £2,000 in central

municipalities (Interview 21, 2001). The only difference of opinion noticed in the interviews was which political party should be blamed. Generally interviewees blamed the parties of which they were not members.

Regarding Zemun, where the number of kiosks was highest, the permits were issued as ‘temporary’ ones. “A mechanism was fully developed. It was based on a massive issuing of Decisions covered by Approvals. It is allowed by Law that the local council can issue building permits for temporary objects that are easily removable, at a maximum size of 30 sq m. Additionally, it has to be approved by the Secretariat for Traffic since the objects are mostly located on pavements and public spaces. However, nobody has that approval. They only have the false local council’s approvals. Those objects are much bigger than allowed by official parameters and they are usually 100 to 300 sq m size and steady on the ground” (Interview 14, 2001). Most of them in Zemun were actually solid objects, in which the ground floor was used as either a shop or a workshop, and the first floors were residential flats. And all of this was covered by legal or semi-legal approvals from local municipalities.

Picture 13: Demolition of numerous kiosks on pavements and central squares in 2002



Picture 14: Kiosks on Slavija square



However, with the change of power in 2000, the new authorities fulfilled some of their promises and hundreds of kiosks were removed and demolished (Pictures 13 and 14). Decisions on their removal were based on the lack of legal permissions for their location. It did cause a reaction among the owners and some sections of the public who argued that Belgrade's already high unemployment would become even higher. However most of the citizens of Belgrade were pleased that they got their public spaces back.

8.6 Conclusion

This chapter has analysed the mechanisms, political processes and changes of institutions behind illegal building in the local council of Zemun, and has specifically focused on the cases of the new settlements and on protected building and archaeological sites. The new settlements were the result of illegal development but organised by the ruling Radical party. Selling the state-owned land and issuing various permits in opposition to the law were visible manifestations of political

power. Furthermore it represents an example of changing the formal rules. The most expert informants argued that there were two major underlying reasons for this: the financial and political benefits to the Radicals. However, although the Radicals were breaking the law, the City authorities run by opposition parties to the Radicals had the legal right to ask the Republic authorities to impose forced management over the Zemun council. This however never took place. The lack of institutional response from higher sources is an indicator of the strength of the informal political networks made around illegal building and their power to change and set new rules to benefit them.

The Radicals were changing the perceptive role, or logic of appropriateness, of institutions by establishing new standards, both normative and cognitive. This, in addition to the state of mind generated as a result of the behaviour of the elite (lack of respect for formal rules, the expectation that success must be result of patronage and corruption) resulted in an explosion of illegal building in Zemun. The cases of the Magistrat and Zemunikum represent the illegal uses of social position and power for personal/political profit or gain. Institutions designed to govern the interrelationships between the citizen and the state were used instead for party enrichment and the provision of benefits to the corrupt. Furthermore, the Radicals changed the rules not only for the party's gain but also as an electoral strategy for buying votes.

Due to the changed roles, both functional and perceptive, of the institutions, illegal development was occurring to such an enormous extent that the DOS (opposition coalition at the time) based their 2000 election campaign in Zemun purely on agitation against illegal building. However, the DOS was aiming to stop a process which they knew required addressing fundamental causes which they were not prepared to investigate.

“Our election promise was that we would stop illegal building. However we had neither the courage nor the willingness to promise unrealistic things like that. We couldn't solve the problem of existing illegal building because rationally it is impossible to be solved. According to our evidence, we were talking about thousands of objects” (Interview 14, 2001).

Aleksandar Raznatovic, vice president of Zemun at the time, said that it would probably take a year for the new authorities to investigate all the illegal operations of former authorities and that the major deals were already given to authorised courts to investigate them. Furthermore, Raznatovic added that it would not be difficult to prove irregularities since they existed in all spheres of the council's functioning in an obvious and visible manner. "Abuse of power and breaking of the law were the main characteristics of this authority, starting from violation of cultural and historical monuments, to destroying the urban identity of the area, and making many residents suffer by the illegal sale of locations and by issuing hundreds of illegal permits for kiosks that were built without any plan. Wherever there was a free space, people built something" (Raznatovic quoted in Barovic, 2001:14). Radicals defended themselves by rejecting all accusations as being lies and calling on the current government to provide proof and bring charges against them (Dragan Todorovic, Radical Party quoted in Jevremovic, 2004).

Additionally, there are a few other problems that the current authorities are facing today. Many illegal builders argued that they were misled by ex-authorities and claimed their money back. According to the ex-director of Zemun Office Space Enterprise, the problem was not illegal builders who applied for legalisation in Zamun, but those who did not want to apply for legalisation. Furthermore, there were cases where buyers sued the local council, and one buyer even won his case. The verdict was that the local council had to pay back money to the buyer of the real estate with high interest rates. "The buyer did not care who is in power now, and now that the Radicals are gone he just wanted his money back...it is logical that the buyer was not suspicious about official institutions. Now we have to pay the bill the previous government made" (Simonovic quoted in Majdin, 2000:18). Although the corruption and informal networks were accepted as a rule imposed from the top in the 1990s, the change in politics brought a change of the rules, and respect of law was the new rule. However, it can be assumed that in those cases, the rule of law was accepted just so that the money could be claimed back. It is implausible that those who bought illegally properties and land were not aware of the circumstances.

In addition to Zemun, the rest of the city, run by other parties, had a boom in illegality. The mechanisms used by illegal builders varied, including constructing new buildings instead of allowed extensions, adding floors under the roofs and funding kiosks everywhere in the city. The consensus to fight illegal building did not exist in any of the political authorities or parties. On the contrary, all of them were changing the institutions and applying the new rules created by the elite instead of blocking each other in illegality due to their financial or political benefits. The latent conflict between these people and citizens who were against illegal building was kept from emerging and the interests of the ruling elite and subelites were fulfilled.

9 Chapter : Conclusions

This thesis started with the assumption that illegal building in the 1990s in Belgrade was a result of the function of the new rules established by the elite and subelites for gaining personal profits, but this does not explain how illegal building had spread among the non-elite. My thesis argues that illegal building was inherited from the communist period, and was in the 1990s enhanced by the failure of formal institutions and the hyperactivity of informal institutions. Inadequate institutions and regulations were also inherited from communism. Informal institutions became dominant and instead of blocking illegal processes in society, they actually enabled them. Corruption became a very strong 'informal institution' widely accepted by society.

This thesis examined the major drivers that enhanced illegal building on such a scale and in particular it explored the role of the elite, subelites and institutions in illegal building. It explained how the urban realm was both dependent upon and constrained by its economic and social context. It analysed how the political elite and subelites exercised independent power and hence explains their role in illegal building and usurpation.

This chapter is divided into four parts. The first part represents the institutions and the problems relating to housing developed during the communist period. Firstly, various roles of the centralised and self-management state explored in chapter 4 are summarised and synthesised. This includes the history of housing and illegal building since the communists came to power. It tries to convey the common characteristics of those aspects and to present the general pattern of political elite influence on the housing sector through institutions.

Secondly, the political and economic changes during the 1990s are discussed in relation to the reconstructive adaptation of the former elite and the emergence of the new elite and subelites as well as institutional changes. The institutions and the

economic and political environment are mutually interdependent and affect each other, and therefore must be analysed together in order to provide a comprehensive explanation for given problems. The strengthening of informal links and the creation of informal institutions is analysed through frequent elections and parties' coalitions formed around specific issues, and in particular illegal building. Furthermore, the particular organisations and the institutions related to building are assessed via the rules they either created or accepted from the state or another level of power and the degree of informality in which they were involved.

The third part discusses the implications of the research findings in Belgrade. The first point of discussion is the elite and subelites, both political and economic, and their relation to various institutions and illegal building. The cross analysis of case studies is detailed and major conclusions and findings are outlined.

The fourth part evaluates the position of the major illegal developments like Zemunikum shopping centre and Milosevic's villa today, and assesses the institutional context of illegal building today, five years after the political changes. However, all those parts are combined for the assessment of the theories used and their practical meaning is evaluated.

The thesis concludes with an evaluation of, and some reflections on, the research presented and suggests possible ways forward for future research. There are two possible arenas for further investigation. One has a geographical perspective, and it is a comparative study of the cities across the country, paying particular attention to the role of the state versus local institutions and parties in forming the illegal sphere for building. The other has a wider geographical and historical perspective, and investigates illegal development in other Eastern European countries where the phenomenon exists.

9.1 Institutional Inheritance

As Smith and Stenning suggested, transition is not a pure switch from communism to capitalism but rather the political and economic changes that have their own historical and institutional limits (Smith and Stenning, 2004). Following that line of thought, the inheritance of the communist institutional housing context was examined. The themes observed during the communist period and their impact and transformation in the transitional period are self-management, housing policies, housing financing and urban planning.

As chapter 4 demonstrates, due to the 'consumption commodity logic' and subsidising, the socialist housing system was neither efficient nor equitable. The constant housing shortages, overcrowding and long waiting lists were the main characteristics of housing systems across Eastern Europe. Moreover, priority in access to public rented housing was given to political and party officials, bureaucrats, military members and employees of the strategic industrial sectors rather than to workers and disadvantaged social groups (Szelény, 1983). The state distribution of housing was led by two principles. The social principle was based on the needs of citizens for accommodation. The second one was determined by status and merit-based and this was the dominant one. In the socialist system, the political elite created housing policy and the possibility for the creation of bottom-up influence did not have any institutional support. The failure of the housing system led to the creation of alternative approaches, mainly used by people excluded from an official system of provision of flats. The result was an expansion of illegal building and the creation of informal settlements. The political elite mobilised out the problem of illegal building from the political agenda, keeping it from emerging. Consequently, illegal building started being informally 'institutionalised'.

In the Former Yugoslavia, self-management reform did not lead to a distinctly more efficient form of housing provision than the overall Eastern European socialist model. "The self-managing housing communities ended up functioning as a hyper-protective institutional environment, which reduced both efficiency and the productivity of the socialist housing sector" (Mandic, 1992: 299). In the self-

management housing model, competition between building companies was avoided, and the state-owned developing companies had monopolistic positions, while the private sector was under strict control to prevent the development of free market elements. Private ownership was restricted to two housing units per family and to individual house construction and there was no possibility for private development to take place legally.

From the institutional point of view, although there was an attempt made through self-management, real democratic institutions were not developed. The housing allocation was, as in the other Eastern European countries, led by need and merit, criteria that will continue to dominate in the post-communist era. The dispersed decision-making resulted in long waiting lists and extensive bureaucratic rules that were waiting for approval from the top before being implemented.

Another institution developed during the socialist period was an institution of building permits. For the individual sector, the laws on building were very restrictive, and even if land was provided for individual building, the process of getting a building permit could last for years, if approved at all. This institution remained the same in the post-communist period and was the one around which many informal coalitions and rules were created.

Two main sources of funds used in the past to finance new housing construction were individual housing finances and collective housing funds created from wage deductions from the public sector and enterprise employees. Enterprises were solely responsible for housing funds and they could allocate housing funds or low interest loans for the purchase of apartments or the renovation or construction of new houses on enterprise grounded criteria, such as the number of years spent working in a company and household size. However, these criteria were not applied equally to everyone, and privileged managers were always on the top of the list, while non-qualified workers could be on the list for years. The institution of informal privilege was another institution that has its origins from this period and it continued in the transitional period. In addition, the elite continued the practice from communism allowing them open access to the distribution of luxury goods and houses.

Finally the diversity of plans resulted in many inconsistencies in both the process of preparation and their implementation in practice. In addition, plans were complex and rigid. Moreover, public interest could be achieved only by the representatives of the state and that identification was the key legitimising base for planning and policy-making in the Former Yugoslavia. Urbanism was very open to interests which were coming exclusively from the state sector but which were very restrictive towards individual or private interests. Consequently, at the same time citizens were indirectly forced to use intermediation, family connections, bribing or giving a counter service of the local council or city servant in order to obtain a building permit or a permit for extension and renovation under the counter.

Although officially the entire society was based on the rigid structure of socialist formal organisations and rules, due to their selective implementation the society had realised that informal links were becoming the major weapon for the fulfilment of interests. On the other hand, the elite kept illegal building out of the agenda and kept the 'housing' problem latent. At the same time, the elite created an institutional framework favourable to their own interests and reinforced social and political values and institutional practices that, as suggested by Bachrach and Baratz (1970), limited the scope of the political process to issues innocuous to themselves. The institutional context for both informal rules and illegal building was grounded during socialism, but they developed and continued in the post-communist era.

9.2 Institutional Transition

The inheritance from the communist period discussed above progressed more during the post-communist period. The command economy of the country, affected by civil wars, international sanctions and irregular internal running, failed to restructure, and therefore deteriorated. The most successful state companies were run by the political elite who used them for personal profit. In order to survive, the majority of citizens turned towards the black economy and semi-formal forms of making a living. The political system, described as a political dictatorship, mobilised the black economy

out from the political agenda for two reasons. First, the elite was involved in the black economy itself. Second, by not intervening, the political elite was buying both social peace and electoral votes. All of this was allowed through the functioning of informal institutions, of which corruption was the most powerful.

The change of institution of the public interest was followed by raising many new individual interests (non-existent or well hidden in the communist period). Political capitalism (Staniszikis, 1991) and demagogic populism (Greskovits, 1995) exercised by the ruling elite led to an economic collapse that created fertile ground for the escalation of corruption. The ruling elite had fused its institutions and power structures with those of the state. Civil society remained weak and under constant harassment by the ruling elite (Thomas, 1999). The ruling elite used such a political and economic setting to profit from every segment of Belgrade's economy. One way of doing this was by selling the most valuable resource of the city - building land for building (legal or quasi-legal) from which the profits were enormous (Petovar, 1998).

With regard to political parties, it was revealed that most of them took part in informal coalitions with the ruling regime, and in this way helped in the creation of the national institutional context to be dominated by informal institutions. The frequent change of political positions by most of the parties created uncertainty and distrust among citizens. Furthermore, the frequent elections were characterised by many promises given by political parties that most often stayed only promises used for manipulation. The citizens lost the belief in political parties as institutions with the major function of being their representatives and of controlling each other in political arena. Instead, the frequent informal coalitions and changes of rules motivated citizens to behave in the same manner and to accept the informal institutions created by politicians.

The frequent elections were usually a cover for the ruling regime's reign making the state appearing more democratic. Due to the control of the media and frequent changes of laws which ruling parties were shaping according to their needs, the ruling regime had a significant advantage and so was very keen on the use of

elections as a defence from opposition parties and for buying social peace. However, one of the topics that was avoided in election campaigns was illegal building. A significant proportion of the electorate were illegal builders (if not directly then relatives and friends of illegal builders). Neither governing nor opposition parties wanted to lose votes from illegal builders. Although a small number of parties paid lip service to cracking down on illegal construction, they did little to oppose it in practice. Subsequently, illegal buildings were rapidly spreading across the city like an epidemic.

Furthermore, inefficient formal institutions inherited from communism responsible for building issues were replaced by informal institutions. “Procedures for the issuing of building permission and exercising development control have in general been nullified by corruption and lawlessness, despite the enactment of new formal controls by local governments run by democratic parties, who in some case were practicing even worse standards of planning and housing management” (Prodanovic, 2000: 280). Public confidence in Belgrade has thus been severely shaken by the evident and visible attacks on the valuable public assets of the city through usurpation, illegal acquisition, and uncontrolled sales and chaotic development (Petovar, 2003). “Within the context of a prolonged war economy, confidence has been eroded in public morality and unlimited abuse of power exercised in the area of urban land policy where the key to ‘cheap profit’ is linked to minimal or non-existent responsibility exercised towards the previous legal owners of urban land and property” (Prodanovic, 2000: 280). The land that was nationalised during communism was acquired by developers associated with the centralised strongholds of power, through a chain of closely and informally connected privileged persons who did not respect any restrictions and obtained valuable assets at virtually no cost (Petovar, 2001; Petovar, 2003; Zdravkovic, 2001) This informal network, “even called by some officials ‘urbanistic mafia’, was effectively deciding on the allocation of urban land, naming architects and developers who constructed the infrastructure and buildings to their own specifications” (Prodanovic, 2000:280).

The enormous extent of corruption and the decision-making process carried out far from the public eye resulted in an increase in densities of development, the

suppression of traffic and parking problems, construction in public spaces, and huge ecological damage. In the long term it also damaged the public interest, the sense of urbanity and urban identity and the overall visual city fabric.

9.3 Dedinje and Zemun

An analysis of two case studies sought to produce theoretical replication across them, whereby a theory was developed that explained the different results obtained from the case studies as being due to ‘predictably’ different circumstances or conditions under which they occurred (Yin, 1994). Yin suggests that one goal of the multiple case study approach is to “build a general explanation that fits each of the individual case studies, even though the cases will vary in their details” (Yin, 1994:112). Comparative analysis has been identified as invaluable in the testing and building of theory (Silverman, 2001). Issues and themes identified within Dedinje and Zemun were compared and contrasted in order to build explanations for illegal building and to identify the key drivers of this practice. In adopting a comparative approach to cross-analysis, these explanations are expressed in a range of ways by providing information, justifying actions or beliefs, giving reasons, supporting a claim or providing causal links (Draper, 1988). As Bryman has argued, through an in-depth exploration of the phenomenon in its setting, the qualitative case study researcher is in a better position to “view the linkages between events and activities and to explore people’s interpretations of the factors which produce such connections” (1988:102).

The Dedinje case study examined how powerful people and the Serbian political elite and subelites created a corrupt environment in the building sector by changing rules and institutions and adapting them to suit their own interests. The first rule that was changed was related to the change of ownership status for state-owned properties. The political elite used inherited distribution channels for goods and exclusive information access from the communist period. By creating new, unofficial rules applicable only to themselves and their close co-operators, they transferred the state-owned properties into their hands. The existing formal rules on the ownership of the properties were completely ignored and properties were given to friends, family or

party colleagues ('Dipos' properties for example). In some cases rules were changed in a way they would justify the elite's actions. For example, houses were rented as being flats in order to get the right to be privatised and sold. Some politicians tried to make their actions look legal by partially following the rules. For example, some exchanged their properties for properties located in Dedinje, but usually the size and value of the properties were far below the value of obtained assets.

Another mechanism used in Dedinje was the reconstruction mechanism, when developers applied for permits for reconstruction, but usually built new objects exceeding by up to ten times the size allowed in the permit. However, none of those objects was demolished. One of the explanations given by informants for the huge number of issued permits of that type was that developers had corrupt connections with either local, city or republic authorities. Even when local authorities wanted to react, they were unable to act fast due to the slow and complex inherited rules and procedures. Furthermore, even in the cases when they passed all procedures and got a decision to demolish, they would not implement it because demolishing could have annoyed their electoral body.

The change of the planning rules in the Regulatory Plan for Dedinje also revealed the strength of informal networks. Both ruling and opposition parties took part in passing the Plan that incorporated new rules such as Act 43 and that exempted the elite in Dedinje from legal consequences and enabled them to legalise their illegally built properties. The changed building coefficient had the same purpose end enabled objects, the size of which exceeded the allowed size in the building permit, to be legalised.

Furthermore, it has been revealed that in the highest political institution, the state, President Slobodan Milosevic was breaking the rules and obtained and extended his villa illegally. The most successive businessman in the country also illegally built or extended seven objects in Dedinje. The headquarters of Pink Television is another case where people close to Milosevic's regime were using privileges, ignoring the law and making huge profits.

The Dedinje case study dealt with the experience of the Serbian elite, but the Zemun case study focused on the illegal building carried out by the non-elite. The main differences are in terms of locations, sizes, objects' purposes and architectural styles, but there are many similarities in the way illegal building was organised especially in the way informal links were established in order for the state institutions to be bypassed. In addition, this council was chosen because it was led by a different political party than any other council in Belgrade and because it has the highest number of illegally built objects.

The first similarity found when Zemun was examined was that the land was allocated to friends, family and party members and supporters, as was the case with properties in Dedinje. Again, this was achieved through informal connections. Furthermore, the Radical Party that had an informal coalition at some level with the regime for a long time was powerful enough to break the law and to sell the state-owned land allocated by the plan for a waste disposal zone. The Radicals 'allowed' the illegal building of a shopping centre on an archaeological site protected by law as well as building on Zemun Quay, protected by UNESCO as cultural heritage. The term 'allowed' simply means that it was not prevented or blocked. In addition, the protected oldest public administration building was taken to be party headquarters.

The Radical Party used social divisions to strengthen their own positions and to undermine the power of their opponents. They especially targeted refugees from the former Yugoslav republics and they argued that they allowed illegal building in order to provide housing for refugees. In spite of their arguments, it was exposed that the Radicals used the same principle, already tested by other local governments, which included issuing of permits for temporary objects and kiosks to everyone who was ready to pay. Lofts had been sold in order to be converted into flats, and by the end the Radicals were allocating or selling plots for individual building.

In contrast to Dedinje, illegal building in Zemun was on a massive scale and difficult to monitor. In Dedinje, illegality was used by the elite to provide exclusive villas for their living, and since they controlled all institutions in the country, they could not

have been stopped. The elite changed the rules in the field of property ownership regulation. This was also a message sent to the whole society that rules can be disrespected and replaced by new ones that conform more to private interests. However, in Zemun the elite used illegality not only to gain personal and party benefits, but also as an electoral tactic, a vote-buying strategy. The elite from Dedinje, who ran the Republic, did not stop the Radicals because first, its members were involved in illegal building themselves and second, it was also looking to avoid 'upsetting' the electoral body. In addition the SPS, the JUL and the Radical Party coalition were ruling at all levels of power, from federal to local, and there was a silent informal coalition based on not intervening in this sphere of politics and mobilising it out from the political agenda.

The SPO, the DS and the GSS won Belgrade in the 1996/1997 elections. Since the coalition between them fell apart, the SPO ruled on its own. Although it was not in coalition with the Radicals, it never tried to block them in Zemun and stop illegal building. This indicates the strength of the informal political networks made around illegal building and their power to change and set new rules that will benefit them in spite of being in opposition to the rule of law. This so called 'urbanistic mafia' was an informal network that consisted of numerous politicians from various parties as well as of various businessman and developers who controlled everything from urban land allocation in the Agency to development, urban permits, building permits and the legalisation and demolishing process (Petovar, 2001; Ilic 2001).

9.4 Institutions Today

In spite of the removal of the Milosevic regime and the implementation of democratic changes from 5th October 2000, the problem of corruption has not disappeared. The new government has been engaged in the difficult process of defining new basic rules and institutions in order to govern the economy and society, but the process of transition has been slowed down due to the huge impact of corruption. Corruption is still ensuring the advantage of these new rules for narrow vested interests and is distorting economic and political development. Corruption

also undermines the driving forces behind reforms. According to a World Bank analysis, the experience of anti-corruption programs and structural reforms to date has produced mixed results due to the blockage by powerful vested interests. One of the underlying reasons for this is the overemphasis on technocratic measures as well as a uniform approach that does not take into account the capacity of the state and the channels of transparency between the state and civil society (Kaufmann, 2000).

With regard to illegal building, the easiest solution would be that everything built illegally should be demolished. However, this is not feasible in either political, economic or social terms. Another easy solution would be that everything that is built illegally should be legalised. However this raises many other questions such as urban sustainability as well as the issue of equality. Why should some illegal builders be more privileged than others who paid all legal fees and provided documentation before starting building? The new government chose the second option and passed the new Law on Planning and Construction in 2001.⁵⁸ According to this Law illegal building is treated as a criminal offence. An entrepreneur who is a contractor or responsible for illegal building will be imprisoned for one year, while the investor might face up to three years imprisonment if he/she invests in developments without legal documentation (Article 149, Law on Planning and Construction, 2001). Following this law that actually stopped illegal building, the government called for legalisation of illegal objects across Serbia. However the response was insignificant with many illegal builders arguing that they could not afford to pay legalisation fees. Moreover, when the new government came to power in 2004, they used legalisation as an election promise. The current Minister for Capital Investment in charge for building and construction indirectly abolished illegal building arguing that builders built to provide housing for themselves, and that they do not have to pay legalisation fees because they are too high. The solution to the problem has not yet been found by the new Minister. Moreover, illegal building has stopped being mentioned by politicians, as if it never occurred. For the illegal builders this means that they have been abolished and the message sent to the public is that informality paid off. Furthermore, the change in politics towards illegal builders brings instability and

⁵⁸ Official Bulletin of Republic of Serbia 2001(43).

encourages citizens to expect that if they build illegally in the future, they will be able to get away with it without consequence.

With regard to election promises on illegal building given before the DOS came to power, little has been done. Although many property frauds committed by ex-officials were discovered, hardly any action has been taken by the new government to penalise them, even where instances are reported to the Federal Inspectorate. The fact that most of the officials of the former regime still live in properties that they have not acquired legally suggests that a degree of state protection remains. The Minister for Justice, Vladan Batic, and Prime Minister of Serbia, Zoran Zivkovic (period 2000-2004) blamed their ex-coalition partners in the Federal Parliament for this problem. The Housing and Administrative committees, which are in charge of solving problems with properties that were annexed and illegally gained, are organised on the principle of parity (half of the members are from Serbia and half are from Montenegro). Since many of the Montenegrin representatives and members gained their properties in this suspicious way, there was a lack of will to address this issue, and consequently the ex-officials from the SPS, the JUL and the SRS were amnestied (Zivkovic quoted in Vasic, 2003). They also stated that malversations stopped since the DOS came to power in 2000, and that the Commission decided to annul allocation decisions for 29 flats and to take away 10 irregularly allocated flats. Compared to 12,000 missing properties, this result is not very impressive. Judicial institutions have not started doing their job yet, and it is up to them to fix the situation.

Another problem that still cannot be resolved is the case of the Magistrat building. Regarding the shopping centre, it was opened in April 2002 with the appropriate ceremony attended by many celebrities and many influential businessmen. The Mayor of Belgrade at the time, Radmila Hrustanovic, attended the opening ceremony too (Vlahovic, 2002). However, nobody from the local authorities attended, neither the councillors who voted for the questionable permit nor those who did not. Zemunikum is now open, and investor Dejan Obradovic said that they have all the necessary documents and permits (Vlahovic, 2002). Additionally, this centre will be incorporated into the urbanistic plan, which will close the circle of necessary

documents. It seems that double standards were applied again and the institution of informal connections was much stronger than the official laws.

Regarding the Radical Party which moved into the Magistrat building, the situation is as follows. On 17th March 2003, the 4th Municipality Court passed a verdict on annulations of the lease contract for Magistrat and gave the Radical Party fifteen days to leave. The verdict was based on the fact that the building is allocated for cultural manifestations or public administration, and because it is a historic site (Jakovljevic and Tanasic, 2004). However, the Radicals appealed to the Supreme Court. A year later, they are still in the building. Although there were four attempts by the local council to move them out, they were unsuccessful. The fourth attempt was on 30th March when fifty supporters of the Radical Party did not allow the Court executors to enter the building. Additionally, there were only four policemen accompanying the Court executors, in spite of the fact that the local council requested many more special police (Jakovljevic and Tanasic, 2004). The local council of Zemun sent an appeal to the Government of Serbia and the Interior Ministry to support and help them to implement decisions. The police refused to help, arguing that it was not within their jurisdiction (Jakovljevic and Tanasic, 2004). The President of the council, Vladan Janicijevic, argued that the police did not intervene deliberately due to their connections with the Radicals (News B92, 01.04.2004). This is further evidence of the institutional weakness of the juridical system. Even when decisions and verdicts are given, it is difficult to enforce them, especially when the police do not provide necessary support.

Furthermore, the Supreme Court restarted the case of the Zemun local council versus the Radical Party. The full content and explanation for this decision is not known yet, either to the public or to both sides in the process (Majdin, 2004). However, it again demonstrates institutional weakness and instability, where one institution denies the decision of the other no matter what the consequences, and creates an environment where people or parties see the opportunity to defraud the system knowing that they will be able to profit for a long period of time, because the institutions cannot or do not want to react. Desperate and unable to implement the law, the local council decided to appeal to the International Court of Justice in Strasbourg, claiming that

the whole legal system is not working (Nedeljkovic in B92, 2004). The International Court of Justice in Strasbourg can ensure that if the state does not fulfil its decision it has to pay fines, and therefore councillors hope that it will force the Serbian Government to implement the decision.

With regard to Pink television, it can only be added that the building is still there and that Pink was the most watched and popular television station in Serbia in 2004. However, the biggest institutional surprise came from the Supreme Court which decided in March 2005 to return the questioned villa to Slobodan Milosevic, no matter that it was both obtained and extended in an illegal way. The decision was based on the argument that Milosevic cannot defend himself in court while he is being detained in the Hague (News B92, 25.02.2005).

It turned out that the new government's settling of accounts with Milosevic's elite and so-called tycoons was very superficial. One might even call it a token operation as only a few people ended up being charged. Of those charged, the cases against them are moving slowly and the outcomes seem very uncertain. Due to the inefficiency of institutions and laws, many have managed to legalise their properties as, for example, Karic did with all seven villas in Dedinje. The biggest problem remains the fact that their private property, which has probably been illegally acquired, is not being called into question. No measures were taken to change this. Part of the new government structure and those who had acquired financial power during the previous regime have been working together (Ilic and Zdravkovic, 2001). Much evidence suggests that, besides the legally constituted authorities, there is a so-called para-structure uniting the grey zones of political, financial, and military power. This arrangement was established even while the old regime was still in office, and if there are no new transparent and accountable institutions with clearly defined laws and rules, they will be able to keep operating and gaining huge personal profits in the future.

9.5 New Institutionalism - contribution to theory

This research aims to fill a significant gap that exists in urban studies in Eastern Europe, where the extent and implications of illegal development have been overlooked and underestimated. It also tries to contribute to a general new institutionalism theory by analysing the significance of informal links in relation to institutions.

At the theoretical level, there have not been any attempts to explain fully the influence of the aforementioned factors dominating the ideological, political and economic scene from the beginning of the post-communist period and their influence on the development of Belgrade. In the field of urban planning, which is still dominated by approaches from rational comprehensive theory⁵⁹, the approaches of neoliberal economics have been used, with some fragments from institutional economics (Begovic, 1995). Some attempts have been undertaken to develop a more appropriate theoretical background for the transitional period, based on various theoretical sources (Vujosevic, 1996; Vujosevic and Spasic, 1996), but those approaches conceptually conform to the theories which had already been made during the communist period (Vujosevic, 2000). Therefore, a more comprehensive and overall analysis of illegal development in Belgrade was more than necessary.

This thesis intends to contribute to the research of the delicate issue of illegal building, and combines several levels of theory in order to establish a theoretical ground for future research on similar issues as each of these theories have strengths and weaknesses as explanatory tools. Hunter's elitism helps in defining pyramids of power and does help to explain the behaviour of the elite. Pluralism provides some help in the analysis of coalition building during elections, and explains how this relates to the rest of the society. Neo-elitism helps in the analysis of mobilisation of bias and the creation of a political agenda. Communist and post-communist housing theories are used as a partial explanation for the initial development of illegal

⁵⁹ Lindblom, C (1959), 'The science of muddling through'.

building in the early 1970s. However, new institutionalism puts all these theories into the appropriate framework to be applied to understanding a corrupt society.

Following the work of March and Olsen (1984), this research takes into account the social, economic and political behaviour and analyses them in relation to institutions in terms of rules and routines that consequently emerged. In particular, this research focuses on informal conventions as well as formal rules and structures, and on the ways in which institutions embodied values and power relationships. The empirical chapters of this thesis comprehensively argue that informal institutions should be taken seriously. Conceptualising informal networks is an important element of urban political analysis, especially in post-communist societies. Corruption is often a dominant institution imposed by informal networks. Corrupt rules become a logic of appropriateness. The examination of illegal building confirmed that informal networks played a vital part in process. The space for corruption in the building area and the creation of interest-based coalitions was far-reaching and the profits enormous. The elite and subelites and the informal networks they created around illegal building were stronger than the institutions of the system. They created their own rules that were followed by many as well as new rules and routines that defined inappropriate actions and relations between individuals and institutions. Those rules were imposed on institutions and institutions furthermore deflected them to the rest of society which, living under abnormal political and economic conditions, accepted them with ease. Their bottom up impact on the institutions resulted in even greater corruption.

Factors that directed the construction of a dominant political coalition within a given set of structural constraints and opportunities, and around which political parties were creating new rules and norms as well as informal coalitions, were profit making and buying of the electoral body. Corruption became an embodied informal institution in Serbia in the 1990s, widely accepted by all spheres of society. Therefore this research supports the notion that the elite, the informal networks they created with the subelites and consequently the rules that they produced, are central to the understanding of the development of illegal building in Belgrade in the 1990s.

However, although new institutionalism helps in conceptualising the power relations among actors by theoretically analysing informal networks, it does not give a methodological approach for a practical examination of informal networks. A problem for conducting this research was setting the adequate research methodology bearing in mind the sensitivity of the subject investigated and lack of available information. Furthermore, the most informal networks are secretive. It means that getting information out of them is very difficult. This difficulty is further exacerbated when coalitions and networks are based around illegal issues, as was the case in Belgrade.

However, one of the key strengths of the research lies in its attempt to develop a theory relating to urban politics, and to use this framework to guide the study of illegal building. However, the nature of the theoretical framework limits the breadth and depth of understanding drawn from specific fields which have traditionally carried out research into the political arena. In this sense, the research is limited in its ability adequately to address the range of questions which may be brought to bear by scholars working within these fields. However, there are two possible arenas for further investigation. The first has a geographical perspective, and constitutes a comparative study of the cities across the country, paying particular attention to the role of the state versus local institutions and parties in forming the illegal sphere for building.

The second has a wider geographical and historical perspective, and investigates illegal development in other Eastern European countries where the phenomenon exists. For example, the very popular coastline of Croatia subject to illegal building. Macedonia, a former Yugoslav Republic, faces the same problems across the country. Bosnia and Herzegovina are also characterised by illegal building. The most extreme example however is Tirana, capital of Albania, which experienced a boom in illegal development. The general characteristics of all these areas are their communist past and their corruptive present condition. Although there is no apparent academic research, the problem of illegality has been evident in many ex-Soviet Union countries. Greece and Southern Italy also have problems with illegal building. Furthermore, new institutionalism does not necessary have to be used for illegal

building only, but can be applied to many other issues around which informal networks have been formed. New institutionalism has the potential to explain many political decisions and their consequences that have not been previously fully explained.

In summary, in spite of all the methodological shortages such as lack of reliable and complete data and lack of any single theory that would give a comprehensive theoretical explanation, this thesis is the first of its kind in my opinion that has examined illegal building from a political point of view in a post-communist society. The delicate issue of illegality was investigated as deep as possible due to the problems of lack of data and information, the refusal of illegal builders to participate in the survey and the existing fear among expert informants to talk openly about the issue, as explained in the methodological chapter. Still the research carried out gives valuable insights into the power relationships, different interests and informal networks in Serbia in the 1990s. The mechanisms of the change of rules and the logic of appropriateness in institutions are analysed in the post-communist societies. Most importantly, it explains how the new rules resulted in the failure of the institutions to prevent and later on block the rise of corruption and illegality in the society. Therefore, this research can offer valuable starting points for urban analysis, and in particular the illegal elements of it, in many of the post-communist societies that have similar political and economic backgrounds to Serbia.

10 Appendix 1: Transparency International CPI index (1999)

Rank	Country	2000 CPI score	Surveys used	St. deviation
1	Finland	10	8	0.6
2	Denmark	9.8	9	0.8
3	New Zealand	9.4	8	0.8
3	Sweden	9.4	9	0.7
5	Canada	9.2	9	0.7
6	Iceland	9.1	7	1.1
6	Norway	9.1	8	0.7
6	Singapore	9.1	11	1
9	Netherlands	8.9	9	0.6
10	United Kingdom	8.7	9	0.6
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.				
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.				
80	Uganda	2.3	4	0.6
81	Mozambique	2.2	3	0.2
82	Kenya	2.1	4	0.3
82	Russian Federation	2.1	10	1.1
84	Cameroon	2	4	0.6
85	Angola	1.7	3	0.2
85	Indonesia	1.7	11	0.8
87	Azerbaijan	1.5	4	0.9
87	Ukraine	1.5	7	0.7
89	Federal Republic of Yugoslavia	1.3	3	0.9
90	Nigeria	1.2	4	0.6

The Transparency International Corruption Index for 2000 was published on October 26th 1999. CPI scores relate to perceptions of the depth of corruption as seen by business people, risk analysts, and the general public and ranges between 10 (highly clean) and 0 (highly corrupt).

11 Appendix 2: Interview and List of Interviewed Informants

Interview

1. What do you consider to be the causes of illegal building in Belgrade?
2. What is the scope of illegal building? Do you have statistical evidence on it?
3. For how long have you been facing the problem of illegal building in your work?
4. When did illegal building become most intensive?
5. What cases did you have while doing Regulatory and Urban plans?
6. Which areas are attacked the most?
7. Are there any official decisions that have facilitated illegal building?
8. Is there any hidden mechanism behind the illegal building?
9. If so, how would you describe it?
10. Are there any specific institutions / organisations directly responsible for illegal building?
11. Are there any persons, according to you, directly responsible for illegal building?
12. On what scale have different centres of power (local/political/economic) had any influence on Illegal building?
13. Who do you find most responsible for illegal building - the local, city or central government?
14. In your opinion is there any corruption involved in the process of obtaining a building permit?
15. How would you define the term 'Urbanistic mafia', introduced by the ex-mayor, Nebojsa Covic, in 1995?

List of informants:

1. Ljubisav Djuricic, (20/07/2001), Director, City Assembly of Belgrade, The Secretariat for Property Rights and Construction Affairs;
2. Tanja Jaksic, (09/08/2001), Architect, current member of the City planning commission, previously employed in the Bureau for the Protection of Cultural Monuments of the City of Belgrade;
3. Ana Dabezic, Architect, Bureau for the Protection of Cultural Monuments of the City of Belgrade;
4. Aleksandra Tilinger (18/07/2001), Planner, Town Planning Institute; the leader of the team that made an urban plan for Zemun (Case study 2);
5. Jelena Stojanovic (18/07/2001), Senior Planner, Town Planning Institute;
6. Zoran Zegarac,(28/09/2000), Executive Director from 1996, Town Planning Institute;
7. Ljiljana Belos, Senior Planner, Town Planning Institute; the leader of team that created a regulatory plan for Dedinje in 1995; (Case study 1);
8. Ljubica Zivotic (26/09/2001), Director of the sector for building land, the Agency for City Building Land and Development of Belgrade;
9. Slobodanka Prekajski (24/09/2001), The manager of the Marketing sector, Agency for City Building Land and Development of Belgrade;
10. Dr Spasoje Krunic (21/09/2001), Ex-President of the City Executive Board (1996-2000), Architect, member of Serbian Renewal Movement;
11. Dr Zoran Nikezic (24/09/2001), Ex-Director of the Secretariat for Urban Planning (1996-2000), Architect, member of Serbian Renewal Movement;
12. Aleksandar Cotric (30/08/2001), member of the executive board of the city of Belgrade (1996-2000), member of the Serbian Renewal Movement;
13. Miodrag Jaksic, (30/08/2001), Architect, member of the Serbian Renewal Movement;
14. Sasa Raznatovic (14/08/2001), Vice President of the Zemun local council (2000-2004), member of the Democratic Party;
15. Nikola Saveski, (22/08/2001), Vice President of the Savski Venac local council (2000-2004);
16. Predrag Zdravkovic (04/09/2001), President of the Association for Protection of the Environment of Senjak, Dedinje and Topcider Hill;

17. Vesna Ilic, (23/08/2000), Association for Protection of the Environment of Senjak, Dedinje and Topcider Hill;
18. Ksenija Petovar (25/09/2001), Professor of urban sociology, Faculty of Architecture and Faculty for Geography, University of Belgrade; Local Councilor in Savski Venac council;
19. Branko Bojovic, Architect, Institute for Urbanism and Architecture in Serbia;
20. Anonymous interview 1 (02/09/2001)- ex-member of the city government, an ex-vice director of the Agency for City Building Land and Development of Belgrade;
21. Anonymous interview 2 (27/08/2001)- ex-member of the Stari Grad local government;
22. Anonymous interviews with investor A in Dedinje (20/08/2001);
23. Anonymous interviews with investor B in Dedinje (20/08/2001);
24. Anonymous interviews with investor C in Dedinje (01/09/2001);
25. Anonymous interviews with investor D in Dedinje (08/09/2001);
26. Anonymous interviews with investor E in Dedinje (26/09/2001).

12 Appendix 3: Electoral patterns in Serbia in 1990s

Election turnouts and electoral patterns in Serbia, 1992-2000

0	p'92	rep'92	fed'92	rep'93	loc'96	fed'96	rep'97	p'97	rep'00
TOTAL	6949150	6777102	6755800	6920571	7158146	7138309	7202498	7225860	5680720
VOTED	4747165	4723711	4694969	4300440	4291797	4306883	4133641	3671053	3321796
ACCOUNTED	4622341	4437904	4435215	4125609	3902735	4069336	3967657	3555234	3243584
SPS	56.3%	28.8%	31.5%	36.7%	30.7%			59.3%	13.20%
SPS-JUL-ND						42.9%	34.3%		
SRS		22.6%	21.8%	13.8%	10.7%	17.7%	28.1%	37.5%	8.60%
SPO							19.2%		3.50%
DEPOS		16.9%	17.2%	16.6%					
DSS				5.1%	1.5%				
TOGETHER					23.7%	22.5%			
DS		4.2%	6.0%	11.6%					
DS-RDS		1.5%	2.2%	0.0%					
DS-RDS-GS			1.2%						
DOS									64.70%
SSS		2.7%			0.1%				
Coalition Vojvodina					0.4%	1.3%	2.7%		
DA-SSS-PPS							1.5%		
DZVM		3.0%	2.3%	2.6%	0.7%				
SVM					0.7%	1.9%	1.2%		
LzaS-dr S.Uglj.					1.3%	1.4%	1.2%		
DRS Mus.		0.1%							
KP za DD-DPA				0.7%					
DK Preševo-Bujanovac							0.3%		
SSJ-RAZNATOVIC		0.4%							5.60%
GG-Milan Panić	33.8%								
OTHERS	7.3%	13.8%	12.3%	8.9%	21.1%	6.7%	7.5%		3.40%

Source: www.cesid.org.yu

P- Presidential elections
 Rep- Republic elections
 Fed- Federal elections
 Loc- Local elections

13 Appendix 4: Change in Population and Number of Dwelling (1991-2002)

A comparison of indices of population change (101.7) and dwellings change (115.6) implies that the housing shortage was reduced. But, according to the report by the Town Planning Institute, it was estimated that there was a shortage of 70,000 housing units in Belgrade (2001). Petrovic suggests that the structural shortage that exists in Belgrade cannot be analysed though a simple comparison of numbers of households and population numbers. Although 140,662 refugees came into Belgrade, at least 100,000 young people left, mostly from family houses, which did not result in the relief of housing stock, because parents remained. The increase in the number of dwellings can only associated with illegal building bearing in mind data that show an average decrease in legal housing by 83%.

Table 23: Change in Population and Number of Dwellings (1991-2002)

		Population				Dwellings			
		1991	2002	Absolute change	Index 1991=100	1991	2002	Absolute change	Index 1991=100
Republic of Serbia	of	7548978	7479437	-69541	99.1	2735313	2981156	245843	109
Urban		4126728	4218096	91368	102.2	1445149	1609219	164070	111.4
Other		3422250	3261341	-160909	95.3	1290164	1371937	81773	106.3
City of Belgrade	of	1548275	1574050	25775	101.7	545804	631197	85393	115.6
Urban		1275158	1280639	5481	100.4	435593	500381	64788	114.9
Suburban		273117	293411	20294	107.4	110211	130816	20605	118.7
Urban Municipalities									
Cukarica		149913	168356	18443	112.3	51001	63947	12946	125.4
Palilula		149899	155575	5676	103.8	51132	58524	7392	114.5
Rakovica		96128	98935	2807	102.9	29759	34200	4441	114.9
Savski Venac		45835	42483	-3352	92.7	17589	19156	1567	108.9
Stari Grad		68297	55541	-12756	81.3	26774	28336	1562	105.8
Vozdovac		155922	151746	-4176	97.3	54394	63061	8667	115.9
Vracar		67199	57934	-9265	86.2	27938	29024	1086	103.9
Zvezdara		135334	132352	-2982	97.8	47280	53004	5724	112.1
Zemun		175816	191938	16122	109.2	55855	65495	9640	117.3
Suburban Municipalities									
Barajevo		20795	24436	3641	117.5	13354	15140	1786	113.4
Grocka		65516	75376	9860	115	24566	35769	11203	145.6
Lazarevac		57770	58474	704	101.2	21047	22299	1252	105.9
Mladenovac		54393	52394	-1999	96.3	19181	19701	520	102.7
Obrenovac		67420	70974	3554	105.3	25410	29897	4487	117.7
Sopot		19933	20356	423	102.1	12195	13599	1404	111.5

Source: *The First Results of 2002 Census, Federal Statistics Office (2001).*

14 Appendix 5: Full explanation of necessary procedure, and institutions included in the process of Building Permit Acquirement

The procedure for acquiring planning consent, building, and use permits for housing is defined by the Law on City Planning (Official Bulletin of the Republic of Serbia No. 44/95, 16/97, 46/98), and by the Law on Civil Construction (Official Bulletin of the Republic of Serbia No. 44/95) which are supplemented by other laws defining the matter of civil construction in the specific segments (water management, environmental protection, health-care, road maintenance, etc.). This is the basic instruction for obtaining a building permit, found on the official website of the Agency for City Building Land and Development of Belgrade P.E. in 2000.

I Information about location

The first necessary step for the investor or developer in the process of obtaining a building permit is to get information about the availability of locations for development or how he/she can invest in the reconstruction of an existing object. This information can be obtained from lawyers, architecture bureaus, in the local municipalities or from appropriate city institutions (Agency). When the required information is obtained, the interested investor or developer needs to go to the City Secretariat for Urban Planning or to the appropriate local council, where he/she can get further instructions on obtaining a building permit. Building of any object is only possible on the location that is anticipated for the building by an appropriate planning document or by the local council.

For information about building feasibility on a given location, an interested investor or developer has to make a written application to the Secretariat for Urban Planning. For interventions on a smaller scale like annexes, adaptations, reconstructions, building of smaller objects which can be connected to the existing communal and infrastructure systems without interventions, and the change of land use, an interested investor, developer or private builder has to apply to the Secretariat for Urban Planning in the Local Council. For the adaptation, reconstruction and building of large objects, the investor should go directly to the Secretariat for Urban Planning. The Secretariat for Urban Planning is obliged to respond to the investor within eight days of the date the demand is submitted.

II Preparation and approval of the planning project

The planning project defines the planning conditions for construction. Where there is no planning project for the specific site, it must be created. This procedure can last from 6 to 12 months. The Investor must submit: the proof of land (site) ownership (right of land use), a surveyor's opinion of the site and the technical description of the planned investment. In addition, the investor must also submit the status report from the utility and other companies maintaining the infrastructure of the site, which then become part of the planning project.

1. Initial project.

Investors, developers or private builders, in the process of applying, need to make an initial building project. It consists of documents that give details about:

- The purpose of building;
- The main facts about the object (general facts about object such as location, the stages of the planned building, connections with encirclement, etc);

- The conditions given in the related planning documentation and facts from the previous technical conditions;
- The legal basis for building, necessary preliminary works on the location, research for the corresponding phases of producing technical documentation, coordination and cooperation among participants in creating the technical conditions;
- The structure of the process of producing technical documentation and the structure of technical documentation;
- The deadlines for completion of the building (partial and final);
- The special conditions for the proceedings of the technical control.

The responding documents have to provide information about the title of the official planning document, which consist of the planned intervention on that location, the title and the issue of the official bulletin where the document is published, and the short description of all planned interventions on that location such as demolishing and removing existing objects, the purpose of the planned object, the gross built area, the area under the object, the number of planned floors, parking space and information about that and about neighbouring plots that could be affected by building.⁶⁰ If the planned project fits into all these regulations, the investor can proceed further with the process of getting a permit.

2. Verification of legal and ownership status of the object

The legal and ownership documents that the investor has to provide are the following:

- A legal document about the ownership status of the plot and the object (certificate from the land ownership court books or a legal verdict which replaces the former contract or ownership);
- The accomplished right⁶¹ to use the land or object which means that the investor owns;
- The legal decision about inheriting the rights on the land which the former owner had;
- A decision made by the appropriate institution about giving the land for building for use on open competitions, a direct agreement in the cases predicted by Law. State owned land for building is given for use to the city or to the municipalities dependent on the open competition. All auctions and open competitions are organised and led by the Agency for City Building Land and Development of Belgrade P.E. Immediately after the open competition, the executive board of the city or the council, depending on who won the land, makes the official decision about giving the land. A certificate for this is produced by the Secretariat for property rights and construction affairs or by local municipalities.
- A certificate from the Land Books which states the right for land use;

The right for adaptation or reverting common space or its part into living space or offices:

- An act on the change of use of a given space which is passed before 12.7.1995;
- An agreement about the right to build on flat roofs and the transformation of common rooms into flats or offices;
- A decision made by the legal authorities competent for that building or a written agreement of 51% of users or owners of the flats, which is made before 4.11.1995.

⁶⁰ Act on planning and organisation of the space and settlements in Serbia, Act 47, Official bulletin of the Republic of Serbia, 1995 (44)

1. Geodetic documentation

Geodetic documentation may be acquired in the Republic Geodetic Institution in the Centre for the cadastre of real estates of Belgrade and it consists of:

- The geodetic foundation necessary for getting urban-technical conditions;
- A copy of the plan of the cadastre with the inscribed decimetre network on it;
- A topographic plan;
- The copy of the plan of the infrastructure and underground installations;
- The protocol of regulation;
- A report about cadastre plots which make up the building plot.

III Urban permit (urban-technical conditions)

This phase follows the approval of the planning project by the local authorities. The planning permit is issued by the local authority when the investor submits: the proof of site ownership (right of land use), the copy of the site plan, the planning project, and the status report from the utility and other companies maintaining the environment and infrastructure of the site. This phase should be completed within three months.

The urban permit determinates the location for building and the urban and technical conditions under which it is going to be built (Paragraph 42, Act on planning and arranging of the space and settlements in Republic of Serbia, 1995); Book of regulations about issuing of urban permit and urban consent;

With the application form, the investor/developer/builder has to enclose the proof of site ownership (right of land use), a copy of the site plan, urban-technical conditions, the conditions necessary for the connection of infrastructure and any special conditions. With all the necessary documents, the investor should apply to the City Secretariat for Urban Planning, or the local council or to the Ministry for Urbanism and Building of the Republic of Serbia. The Ministry for Urbanism and Building of the Republic of Serbia is authorised for issuing building permit for all objects defined in paragraph 24, Act on building of objects, (44) 1995.

Investors submit all documents to the City Secretariat for Urban Planning, which checks their validity, and their coordination with planning documentation. If everything is correct and in accordance with the law and plans, they forward the documents to the Town Planning Institute, which is in charge of defining urban-technical conditions.

In order to start with defining urban-technical conditions, the Town Planning Institute has to receive geodetic documentation that has been verified by the Geodetic Institute of the Republic of Serbia, as well as a program for building and an initial project from the investor at the same time that it receives a demand from the City Secretariat for Urban Planning. On the basis of this information, the planning document and the conditions obtained from the Communal Utility companies and other organisations, the Town Planning Institute produces urban-technical conditions. Urban-technical conditions determine the basic spatial and technical conditions for building and development and the implementation of the planning document for that area.

- Urban-technical conditions for building the object are: purpose, number of floors, urban-technical standards and normative, horizontal and vertical regulation of the object, position, architectural shape and style, accesses to object, other objects allowed on the site, etc;
- Urban-technical conditions for site arrangement are: demolishing, re-parcelling out of lots, levelling of the terrain, pedestrian areas, parking spaces, green space arrangement, fence around the building, etc;
- Urban-technical conditions for connection to the infrastructure networks: water, sewage, hot water system, electro energetic system, gas, telephone, television, main road connection, garbage collection, etc
- Special urban-technical conditions are related to: protection of cultural objects, protection of authorisation rights, waterpower conditions, health and hygienic conditions, conditions for undisturbed movement of disabled people, security and protection conditions, etc.

When finished, urban-technical conditions are sent to the City Secretariat for Urban Planning, which proceeds with the production of an urban permit.

IV Preparation of the major project

The planning project, i.e. the planning permit, defines the conditions for the creation of the technical project. The investor negotiates the costs and time schedule with a construction company. Parallel with urban technical conditions, which are an integral part of the urban permit, and conditions to draw up the plan for the object that the investor obtains from public communal services, the investor starts with producing a major technical project. A major project consists of working out details from the initial project, on a precisely set location. It includes:

- Additional analysis;
- Working out of technical characteristics;
- Stability and security calculation and building physics calculations;
- Foundation project;
- Technical and organisational building solutions;
- Working out of details for connection to communal and other infrastructure and green space arrangement;
- Protection of neighbourhood objects;
- Prevention of negative impact on the environment;
- Costs of building;
- Geodetic-technical documentation necessary for building.

In addition to the above documents, a proof of registration of the Project company and control of licence of architects involved in the process of projecting and planning is also required.

In the case of building onto existing objects, additional analysis has to be done:

- That object will not endanger the stability or safety of the existing object;
- That built extension will not worsen the existing usage of the object;
- That the finished object fulfils the stability and safety living conditions in that object.

In the case of the transformation of common space (e.g. room for drying laundry) into living space or offices it has to be checked that all technical conditions are fulfilled and it will not affect the stability of the object as well as that the usage of the rest of the object will not worsen.

Technical documentation that relates to small scale intervention or reconstruction consists of a sketch of the basic and characteristic cross sections, the appearance of the object and a description of all the works to be undertaken.

The next step is collecting consent from all public communal services and other organisations from which previous documents and permits were obtained. All of this, together with the urban permit, is submitted by the investor to the City Secretariat for Urban Planning in order to get urban consent, which confirms that all technical documentation is in accordance with the Urban Permit. After getting urban consent, the Agency determines the costs the investor has to pay for the arrangement and use of the urban building land with a deadline for payment. The investor also needs to submit proof for (of?) tax payments. At that time, a revision commission makes a report about the validity of the technical documentation and does the final check of the architects' licences.

After receiving the application for a building permit, the Secretariat for Property Rights and Construction Affairs or an adequate local council inspects it together with all documents and it verifies their validity and accuracy. If the documentation is incomplete, the Secretariat for Property Rights and Construction Affairs instructs the investor to provide the missing documents. It also gives the deadline and the notification of additional costs and tax that have to be paid. If the investor misses a given deadline, the Secretariat for Property Rights and Construction Affairs is allowed to reject the application, issue a building permit (permanent or temporary) or it may be involved in the trial if the investor decides to complain in court.

V Obtaining the building permit

To obtain the building permit, the investor must submit the technical project and approvals of the technical project from different institutions (technical control of the project, the protection of the work environmental, sanitary, veterinary, water works, fire prevention, power company, etc.), depending on the type of project. The investor must also submit the urban permit, pay the fees for land planning and the reclassification of land use if the land was agricultural. The building permit could be acquired within a period of 3 to 6 months, depending on the time needed for different approvals.

VI Construction Phase

The investor hires a construction company of his/her choice. The building period depends on the size and technical characteristics of the premises to be built, as well as on the construction company's capacities. It should be stated that the investor and the construction company must strictly follow the proposition from the building permit.

VII Obtaining the usability permit

Once construction is finished, the investor needs to obtain the use permit. The local authorities must carry out an inspection to ensure that the construction was implemented according to the approved technical project and building permit. Also, the investor must register the property with the land register. The procedure lasts up to 3 months

As can be seen, the period necessary for obtaining the building permit in Belgrade is between 2 and three years, which explains why citizens decided to skip the whole process and to start corrupting civil servants in order to get a permit.

The legal basis for getting all the accounted documentation is huge The most crucial laws are the following:

1. Act on City Planning (Official Bulletin of the Republic of Serbia No. 44/95, 16/97, 46/98),
2. Act on Building of objects Official Bulletin of the Republic of Serbia (44/95; 24/96; 16/97).
3. Act on Building Land, Official bulletin of the Republic of Serbia 1995 (44) and 1997 (16);
4. Act on expropriation, Official bulletin of the Republic of Serbia 1992 (83), 1993 (67), 1994 (47) and 1996 (12);
5. Act on state measuring, land register and records about rights for use of the estates, Official bulletin of the Republic of Serbia 1992 (83), 1993 (67), 1994 (47), 1996 (12);
6. Act on the basis of legally-ownership relationships, Official bulletin of the Socialist Federal Republic of Yugoslavia 1980 (6) and, Official bulletin of Federal Republic of Yugoslavia 1996 (36);
7. Act on building onto objects and transformation of common rooms into flats, Official bulletin of the Socialist Republic of Serbia 1988 (24);
8. Act on stop of relevance of Act on building onto objects and transformation of common rooms into flats, Official bulletin of the Republic of Serbia 1994 (46);
9. Act on planning and arranging of the space and settlements in the Republic of Serbia (1995);
10. Act on the funds owned by the Republic of Serbia, Official bulletin of the Republic of Serbia 1995 (53), 1996 (3), 1996 (54), 1997 (32);
11. Act on nationalisation of the buildings for rent and land for building, Official bulletin of the Federal Peoples' Republic of Yugoslavia, 1958 (52), 1959 (3);
12. Act on turnover of properties, Official bulletin of the Socialist Republic of Serbia 1981 (43), 1987 (27), 1989 (6), 1989 (40);
13. Act on special conditions for turnover of properties, Official bulletin of the Socialist Republic of Serbia 1989 (30), 1989 (42);
14. Act on the restrictions on turnover of properties, Official bulletin of the Republic of Serbia 1989 (30); 1989 (42), 1991 (22);

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