

## **SUSTAINABLE OPTIONS FOR GOVERNMENT INTERVENTION IN THE HOUSING MARKET**

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### **ABSTRACT**

Serbia, like most transition countries, faces two main housing problems – the poor quality of its existing stock and the extent to which housing is affordable of that housing for some groups of households. There is no numerical deficit – although there may be the need for new housing in particular locations.

In determining sustainable options for intervention it is necessary to understand the rationale for that intervention – efficiency, equity, social, political? It is also necessary to understand what is possible in terms of the legal system and its enforcement capacity, financial and economic resources, and public sector involvement. Finally, the instruments of intervention available are not just public ownership and subsidy – but also building more efficient markets, regulation and taxation.

European experience suggests that in certain circumstances direct government involvement in housing provision has been effective – but these conditions do not currently pertain in Serbia. Over the last thirty years European countries have evolved a more sophisticated partnership approach using public land, private finance and limited subsidies to increase the provision of social housing – often owned and managed by not-for-profit organisations. But there are other models – in particular in countries with very high levels of owner-occupation.

Ultimately any rented housing must be financed through rents, future rents and payments, and subsidy from others – not necessarily central government. Rents can be paid either by the individual or by income related benefits. So decisions must be made about the relative weights to be given to demand versus supply assistance as well as to how to achieve value for money from private finance. Supply subsidies can also take many forms – with land values often playing a particularly important role.

In the Serbian context the most fundamental issue is whether social housing necessarily involves ownership by government or regulated not-for-profit organisations or whether the issues can be addressed more through changes in regulation; income related subsidy; improved loans for improvement and extension; and perhaps small grants to those undertaking investment in the existing stock. What will work best depends on the specifics of the Serbian housing market; the cost and availability of public and private funding; and the capacity to target assistance and enforce regulation and eligibility criteria. Serbia has an opportunity to develop a twenty first century programme of assistance – but should be careful not to promise more than possibly be achieved.