

INSTITUTIONAL FRAMEWORK

This chapter analyses the current institutional framework and identifies key changes needed to improve the housing sector. After a brief description of the main competencies at the State Union level, the institutional frameworks for the housing sector are described separately for Serbia and Montenegro.

A. State Union of Serbia and Montenegro

The State Union of Serbia and Montenegro, proclaimed on 4 February 2003, is based on the equality, of the two member States. The State Union's highest legal act is . the Constitutional Charter, under which the Union Assembly exercises legislative power. The Assembly is made up of 126 members, 91 from Serbia and 35 from Montenegro. The Assembly elects a

Union President. Executive power is vested in the President, who chairs a Council of Ministers. They represent five Ministries Foreign Affairs, International Economic Relations, Human and Minority Rights, Internal Economic Relations, and Defence. Judicial power is vested in the Court of Serbia and Montenegro, which can invalidate laws that are contrary to the Constitutional Charter. Human and Minority Rights, Internal Economic Relations, and Defence. Judicial power is vested in the Court of Serbia and Montenegro, which can invalidate laws that are contrary to the Constitutional Charter.

B. Republic of Serbia

The principal institutions concerned with housing in Serbia are summarised in Box 3.1

Box 3.1. Principal institutions in the housing sector – Republic of Serbia

	Public	Civil Society	Private
National	Sections of key Ministries, including Housing Affairs Section of the Ministry of Capital Investments	Commissariat for Refugees National Corporation for Housing Credit Insurance Cadastral Agency	Professional bodies Universities Faculties of Architecture
	Standing Conference of Municipalities		Association of Housing Coops Tenant Association
	Municipalities - regulate building - provide housing	Public Companies - construction - maintenance Municipal Housing Agencies Cadastral offices	Banks Chamber of Trade Large Construction Companies
Local			Housing Co-operatives Estate Agents Small building firms
			Homeowners' associations

At the State Union level there are no institutions responsible for housing. Some activities relevant to housing are determined either through State Union laws, or by international relations, which are channelled through State Union ministries. The State Union is a member of the United Nations, and international co-operation starts with a framework agreement at State Union level. The public housing stock previously owned by the Federal Republic of Yugoslavia became the property of the member Republics in 1996.

1. Public sector institutions

Central level

The separation between the legislative and executive functions of government was eroded during the 1990s, but since 2000 reforms have been underway to ensure proper safeguards. The Serbian Parliament consists of 250 members. From 1990 the Republic gradually transferred its housing responsibilities, including housing vulnerable households, to the local authorities. Housing legislation expects the government to take measures designed to create favorable conditions for housing construction and to ensure that the housing needs of socially vulnerable people are met. Thus the Republican government has adopted an enabling rather than a providing role.

The structure of ministries has changed since the 2000 elections. In addition to the offices of Prime Minister and Deputy Prime Minister, there are now 17 ministries, of which the following are the most relevant to the housing sector:

- *Ministry of Capital Investments.* The Ministry has three sections: telecommunication, communication and construction, and urban planning. The last section is divided into two units: urban and spatial planning, and construction, investment projects and housing affairs. The housing affairs group has taken the lead in the preparation of the legal framework for housing and in work related to international housing projects for refugees. It currently consists of three people but is expected to increase to 16. Whilst this is the lead ministry for housing policy, housing represents a small part of the Ministry's overall work.
- *Ministry of Finance.* This Ministry has responsibility for budgeting, and for tax regulations affecting new housing construction.
- *Ministry of Labour, Employment and Social Policy.* This Ministry is responsible for the elderly and invalids. At municipal level, the Centers for Social Work, under the authority of the Ministry, run homes which provide care for the elderly.
- *Ministry of Public Administration and Local Self-Government.* This Ministry is responsible for the training of civil servants, the territorial organization of the Republic, and for local self-government and territorial autonomy.
- *Ministry of Economy.* This Ministry has certain functions relating to construction, including construction materials.

Other Republic level governmental institutions relevant to housing are:

- *The National Housing Credit Insurance Corporation,* which was established to insure mortgage loans issued by commercial banks in order to obtain lower interest rates. It is also expected to provide incentives for a secondary housing market. The Corporation will be supervised by the Ministry of Finance. (See also chapter V p. 53.)
- *The Commission for refugees,* which is concerned with the construction of housing for refugees, mainly as humanitarian projects, and has co-ordinated the process of selecting beneficiaries.
- *The Directorate for Property of the Republic,* which is currently responsible for all public/state property and decides on the use of housing or property following transfer.

- *The Building Institute of Serbia*, which is responsible for completing large housing projects started since 1999.
- *The Geodetic Authority*, which undertakes work relating to cadastral records. It has ten centres which coordinate local cadastral offices. The Land Cadastre covers 5,826 cadastral communities, organized in 178 districts. Cadastral offices are in charge of surveying, and until admitting private surveying companies, they undertook all surveying work.

A *Social Housing Law* has been drafted. It will define the housing responsibilities at the republic and municipal levels, and establish a new National Housing Agency. It will also recognize local municipal housing agencies and other non-profit housing organizations.³⁷ (See chapter IV p. 44-45 and chapter VI for further details.)

Provincial and district levels

There are two autonomous provinces of Serbia, Kosovo/ Metohija and Vojvodina. Vojvodina has a provincial Parliament and government. While this government can issue regulations under federal/republican legislation, it has yet to issue any that relate to housing.

In 1992, the Government of Serbia decided that the administrative affairs of the Republic should be dealt with by the appropriate ministries, through regional centres each covering a district. Though not part of the legislation on territorial organization, the Republic of Serbia is divided into 24 regions or districts plus Belgrade City. Districts usually cover three to ten municipalities with the largest acting as district centre. Each centre is headed by a Prefect with limited powers. The creation of districts was an attempt at regionalization which has not been developed. Some statistics, such as those from the 2002 census and economic data kept by the Republic Development Bureau, are available at district level.

Local level

Laws on Territorial Organization and Local Self-Government were adopted in 1991 and 2002. These make the municipality the basic

territorial unit for local self-government. Each municipality has a directly elected Assembly, and an elected President (or Mayor, if it is a City). The President appoints the head of the administration, which should also include a Chief Architect.³⁸ Assembly elections are based on a proportional representation system, which has produced a coalition for most municipalities.

There are a total of 161 municipalities³⁹. The City of Belgrade includes 16 municipalities and the City of Nis has two. Based on the 2002 census population figures, municipalities range from 235,000 (Nis) to less than 3,000 (Crna Trava) inhabitants. A total of 18 municipalities had a population of more than 100,000, including six municipalities within the City of Belgrade. Just over half of all municipalities had a population of less than 30,000.⁴⁰

The functions of local municipalities include: making decisions concerning development programmes, urban plans, programmes for maintaining building land, protection of the environment, and budgeting, maintenance and development of communal activities. They plan and regulate the use of building land and adopt development and zoning plans. Other functions may also be delegated to them by the Republic.

Municipalities are entitled to raise loans and to collect several Republican taxes, a portion of which is redistributed back to them. They also receive subsidies from central government. Despite this, their financial autonomy is limited and they have little incentive to improve their financial management systems.

Seven municipalities were included in UN HABITAT SIRP (Settlement and Integration of Refugees Programme), when data about their organization and housing sector were collected in 2004.⁴¹ The structure of one of the largest municipalities and that of the smallest included in this programme are shown in the boxes below.

The seven SIRP municipalities employed of 2,300 staff, representing 2.4 staff per 1,000 residents. Although municipalities were organized in different ways, approximately 30 % of all

³⁷ Draft Social Housing Law, October 2004.

³⁸ Law on Local Self-Government, June 2001.

³⁹ Excluding Kosovo/Metohija.

⁴⁰ Final results of the 2002 Census.

⁴¹ SIRP Project Document and Appendices.

municipal staff were employed in departments concerned with housing construction or urban planning. (See also chapter VI p. 60 and 61.)

The role of local government in housing

Ever since the socialist era municipalities have played an important role in mobilizing public funds for housing, and in organizing the provision and maintenance of public housing stock. Mandatory solidarity funds were collected until mid 2004, when they were finally abolished. Solidarity housing projects were usually contracted to municipal public companies, mostly dealing with housing maintenance. The Fund and other statutory bodies participating in it decided the allocation of housing units to those enterprises which contributed to the fund for their employees.

Accommodation was usually privately owned, funded by a mortgage backed scheme, with conditions set by the municipality. This usually resulted in very favorable long-term loans without interest payments.

In recent years this system has produced around one flat per 10,000 people a year, with around EUR 20 million collected throughout Serbia in 2003, mostly in the bigger municipalities. The system is now being phased out, but the agencies involved may form part of a new social housing system (see chapters IV, V and VI for more details).

The Settlement and Integration of Refugees Programme (SIRP) has played an important role in the development of the national housing reform process that started in 2003. At national level, it has provided experience that has helped to develop new housing instruments. At local level, SIRP has worked with three municipalities, Kragujevac, Niš and Valjevo, to establish new housing agencies, based on solidarity fund principles, and to provide a new institutional framework for social housing. Combined with the programme's municipal capacity-building, this approach will be extended to other municipalities.

Municipalities have powers to deal with illegal housing construction, but they do not apply them consistently. They are aware of the scale of illegal housing but lack the resources or finance to manage the process of legalization. (See also chapter II p. 21).

There is a Standing Conference of Towns and Municipalities, which was founded in 1953 and represents Local Government. It holds an annual conference, and has ten committees dealing with specific issues, including housing. The Standing Committee commented on drafts of the new social housing legislation.

Public enterprises

Utility services, such as water and power supply, heating, and waste collection are organized by municipal public enterprises. The production and distribution of water and power are the responsibility of Republican public enterprises. The surface telephone network and service also belong to a Republican public company.

Public companies undertake the maintenance of former public housing stock, though most of the stock is now privately owned, and carry out urban planning work, land management and public works.

2. Private sector

Prior to 2000, the private sector environment in Serbia and Montenegro was not business-friendly due to lack of regulatory legislation and access to credit; non-transparent tax systems with a high level of corruption in state administration; loss of foreign markets due to international sanctions; and poor physical infrastructure. Reforms have been carried out to reduce these factors. Companies and enterprises are now represented mainly through the Chamber of Commerce of Serbia. Within this structure there are six regional chambers plus one in Belgrade. They all have boards for the construction industry and the housing sector.

Box 3.2. Kragujevac Municipality

Kragujevac, with a population of 175,000, has a City Parliament of 91 elected members who chooses President. The Parliament includes an Executive Board, made up of ten members, one of whom becomes President of the Board.

The City employs 510 staff divided into 14 Secretariats. These include:

- *Urban planning and construction;*
- *Property and housing services;*
- *Budget and finances;*
- *Infrastructure and communal affairs.*

There are also 11 municipal companies and four funds, which are not directly managed by the City Council but work with it. Two of the companies deal with urban planning and construction and one of the funds focus on social housing. This Fund has been transformed into the first public Municipal Housing Agency in Serbia, completing around 50 new dwellings a year.

Box 3.3. Stara Pazova Municipality

Stara Pazova, with a population of 67,500, has Municipal Parliament of 48 elected members who choose a President. The Parliament includes an Executive Board, made up of 10 members, one of whom becomes President of the Board.

The City employs just over 120 staff divided into 5 Departments:

- *General management and community affairs;*
- *Community activities, urban planning and construction;*
- *Finance and economy;*
- *Public affairs and*
- *Parliament and Executive Board.*

There are also five municipal enterprises which are not directly managed by the Council, but work with it. Two of the enterprises are concerned with urban planning and construction.

Construction industry

Construction accounts for around five to six per cent of the domestic product. Government statistics show that in June 2003 there were 7,584 enterprises operating in the construction sector. A total of 6,039, i.e. around 80%, were privately owned, and over half of them were limited joint companies. Of the remainder, 597 were socially owned, 569 cooperative owned, and 70 state owned. Around two per cent of the enterprises had capital that originated wholly or partly from foreign sources.⁴²

In 2002 around 77,700 people were employed in the construction sector, down 6,700 on the previous year. Government statistics for 2002 show that these workers earnings averaged 8,610 dinars, but most construction workers are in the informal economy, earning around EUR 300-1,500. As a proportion of all employed Serbs, the construction sector accounted for around five per cent of employees and of total earnings. The average construction enterprise in 2002-2003 would have employed around ten people. Larger companies can employ several thousand people and build several hundred dwellings a year.

⁴² Serbia in Figures 2003.

According to Government data, the construction sector had the capacity to complete around 8,250 new dwellings during 2002, or 11 for every 10,000 people. There were marked variations at municipality level with 114 dwellings per 10,000 people in the tourist area of Cajetina and 69 per 10,000 in the Belgrade municipality of Obrenovac.⁴³ The employment and completion figures will not fully reflect the contribution of the informal sector. In six of the SIRP municipalities, 128 construction companies were reported, with the number relative to population varying greatly between municipalities.

Private maintenance companies

Private maintenance companies are active in larger towns. A small but growing number of those undertake a range of work, while others specialize in repairing installations and equipment, such as water and sewage, electric installations, and lifts. In the SIRP municipalities, 42 per cent of privatised apartment blocks were maintained by private companies. The collection of fees for this work can be poor, and financial management systems are often inadequate. Housing maintenance, especially minor work, is largely done by the informal sector.

Financial Institutions

There are 46 banks in Serbia: less than ten are foreign owned, and around 15 have the State as a major shareholder. Mortgage lending for housing is still limited but it will be encouraged by the National Housing Credit Insurance Corporation (see chapters IV and V for more details).

Real estate agents

No license is needed to practice as an estate agent and several hundred companies and individuals provide this service. Some agents are well organized and able to provide listings of available property to buy or let. The usual fee for matching a buyer and seller is 3% of the sale price. Some agents also match landlords with tenants but without providing a management service after letting. There is currently no association of estate agents.

In total, 122 real estate agents were reported to be operating in five of the SIRP municipalities, 59 of whom were concentrated in one municipality. If the other four areas are typical, there could be around 0.2 agents for every 1,000 people, with hundreds of agents in the urban areas of Serbia.

Housing Cooperatives

Housing cooperatives have existed in Serbia since 1870, starting as savings/credit organizations, and legislation dealing with housing co-operatives has existed since 1920. In the 1950s housing cooperative activity increased, and then declined after economic reforms in 1965, with only 52 cooperatives remaining in 1975. There was a further revival of co-operatives, which lasted until 1990, and there are now around 130 registered housing cooperatives, most of which are not active. In four of the SIRP municipalities, 13 registered housing cooperatives were found to be in operation.

Currently, Federal law governs housing cooperatives, and this is effective at the Republic level. Cooperative property is recognized by the Constitution of the Republic as a form of property on a par with others. Cooperative Law allows housing cooperatives to act as investors and contractors, to organize construction and maintenance, and to build and maintain apartments, houses and office space for their members. They may use the finances and work of the cooperative's members and of other legal bodies. With the introduction of VAT, in 2005, they will no longer enjoy fiscal advantages and are unlikely to continue as cooperatives. (See also chapter IV p. 43.)

There is an Association of Housing Cooperatives, which provides support on matters such as legal issues and acts as a representative body.

3. Civil Society

Training and education

In the former Yugoslavia housing was traditionally the domain of technicians, engineers, architects, and urban planners. The system

⁴³ Figures from www.serbstat.se

produced professionals able to build mass housing, in a centrally planned economy rather than in a market with modern management techniques. The knowledge of public sector employees educated under the previous system may be less suited to the drafting and implementation of legislation and policies for a democratic system and market. There may be limited understanding of the functioning of the housing sector in transition and in market economies, and of the potential role of public institutions in the context of democratization, civil society participation and decentralization. Isolation has hampered the appreciation of international experience and of new technologies and standards.

At both national and local level, there has been a reliance on urban and spatial planners, who are by training architects or engineers, for knowledge about policy making, real estate, economics, and law. Consequently, national and local strategies and plans about housing are made in the framework of physical planning.

Architectural training is offered at the Universities of Belgrade, Nis and Novi Sad, with planning also available at Belgrade University. This provides high quality technical education in specialized disciplines, though perhaps not always meeting the latest international standards. Students can qualify in planning, which is part of architecture, not a separate subject. There are no university departments or specific courses for housing studies, housing economics, housing law, or planning and management of housing.

Research in housing and related subjects is undertaken in the schools of Philosophy (Urban Sociology), Economy (Urban Economy) and Geography (Spatial Planning).

Training in public administration, policy making, and local administration is generally lacking. The opportunity to develop the capacity and competence in the area of public administration has been provided through short-term projects funded by international donor organizations.

Professional organisations

A number of professional associations are relevant to the housing sector. The Serbian Associations of Engineers and Technicians has branches in larger cities. The Serbian Association

of Architects includes the Belgrade Architects Society and there is also a Serbian Association of Urban Planners, an Association of Spatial Planners and a Serbian Association of Geodetic Engineers and Geodesists.

The Serbian Chamber of Engineers includes civil, electric, and machine engineers, architects, urban and spatial planners. Under the *Planning and Construction Law* it issues individual licenses for design and execution of work. There are associations of public companies, including some representing those engaged in housing maintenance.

Owners' associations

As prescribed by the Law on Maintenance of Residential Buildings (see also chapters II p. 17 and IV p. 41 and p. 45), multi-unit buildings are legal entities. An assembly of owners is established for buildings with more than ten apartments, and buildings with less than ten owners have a building council. The assembly or council consists of all the owners. The president of the assembly, elected by majority vote, manages its work, represents the owners in dealings with third parties, proposes an annual building maintenance schedule, and sees that it is carried out. The law requires that decisions about regular building maintenance are taken by the majority of the assembly members present, and that decisions about investments must have the consent of at least half of all the owners. In practice, a very small proportion of buildings apply to the legal requirements.

In Serbia, there is a long established tradition of people building and financing the construction of their own houses. Often this is undertaken on a gradual basis, with the help of wider family members, and as funding becomes available. Many houses, especially in rural areas and in the outskirts of cities, have been built in this way, to a variety of standards and often without permit.

NGOs involved in the housing sector

There are around 3,000 non-governmental organizations in Serbia and Montenegro, many of which played an active role in supporting political change and assisting vulnerable groups. Their support base is weak and only a small proportion of the population is actively engaged in their activities.

HABITAT the Association of tenants, representing tenants and owners, has recently been established and, though its membership is still small, it is recognized by the International Union of Tenants. HABITAT is currently setting up a Tenants' Information Centre.

4. International organizations

A number of foreign donor organizations have helped in dealing with the large influx of refugees and internally displaced persons. In the 1990s UNHCR assisted the Serbian Government with integration, including funding for housing programmes combined with socio-economic support. The Swiss Disaster Relief and the Norwegian Refugee Council provided some 3,000 housing units, with another 1,000 funded by the Serbian Government, some including an element of self-help. Due to the extent of the problem of refugees, a National Strategy for Solving the Problems of Refugees and IDPs was drafted with the intention of using the provision of housing for refugees as a catalyst for wider housing reforms.

A key project is the Settlement and Integration of Refugees Programme (SIRP), implemented by UN-Habitat and supported by the Government of Italy. The objectives of the programme are: to provide low-income housing, to integrate vulnerable people into labour markets, and to strengthen municipal capacity. It will achieve this by developing the institutional framework and the systems to finance and deliver social housing. SIRP has supported the national housing reform since 2003, has established Municipal Housing Agencies in Nis, Kragujevac and Valjevo, and has worked with four other, mostly very large, municipalities. The intention is to build capacities at municipal and central levels that can be replicated and scaled up. The Council of Europe Development Bank made use of the experience and achievements of SIRP during a feasibility study for a major loan.

Since 2000 a number of other international organizations have supported capacity-building programmes at central and local level, such as UNDP through its Capacity Building Facility for 2001-2004.

USAID works with communities on local infrastructure and employment issues and assists the process of local government reforms. The European Bank for Reconstruction and Development has established a number of capital projects since 2001. These include infrastructure programmes with Belgrade City, and with Kragujevac, Nis and Novi Sad municipalities, and a district heating scheme in Belgrade.

C. Republic of Montenegro

This section looks primarily at the key public sector organizations, at the Republic and municipal level in Montenegro.

1. Public sector

Central level

There is a President and a Parliament consisting of 75 members. No one party has overall control. The executive is headed by a Prime Minister, assisted by four Deputy Prime Ministers.

Housing policy is developed by the Ministry of Environment Protection and Physical Planning. Responsibilities related to housing are handled by the Department for Utilities and Housing, led by a Deputy Minister. The Ministry co-ordinates the development of a comprehensive Housing Action Plan that is being drawn up by four Housing Task Groups. To support this process the Ministry established a housing policy secretariat in June 2004. The development of the Housing Action Plan has been supported by the Stability Pact for South-Eastern Europe.

The functions of land and rights registration are the responsibility of the Directorate for Immovable Property with 21 district offices.

Box 3.4. Ministries of the Republic of Montenegro

The central government ministries are:

- *Environment Protection and Physical Planning*
- *Economics*
- *Finance*
- *Foreign Affairs*
- *Culture and Media*
- *Agriculture, Forestry and Transportation*
- *Justice*
- *Education and Science*
- *Labour and Social Welfare*
- *Tourism*
- *Interior Affairs*
- *International Economic Relations and European Integration*
- *National Minorities and Ethnic Groups*
- *Health*

Local level

In 2003 the Parliament of Montenegro adopted laws on local self-government and financing of local authorities. These laws provided for the appointment of municipal Assemblies and Mayors through direct elections. The government intends to adopt the necessary legislation to regulate the decentralization process and to reform local government and the Ministries of Finance and Justice are key ministries in supporting this change.

There are 21 Municipalities at the local level. The 2003 census showed big differences in the sizes of population served. The largest is Podgorica, with a population of nearly 170,000, followed by Niksic with around 75,000. Five municipalities have a population of less than 10,000, with the smallest, Savnik, having less than 3,000.⁴⁴ (See also chapter I.)

Podgorica has a City Assembly of 54 members elected by proportional representation. The Assembly elects a President and there is a cabinet consisting of four Vice-Presidents. The executive consists of an elected Mayor and nine secretariats of which the following are concerned with the housing sector:

- *Urban Land Policy and Construction.* This secretariat is responsible for urban planning; decisions on location for construction; reconstruction; spatial arrangement of buildings; urban technical conditions; approval for performance of spatial arrangement work on buildings; compensation concerning illegal developments, and approval for temporary structures.
- *Public Utility, Housing and Environmental Protection.* This Secretariat is responsible for the spatial arrangement of buildings, apartment conversion, maintenance of the exterior of housing, and tenant's rules.
- *Labour, Health and Social Welfare.* This secretariat is responsible for the accommodation of vulnerable people, and the use of the apartments granted to them.
- *Finance.* There is a Public Housing Enterprise, whose work includes housing maintenance. This has a Management Board of five, four of whom are appointed by the Municipal Assembly. Its work is monitored by one member of the secretariat responsible for housing.

⁴⁴ Census of Population First Results. Dec. 2003.

With external assistance, Podgorica Municipality drew up a comprehensive plan to manage the process of formalizing illegal developments (see chapter II p 23). Subsequent work has recognised the need to develop housing management expertise.

2. Private and civil sector

In Montenegro there are now many private and civil organizations, but as in Serbia, they are still evolving towards the expectations of a market economy. Due to factors already noted for Serbia prior to 2000, the private sector environment was not business-friendly.

The construction sector employed nearly 7,900 people in 2004, which represents a slightly higher proportion of the population than that for Serbia in 2002. The sector completed 276 houses in 2003 and 860 in 2002, around 75% of them in Podgorica.⁴⁵

There are ten active banks in Montenegro, one of which offers loans for housing. Though a number of housing finance proposals have been discussed by the Housing Task Groups, there is no equivalent of the Serbian housing credit insurance arrangements (see chapter IV and V for more details).

The number of housing co-operatives has declined from over 100 in 1992 to around 10 at present. Representatives of the co-operative movement attending Housing Task Group meetings have advocated a greater role for co-operatives and financial incentives to achieve this.

The University of Montenegro, based in Podgorica, has a School of Civil Engineering, which includes a Department of building, urban planning and descriptive geometry.

As in Serbia, civil society organizations are developing. Some, such as the professional body representing architects, have been involved in the Housing Task Groups. At local level, Municipality of Bar is an example of a local authority seeking the help of the civil sector solve the problems connected with informal housing. The municipality wishes to achieve this through

public debates about city planning documentation.

D. Evaluation of the institutional framework

Although both Serbia and Montenegro have started to reform their institutional frameworks, they both share many of the same problems.

1. Public sector

The key public sector institutions for housing are the governments and municipalities of the two republics. Many reports have pointed to their inadequate capacity. The World Bank Progress Report on Structural Reforms (November 2003) concluded that *“In both republics, the need to improve the efficiency and transparency of the public sector is a high priority. A decade of politicization and centralization of authority, combined with economic collapse and the outflow of educated and skilled people have left most public institutions in a very poor state. Frequent changes in regulations and institutions through non-transparent processes, little strategic planning, widespread corruption, and misuse of state institutions for political purposes all made public administration highly inefficient and a serious impediment to private sector growth.”*⁴⁶

A UNDP report⁴⁷ also identified governance and government concerns with respect to human rights issues, and noted that all assessments of the public administration pointed to weak organization, inadequate structure, and limited policy-making and implementation capacity.

Current inefficiency in public institutions is at least partly the result of the capacities, practices and culture of the old authoritarian regimes. Despite a variety of new challenges, they still have not acquired the appropriate human, organizational or financial capacities.

The political system in Serbia has produced coalition governments, and policy-making remains fragmented. The practice is to divide

⁴⁵ Figures from www.monstat.cg.yu

⁴⁶ World Bank, Serbia and Montenegro - Recent Progress on Structural Reforms, November 2003.

⁴⁷ UNDP, Country Assessment for Serbia and Montenegro, October 2003.

ministries among coalition partners, with a new minister bringing in new officials, and this makes continuity in policy development difficult to achieve. There is a tendency for ministries to address their own concerns, to the extent that co-ordination and co-operation within Government becomes difficult. Although the Government of Serbia is committed to reforms, the legacy of the former socialist and more recently the Milosevic government persist throughout the public sector.

In Serbia, the Housing Affairs section of the Ministry of Capital Investments is the key driving force in housing policy at Central Government level, but it must work with a number of other ministries to achieve real change. The development of a social housing policy means that there is a much clearer vision, but implementation will need both stability and priority within Government. The nature of the political system means that it may be difficult to achieve stability, and the current concern for social housing may not be found should a different party provide a future Minister. In the overall priorities of the Republic, an enabling approach was adopted in the 1990s, and since 2000 housing has appeared largely as a consequence of refugee resettlement. The recognition of a need for social housing is quite recent. The proposal to create a separate National Housing Agency has the potential to introduce stability into housing policy, it needs long-term support from a number of key ministries.

The work of SIRP has proved to be a valuable catalyst in the development of a framework for social housing at national level and in seven municipalities.

Because of Montenegro's small size, it is crucial to improve the efficiency of public administration, as a large civil service would be unaffordable. A public administration reform strategy was adopted in 2003, including a legal framework allowing far reaching reforms. The development of a Montenegro Housing Action Plan represents a clear attempt to create a housing strategy together with an implementation plan which supported by international assistance, brings knowledge of housing practice in western Europe.

The development of new housing policies in both republics has involved the participation of stakeholders and the four housing working groups in Montenegro have included representatives from the private and civil sectors.

Structures and capacity issues also apply to local government. Municipalities, especially in Serbia, are led by coalitions, with a tendency to share secretariats along party lines. Legislation on decentralisation, which was introduced earlier in Serbia, cannot be effectively implemented due to the limited capacity of the municipal administration. Many municipalities have poor equipment and outdated methods of work.

In both Serbia and Montenegro, local government is a one-tier structure with the exception of Belgrade and Nis, which have two-tier municipal structures. The average municipality serves a population of around 45,000 in Serbia and 30,000 in Montenegro, but very few are close to this average. Local government must seek to be responsive to local needs, which is easier in smaller municipalities, but it is easier to achieve economies of scale and employ specialist staff in larger municipalities. The SIRP project has concluded that the administration of larger Serbian municipalities was better developed than that of small municipalities, with some of the latter having difficulty exercising all their legal responsibilities. Larger municipalities also use information and communication technologies, GIS and E-government linkages, but generally these activities are not supported by the appropriate organizational structures or regulations, and they are not well co-ordinated.

The issue of funding is particularly critical for local governments, with the scale of demands exceeding current resources. Reliance on donor-funded projects makes the need for sustainable local funding more important. Humanitarian assistance projects are being phased out, as are many which focus on capacity development. The Municipal Housing Agencies that are being developed by SIRP have the potential to play a crucial role in the process of housing reform in Serbia and could be examples of innovation and good practice. The delivery of many services,

such as apartment maintenance, is carried out by enterprises that are working for, but not directly controlled by, municipalities. Though a directly elected municipality can expect to be criticised for poor performance, the system and number of people available for monitoring the activities of these enterprises are often inadequate.

The cadastral service is a problem in both Republics. The compilation of complete cadastral information is hampered by lack of financial resources and inadequate education and training of personnel (see chapter VII).

2. Private sector

The legacy of a centrally planned economy is not conducive to a functioning private sector, but there are many organizations with the potential to adapt to a market approach. There are many companies with the capacity and expertise to undertake construction projects, including large firms which are currently building apartment blocks. Despite international isolation during the 1990s, some are able to compete for projects abroad.

Construction accounts for a significant proportion of employment. The completion of new dwellings per head of population in Serbia is low compared to that of most EU countries, and an increase would have a significant multiplier effect on the economy and employment. The maintenance sector now includes a range of local maintenance companies, with the proportion of the work undertaken by private sector companies varying considerably between different locations. Real estate agents have become established to meet a market need but a significant number of them are found in the informal sector. This is likely to continue while regulations are lacking.

There are mixed views within Government about the potential of the cooperative housing sector to meet future housing needs. In both Serbia and Montenegro housing cooperatives have a well-established record for organizing the production of new housing, though usually not for those in the greatest need. Existing housing cooperatives have the expertise and capacity to construct new housing but they are losing tax and other advantages and feel that they will not be able to compete with the private sector.

3. Civil Society

Professional training

The education system, with its links to professional societies, has a history of providing a high standard of training for architecture, engineering and allied professions, but it has yet to complete the transition from a centrally planned to a market economy. Urban planning remains an adjunct of architecture and may therefore still rely on construction type skills rather than those more suited to an enabling approach.

Government skills, such as the use of modern financial management, which ensures continuous improvement, or working with stakeholders and the private sector, are poorly developed.

There is little recognition of the need for training or the development of professional standards in housing management. The new Serbian law on social housing anticipates the introduction of non-profit housing organizations. These will require both efficient delivery of a housing service and sound financial management.

NGOs and owners

NGOs in Serbia and Montenegro are at an early stage of development and require support to act as effective intermediaries between the public sector and civil society. They are generally limited in capacity and rely on international donors for funding.

Owners' associations in privatized apartment blocks appear to be widespread in Serbia and have the potential for influencing decisions about their housing services. Some may currently be involved in decisions concerning maintenance, but as the buildings age, they will have to plan also for the organization and funding of major investment. There seems to be no systematic approach to training residents in the exercising of their responsibilities.

Representative bodies of owners or tenants at Republic, or even city, level, are few, though there have been some attempts to involve NGOs in the development of a national housing policy. Owners have been, and will

remain, important in the construction and upgrading of housing, especially in rural areas. While the housing mortgage system remains poorly developed, and public confidence in banks is low, households will rely on informal methods of raising funds for housing investment.

Managing the process of legalization will require effective working relationships between municipalities and the owners of illegal housing and any NGOs working on their behalf. Residents, and the organizations they work with,

would benefit from capacity building and an approach that values their contribution.

4. International organisations

Though many international donor organizations have been active in Serbia and Montenegro since 1999, few of their activities have focused on housing as a primary aim. SIRP has made a valuable contribution to the housing sector, but the wider replication of the experience requires more extensive donor support.

