

Opening speech at the Joint Congress of UN-HABITAT and EFBS by Miquel Capellà, President of EFBS on 22 September 2004

Dear Dr. Tibajuka,

Dear Dr.Haller,

Dear Mr. Zehnder,

Ladies and Gentlemen,

Policymakers in developing and developed economies recognise the social and economic importance of housing investments. This is not surprising, since they account for between 25 and 35 percent of overall investments around the world. For most people in most countries, housing is the single biggest component of their wealth.

You can well imagine that housing is therefore not only a key social good, but also an economic driver, with a significant impact on growth and labour markets. Ensuring the availability of housing is a policy priority in most countries, but the realities vary greatly. In many developing countries, housing finance systems are small, unstable and fragmented. Because of weak property titling and registration systems and other factors an excessive proportion of these assets cannot be used as collateral for housing finance. Lack of access to housing finance in turn makes housing unaffordable for much of the population. At the same time—because of the serious difficulty in gaining access to housing finance and frequent housing supply distortions leading to high housing prices — participants in these markets perceive a greater need for subsidies, while lenders face higher exposures to risk.

In this context, I am delighted to welcome you in Berlin to officially open our congress “Housing Finance in Emerging Markets – Experiences and Challenges”! As one of the organisers, we are really proud to host this congress in this vibrant and fascinating city.

I would like to thank Dr. Tibajuka, Dr. Haller and Mr. Zehnder for their support in putting together this event and for their assistance in shaping its structure and attracting speakers from all over the world. Without their commitment, this forum would not have the feature, as we will now experience the next days.

Founded in 1962, the European Federation of Building Societies is the oldest housing federation in Europe. With the up-coming integration and harmonisation within Europe, which was not so clearly visible at that time, our Federation favoured this process and similarly promoted the idea of home-ownership across Europe. Today our Federation represents members from 17 countries and is still growing.

As the enlargement process of the European Union was looming, we were the first who also covered these markets, being a strong voice of their interests in the following debate. Bausparkassen were the first specialised financial institutions, which started to establish operations in central and eastern Europe in the early 1990s. In co-ordination with the governments of these regions, we defined the necessary measures to foster home-ownership, especially for low and middle-income groups.

Now, the new members are in after the enlargement of the European Union took place and we look forward to seeing these markets prosper. I hope that their experiences will now be a

valuable contribution for the on-going dialogue in Brussels on housing and its related legislation.

In our work, we have always pointed out that home-ownership is a crucial element of stable and prospering societies. With smaller budgets for retirement provisions, this idea becomes even more important since many households consider home-ownership as a part of their pension.

Thanks to prospering housing markets in many parts of Europe (especially in Spain and the United Kingdom), governments could have afforded to neglect promotional measures on home-ownership and curb spending. However, as history has shown, these markets are more erratic and volatile as you may assume. Especially Germany had this dreadful experience when the price bubble in eastern Germany collapsed after reunification. Even the British experienced the same in the early nineties when interest rates soared and many households were unable to repay their mortgages.

Berlin in this regard is an exciting place to meet because the city comprises the housing experiences of a developed country and an economy in transition. Maybe some of you remember the days, when the city was divided between two blocks pursuing different policies. One policy concept opted for the market economy and the other underlined the heavy influence of the government.

These different conceptions meant for housing that in the one part of the country, the government offers to its citizens a plethora of different incentives for their housing needs, largely promoting the individual contribution of every citizen. In the eastern part of the country, housing was a matter of allocation in the responsibility of the government. For many citizens, it took years until they could live in their own home or flat. Own initiative was not promoted at all.

A further result of these politics was a different style of housing. When you stroll around the different parts of Berlin, you will discover in the eastern part, long rows of panel-block buildings, sometimes in a disastrous state. These houses have not only to be renovated but also modernised. Often, rents or house prices went up too fast after their renovation and people could not afford to live there any longer. As a consequence, solutions had to be defined which took into consideration affordability (for the borrowers and tenants) and profitability (for the lenders and home-owners). Some of these findings have been implemented and have already shown beneficial results.

Furthermore, Berlin has now become a gate to the new markets in Central and Eastern Europe and serves as an intermediary between the West and the East. Ideas and views can now be easily spread between a continent once divided. As for housing, countries will benefit from a more intense exchange of information the outcome of which will produce effective results and deliver adequate solutions in housing.

Therefore, we have decided to organise this congress in Berlin. Surely, this rich combination of different experiences of the city and the enlargement process will inspire our thoughts and lead to valuable discussions!

Our congress is aimed at responding to a rising need among housing policy makers, financial sector officials, bankers and practitioners for a systematic dialogue about the development of strong housing finance markets.

Our programme wishes to address this need by defining the fundamentals of working housing finance systems: we will tackle property rights, collateral and foreclosure laws, fundamentals of mortgage lending, different forms of funding, housing policy and subsidies. In addition we are also going to embrace housing affordability: how can we raise it? How much does it cost both for the government and for the borrower? What are the benefits and shortcomings of the different models and concepts? I look forward to the answers of the speakers in this session.

Theoretical foundations are important to better understand the real world. However, we believe the greatest value from a congress will be provided by practical experiences. You can be assured that there are many! We have asked experts from all over the world to share their cases and experiences with us! We would like to invite you to a world tour on housing finance: experts from South and North America, Africa, Europe and Asia are eager to discuss with you their finding and housing programmes.

The following sessions will serve to define the challenges, which lie ahead for policy makers, bankers and international organisations when they will shape the housing policy of their country. In order to encourage the following discussion, we will explore achievements and pitfalls of more advanced housing finance markets: mortgage bonds, contract savings schemes for housing, secondary mortgage markets, regulation and best practices, credit insurance, guarantee schemes, and advanced securitisation.

In this context, it is also a pleasure for me to announce an upcoming study on housing finance systems for countries in transition, which is going to be adopted in these days. This study consists of three main components: First, it gives an outline on the economic and legal situation of transition countries. Second, three different housing finance instruments will be presented according to prior defined criteria. Third, an analysis tool will be provided which is aimed at giving some guidance how to measure best the ramifications of new housing finance systems the government intends to implement.

I would be delighted if you could make the most out of these three exciting and challenging days! It would also be a great pleasure for me if some of these ideas will assist you in your daily work and will set up some new initiatives, which finally lead to a better provision of housing in your country!

Let's now look forward to our congress and to a fruitful and beneficial event!

Thank you for your attention!