

Housing in emerging economies : a puzzle of challenges

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CEB : a European Development Bank with an exclusively social vocation

- Established in 1956 (the first European international financial institution), by 8 member countries of the Council of Europe
- Now 37 member states
- CEB lends for projects concerning :
Refugees and migrants & displaced persons, Persons affected by natural or ecological disasters, Job creation and preservation in SMEs, Vocational training, Education, Health, **Social housing**, Urban areas in crisis, Environmental protection, Rural modernisation, Protection and rehabilitation of historical and cultural heritage
- Approved housing projects for Central and eastern Europe : € 764 M (End of 2003);

Focus of the presentation

- How do we see housing as an issue of transition ?
- Why housing is so special for the CEB ?
- What can we learn from our experience of a development banker for social housing in Europe ?

Let's not forget that housing is not only an issue of mortgage markets

Let me now try to unpack the puzzle of housing sector challenges

Three dimensions of the transition process

Emerging economies in Europe have gone through or are in the process of a multidimensional process of transition :

- Political transition : from authoritarian regimes to a democratic form of governance;
- Institutional transition : from central planning and its institutions towards an institutional framework supporting market economy;
- Economic transition : planned centralized economies relying on massive public intervention towards vibrant market economies;
- Social transition : increasing inequalities and declining social indicators;

How was housing affected by the transition process ?

- Public budgets were unable to continue providing the previously generous subsidies to keep prices affordable;
- Housing is affected by policies favouring the allocation of resources based on costs : increase in energy prices v/s energy efficiency and contracting income ;
- Complex set up of new institutions assuring the continuous supply of housing that was previously assured by the public sector :
 - housing production in 1999 was less than 40% of its 1990 level
- Difficult transition from publicly funded housing towards post-privatisation housing policy agenda (social tensions, distribution of assets, clear property rights, maintenance of stock, access to credit instruments);

How was housing affected by the transition process ?

Most countries have focused on three sector priorities during the transition :

- Establishing a robust legal and regulatory framework providing for housing management tools (condominiums, housing cooperatives) and clarifying the financial obligations related to commonly owned housing assets (40% of housing stock in emerging economies is in high residential buildings (blocs) ;
- Maintaining a reasonable level of stock capable of responding to the needs of social housing policies (spill-over effects on employment : in areas of vibrant job markets, the mobility of job seekers and their settlement will be facilitated) ;
- Gradual development and implementation of financing instruments for housing finance : mortgages and different forms of saving schemes

Why housing is of concern for the Council of Europe Development Bank (CEB)?

Investing in housing provides wide economic benefits :

- store of wealth and equity for young generation and old age ,
- could become collateral;
- asset worth investing : outstanding mortgage loans in the EU (15) in 2001 exceeded €3.9 trillion (European mortgage federation)
- Mortgages in the EU 15 in 2001 stood at 40% of their GDP;
- Job creation capacity of the building industry

and responds to social needs :

- housing is a matter of major concern for every individual;
- it enables people to be safely “at home” and is a factor in the realisation of human rights, such as the right to privacy;
- provides shelter for those who cannot pay market prices : people on low income, refugees, IDPs;
- service of general interest and a key factor for achieving social cohesion and labour mobility;

Why there should be public and development investment in housing ?

- Markets will fail to achieve equitable provision of housing as a public good to low income groups, refugees or displaced persons;
- Public institutions understand the special characteristics of housing and define policies and regulations in order to enlarge the housing benefits to larger groups in the society;
- Our experience clearly shows that there is no any single European countries that is not concerned about the provision of social housing to targeted populations. This probably reflects the European sense of solidarity

How do we go about this ?

How do we go about this : i) CEB's experience on discussing policy options

High level ministerial conference on housing policies in South-eastern Europe (Paris, 23-24 April 2003);

- Providing housing for the more vulnerable population groups in a region faced with a high level of poverty;
- The dynamics in housing reforms in this region should be maintained and the efforts in economic, social, fiscal and legal terms should be strengthened;
- As a conference follow up, a sector report was published by the CEB and the World Bank available at :

<http://www.coebank.org/en/presse/frgenerale.htm>

How do we go about this : ii) CEB's experience in social housing projects

POLAND (194.5 M €) with the BGK

- To part finance the development of the rental housing construction of about 14 000 dwellings for low and middle income families;
- About 41,000 persons are expected to be given access to a rental dwellings under the programme.
- The programme will increase the affordability of housing, assist local authorities in the implementation of local housing policies to facilitate the restructuring processes in Poland, and provide housing for people looking for new job opportunities;

How do we go about this : ii) CEB's experience in social housing projects

Latvia (18 M €) with the Mortgage and land Bank

- This project is part of the Latvian “Housing Development Lending Programme”
- It aims in particular at improving the quality of the Latvian housing stock, encouraging private investments and creating an appropriate legal and financial environment for the successful development of the housing sector;
- CEB's loan provides long term financing at advantageous conditions, a requisite for improving the situation in the housing sector, in view of the limited central and local governments' financial resources.

How do we go about this : ii) CEB's experience in social housing projects

BULGARIA (3.3 M €, Selective Trust Account support)

- **Sofia: The construction of dwellings for Roma families, or around 1 600 individuals;**
- **6-7000 Roma live in the district of Slatina in Sofia- underdeveloped area;**
- **The majority of the houses in this district were illegal from regulatory point of view;**
- **Other housing projects are being financed in Romania, Hungary, Croatia, Slovakia ...**

Concluding remarks

Four factors are important for the future of the housing sector in emerging economies :

- Strong sector policy framework and sustainable settlement of legal and property issues;**
- Clear distinction of responsibilities (national v/s local governance, private sector v/s public sector)**
- Continuing search for new financing instruments through the banking sector;**
- Development of concrete projects responses to identified needs**