

## INTRODUCTION

The housing sector plays an important role in the economic and social life of any country. It has a favourable influence on the economy, accounting for about 10 to 20 per cent of total economic activity in most ECE countries. The housing sector, in view of its implications for land use, energy consumption, waste generation and water pollution, has a significant impact on the sustainability of development not only in a given country but also in the regional context.

At the same time, the housing sector with its demands on financial resources, is often considered to be in competition with industry and, as such, undeserving of special political support, especially at a time when there is a need for major economic reform and for stimulating the national economy. Such an approach is too lopsided. It should not be overlooked that the housing sector is an important part of the national economy. History shows that the housing sector has on many occasions proved to be the key to revitalizing national economies in harsh times. For example, the Great Depression in the United States created a favourable climate for federal government intervention in the housing industry. The housing industry had been in recession since the late 1920s, unemployment had reached painfully high levels, and many American homeowners could not make their mortgage payments. During the 1930s, the administration of Franklin D. Roosevelt responded by propping up the credit system that supported homeownership.<sup>1</sup> Similarly, it would not be an exaggeration to say that the role of the construction and housing industry in ECE countries was decisive in Europe's economic recovery in the post-war period of 1945-1955.

After the change in the political system in central and eastern Europe in 1989-1990, efforts were directed towards transforming centrally-planned economies into market-based ones. However, the experience of the past seven to eight years shows that transition is a very strenuous process. Most countries in transition are suffering from negative economic growth, unemployment, high inflation and falling real wages, and degradation of housing conditions.

Housing policy is an integral part of market economies and there is also a definite need for the countries in transition to provide decent housing and social protection to needy households. Moreover, the housing sector can be used as a vehicle for economic growth and development, a major factor in job creation and a source of additional income for the national budget. There is consequently a need to provide legal, institutional, man-

agement and financial advice to countries in transition to improve the environment in which the housing market operates and to build capacity in an effort to attract housing investment.

To manage the reform of the housing sector, there is a need for comprehensive action on the part of central and local authorities and the private sector, based on a coherent housing reform concept. For such a housing concept to be put into practice, the main features of transition and the different functions of the housing sector must be analysed and understood. The key issues should be identified and, on these grounds, goals and then priorities can be set.

Any subject, phenomenon, or development process, can be analysed from a variety of angles, using different approaches. Housing is an economic sector which, given its cross-sectoral nature, requires a combination of instruments and methods to understand its ongoing internal processes and the external impact from other sectors and development trends, and to suggest appropriate policies and remedial measures. There is a wide range of views on the national housing policy. Some consider housing to be a commodity that should be produced only on the basis of market mechanisms and principles. Others hold the view that satisfactory housing can be secured only through wide State involvement and regulations. However, acceptable policy solutions to housing problems and related instruments and systems can be found in between these two diverging approaches, with due regard to national traditions and realities.

Those in charge of drawing up and implementing housing policies can learn from the experience of other countries. While much advice has come from western countries and institutions, little exchange of information and experience has gone on among countries in transition to learn about how others are tackling almost identical problems. Admittedly, there are successful models in developed market countries. However, there is no single universal model, but a variety of good solutions for different problems in different countries.

To prepare and evaluate policy suggestions for transforming the housing sector from a subsystem of the planned economy into an important component of a market-based economy and for promoting the transition through the housing sector's contribution to it, the ECE Committee on Human Settlements initiated this programme element on Country Profiles. This activity is part of the restructuring efforts of the ECE Committee on Human Settlements to adjust its activities in support of action at the national level to provide adequate housing and to promote sustainable development in harmony with the Habitat Agenda adopted at the United Nations Conference on Human Settlements (Habitat II).

<sup>1</sup> A. von Hoffman, "High ambitions: the past and future of American low-income housing policy", *Housing Policy Debate*, vol. 7, No. 3, 1996, p. 425.