

Reinventing social housing in Serbia

From Examples of Good Practice to Reforms of the Housing Policy

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The Settlement and Integration of Refugees Programme - SIRP

SIRP programme was developed and implemented by UN-HABITAT from 2003 to 2008 and represented a major donation of the Italian Government to Serbia. The main partner of SIRP was the Ministry responsible for housing and planning (currently this is the Ministry of Environment and Spatial Planning) and the majority of activities and projects were implemented in seven, predominantly big cities. The programme had three integrated components – housing, municipal capacity development and socioeconomic integration. The housing component was the most important and it comprised capital investments and capacity building amounting to around 10 million Euros in direct activities.

The context in which the programme started was similar to other countries in transition: privatization of almost the entire public housing stock had been completed, the state had abandoned the housing sector and left it fully to the free market, but unlike other countries, as a consequence of civil wars and international interventions on the territory of former Yugoslavia, there had been a great influx of immigrants – refugees and internally displaced persons – who today represent 10% of the population of Serbia. One of the main obstacles to the integration of these people was the lack of affordable housing.

The general objective of the housing component and the main objective of SIRP was to support the development of systemic solutions that would enable low-income households, as is the majority of the refugee population in Serbia, to access adequate and affordable housing.

The conception of the Programme ran parallel to and in interaction with existing reform initiatives at local level and resulted in an elementary, but comprehensive national system of institutions, processes, programmes and other instruments of housing policy.

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Through a synergy between the state, seven local self-governments and UN-HABITAT, SIRP pilot programme has been designed with the following elements:

- Establishment of new institutions (city housing agencies and the National Housing Agency)
- Formulation of municipal housing strategies and national social housing strategy
- Implementation of a basic construction programme of municipal non-profit rental housing on the basis of a subsidized loan and co-financing by the municipality
- Implementation of standard procedures for applying for funds for financing housing construction, for beneficiary selection, tenant management and property management
- Individual packages of additional support to tenants

The three-year-long implementation of the Programme produced almost all the expected results. They in fact reexamined the initial concept and confirmed its efficiency in practice and its sustainability. Lastly, the achieved SIRP objectives have led to the formulation and adoption of the Draft Social Housing Law which is expected to be adopted soon by the Parliament.

The results of this Programme, which can be mostly credited to the many enthusiasts from the seven cities and municipalities, can offer real hope to all the families and individuals who cannot solve their housing needs on the market for economic, social or other reasons. It is this hope for better chances that is the most important result of SIRP.

New institutions

At local level, the programme foresaw the establishment of municipal housing agencies in seven cities as the first new non-profit housing organizations since the 1990s, when only some relics of public intervention remained in municipalities, primarily as small financial funds for so-called solidarity housing construction. The Municipal Housing Agency (MHA) was meant to build and manage the municipal rental stock and implement local housing policy, that is, the parts of it that are connected to social housing. In six cities – district centers with their gravitating territories of between 200,000 and 400,000 inhabitants, the local authorities have established the MHAs. The seventh municipality was a small one, but one where refugees constituted almost 20% of the population and SIRP has fostered the establishment of a housing department within the municipal company for public works. In the biggest cities this was carried out as a transformation of the existing

Solidarity Housing Construction Fund, which at that time was a logical evolution and a more sustainable solution for the adequate use of the still coming repayments for the delivered solidarity housing. All agencies are independent public companies funded by local parliaments.

The second main element of the institutional framework for social housing foreseen to be developed by SIRP was the National Housing Fund, further renamed the National Housing Agency (NHA) in the Draft Social Housing Law. Unfortunately, due to a lack of political willingness and constraints in reaching consensus within the government, the NHA has not been established during the SIRP implementation, which has severely endangered the sustainability of the newly founded MHAs and threatened to deeply corrupt the fragile instruments of the future system that SIRP has put in place.

SIRP also only partially succeeded in building capacity in the line ministry. The mutually agreed upon commitment of the Government to establish a housing department within the line Ministry has also fallen through for various reasons.

Local and national policies and strategic documents

The second pillar of the housing component was the building of capacities and pilot activities in the formulation of the housing policy and strategic documents such as municipal housing strategies and action plans at local level and national housing policy and social housing strategy at central level.

The seven MHAs have prepared local housing strategies and action plans and three of them have been adopted by the local parliaments, while the remaining four are currently in parliamentary procedure. The MHAs staff and drafting teams received some basic training needed for participatory strategic planning (communication, negotiations, conflict management, stakeholder analysis, strategic and action planning, participatory planning, communication with media) and training in specific housing policy issues (profiling the housing situation, problematization, needs, prioritization, budgeting etc).

Again, at national level, the fulfillment of SIRP tasks failed. Aside from the organization of two national conferences, exhibitions and many workshops, round tables and seminars with limited audience, all efforts remained at the level of a few publications indicating the main strategic themes of the new housing policy. SIRP was supposed to assist the Government in formulating the national housing policy, as well as to fully support, both financially and technically, the drafting of the national strategy for social housing and respective action plans.

Housing programmes and implementation of projects

In order to test the functioning of the established instruments of social housing policy, SIRP has introduced predefined housing construction programmes and a call of proposals for alternative housing solutions. This process was in fact a simulation of the relation between local housing agencies and the central housing fund.

The basic programme for subsidizing new housing construction of the municipal rental stock was designed and MHAs were invited to apply for funds with a small feasibility study, based on a developed template. The applicants had to provide full justification of the proposed project, i.e. to give data on the presence of vulnerable groups in housing need, allocated land and infrastructure conditions and the presence of social services for the specific location, budget with committed sources of funding, repayment scheme, etc. In fact, SIRP has provided highly subsidized loans for 76 housing units with fixed amount per unit to cover construction costs².

The housing development started with a national open architectural competition for project ideas for each city. In many cases this concept led to very good architectural results, made a wide and affirmative impact on the professional and general public and drew serious attention to social housing. Some of the projects even received prestigious national awards.

MHAs have managed all activities of tendering and public procurement, contracting and construction and have administered the procedure of selecting beneficiaries, carried out through a call for applications. The process of beneficiary selection was fully designed and executed under national and local administrative regulations and was rather innovative for Serbia. In fact, the selection criteria were a mixture of international humanitarian and domestic subsidized housing projects and income range was introduced for the first time as one of the pre-qualifying conditions, unfortunately with poor means testing instruments. Finally, the MHAs have issued tenancy contracts and moved in the beneficiaries.

² The loan for 76 housing units was calculated at 13,000 Euro per unit. Loan conditions were: 70% subsidy, repayment 30 years, interest rate 0.5%. The high subsidy was introduced to make the rent more affordable to the vulnerable groups targeted as beneficiaries. Three years after the programme was designed, the average income has doubled, allowing much more realistic conditions of financing today.

The rent structure was the same in all cities but different in amount, ranging from 1.3 to 1.6 Euro per sqm. The rent has been calculated from the following elements: capital repayment (fixed at 0.29 Euro/m² according to the loan conditions), maintenance cost (between 1% and 2% of the total construction cost per year), insurance, property tax, risk of default payment and a fixed management cost per unit. The programme foresees transfer of loan repayment to the National Housing Agency.

In addition to the construction of new housing, as the most expensive solution, social housing policy should also be implemented through other forms of housing programmes, in which the state participates to a much lesser degree. Alternative housing solutions – pilot projects envisaged a funding of app. 8,000 Euro per unit. In programme terms, alternative solutions are designed to solve the housing needs of socially endangered, poor, marginalized and vulnerable families by using different financial and technical models. The municipalities that had already adopted their housing strategies relied on the already defined problems and proposed solutions and it meant that by realizing these projects they directly participated in strategy implementation, which was highly recommended by the Programme.

Generally speaking, alternative housing projects were pilot projects realized with the aim of making several applicable models work and become potential role models to other municipalities. The projects were: the improvement and regularization of a Roma settlement (Kraljevo), the improvement of housing conditions in the context of mixed housing ownership (Valjevo), the reconstruction of the existing social housing stock (Čačak), the provision of small housing loans (Niš, Pančevo and Stara Pazova) and the combination of loans and the use of unoccupied privately owned housing space as a form of public-private partnership (Kragujevac). These five different solutions were identified in the seven municipalities as being able to contribute to the improvement of the housing situation. Alternative housing solutions rest on the general idea of improving, upgrading, renovating, in a word, raising the quality of the existing housing stock, which is often more efficient in many aspects – from the human, social and psychological to the organizational and economic – than new housing construction.

Social Housing Law

First drafts of this law emerged in 2005 from a request of SIRP programme to establish a national housing finance institution. The consolidated draft finally came out as a comprehensive, albeit elementary, systemic regulation to provide a full set of instruments that would allow the implementation of national and local social housing

policy. The new government has adopted the draft, which is expected to be adopted by the Parliament very soon, by the end of 2008.

The main purpose of the law is to provide "conditions for the sustainable development of social housing" and to define "the manner of providing and using funds for social housing development". Proceeding from a wider and more general approach (explained in the part The Definition, Role and Importance of Social Housing), Article 2 of the Draft Law defines social housing as "housing of an adequate standard which is provided with state support, in accordance with the social housing strategy and strategy implementation programmes, for households that cannot afford an apartment under market conditions for social, economic or other reasons".

The Draft Law stipulates basic institutional and strategic measures at central and local levels which can provide the necessary "conditions for the sustainable development of social housing".

INSTITUTIONAL FRAMEWORK

At national level, the plan is to establish a National Housing Agency whose competences are defined by the Law. The Agency's task is to programme, collect and direct budgetary and other funds towards the implementation of different programmes supporting citizens that cannot solve their housing need on the market.

For the purpose of implementing social housing programmes at local level, the Law foresees the establishment of non-profit housing organizations whose main tasks would be to build or otherwise obtain, manage and rent social housing units. The Government will further stipulate the conditions, standards and norms for the planning, design, construction, use and maintenance of social housing units and for the use of construction land, the manner of determining rent and the procedure for the procurement of goods, services and works in the construction of housing units, as well as other necessary conditions for the operation of non-profit housing organizations. The plan is to accredit them so that they can access budget funds. The Law recommends that a city or several municipalities establish the appropriate local housing agency as a publicly owned non-profit housing organization.

STRATEGIC FRAMEWORK

In addition to the institutional, the strategic framework represents one of the basic preconditions for a coordinated and effective development of social housing, particularly in the circumstances of limited capacities and undefined policy. The proposed strategic framework consist of: 1) National Social Housing Strategy for a period of at least 10

years, 2) social housing programmes as a framework for the use of social housing funds stemming from the National Social Housing Strategy; as well as 3) city housing strategies and local social housing programmes.

The social housing strategy will be the basis for defining programmes. Financing will be based on the identified needs, ensuring the efficient and controlled expenditure of funds.

Local housing strategies will point out local housing needs and the commitment of cities to solve housing problems and will represent the basis for programming funds at national level. The national strategic framework will be tested through the realization of planned programmes and modified where necessary.

FINANCING

The Law provides for financing from the budget of the Republic of Serbia, from donations, domestic and foreign loans, repayment of loans approved in accordance with the law, and from other sources. It stipulates the allocation of funds for: granting long-term loans to non-profit housing organizations and physical and legal persons for the provision of social housing units, stimulating long-term housing savings, encouraging different forms of obtaining owner-occupied or rental social housing units, stimulating partnerships between the public and private sectors in the field of social housing, etc. in accordance with the law and programmes. At present, various forms of state subsidies directed to market mortgages already exist: low interest loan deposit for young households, mortgage insurance. When announcing the new social housing system the new minister responsible for housing stated that the Government would ensure the construction of 3-5,000 new units in the next few years, which amounts to not less than 100 million Euro.

BENEFICIARIES

The Law stipulates general conditions which will be the basis for defining criteria for determining target groups in individual programmes and they refer to categories such as housing status, level of income, health, disability, physical impairment, number of household members.

The Draft Social Housing Law is currently awaiting adoption by the Parliament of the Republic of Serbia.

Lessons learnt or Conclusions

In general, all the parties involved have expressed great satisfaction with the results of SIRP. SIRP has made the concept part of regulations by bringing key stakeholders onto the scene and finally proving the hypothesis through good practice.

However, at the same time, we should be very worried about the future of existing new institutions and the grassroots of the new system, since there has been no proof so far that the formal commitment of the Government will really put the system into operation. One reason is the low level of competence and the other is the low institutional capacity at central level that is unable to arrange the housing policy in market economy. After five years of conducting the process, we may conclude that budget constraints are no longer a major, but a minor concern.

We have also learnt that not all individuals, primarily in the public sector, are ready to change themselves and acquire new knowledge and new skills. We have understood that this is a very important issue since ultimately only self-motivated people can substantively contribute to changes. The cautious selection and pre-screening of potential trainees, when possible, is another important lesson learnt. Besides, the political influence on the selection of managers of public companies is absolute and we have experienced staff replacements in all agencies, sometimes even twice.

Despite the fact that the general trend in public administration was and still is the reduction of staff, positive results were achieved in establishing new local housing agencies. This is primarily because it was perceived as a gradual transformation of the existing, but dying Funds for Solidarity Housing Construction. It meant the full respect of the local context and the linking up with positive past experience. Good examples are the establishments of the agencies in Niš and Kragujevac in the middle of SIRP programme formulation, almost a year before any official agreement was signed with these municipalities.

Finally, as one of the programme evaluators concluded, SIRP made it evident that in Serbia, as is the case in the region as a whole, a social housing policy based on new housing delivery is hardly sustainable. The programme showed that in order to effectively deal with the housing needs of the low-income population, a range of policies and actions are required. That includes, as it has been carried out through SIRP, the rehabilitation and improvement of the housing stock, the upgrading and regularization of irregular settlements, different credit facilities and cost-recovery schemes, all of which must come from a comprehensive and integrated housing policy framework.