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Acronyms and Abbreviations

BiH	Bosnia and Herzegovina
ECE	Economic Commission for Europe
FI	Financial Institution
HILP	Home Improvement Loan Program
HUMAN	Housing and Urban Management Advisory Network
ICA	International Cooperative Alliance
ICA-Housing	International Cooperative Housing Organization of the International Cooperative Alliance
IDP	Internally Displaced Person
IFC	International Finance Corporation (World Bank)
MARRI	Migration, Asylum, Refugees Regional Initiative of the Stability Pact of South Eastern Europe
MFI	Microfinance Institution
PPP	Public-Private Partnership
R/IDPs	Refugees/ Internally Displaced Persons
REZ-FOND	Regional Economic Development Council Microfinance Institution (Bosnia and Herzegovina)
SEE	South Eastern Europe
SP	Stability Pact of South Eastern Europe
UNDP	United Nations Development Programme
UNECE	United Nations Economic Council of Europe
USAID	United States Agency for International Development

Introduction

Housing is an important part of any country's development. For individual families, home ownership represents security, economic stability, and physical and emotional livelihood. For a nation, housing can greatly impact the economy as a whole. World Bank statistics illustrate the importance of the housing sector:

- Investment in housing accounts for 15% to 35% of aggregate investment worldwide.¹
- Housing accounts for a sizeable portion of the production activity of a country, through its linkages to land markets, building materials, tools, durable goods, and labor markets. Residential construction is a major employer, often accounting for more than 5% of total employment.
- Personal residences account for 75% to 90% of household wealth in emerging market countries, which amounts to 3 to 6 times their annual income.
- Households typically spend between 15% and 40% of their income on housing, with a typical ratio of around 30%.²
- Residential real estate represents around 30% of world wealth, greater than both bonds (27%) and equities (19%).

Despite this positive impact of housing, many people throughout the world do not have access to decent, affordable housing, nor can people afford to own their own homes. Throughout Southeastern Europe, the housing sector has seen tremendous upheaval with the transition from a socialist state system to a market economy, the privatization of state-owned assets, and war, displacement and recovery throughout the Balkans. Indeed, housing development is one of the priority areas identified in the Agenda for Regional Action (AREA) programme, initiated by the Stability Pact's Regional Return Initiative in June 2001.

This handbook represents a culmination of the ideas, methodologies, and past successes of the 60+ organizations represented during a conference held in Sarajevo, Bosnia and Herzegovina in May 2004, entitled *Towards Social Stability and Economic Growth*, hosted by CHF International (CHF) and the International Cooperative Housing Organization of the International Cooperative Alliance (ICA-Housing). This groundbreaking event ignited an energetic, multi-disciplinary dialogue about concrete strategies for invigorating housing markets and improving the standard of living throughout South Eastern Europe (SEE). With the goal of maintaining this dialogue, this handbook is meant to provide practitioners with information and reference materials to explore the many topics discussed in greater depth.

Purpose of the *Housing Practitioner's Handbook*

The purpose of this manual is twofold. First, the *Housing Practitioner's Handbook* is intended to document successful, practical models of approaching housing sector development in transition economies. The second objective of this handbook is to serve as a cumulative repository of housing sector development references to which housing practitioners, international development organizations, donor agencies, and communities can contribute additional case studies and practitioners' tools as they arise. As such, the handbook has been conceptualized as a working document, and CHF International will continue to add further documentation to this

¹ IFC, 2004.

² Ibid.

initial draft over the coming months. We encourage all housing professionals to provide feedback on the content and format of the document, as well as any additional information and references.

In fulfilling these two objectives, the *Housing Practitioner's Handbook* addresses common issues that have arisen throughout South Eastern Europe as a whole. This region suffers from underdevelopment of the housing sector, a result of the conflicts of the last decade and difficulties encountered in transitioning to market-oriented economic systems after decades of following socialist models of state housing provision. Despite these challenges, innovative housing sector development promises to be an engine of overall economic growth, enhancing employment opportunities, physical security, and social stability. In the context of South Eastern Europe, community-based housing sector development has the potential to contribute significantly to resolution of continued population displacement, engender a renewed sense of cooperation amongst members of estranged groups, and fulfill the fundamental human right of adequate shelter.

Information Sources

The principle sources of information for the first draft of the handbook and subsequent additions are the materials and presentations from the conference *Towards Social Stability and Economic Growth*. Contributors include: the International Co-Operative Alliance Housing Organization (ICA-Housing), CHF International, the Housing and Urban Management Advisory Network to the UNECE (HUMAN), and practitioners throughout Southeastern Europe. Other information and references have been collected from the internet, journals, and other publications and are identified and cited accordingly, both to recognize professional and academic contributions to the field of housing sector development and to enable readers to explore these sources in more depth. A general bibliography is provided at the end of the handbook [to be developed].

Future Contributions to the Handbook

Housing practitioners are encouraged to contribute their experiences and findings to the *Housing Practitioner's Handbook*. Practitioners who wish to contribute additional approaches and case studies to the handbook are requested to cite information sources as appropriate and provide a list of references to aid readers in accessing materials. Likewise, when feasible, practitioners are asked to provide approaches and case studies in a format similar to that used in the handbook, which will be described in depth below.

Inquiries about how to submit contributions as well as recommendations for further development and improvement of the *Practitioner's Handbook* can be directed to CHF International Headquarters in Silver Spring, Maryland at mailbox@chfhq.org. Your comments and suggestions concerning handbook content and organization are welcome.

Marketing and Dissemination



The Housing Practitioner's Handbook and information on its contributors will be posted on a webpage through the ICA Housing website, at <http://www.ica.coop/ica/ica/sb/housing.html>. Handbook updates will be posted to the website quarterly. Future possibilities include an interactive, web-based document format, which would broaden the potential audience and simplify the contribution process.

Handbook Overview

Handbook Organization and Structure

The *Practitioner’s Handbook* is organized into two parts. **Part I** provides readers with a basic overview of practical approaches to housing sector development, and related approaches in various countries throughout SEE. Illustrating these approaches, **Part II** provides concrete examples of the tools, methodologies, case studies, and publications that practitioners have used on a daily basis to help them contribute to housing sector development in their country or scope of work. Parts I and II also contain topic-specific and general bibliographies of relevant resources. The handbook’s loose-leafed, tabulated format allows people to provide additional case studies and reference materials as they are developed and documented.

Topical Overview

The handbook is currently divided into five major housing sector development topics:

- (1) *Housing Finance, including:***
 - Microfinance*
 - Construction Savings Banks*
 - Mortgage Lending*
- (2) *Community-led Housing Development:***
 - Participatory Decision-Making*
 - Housing Cooperatives/ Condominium Associations*
 - Management of Multi-Unit Block Housing*
- (3) *Strengthening Local and Municipal Capacity:***
 - Steps to a Successful Housing Sector Development Strategy*
 - Implementing & Monitoring Housing Sector Strategies*
 - Tools for Effective Land Use Planning*
 - Financing the Public Housing Sector*
- (4) *Legal and Institutional Frameworks for Housing Sector Development:***
 - The Role of a Housing Regulatory Body*
 - Housing and Land Ownership*
 - Financial and Business Frameworks*
 - Regulating Community Involvement in Housing*
 - Instituting Standards & Codes for the Housing/Construction Sector*
- (5) *Responses to Informal Settlement***
 - Regularization and Upgrading*
 - Taking a Regional Approach*
 - Other Approaches for Informal Settlement*

At the request of readers, additional chapters may be added to this handbook in the future, such as:

- *Analyzing the Impact of the Housing Sector on Development*
- *Social Housing*
- *Instituting Appropriate Land Tenure Laws, Regulation, and Administration*
- *Country-Specific Analysis and Recommendations*

Chapter 1: Housing Finance

1.A Overview of Housing Finance

Housing finance is an important aspect of the development of the housing sector in any country. There are a number of housing finance instruments, such as: housing microfinance; middle-market housing finance, e.g. construction savings banks known as *Bausparkassen*; primary mortgage lending; and secondary mortgage markets (mortgage backed securities).

**Chapter 1.
Housing Finance**

This chapter covers:

- Housing microfinance
- Construction savings banks, or *Bausparkassen*
- Mortgage lending instruments

For detailed information on housing finance mechanisms, see: Pfeiffer, Herbert, *Guidelines on Housing Finance Systems for Countries in Transition*. Bratislava, Slovakia: Pending Production by UNECE (November 2003).

Across each country the enabling environment for these housing finance instruments may be very different. For instance, while the US housing market is well familiar with the mortgage-backed securities, in areas such as Southeastern Europe where the housing market and overall economic and regulatory environment are suffering, the macro-conditions would not be able to viably support such types of instruments. Alternatively, microfinance can be an appropriate housing finance alternative for low-income clients with no credit history, or in situations where other forms of long-term credit (such as through private banking institutions) are unavailable. Construction savings

banks can serve as an intermediary solution as governments and financial institutions pursue larger reform agendas, although for construction and savings strategies to function, legal preconditions such as an operable land registration system and collateralization are necessary. The following sections describe these different types of housing finance instruments in greater detail.

1.A.1 Housing Microfinance³

Housing microfinance programs can address one of the primary constraints to housing sector development, limited access to affordable housing finance, by establishing alternatives to commercially available mortgages and traditional supply-driven housing provision approaches. When designed to take local economies and household financial realities into consideration, housing microfinance loans can provide low- and mid-income families with the resources necessary to undertake a variety of modest projects that substantially improve their quality of life, such as incremental improvements to their homes, reconstruction of housing damaged during conflict or natural disasters, or in exceptional instances, construction of new homes.

Basic Principles to Housing Microfinance

Housing microfinance loans differ from traditional microenterprise loans in a number of ways. Typical microenterprise loans are usually very small and affect the borrower's income, and

³ This information on housing microfinance is based on a presentation written by Franck Daphnis of CHF International and delivered by David Strine, Director of CHF International's Office of Development Finance, at the Sarajevo conference *Towards Social Stability and Economic Development*. It also draws heavily upon CHF International's microfinance program experiences in over 100 countries, encapsulated in its guide to housing microfinance, *So, You Want to Do Housing Microfinance?*, published in 2001.

repayment capacity is based on the generation of future income. In contrast, housing microfinance loans are larger and affect the borrower’s asset base, and repayment capacity is based on current household income.

Key attributes of housing microfinance

- An alternative to traditional long-term mortgages that targets the needs of low-income households
- Preliminary feasibility assessments aid in the design of contextually appropriate loan products
- The terms of individual household or group loans can offer clients affordability and options best suited to their housing priorities
- Typical characteristics of housing microfinance loans:
 - Large loan principle amounts based on household repayment capacity
 - Short lending periods
 - Securitization through co-signers or guarantors

Housing microfinance providers

In different parts of the world, there are a variety of institutions offering housing microfinance, including MFIs, home lenders, NGOs, and commercial banks. Although housing microfinance programs in Southeast Europe are generally limited to MFIs and NGOs, it is conceivable that a wider array of institutions could offer housing microfinance products in the future.

Housing microfinance clients

Housing microfinance products typically target low- to mid-income clientele who do not qualify for traditional housing finance and also possess an adequate capacity for monthly repayment. Describe the proportion of income that housing microfinance loan repayments should represent, in addition to whatever other debt burden the household may already carry.

Housing microfinance design parameters and loan terms

Main factors to consider in designing housing microfinance products to target the poor include the potential purpose of loans, the repayment capacity of the target population, the length of the lending period, the size and pricing of loans, means of assuring loan security, the potential need for technical assistance to accompany loans, and appropriate property ownership and tenure security requirements.

In general, housing microfinance programs most effectively address the credit needs of poor communities by providing loan products that:

- Extend relatively small loan amounts, based on household income and estimated repayment capacity
- Carry a short repayment period
- Are usually guaranteed through co-signers rather than collateral
- Are priced to ensure both long term financial viability of the provider and affordability
- Incorporate systematic monitoring procedures



This woman in Romania receives a microfinance loan to make improvements to her home.

Although the terms of housing microfinance products vary somewhat to reflect local economic conditions, the housing loans that institutions throughout the world offer have been designed according to the same general guidelines. Below is a brief description of the terms of housing microfinance loans that institutions have offered in various countries.

Typical Terms of Housing Microfinance Loans

Loan Characteristic	Linked Housing Microfinance	Stand-alone Housing Microfinance
<i>Purpose</i>	For construction of a complete new core home or improvement of existing home	Typically for home improvement or repairs
<i>Maturity</i>	Ranges from 12 to 120 months	Ranges from 12 to 36 months
<i>Amount</i>	Ranges from \$100 to \$600	Ranges from \$3,000 to \$5,000
<i>Interest Rate</i>	Priced to include: Administrative Expenses (AE); Loan Losses (LL); Cost of Funds (CF); Desired Capitalization Rate (K); and Investment Income (II). $R = [(AE+LL+CF+K)/(1-LL)] - II^{\dagger}$ or priced using the <i>Microfin Loan Projection Model</i>	
<i>Repayment Capacity Estimation</i>	Based on prior client savings history with the institution	Periodic payment no more than 25% of household income, total debt burden no more than 40%
<i>Security</i>	2-5 co-signers with institution guarantee or one year savings as lien; 1-2 years of history with institution	Guaranteed through two or more co-signers <i>or</i> collateral for larger loans; may introduce a savings requirement if repayment capacity is borderline, no prior history with institution required
<i>Technical Assistance Provision</i>	Generally no technical assistance provided	Technical assistance provided as appropriate

1.A.2 **Bausparkassen: Construction Savings Banks**

General description of Construction Savings Banks

Construction Savings Banks, also referred to by their German name, *Bausparkassen*, are similar to a community-based cooperative microfinance institution, in joining a construction savings bank, members agree to deposit a constant amount of funds for a set period of time. After an initial contribution period of one to two years, members are eligible to take out a loan from the collected funds, which function as the necessary source of refinancing.

Development of the Construction Savings Bank Model. The current Bausparkassen model, or contractual saving for housing construction, is derived from models used in post-World War I and World War II Germany. During the inception of this model, the transitional economy and government infrastructure was unable to provide for the housing market demand. The Bauspar system successfully filled the supply void left by the struggling economy. Currently, the German market boasts 28 Bausparkassen, managing more than 32 million contracts.

Application of the Construction Savings Bank model – when it’s appropriate. Construction savings banks can serve as an intermediary solution as governments and financial institutions pursue larger reform agendas, although for construction and savings strategies to function, legal preconditions such as an operable land registration system and collateralization are necessary.

Benefits of construction savings banks

A Deposit Taking Housing Finance System like Construction Savings is in the developing phase of a national economy the most effective technique and offers benefits to the Customer, the Construction Industry and the State.



Construction Savings:

[†] Rosenberg. CGAP, 1998

- Was invented in the times of economic depression and is so tailored to the needs of a developing economy.
- Is a lifetime saving concept for renovation construction and repair, which works at stable conditions independent from the capital market, based on the initiative of the individuals.
- Increases the savings ratio and supports building up equity of the individual, without raising the interest rates.
- Shifts short term savings to long term loans at stable conditions and at interest rates below or maximum 6%.
- Carry a low default rate, 0,56 % in SK, because regular savers are paying back regularly and punctually.
- Generates abundant qualitative and quantitative effects to the state budget, which exceed the expenses by far, because the investment of the state encourages the saving process by a limited state premium.

For additional information on how Construction Savings works, see section 1.C, “Additional Resources for Housing Finance”

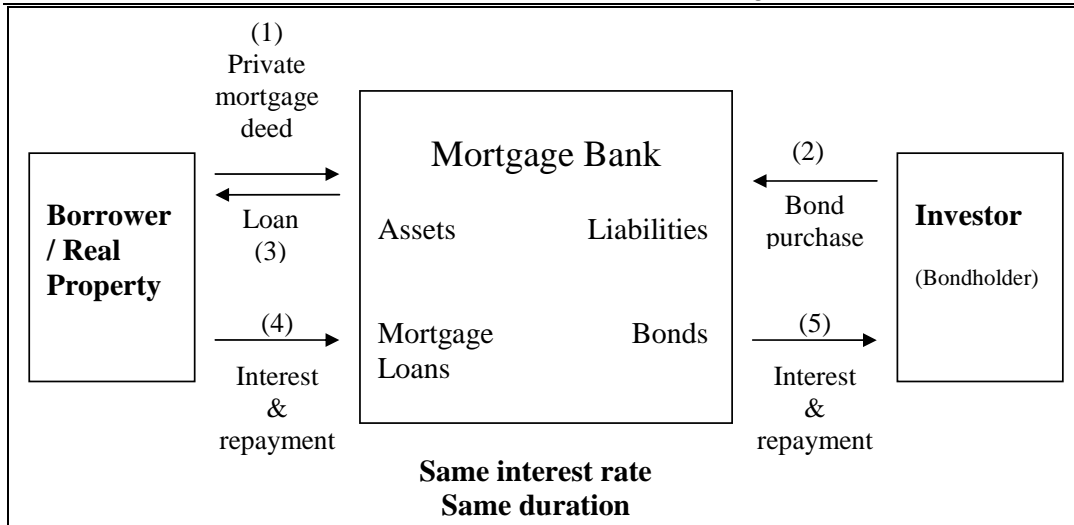
1.A.3 Mortgage Lending Instruments

Mortgage bonds and mortgage-backed securities are appropriate housing financial instruments in countries where there is a strong legal and regulatory environment that can adequately regulate the activities of financial intermediaries such as private banking institutions and securities trading firms. The following graph on the right illustrates the different models for mortgage bonds and secondary mortgages. (Lamoreaux, P.)

	Bonds	Mortgage-Backed Securities	Other
	European Mortgage Model - Bond financed - On balance sheet - Specialized portfolio lenders	Off balance-sheet – bankruptcy remote	Unsecured corporate debt – not directly related to mortgages
	Mortgage-backed bonds with various structures	Pass through (GSE's in US) vs. Structured (branches, enhancements)	Contract savings – deposit financed, specialized institutions offering loan-linked savings contracts
	Federal Home Loan Bank Model – bond financed for member institutions	Credit Enhancements may include senior/subordinated, guarantees, mortgage default insurance, pool insurance, monocline insurance, reserve pool	Federal Home Loan Bank Model – loans to member institutions using mortgages as pledged collateral, but not taken off balance sheet

Mortgage Bonds

Mortgage bond markets are common in a number of European countries and are being developed in Eastern European countries such as Hungary, Slovakia, the Czech Republic, and Poland. In Europe, mortgage banks are portfolio lenders that issue bonds that are backed indirectly by the mortgage loan assets of the lender. Mortgage bonds can also be issued by banks and other depository institutions that use their loans as collateral for the securities. The following diagram illustrates the basic principle of how the mortgage bond works. (Pfeiffer, H.)



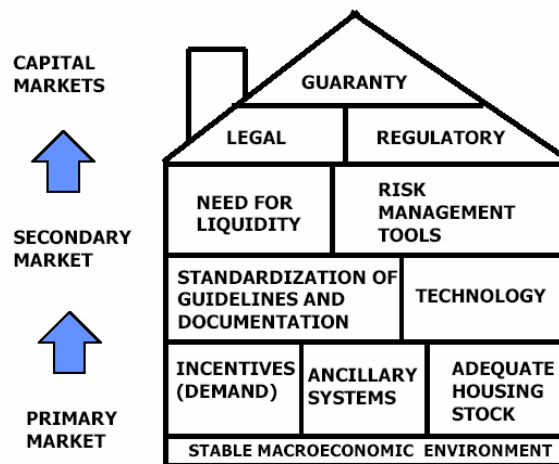
Secondary Mortgage Markets⁴

A relatively new development in housing finance is the secondary mortgage market, which involves pooling and sale of mortgage loans. A strict definition of a secondary mortgage market is a market in which mortgages trade; i.e., one that involves the sale and purchase of the mortgage asset. Although this activity has been around for a long time, it has greatly expanded in recent years, reflecting the creation of new and specialized institutions and innovations in technology and security design.

Secondary markets are not exclusive to developed countries: there are several examples of successful secondary markets in developing countries, and with prospects for many more. Nevertheless, there are a number of preconditions for a successful secondary market. The most critical factors to support the viability and sustainability of a secondary mortgage market are:

- Stable or improving macroeconomic environment;
- Sufficient legal, tax and regulatory framework;
- Robust primary market operations and standardization;
- Capital market preparedness and appetite for mortgage-backed securities;
- Economic incentives for secondary market participation.

BUILDING BLOCKS OF SUCCESSFUL SYSTEM



For more information on secondary mortgage markets, see a number of resources are available on the internet (see following sections).

⁴ Source: Lamoreaux, Pamela. IFC.

1.B Housing Finance List of Supplementary Materials (Part II of Handbook)

To view these supplementary materials, please refer to **Part II** of this handbook.

Pfeiffer, Herbert. Handbook on Housing Finance Strategies. November 2003 Draft. (In development, to be published by the Housing and Urban Management Advisory Network to the UNECE.)

CHF International. *Housing Microfinance: An Alternative to Traditional Housing Finance Mechanisms*. Presentation delivered in Sarajevo, Bosnia and Herzegovina (May 2004).

Pfeiffer, Herbert G. *Savings Models, Managed by Deposit Taking Banks, in which Housing Finance Techniques are Available*. Presentation delivered in Sarajevo, May 20, 2004.

Merrill, Sally. *Regional Conference on Housing Finance: Building Housing Finance in Central and Eastern Europe: Sharing and Comparing*. Prepared for USAID Contract No. PCE-I-00-97-00052; Warsaw (December 10, 1999).

International Finance Corporation: “Overview of Housing Finance: Government Housing Policy/Legal Structure”. From presentation prepared by Lamoureaux, Pamela.

<http://law.hku.hk/aiifl/ABMF/Lamoureaux%20Securitisation.pdf>.

Home Mortgages Training Manual. Available at:

<http://www.dec.org/default.cfm?CFID=302725&CFTOKEN=53033388>

Construction Lending Training Manual. Available at:

<http://www.dec.org/default.cfm?CFID=302725&CFTOKEN=53033388>

Mikelsons, Maris. *Why Not Borrow to Buy a Home? A Guide for Future Homeowners (A Public Education Brochure)*. Prepared for USAID Contract No. EPE-C-00-95-001100-00, RFS No. 555. (June 1999)

Housing Microfinance Case Study: REZ-FOND Home Improvement Loan Program in Bosnia and Herzegovina

Housing Microfinance Case Study: *HILP and Condominium Loans in Romania*

To view these supplementary materials, please refer to **Part II** of this handbook.

1.C Additional Resources for Housing Finance

Useful Websites

ADEMI - *The Association for the Development of Microenterprise*: <http://www.ademi.org.do>

CGAP - *The Consultative Group to Assist the Poor*: <http://www.cgap.org/>

CARD - *Center for Agriculture and Rural Development*: <http://www.cardbankph.com/>

CHF International : http://www.chfinternational.org/about_what_microfinance.htm

SEWA Bank: <http://www.sewabank.org>

FUNHAVI - *Fundación Habitat y Vivienda, A.C.* :

[http://www.citiesalliance.org/citiesalliancehomepage.nsf/Attachments/funhavi/\\$File/funhavi_final_DMW.pdf](http://www.citiesalliance.org/citiesalliancehomepage.nsf/Attachments/funhavi/$File/funhavi_final_DMW.pdf)

Grameen Bank: <http://www.grameen-info.org/> or

<http://archnet.org/library/pubdownloader/pdf/6111/doc/DPT0071.pdf>

Cities Alliance: <http://www.citiesalliance.org/citiesalliancehomepage.nsf>
Parivartan Slum Upgrading Project, Ahmedabad, India. <http://www.sewabank.org/activities/parivartan.htm>
or http://www.ucl.ac.uk/dpu-projects/Global_Report/pdfs/Ahmedabad_bw.pdf
Central and Eastern Europe Mortgage Finance. *Developing Secondary Mortgage Markets in Southeast Europe* (February 2003) <http://www.ceemortgagefinance.org/conferences/seeconference/agenda.cfm>
Central and Eastern Europe Mortgage Finance. <http://www.polandhousingfinance.org>
European Association of Cooperative Banks. <http://www.gebc.org>.
European Banking Federation, <http://www.fbe.be>.
European Federation of Building Societies, <http://www.efbs.org>.
International Union for Housing Finance, <http://www.housingfinance.org>.
World Savings Banks Institute and European Savings Banks Group, <http://www.savings-banks.com>.
World Bank: <http://www.worldbank.org/wbi/banking/capmarkets/housing/readings.html>

Publications & Presentations

Housing Microfinance: A Guide to Practice. Edited by Franck Daphnis and Bruce Ferguson. Bloomfield, Connecticut, USA: Kumarian Press, January 2004. Available: www.chfhq.org or communications@chfhq.org.

So, You Want to do Housing Microfinance: A Guide to Incorporating a Home Improvement Loan Program into a Microfinance Institution. Silver Spring, Maryland, USA: CHF International, January 2004. Available: www.chfinternational.org or communications@chfhq.org

UNECE Housing Profile for Romania (2001). <http://www.unece.org/env/hs/cph/romania/welcome.htm>

The Current Operation of the Bauspar systems in the Czech Republic, Hungary, and Slovakia. Prepared for USAID by Douglas B. Diamond, The Urban Institute, September 1998. http://www.dec.org/pdf_docs/PNACJ148.pdf

The Efficiency of the Bauspar-System in Eastern Europe. Presentation by Rainer Hager, Fundamenta-Lakáskassza. The Eastern European Workshop on Housing Finance and Housing Affordability. Metropolitan Research Institute, Bucharest, 24-25 May 2004. http://www.mri.hu/downloads/hfin_ws_p/Hager.pdf

Homeownership and Housing Finance Policy in the Former Soviet Bloc: Costly Populism. Edited by Raymond J. Struyk, The Urban Institute, October 2000. <http://www.urban.org/UploadedPDF/costly-populism.pdf>

Pfeiffer, Herbert. *Handbook on Housing Finance Strategies*. November 2003 Draft. (In development, to be published by the Housing and Urban Management Advisory Network to the UNECE.)

The Implementation of Contract Savings Schemes for Housing (Bausparen) in Transition Economies: Features, Recommendations and Examples. Presentation by Andreas Zehnder, European Federation of Building Societies, IUHF Congress, Brussels, 24 June 2004. <http://www.housingfinance.org/WorldCongress/Presentations/41%20-%20Andreas%20Zehnder%20Presentati.pdf>

The Transition in Housing Finance in Central Europe and Russia: 1989-1999. Prepared for USAID by Douglas B. Diamond, The Urban Institute, November 1999. <http://www.polandhousingfinance.org/Poland/PDF/HFTransition.PDF>

Workshop on Housing Finance. Report prepared by the delegation of Romania in cooperation with the secretariat. UNECE Committee on Human Settlements (6 March 2000) HBP/2000/4.

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Lea, Michael. 1994. The Applicability of Secondary Mortgage Markets in Developing Countries." *Housing Finance International* 8 (3): 3-10. March.

World Bank. 1992. *Housing: Enabling Markets to Work*. Policy Paper, Infrastructure and Urban Development Department. July.

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Guttentag, Jack. 1998. "Secondary Market-Based Versus Depository-Based Housing Finance Systems." In Michael Lea, ed., *Secondary Mortgage Markets: International Perspectives*. Chicago IL: International Union for Housing Finance.

Ambrose, Brent W. and Anthony Pennington-Cross. *Local Economic Risk Factors and the Primary and Secondary Mortgage Markets*. REGIONAL SCIENCE & URBAN ECONOMICS (NETHERLANDS); 30, No. 6:683-701, December 2000.

Bonczak-Kucharczyk, Ewa. *Review of the State Housing Policy in Poland in the Nearest Years*. The State Office for Housing and Urban Development, April 2000

Boosting growth through home ownership. IMF SURVEY / INTERNATIONAL MONETARY FUND (INTERNATIONAL); 31, No. 5:74-77, March 11, 2002..

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J. Michael Collins, Eric S. Belsky, Micky Tripathi. Estimating Economic Impacts of Community Lending. Joint Center for Housing Studies, Harvard University, July 1999.

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Hamm, Hartwig. *Housing Finance in Transitional Economies—A Report on the OECD Meeting June 2000*. Association of Public Bausparkassen, June 2000.

Housing Finance : Key Concepts and Terms. Economic Commission for Europe. New York ; Geneva : United Nations, 1998.

Jaffee, Dwight M., and Bertrand Renaud. *Strategies to Develop Mortgage Markets in Transition Economies*. Washington DC: World Bank Working Paper Series, No. 1697: 1–29. December 1996.

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Chapter 2: Community-Led Housing Development

2.A Overview of Community-Led Housing Development

Community participation has traditionally been an affective way throughout the world to identify and address the immediate needs of local residents as well as other complex and inter-related issues such as a lack of economic opportunity, addressing security and/or conflict management, and improving the quality of municipal services. The following paragraphs describe the basic considerations for incorporating community in to housing sector development.

**Chapter 2.
Community-Led Housing
Development**

This chapter covers:

- Participatory Decision-Making
- Housing Cooperatives/
Condominium Associations
- Management of Multi-Unit
Block Housing

What is a “Community”?

For the purposes of this manual, a “community” is a group of people who are interconnected by common interests or by shared resources who, typically, live within close proximity of each other. They may or may not share history or socioeconomic and/or political experience. The concept of “community” is predicated on the values of inclusiveness over exclusivity, mutual benefit, reciprocity, shared responsibilities, accountability, foregoing immediate personal benefit for the longer term benefit of the collective, commitment and trust.

The particular contextual complexities of each situation may vary greatly. For example, is the target community rural or urban? Ethnically/religiously homogeneous or heterogeneous? Experiencing in- or out-migration? Therefore, it is critical to take into account the cultural, historical, religious, tribal and ethnic interests of the various stakeholders before the implementation of any PACE program. Furthermore, it is important to note how the community administers its resources and decision-making processes. In some conflict and post-violence arenas, a given community (such as a rural village) may very well include “sub-communities” representing different ethnicities, internally displaced persons (IDPs) and refugees, or special groups with particular needs such as demilitarized youth.⁵

While it is often more manageable to work or consult with small communities, at times it is necessary to work with larger communities. It is then critical to understand the trade-offs of participation. Some of the trade-offs to be reconciled are:

- **Equity**—are the benefits of a given project extending across ethnic, gender, religious or “migratory lines” (e.g. IDPs) to reach minority interests?
- **Breadth and depth of participation**—although larger scale projects may have greater impact on the physical improvement of a particular facility, is sustainability threatened because of lack of breadth and depth of local community participation?
- **Quality of participation**—are there enough opportunities for meaningful participation to truly build the capacity of a given community to repeat and replicate the process?

⁵ Participatory Action for Community Enhancement. An internal guide to

- **Cost effectiveness of project**—is the sustainability of the project threatened because the ratio of beneficiary to operations and maintenance requirements too low to generate enough future resources?
- **Cohesiveness of “community”**—does the target population regard itself as a “community”? Are there specific measures being taken to build that cohesiveness and is it possible to achieve?⁶

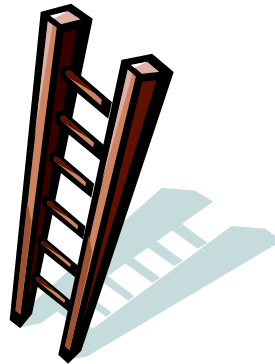
2.A.1 Participatory Decision-Making

Key Considerations to Participation

Simply stated, participation is achieved when a group of people arrives at a mutually accommodating and broadly accepted decision. Key considerations about participation:

a) Level of Participation – There are many different levels at which a community can get involved in housing development. One guidebook suggests that there is a ‘five-rung ladder’ of participation which relates to the stance an organization promoting participation may take.

- (1) Information: merely telling people what is planned.
- (2) Consultation: offering some options, listening to feedback, but not allowing new ideas.
- (3) Deciding together: encouraging additional options and ideas, and providing opportunities for joint decision-making.
- (4) Acting together: not only do different interests decide together on what is best, they form a partnership to carry it out.
- (5) Supporting independent community interests: local groups or organizations are offered funds, advice or other support to develop their own agendas within guidelines.⁷



b) Power and Control – How are decisions made, who has the ability to make or finalize decisions, what is the role of the ‘Practitioner’ in decision-making? Who has access to information and financial and/or material resources, what is the role of the ‘Practitioner’ in controlling (or disbursing) these resources?

c) Ownership – Beyond the legal right to a physical object or the physical improvement in a community resulting from decisions made, it is critical that the members of a community have ownership over the process for arriving at those decisions. This means that community members must, either directly or indirectly through elected representatives, determine the when, where, why and how of the *steps* for getting to decisions. Under a donor-initiated community intervention, this requires that the timeframe, rhythm, forum and procedures for making decisions be modified and eventually turned over to local communities to drive and take ownership over the process and product of the decisions that impact their lives.

That being said, mechanisms regarding the legal owner of assets must be established directly between governments and communities before engaging in a housing sector development project. If ownership status remains unclear, this oversight may cause further tension or conflict in communities once improvements are in need of repair.

⁶ Participatory Action for Community Enhancement. An internal guide to

⁷ Wilcox, David. The Guide to Effective Participation. Brighton: Partnership Books (1994).

d) **Composition** – It is also important that ownership of the community development process be broad-based and inclusive which may not be the norm in a given cultural or political context. Are all stakeholders involved in the process? Who is involved, and to what extent? Are certain external “guidelines” imposed upon the group to ensure adequate stakeholder involvement?

e) **Transparency** – In many post-conflict or transition environments such as in SEE there can be an environment of distrust, corruption, or abuse of power. In this context it is especially important to build in mechanisms for transparency into housing sector development. Community members need to be able to readily determine who made what decision, what they based that decision on, who benefited from the decision and who did not, and whether the decision was justified. The most effective way to beget transparency in community participation is to ensure and enforce transparency within the program implementation. Examples of transparent mechanisms may include:



Community members in Serbia participate in a town hall meeting and vote on local housing and infrastructure priorities.

- Spreading bulletins about housing sector objectives amongst all community members; going door-to-door to talk to people about housing objectives, and how they will be involved in the decision-making process;
- Holding regular town hall meetings (open invitation) to discuss objectives & activities amongst the group; Hosting a Public Information Center or Call Center where people can voice their opinions in a meaningful way.
- Posting program objectives, activities, and results in written form in a public location for all to see;

f) **Accountability** – With the introduction of more transparent processes in addressing community needs and transferring resources to make improvements to local infrastructure, community members become more aware of how decisions are made and by whom. Knowing the source of a decision enables the community members to ask questions of the appropriate person(s) in a timely fashion. In other words they can hold those whom they entrust with certain responsibilities accountable for fulfilling their duties as expected and agreed upon and thus protect their collective interests. Mechanisms of ensuring accountability also help protect those who take initiative and assume leadership roles. Such measures provide regular opportunities for leaders to report back to the community that their decisions and actions have been reasonable, thoughtful and in the interest of the community at large.

g) **Capacity** – Does the community have the skills, tools, and resources, to make decisions and make improvements to their lives on their own? Do they have the confidence that they can do it? Do they know how to do it in a way that brings desirable results? Do they have the resources to do it, or know how to obtain those resources? What is the best way to ensure access to such resources in the short- and long-term?

2.A.2 Management of Multi-Unit Block Housing through Housing Cooperatives/ Condominium Associations⁸

Following the mass privatization of the public rental housing stock throughout Eastern Europe, private ownership in multi-flat housing estates has become the dominant type of tenure in the urban areas. In a number of countries throughout Southeastern Europe, however, the legal framework for forming condominiums and owners' associations has been a slow and difficult process.⁹ In Bosnia and Herzegovina, for example, there remains mixed legislation concerning multi-unit housing: while in some regions buildings must be managed by a certified private firm (often controlled by a monopolistic firm), in other areas residents are allowed to manage their own property if they so choose.



Throughout Eastern Europe housing cooperatives (also known as condominium associations) have proven to be an effective mechanism for managing recently-privatized or state-owned multi-storied housing units. The following section describes in greater detail the practical ways by which these mechanisms succeed.

What is a Housing Cooperative?

The term *cooperative* is used to describe a group of people who collaborate voluntarily to meet common economic, social and cultural needs through a jointly owned and democratically controlled enterprise. A **housing cooperative** is a legal association formed for the purpose of providing housing to its members on a continuing basis. It is jointly owned and controlled by its members. Cooperative housing can take various forms and accommodate a range of tenure options, including rent, installment sale, or sectional title. It can bridge the divide between individual ownership and rental housing and can be developed through such methods as social housing institutions, or through the People's Housing Process. Cooperative housing can be applied to any range of income groups, from people living in high quality inner city new built housing, to very poor people coming together to build houses by self help or mutual aid.

Preconditions for Cooperatives

A *viable* cooperative housing sector relies on the following conditions:

- **Cooperatives recognized in the housing policy.** The national or regional housing policy needs to recognize cooperative housing as one of the ways to address the housing problems. Ideally, this policy is prepared with the contribution of representatives of housing cooperatives.
- **Cooperative legislation.** Legislation for the formation, regulation, and operation of housing cooperatives should exist. New legislation due to be promulgated in early 2002 is aimed at promoting a vibrant housing cooperative sector.
- **Cooperative regulatory agency.** A cooperative regulatory agency, usually a public or combination public/private organization, needs to exist to authorize the formation of new cooperatives, including housing, and regulate their operations.

⁸ For details, see: Economic Commission for Europe, *Guidelines on Condominium Ownership of Housing for Countries in Transition*. New York and Geneva: United Nations, Publication ECE/HBP/123. <http://www.unece.org/env/hs/publications/condominiums.pdf>

⁹ ECE, *Guidelines...*

- **Housing finance.** Public and/or private financial institutions need to exist to receive the pre-occupancy savings of the cooperative housing members and provide the short-term construction and long-term financing to cooperative housing projects. Often low-income families receive a subsidy for the acquisition of a house. The subsidy has to be made available to cooperative housing projects for such families.
- **Cooperative housing technical service organizations.** These organizations, referred to as TSOs, provide a range of services to a group of individuals wanting to resolve their housing problem with cooperative ownership. A TSO can offer, for example, assistance on selection of land, the project design, and supervision of construction; education and training to the members, boards of directors and committee members on their respective responsibilities; securing of the short and long-term project financing; and project operations and management.

Cooperative Principles

Cooperatives are defined by a set of eight core principles by which they abide:

- 1) **Democratic control by members:** The cooperative is run on democratic principles where each member has one vote.
- 2) **Open and voluntary membership:** No discrimination, members are free to participate or to leave.
- 3) **Security of tenure:** Members have the right to permanent residency as long as they respect the obligations of membership. Shared ownership puts the control of the housing in the hands of the residents.
- 4) **Member economic participation:** Members of the cooperative contribute to, and share fairly, in the economic affairs of the cooperative.
- 5) **Autonomy and independence:** The cooperative is free from outside interference in its internal affairs.
- 6) **Education and training:** The cooperative builds the understanding and skills base of its members.
- 7) **Cooperation among cooperatives:** Housing cooperatives work together with other cooperatives, including other forms of cooperatives such as producer or consumer cooperatives that promote cooperative principles in their work.
- 8) **Concern for community and future generations:** The cooperative is also concerned about the well being and quality of life of non-members and the young who will inherit the houses and environment created by the cooperative.

Tenure

Cooperative housing is neither rental housing nor individual ownership. Members of a cooperative have the right of occupancy of a particular unit, rather than a lease or title deed to it. A housing cooperative is a legal entity that owns the housing project: the land and improvement on it. Each member owns a share in that housing cooperative, and the cooperative signs a right of occupancy agreement with the member for his or her use of one of the cooperative's units. made up of individual members, owns the houses themselves. The right of occupancy agreement describes the procedure that the member will follow if they leave the cooperative.

Differences between the various forms of social housing tenure¹⁰

Type of tenure	Who owns the property?	What use rights do residents have?	Residents payments	Potential for ownership in the long term
Cooperative	The cooperative owns the property. Each member has a share in the cooperative.	Cooperative members have exclusive and private use of a unit for as long as they fulfill their responsibilities as described in the right of occupancy agreement.	Cooperative members pay for cooperative membership, their share capital, and monthly user charges	Cooperative members will not be able to own their units unless the cooperative is dissolved & the property sectionalized or the cooperative pays its mortgage in full.
Share Block	The company (which is owned by the residents) owns the property. Shares are in the company	Residents have exclusive and private use of a unit for as long as the Co. exists	Residents pay for shares & a monthly levy	Individual residents will not own their units unless the share block is dissolved and the property sectionalized
Rental (lease)	The social housing institution owns the property	Residents have exclusive & private use of a unit for the term of the lease	Residents pay a monthly rental	The residents will not be able to own their units in the future
Rent-to-Buy	The institution owns the property	Residents have exclusive & private use of a unit for the term of the lease	Residents pay a monthly rental	After 4 years residents may exercise an option to buy.
Installment Sale	The institution owns the property until it is transferred to the resident	Residents have exclusive & private use of their unit and will then own it after a minimum of 4 years.	Residents pay a monthly installment and levy	Residents will own their unit on the date of transfer. This date is agreed at the start

Cooperative tenure is distinct from other forms of social housing in the following ways:

- **The right of inheritance:** The dependants of a member of the housing cooperative have the right to inherit that members' share in the cooperative, with the approval of the cooperative's board of directors, if they will occupy the unit.
- **Legal structure:** A cooperative is legal entity jointly owned and controlled by its members. Each member has a share in the cooperative, but it is the cooperative, which owns the property. Members have a right to live in a particular unit in accordance with the terms and conditions of the right of occupancy agreement they sign with their cooperative.
- **Exit repayment:** When a member leaves a housing cooperative, that member has a right to receive a percentage of the amount of money that she/he has contributed to the cooperative
- **Tenure** (See above.)
- **Membership:** Members have a share in their cooperative. Each member has a voice and vote in the decision making process of their cooperative. They can exercise this right in the Annual General Meeting of the cooperative and special meetings.



One condominium association in Sarajevo posts the cost of building repairs, as well as payments made by the members, in the building's atrium.

¹⁰ From the Toolkit for Social Housing Institutions. SHF. 2000

- **User charges and members' equity:** All members contribute equally to the maintenance and operation of the housing cooperative. Members pay an amount to join the cooperative and monthly user charges. The distribution of the member's equity in their cooperative when they depart the cooperative is described in the right of occupancy agreement.
- **Principles:** cooperative housing is developed and operated according to seven principles of cooperatives; the eighth principal of *housing* cooperatives is concerned with succession.

Advantages and Disadvantages of Housing Cooperatives

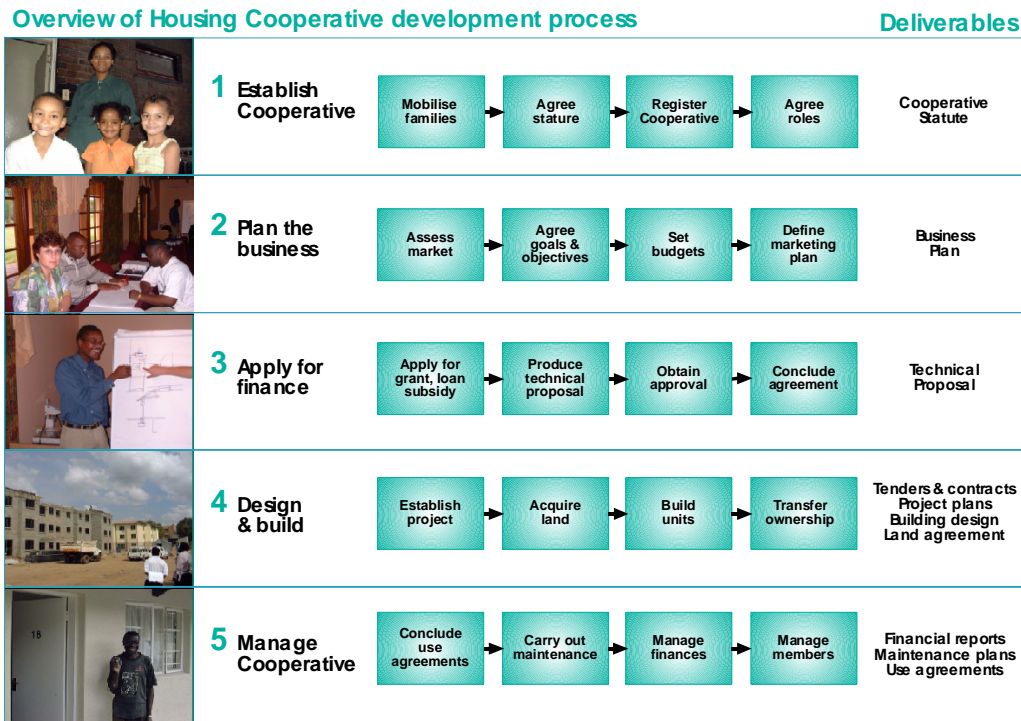
Advantages: housing cooperatives offer a unique form of homeownership to many families, community groups, churches, and local and national governments because they:

- Provide permanent tenure to members.
- Build community spirit. The members learn to work together and form bonds with one another – by so doing taking control of their cooperative
- Build members skills, including leadership, financial, maintenance, and managerial skills.
- Lower operating and maintenance costs. The members of a housing cooperative can take on responsibilities to help reduce the operating and maintenance costs of their cooperative. They can, for example, work on and with their elected board of directors and designated committees to care for the cooperative property they occupy and use and also the green areas of the cooperative, preserve and maintain the common property of the cooperative, and help with the management of the cooperative.
- Provide a positive community environment. The members of a housing cooperative can be counted on to support reasonable programs to fight vandalism, reduce crime, reduce traffic nuisance and improve their environment in their cooperative community. Cooperatives can exercise internal control to prevent speculation and illegal sale, sub-letting or transfer of houses.
- Demonstrate value of working together.
- Expansion to other activities. A cooperative provides a legal and organizational structure for expanding into other activities, such as income-generating businesses.

Disadvantages can include the following:

- Lack of information and experience. People interested in resolving their housing problem through a cooperative approach may not be able to find information on them or institutions, either public or private, with experience in organizing, building, operating and managing a housing cooperative.
- Cooperative ownership. Institutions and/or individuals in some societies do not readily accept cooperative ownership. Financial institutions may be reluctant in providing financing to single mortgage housing cooperatives.
- Individuals want to have “their” property, land and improvements, rather than be a member of a cooperative and have the use of one of its properties.
- Lack of member participation in their cooperative. Housing cooperatives are organized, operated and managed by their members. If the members do not actively participate in the general and special assemblies and fulfill their responsibilities for their cooperative, the cooperative will suffer and, in the extreme case, fail. Members need to receive training in their responsibilities and their cooperative's structure and responsibilities.

Overview of the Housing Cooperative Development Process



Legal Framework for Condominium Associations.

The following, very general structure could be recommended for the law on condominium ownership:¹¹

PART I: Scope of regulations; Central definitions.	PART III: Association of owners; Role, purpose and competencies; Meeting and decision making; Board and management; Budget; bookkeeping and accounts; Joint expenses -- obligations to pay; Third-party liability for owners.
PART II: Principal rules governing private and joint ownership; Rights and obligations of ownership; Change in use of privately owned units; Change in use of jointly owned property.	

For more information, see *Guidelines on Condominium Ownership of Housing for Countries in Transition* (Part II of this handbook).

¹¹ ECE, Guidelines On Condominium Ownership Of Housing For Countries In Transition, 13.

2.A.3 Upgrading/ Renovating Multi-Storied Units



This housing cooperative in Poland applied for a home improvement loan and was able to finance improvements to their multi-unit building.

Financing Upgrades

As discussed above, a housing cooperative presents an ideal mechanism to implement and finance upgrades of multi-unit facilities, as each family can contribute a portion to the costs of renovating and maintaining common areas. For smaller investments, upgrades may be financed in cash. For larger investments, provided that the housing cooperative is a legally recognized entity, credit financing may also be made available to the association through a microfinancial institution and/or commercial bank, to be repaid by association members over time. In this situation, ‘peer pressure’ by association members helps mitigate the risk of default by any single family. [For illustrative examples of

such mechanisms in action, see Part II case study readings on Poland and Romania, written by Czachorska-Jones.]

Energy Efficient Construction and Renovation¹²

In upgrading existing facilities or building new ones, residents now have access to a variety of new energy-efficient technologies. To realize these long-term benefits, the principles of low-cost energy buildings are:

- Zoning and suitable orientation of the building – (south facing)
- Optimal dimensioning of thermal and technical parameters of envelope structures
- Efficient building’s technical equipment
- Controlled ventilation with recuperation
- Avoiding heat bridges
- Air-tightness of the external cladding
- Efficient use of passive solar gains
- High-quality of construction work (details)



This residential building in the Czech Republic allows families to save considerable energy costs each month.

While the initial capital investment for energy-efficient upgrades is higher, over time residents pay substantially less in utilities costs. The following table illustrates an example from the Czech Republic of the financial savings realized from energy efficiencies:

	Standard Building Construction	Energy-Efficient Construction
Initial Investment Costs	400 – 650 €/ m ² heated area	500 – 650 €/ m ²
Energy Consumption	100 kWh/ m ² , year	35-65 kWh/ m ² , year

[For more information, see Part II readings by Zeman, Jiri.]

¹² Zeman, Jiri. *Multi-story Block Housing in the Czech Republic*. Presentation delivered in Sarajevo, Bosnia and Herzegovina, May 2004.

2.B List of Supplementary Materials for Community-Led Approaches (Part II of Handbook)

To view these supplementary materials, please refer to **Part II** of this handbook.

Economic Commission for Europe: *Guidelines on Condominium Ownership of Housing for Countries in Transition*. New York and Geneva: United Nations; Publication ECE/HBP/123. <http://www.unece.org/env/hs/publications/condominiums.pdf>.

Hachmann, Claus. Presentation on Six Strategies for Developing Large Urban Settlements: a look at Berlin and the former GDR. (2004). Presentation of *Large Settlements in Central Eastern Europe*. (2004)

Bamford, Stephanie. *Bottom-Up Approaches to Regeneration and Reinvestment: Examples from the United Kingdom*. Presentation delivered in Sarajevo, May 2004.

CHF International: *Condominium Association Training Manual*. Prepared for USAID Contract EUR-0034-C-00-2033-00, RFS 43 (December 1996).

Price, Marvin J. *Reference Manual for the Renovation of Multi-Family Residential Buildings in Romania*. (March 1998).

Price, Marvin J. *The Operation and Management of Multi-Family Housing in Romania: A Reference Manual for Owners Associations*. Prepared for USAID Contract NO. EPE-C-00-95-001110-00 RFS 802 (March 1998).

Czachorska-Jones, Barbara, CHF International. *Studies in Governance: Poland. Emerging Governance Within Polish Condominium Associations*. Case Study prepared for the USAID-funded Cooperative Development Program. (March 2003).

Czachorska-Jones, Barbara, CHF International. *Studies in Governance: Romania. Condominium Associations Study*. Case Study prepared for the USAID-funded Cooperative Development Program. (March 2003).

Zeman, Jiri. *Multi-story Block Housing in the Czech Republic*. Presentation delivered in Sarajevo, Bosnia and Herzegovina, May 2004.

To view these supplementary materials, please refer to **Part II** of this handbook.

2.C Additional Resources on Community-Led Approaches

Hachmann, Claus. Presentation on Six Strategies for Developing Large Urban Settlements: a look at Berlin and the former GDR. (ICA-Housing, 2004.)

Hachmann, Claus. Presentation of *Large Settlements in Central Eastern Europe*. (ICA-Housing, 2004.)

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Chapter 3: Local Government’s Role in Housing

3.A Overview of Local Government’s Role in Housing

Most housing professionals agree that housing is primarily a local service. While local government must work with Central Government to promote decent, affordable housing for all, it can take a lead as well. Furthermore, housing and land reform is key to local economic development. If one looks at the property tax alone, which is mainly a wealth tax on housing, it accounts for 25% of all local government revenues.

**Chapter 3.
Local Government’s Role in
Housing**

This chapter covers:

- Steps to a Successful Housing Sector Development Strategy
- Implementing & Monitoring Housing Sector Strategies

Local government carries many roles and functions within the housing sector: overall housing policy and strategic planning, land use planning, provision of public municipal services, creation of a favorable environment for the private financing of housing construction/ renovation, ensuring standards in construction, regulation of housing/ property management organizations, and also provision of low-income housing to especially needy populations. As a first step, this section looks at the *strategic analysis* component of local government’s role in the housing sector.

3.A.1 Defining Local Government’s Role in Housing

What is Local Government’s Role in Housing?

As one leading housing report purports, “It is at municipal level that national housing policies must be converted into practical actions and results. The structure, procedures and efficiency of political and administrative bodies at municipal level are therefore of ultimate importance for practical solutions to housing problems. A major element of the restructuring of the housing sector in the countries in transition has been the transfer of responsibilities from national to municipal level. However, this process has not always been accompanied by the appropriate restructuring and strengthening of municipal political and administrative capacities in housing matters. Therefore municipalities are not always in a position to accelerate the development of a functioning housing market. To improve the situation, political responsibility in housing matters should be concentrated in, and highlighted by, a housing committee or sub-committee under the municipal council.” This committee should have responsibility for the following four major sectors:

- a) Overall municipal housing policy and strategies;
- b) Cooperation with the private housing sector;
- c) Social housing; and
- d) Sustaining and improving the quality and value of the municipally owned housing stock.¹³



¹³ ECE, *Guidelines on Condominium Ownership*.

3.A.2 Steps to a Successful Housing Strategy

What Makes a Successful Housing Strategy?

While each housing sector development strategy will be unique in each country/region, there are some general principles that will be relevant regardless of the size or location of the community. Every community housing development strategy needs to have the following:

- A realistic assessment of the community's opportunities
- An analysis of internal and external forces shaping the local housing market
- Workable and cost-effective actions that can be achieved incrementally
- Land use plans that support the desired activity, and a complementary project approval process
- A clear implementation plan and a performance monitoring plan
- An effective governmental housing organization to oversee the strategy's implementation

These elements of successful housing development strategies reflect that housing sector development is an on-going process. A *strategic approach* is needed to maximize resources and benefits. Housing development strategies must be built upon prevailing community's goals, objectives, and values, and it must be built in such a way that it is easily monitored and can be adapted as necessary to reflect changing conditions and changing goals.

Steps to Successful Housing Strategy

The essential steps in the creation of a successful housing sector development strategy are:

Data Collection and Research. There needs to be a solid factual base for the housing sector development strategy. This first step includes an environmental scan to ensure a thorough understanding of your community and its unique assets and needs. The data collection and research phase should include a review of socio-economic factors, an assessment of the local economic climate, and an assessment of community resources (people, institutions, programs, and other resources) that can support housing sector development activity.

Community Consultation and Visioning. No one knows the community better than the people who live and work there. The municipality will need to work closely with community and business leaders to design and conduct the research phase. A key part of the data collection and research phase is developing an understanding of existing community goals, aspirations, and values. Community consultation is essential to determining which housing sector development opportunities to pursue. While there may be some obvious opportunities at the beginning of the process, as more is learned, other and better opportunities may become evident. A community-visioning workshop is vital in helping to determine the best fit between housing sector development opportunities and the community's ability and interest in acting on these. For example, while there may be an opportunity within the community, the skills required to act on it may not yet be in place (e.g. management of condominium associations, or enforcing adequate construction standards). In such cases a housing sector development strategy might aim to develop the needed skills through training.

Preparation of Housing Sector Development Strategies. Building on the research and community consultation, housing sector development strategies tailored to the needs of the community can be drafted. These strategies will need to fit into the larger framework of the community's vision, goals, and objectives for housing sector development. Much of this thinking

about the community’s vision, goals, and objectives will have been articulated through the community consultation and visioning process. In addition, other work in the community such as land use planning and facilities planning may also provide further clarity on the community’s vision and aspirations.

Preparation of the Action Plan. The purpose of the **action plan** is simply to translate each of the strategies into achievable actions that can be carried out in a rational and incremental manner as resources of time, people, and money permit. The incremental process will take time. Many actions may be possible in the short-term. Others will take longer. The action plan must consider many possible courses of action and assess them in terms of the agreed strategies, costs and benefits, and the viability and feasibility of the action. It should be noted that the housing sector development strategy is not a feasibility study for individual projects or initiatives; rather, it is a *high level strategy plan* that can provide an initial assessment of the likely viability and possible feasibility of a particular course of action. Often, for instance, the action associated with a strategy may be to undertake a detailed feasibility study of a project.



The action plan must identify not only what needs to be done but it must also indicate *who* needs to take the action. It should also outline the likely resources needed to achieve the desired results and it has to determine the time needed to complete the recommended action.

In order for the action plan to be realistic, the housing sector development strategy will objectively assess the community’s capacity to achieve the goals and objectives and indicate those areas where additional resources may be needed. The action plan needs to acknowledge gaps, weaknesses, and other limitations that may prevent desired goals from being achieved. As well, there must be broad-based commitment to the recommended actions – these actions must come from the community. Finally, there needs to be complete agreement on who takes responsibility for who is to take the lead on implementing each action and there must be agreement on what the key performance indicators and monitoring mechanisms will be.

3.A.3 Making it Happen: Implementation and Performance Monitoring

Having a set of broad strategies for economic development and an action plan to achieve the strategies is meaningless unless there is a mechanism in place to ensure that the actions are taken and that the underlying assumptions are being constantly challenged and reassessed. The critical step to get from the words in the plan to action in the community is deciding who does what and checking to ensure that it got done.

Organizational Models for Local Housing Development

No housing development strategy will ever come to life without an appropriate organization in place to take the necessary responsibility for implementation and performance monitoring. There are many different models and there is no “right” or “wrong” model for organizing the housing sector. What works well in one community may not work in another and the chosen organizational model may change over time. Some examples of models for the delivery of the community economic development function include the following:

- Housing development office within the municipal office
- Housing development commission
- Housing development corporation
- Housing Cooperative, Community Association, or Regional Network of Associations
- Local Non-Profit Housing Organization

Whichever model is chosen for the provision of the housing sector needs in your community, for housing sector development to be successful, it is essential that very clear terms of reference and policies and procedures be in place for this organization to follow.

Implementation

Key roles and responsibilities of the local housing development organization need to focus on achieving the goals, objectives, and vision for economic development in the community and so should include the following:

- Identify business and investment opportunities and actively pursue them
- Maintain up to date information on the local economy
- Prepare and distribute appropriate marketing material for key opportunities
- Raise the profile of economic development and gain broad community support
- Help ensure the effective communication between the municipality and the business community
- Ensure the coordination of all economic development related activities in the community
- Provide direct input into municipal and other government plans and policies that affect local businesses and economic development opportunities
- Identify and pursue funding sources for economic development projects and programs
- Build community partnerships to help achieve the economic development goals and objectives

Performance monitoring

Many different performance measures can be used to track a community's progress in achieving its housing development goals. Some key indicators¹⁴ for housing that can be tracked include:

- (a) Dwelling unit. This element to include –
 - i. objective/ technical data, such as number of rooms, floor area, number of square feet of living space per family member
 - ii. facilities, structural quality, and quality of materials;
 - iii. subjective/ use data, such as temperature conditions.
- (b) Commonly owned/used parts of building. To include objective/technical data, such as form of ownership, parking facilities etc, and expenditure on maintenance and on utilities (gas, electricity etc), improved quality of infrastructure and municipal services (roads, utilities, trash collection, health points, schools, parks) that can be accessed by the majority of residents.
- (c) Socio-economic indicators, including
 - i. social issues, such as household characteristics, Creation/ renovation/ upgrading of homes, Number of families housed; decrease in reported rates of homelessness or displacement;
 - ii. economic issues, such as amount and breakdown of household income;
 - iii. cultural issues, including national identity.
- (d) Environment. To include –
 - i. the general environment, such as air quality, noise etc;

¹⁴ Gert Gundersen, in: World Health Organization, European Centre for Environment and Health Bonn Office. *Housing and Health Indicators, Minutes of the WHO Meeting*, (4 - 6 June 2003), Lisbon, Portugal.
http://europa.eu.int/comm/health/ph_projects/2002/monitoring/fp_monitoring_2002_a2_inter_01_en.pdf


- ii. the local environment, including traffic safety and noise, play and recreation facilities and space, and land use.
- (e) Other macro-economic indicators, such as:
 - i. expanded tax base (via property taxes)
 - ii. increase in average property values throughout the area
 - iii. attraction of new residents and investment from surrounding retail.

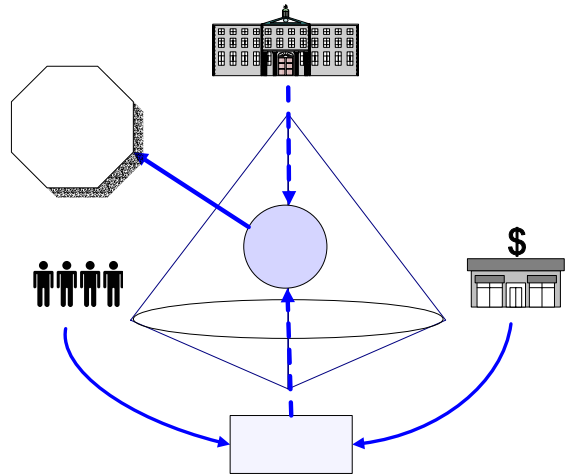
It is important to be continually monitoring progress in housing sector development to know if the strategy itself is still relevant. To do this, it is necessary to keep going back to the initial goals and objectives and to ask the question: “is what you are now doing still getting you there?” If the answer is no, it is time to revisit and rethink the economic development strategic plan.

Often the best means to measure performance is to conduct surveys among residents and other groups in the community and to continue to consult regularly with the key community stakeholders and leaders who were part of the initial community consultation process. Time and circumstances will change the community’s priorities, the required actions, and sometimes even the overall goals and objectives.

3.B Public-Private Partnerships¹⁵

The role of government, business, and civil society have become increasingly interdependent. We have moved from a world where the state had the sole responsibility for the public good, and business interested solely in maximized profits independent of the interest of society at large, to a world where success depends on the close synergy among business, government and civil society.

Partnering has become much more common – it is becoming a fact of life. Governments recognize that they can no longer independently provide services: unable to cover financially the needs of the community, they now regularly search out new ways to maximize productivity and operational effectiveness.  The recent development of e-government initiatives is a real example of this. Legislative efforts are being made in order to keep up with these inherent changes, allowing governments to increasingly become procurers and policy managers rather than direct service providers, a development that will have significant and far-reaching implications for public employee skills, responsibilities and organizational structures.



One Public-Private Partnership model in Bosnia and Herzegovina, called “MEDI”, is linking businesses and local government with community groups. Some of their successes include: the construction/renovation of homes in Zenica, the building of a sports hall in Gracanica, offices, & improved local tax laws for businesses.

Public-Private Partnerships (PPPs) happen for several reasons around the globe. In some cases, the parties’ want to simply increase the scale of their activity. In other cases one party want to take advantage of the strengths of another. Often, different groups seek to exchange technologies, information, or expertise in order to learn from one another. With these values in mind, below

¹⁵ CHF International: *Partnering for Success: A Manual of Public – Private Partnerships for Local Economic Development*. Timișoara, April 2002.

are some of the most commonly used definitions for what is commonly understood by public-private partnerships:

- Joint initiatives involving any of the following: 1) governmental organizations such as government housing authorities and public schools; 2) business organizations, including private, for-profit businesses that produce goods and provide services; and 3) organizations of civil society, which include a wide range of voluntary associations and agencies that represent and express the values and concerns of social groups.¹⁶
- A partnership between the public sector (represented by the local and/or county public administration) and the private sector (represented by local economic agents and/or representative business associations) represents an understanding and joint commitment of the parts involved to solve common problems of community interest.¹⁷
- One or more public institutions cooperating with one or more private institutions on the basis of common contractual understanding or within an alliance with all parties involved, with the aim of reaching common goals, while every party involved maintains its identity and own purposes.¹⁸
- Formal relationships/commitments resulting in a mutually beneficial activity to which both partners commit resources.¹⁹
- Partnerships where two or more organizations bring together their skills and resources in a complementary manner to meet organizational objectives.²⁰
- Inter-sectoral partnerships strengthen individual organizations within each sector, offer a mechanism to resolve specific development issues, and can lay the foundation for broader, systemic change.²¹

A classification based on **aim** of such partnerships would show mainly two types of PPPs:

- (1) **Policy planning partnerships** are often structured as committees or councils, and are predominantly advisory in nature. They may include citizens, local experts, and community leaders who represent different constituencies to provide guidance in the formulation of economic development policy, help establish community priorities, and identify the resources needed to implement economic development projects and programs.
- (2) **Implementation partnerships** are used to manage and finance the implementation of economic development strategies, projects and programs. While they take a variety of forms, all these partnerships combine the resources of local government with those of the private sector, NGOs, and community organizations. They are usually governed by boards that represent all partners, helping to ensure that their interests are taken into account.

Given that the partnerships are difficult to define or specify, a conference report on a Consultative Meeting on Partnerships held in Washington in May 1998 suggested that the partnerships should be viewed on a *continuum*. On one extreme are contractual relationships. These may not be considered partnerships, but illustrate the basis from which partnerships can

¹⁶ Source: NPI Resource Guide, USAID 1997, <http://www.usaid.gov/pubs/npi/index.html>

¹⁷ Source: Public-Private Partnership Timis Handbook, a project financed by the Open Society Foundation Bucharest and produced by Timis County Council in cooperation with the Agency for Socio-Economic Development Timis

¹⁸ Source: as in note 4.

¹⁹ Source: The World Bank Group: Business Partnership & Outreach Group newsletter, November 2000

²⁰ Source: Public/Private Partnership Training Workshop Resource Manual developed by the Ontario Ministry of Citizenship, Culture and Recreation, April-May 1996, <http://www.lin.ca/resource/htl/Pppart.htm>

²¹ see footnote 3

be built. For example, contractual relationships are generally project/event specific, and are very detailed. Moving along the continuum, one finds consultation and collaboration, also called partnership by some. At the other extreme are strategic partnerships. Unlike contracting, strategic partnerships entail clear overall objectives, but lack the attention to detail that the project specific partnerships contain. They tend to be program-based, built on the basis of comparative advantage. These are far less common.

Benefits of PPPs

Reasons why any of the potential actors initiate PPPs vary depending on the particular project and context. However, objectives can be specified for a partnership or a relationship that is pursued in the context of a given project or development effort. These objectives will still vary, but may include any or all of the following:

- Cost effectiveness – using *existing* resources efficiently, rather than investing in new ones;
- Speed – achieving expediency through the division of responsibilities according to different parties' core competencies;
- Risk mitigation – Minimization of conflict and/or community-based risk that could ultimately undermine the success of investments into the community;
- Sustainability – ensuring that a project or physical asset is maintained over long-term by promoting local community ownership and improving communication among all stakeholders;
- Institutional development – building one's own capacity by learning from others (planning, coordination, training, or monitoring); or
- Community level development (implementation of small investment schemes, or mobilizing resources among residents and various government departments).

In essence, PPPs are created with the overall objective of addressing issues or problems that no one sector has the resources and/or the ability to manage. For examples on how PPPs have worked in Southeastern Europe, see Part II of this handbook.

3.C List of Supplementary Materials for Local Government's Role in Housing (Part II)

To view these supplementary materials, please refer to **Part II** of this handbook.

Boorer, Malcom. *Can Municipalities Make a Difference to Housing?* Presentation Delivered in Sarajevo, Bosnia and Herzegovina, May 2004.

CHF International. *Rapid Survey Tool for Analyzing Municipal Capacity for Local Housing Sector Development*, 2004.

UN-HABITAT. *Public/Private Partnerships in Enabling Shelter Strategies*. ISBN 92-1-131207-8 (1993).

Franz Vanderschueren, Emiel Wegelin, and Kadmiel Wekwete. *Policy Programme Options for Urban Poverty Reduction: A Framework for Action at the Municipal Level*. Washington, DC: The World Bank, Urban Management Programme (1996).

Ennis, Gerard, EU RED Team Leader. *PPPs and Regional Development*. Presentation Delivered in Sarajevo, Bosnia and Herzegovina, May 2004.

Gamberale, Vincent, CHF International. *PPPs and Urban Development*. Presentation Delivered in Sarajevo, Bosnia and Herzegovina, May 2004.

To view these supplementary materials, please refer to **Part II** of this handbook.

3.D Additional Resources on Local Government's Role

UN/ECE (Geneva) publication "Land Administration Review. The Russian Federation" (2003) (HBP/WP.7/2003/7).

UNE/CE (Geneva) publication "Land Administration review. Georgia" (2001) (HBP/WP.7/2001/9).

UN/ECE (Geneva) publications "Country Profiles on the Housing Sector for Countries in Transition."

Rabenhors, Carol; Davis, Martha; and Geröházi, Éva. The Role of Municipalities in Hungary Assisting Condominium Renovation: Handbook for Local Governments. (Handbook in Hungarian and English) Prepared for: East European Regional Housing Sector Assistance Project. Project 180-0034, USAID/ENI/DG.LGUD. (Urban Institute, August 1999)

World Health Organization, European Centre for Environment and Health Bonn Office. *Housing and Health Indicators, Minutes of the WHO Meeting*, (4 - 6 June 2003), Lisbon, Portugal.

http://europa.eu.int/comm/health/ph_projects/2002/monitoring/fp_monitoring_2002_a2_inter_01_en.pdf

Chapter 4: Legal and Institutional Frameworks for Housing Sector Development

4.A Overview of Legal and Institutional Frameworks

According to international experts, housing sector development should be in the focus of parliamentary responsibility. Ministerial responsibility for housing should also be concentrated in a State body. Whether this takes the form of a separate ministry of housing or a special division for housing in another ministry is not important. What is important is that the unit with responsibility for housing should have sufficient competence and capacity to address effectively major housing issues at national level.²²

Chapter 4.
Legal and Institutional Frameworks
for Housing Sector Development

This chapter covers:

- The Role of a Housing Regulatory Body
- Land Administration
- Land Management
- Other Legal/Regulatory Responsibilities

According to the Migration, Asylum, Refugees Regional Initiative (MARRI) of the Stability Pact for Southeastern Europe, there are six priority areas of national action, international cooperation, and harmonization of housing policy and housing finance in SEE:

(1) Legal and regulatory changes in areas such as:

- Housing management, land administration, simple delivery of construction permits, and defined security of tenure
- Urban management and planning (zoning and clear land ownership titles)
- Comprehensive spatial planning;

(2) Taxes and subsidies affecting housing and construction, and charges for public utilities;

(3) Social policies, e.g. a framework for housing for socially weaker or vulnerable groups;

(4) Housing finance, in particular encouragement for the development of mortgage loans which requires a functioning banking system and a secure system of mortgage registration and enforcement;

(5) Institutional development and capacity building in the areas above;

(6) Development of benchmarks for policy and program implementation, monitoring and evaluation.²³

4.A.1 The Role of a Housing Regulatory Body

There is a broad spectrum of regulation: from industry self-regulation (via codes of conduct or similar) to traditional regulation (usually involving legislation). Alternatively, co-regulation is where the housing industry, residents, and government work together to contribute to the regulatory framework. This may involve a situation where the government's regulatory framework respects the private sector self-regulatory elements. Co-regulation may also involve industry bodies or non-governmental organizations carrying out some of the regulatory functions.

²² ECE, *Guidelines on Condominium Ownership*, 15.

²³ MARRI: *The Housing Sector – Access to Affordable Housing: Developing Sustainable Solutions to Displacement and Migration*. Stability Pact of South Eastern Europe. Migration, Asylum, Refugees Regional Initiative (MARRI). April 2004.
www.stabilitypact.org/marri

Within the housing sector, government must set and ensure some basic standards to its citizens. The main governmental functions in the housing sector include:

- Land Administration: Providing a legal and administrative framework for land security, rights, and administration;
- Land Management: Setting a framework for managing land resources effectively so that it represents the interest of residents, promotes economic growth, and ensures a healthy, stable environment in the long run;
- Financial Regulation: Establishing an adequate financial environment for people to purchase a new home or upgrade their existing homes.
- Social Housing: Ensuring affordable housing for low-income residents;

4.A.2 Land Administration²⁴

Land administration is “the processes of determining, recording and disseminating information about the ownership, value and use of land when implementing land management policies.”²⁵

There are four main areas of the law that particularly affect the land administrator:

- a. The law of “*real*” property that affects dealings in land;
- b. The laws on land *reform* such as the privatization of State-owned land, the restitution of former private land, and land consolidation;
- c. The laws that govern the conduct of land administration such as the *regulations* that control the operation of the cadastre; and
- d. The laws on “*intellectual*” property that affect such matters as the ownership of information and ideas, the protection of data and personal privacy.

Countries introducing new land laws need to ensure that the law defines the nature of land, the form and nature of ownership, and the legally recognized forms of tenure. These laws must also differentiate between real property and personal property. It must also distinguish ownership, possession and use of land, and protect the rights of landlords, tenants and third parties, including those of mortgagees. It must define the means and conditions whereby use rights can be changed to ownership rights, for example through the lapse of time, as well as how the ownership of these rights may be transferred. Such laws will also codify all forms of statutory restriction that may apply to land.

Land Security

Whether or not potential clients have the right to occupy property without threat of eviction will have a large effect on people’s willingness to invest in housing. As one report states, “The role of land in the economy of each nation is not always obvious, but is of great significance. Without secure land rights there can be no sustainable development, for there will be little willingness to make long-term investments. Countries in transition will, in particular, find it difficult to obtain some foreign investment.”²⁶

As such, one of the most important steps in the transition from a centrally planned to a market economy is the establishment of private ownership in land. For investment to take place, the investors must feel confident that the assets that they are developing will be built on land to which there is a secure title. There must be a clear and rigid framework of laws governing the

²⁴ This section is largely based on Economic Commission for Europe: *Land Administration Guidelines...*, 13.

²⁵ cited from "Draft Glossary for UN-FIG Declaration", FIG (1999). *United Nations – International Federation of Surveyors (FIG) Workshop on Land Tenure and Cadastral Infrastructures for Sustainable Development* was organized in Bathurst, Australia followed by an international conference in Melbourne, Australia in October 1999.

²⁶ Economic Commission for Europe: *Land Administration Guidelines...*, 10.

ownership and rights to use the land. Good land resource management will help to promote economic and social development in both urban and rural areas. For countries in transition, land reform is a key component in achieving these goals.²⁷

Role of Land Administration Institutions

Land administration institutions must effectively address the constantly evolving requirements of the community. They are responsible for the laws and regulations necessary for creating property rights (and the associated restrictions and requirements imposed by the state or the community), for registering and subsequently transferring them, for resolving disputes, for taxation purposes, and the equitable resumption of these rights. They must be responsive to local requirements and conditions, and be capable of evolving over time to deal with different needs and priorities. As well, these institutions must be open and transparent.

One of the major challenges is to build a land administration infrastructure that effectively enhances security and access to credit, while at the same time being sufficiently *simple and efficient* so as to promote and sustain widespread participation. The processes for formalizing property rights will necessarily involve significant community participation, whilst the subsequent registration and transfer process will have to be capable of an evolving response to changing community requirements. Information technology will play an increasingly important role both in constructing the necessary infrastructure and in providing effective citizen access to information. Finally, there must be total commitment to the maintenance and upgrading of the land administration infrastructure.²⁸

In essence, a good land administration system will:

- i. Guarantee ownership and security of tenure;
- ii. Support land and property taxation;
- iii. Provide security for credit;
- iv. Develop and monitor land markets;
- v. Protect State lands;
- vi. Reduce land disputes;
- vii. Facilitate land reform;
- viii. Improve urban planning and infrastructure development;
- ix. Support environmental management;
- x. Produce statistical data.²⁹

Information Management

Clear management systems and institutional arrangements are necessary to efficiently administer land related data sets and to ensure continuing financial support. As such, there is a need for accountability and transparency to ensure the availability, accessibility and quality of basic data sets. Good land administration legislation will also indicate who may conduct cadastral surveys and the quality of data that must be recorded. In the context of developing countries, moving away from a sole focus on the cadastre as the only source of information and having other information to be part of the land administration infrastructure will allow:

- *Improved administration of rural areas (formalization).*
- *Regularization of informal settlements and the management of these areas over time.*

²⁷ Economic Commission for Europe: *Land Administration Guidelines...*, 13.

²⁸ Ian Williamson and Don Grant. *The United Nations - International Federation of Surveyors Declaration on Land Administration for Sustainable Development* "Sustainable development is just rhetoric without appropriate land administration systems" <http://www.qsi.go.jp/PCGIAP/kl/ianwilliamson.pdf>

²⁹ Economic Commission for Europe: *Land Administration Guidelines...*, 13.

- *An increase in the amount of information available.* There is a critical shortage of land information for decision makers in developing countries.
- *Improved conflict management over land.* Land administration infrastructure is stretching beyond cadastre and should provide land information to those involved in land disputes.
- *Diversification of tenure types.* A range of new tenure types that are not parcel based could be facilitated by an expanded land administration infrastructure, such as informal settlement occupancy claims, indigenous and customary rights, water rights, and overlapping rights.³⁰

4.A.3 Land Management³¹

Land management is the process by which the resources of land are put to good effect. It covers all activities concerned with the management of land as a resource both from an environmental and from an economic perspective. It can include farming, mineral extraction, property and estate management, and the physical planning of towns and the countryside. It embraces such matters as:

- Property conveyance, including decisions on mortgages and investment;
- Property assessment and valuation;
- The development and management of utilities and services;
- The management of land resources such as forestry, soils, or agriculture;
- The formation and implementation of land-use policies;
- Environmental impact assessment; and
- The monitoring of all activities on land that affect the best use of that land.

In the World Bank's Development Report 1989 (World Bank 1989) it was stated that:

"The legal recognition of property rights - that is, rights of exclusive use and control over particular resources - gives owners incentives to use resources efficiently. Without the right to exclude others from their land, farmers do not have an incentive to plow, sow, weed and harvest. Without land tenure, they have no incentive to invest in irrigation or other improvements that would repay the investment over time. Efficiency can be further served by making property rights transferable." (p86)

4.A.4 Other Legal/Regulatory Responsibilities

A number of other legal and regulatory responsibilities contribute to a thriving housing sector. Such responsibilities include:

- i. Ensuring a favorable commercial and financial environment, eg. there exists:
 - Regulatory bodies for all types of Financial Institutions
 - Company Laws
 - Tax structure
 - Clear lending laws, including notification/approval by borrower
 - Clean-sale Treatment
 - Recourse
 - Disclosure requirements
 - Trust/SPV/SPC Laws
- ii. Clarifying regulations concerning community management of housing stock, i.e. laws on cooperatives and condominiums.
- iii. Instituting standards and codes of conduct in the construction sector.

³⁰ Williamson and Grant.

³¹ Economic Commission for Europe: *Land Administration Guidelines...*, 13.

4.B List of Supplementary Materials for Legal/ Institutional Frameworks (Part II)

To view these supplementary materials, please refer to **Part II** of this handbook.

Economic Commission for Europe. *Land Administration Guidelines with Special Reference to Countries in Transition*. New York and Geneva: United Nations, 1996, Publication ECE/HBP/96. <http://www.unece.org/env/hs/wpla/docs/la guidelines.html>.

Social and Economic Benefits of Good Land Administration:
<http://www.unece.org/env/hs/wpla/docs/benefits.html> (August 2004).

To view these supplementary materials, please refer to **Part II** of this handbook.

4.C Additional Resources on Legal/ Institutional Frameworks

Stability Pact of South Eastern Europe. Migration, Asylum, Refugees Regional Initiative (MARRI) www.stabilitypact.org/marri

The Do's and Don'ts of Housing Policy. Infrastructure Note HS-9, Stephen Mayo, April 1994.

UNECE Working Party on Land Administration: <http://www.unece.org/env/hs/wpla/welcome.html>
UN/ECE (Geneva) publication "Land Administration Review. The Russian Federation" (2003) (HBP/WP.7/2003/7).

UNE/CE (Geneva) publication "Land Administration review. Georgia" (2001) (HBP/WP.7/2001/9).

UN/ECE (Geneva) publications "Country Profiles on the Housing Sector for Countries in Transition"

Williamson, Ian and Don Grant. *The United Nations - International Federation of Surveyors Declaration on Land Administration for Sustainable Development* "Sustainable development is just rhetoric without appropriate land administration systems",
<http://www.gsi.go.jp/PCGIAP/kl/ianwilliamson.pdf>

Chapter 5: Responses to Informal Settlement

5.A Overview: Responses to Informal Settlement

Before the 1990s the housing stock in Southeastern Europe maintained a reasonable balance; however, with the impact of wars and their aftermaths, the situation dramatically changed. In Bosnia Herzegovina alone, over 1 million houses were destroyed, and 3 million people were displaced. These refugees and IDPs occupied about 400,000 temporary units. Within the past two decades many countries throughout SEE have seen a standstill of state-led housing production, a decline of household size & urbanization, accelerated neglect of housing maintenance, and insufficient formal housing delivery mechanisms such as social housing. At the same time, these countries have also seen a re-emergence of private production and privatization of publicly owned housing stock.

Chapter 5. Responses to Informal Settlement

This chapter covers:

- Regularization and Upgrading
- Taking a Regional Approach
- Role of International Support
- Other Approaches for Informal Settlements

Today there remain roughly 900,000 people displaced throughout Southeastern Europe. While the demand for housing in SEE is great (particularly in the urban areas), the private housing market faces a number of challenges, such as outdated/non-existent land information (cadastre) & outdated land registration, a housing policy that does not enable/ stimulate private housing market mechanisms; property that cannot be used as a transferable asset or collateral (mortgage); and unviable private property/housing markets. Not surprisingly, these countries have witnessed the emergence of informal settlements at the fringes of major urban areas.

Spontaneous establishment of settlements leads to 'chaotic' development, as these areas are not easy to urbanize. Some socio-economic aspects of informal settlement include:

- Informal or insecure land tenure
- Vulnerability to discrimination & forced eviction
- Inadequate participation in governance
- Inadequate access to basic services & facilities
- Few commercial centres, job opportunities.



5.A.1 Regularization and Upgrading

The two most urgent priorities with respect to addressing informal settlements are:

- (1) **Regularization**, or establishing tenure security, which is the “formal transmission of a form of legal ownership to the settlers”. Tenure security is important because it protects residents against undue eviction, and it provides a legal, transparent framework for people to sell and transfer property. These two preconditions stimulate household investment in the housing stock, thereby establishing the foundation for a functioning housing market. To regularize the housing sector, land information and registration systems are required.
- (2) **Upgrading of infrastructure (public facilities) and urban services.** Such public investments are needed in:
 - a. Infrastructure & service networks (city-wide long-term perspective)

- b. Social infrastructure
- c. Job creation- and income generation schemes
- d. Well biased land & service delivery schemes

These preconditions establish an adequate standard of living & social inclusion, and help integrate R/IDPs into the urban fabric, society & economy.

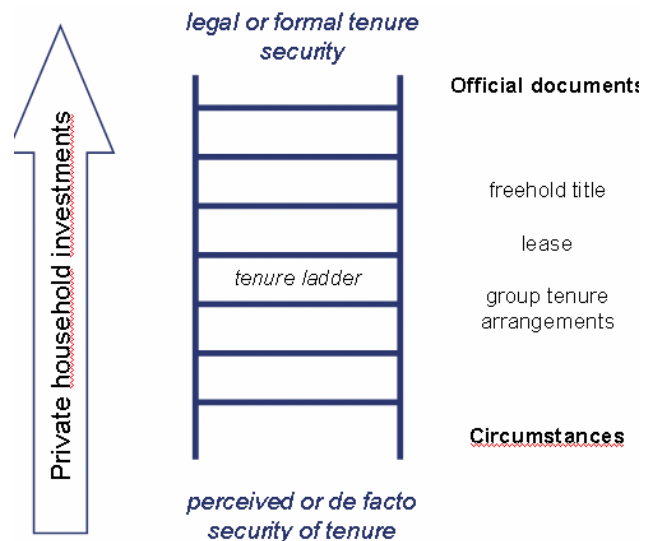
Upgrading is a highly political activity; it requires a sustained level of political commitment, especially at the municipal level, as well as active mobilization of communities. For one, settling families and local governments must be sensitized to long-term sustainability issues, that is, shelter and services can not be constructed upgraded in an *ad hoc* fashion but must be developed within the broader urban setting. There is an interrelationship of services both at the neighborhood and city level.

Government agencies must also realize that, while formalized settlement and upgrading occur within a broader framework, municipal services should be “unbundled” at the neighborhood level in order to achieve any measure of cost-recovery. Direct full cost-recovery of public investment in upgrading programs will not be feasible; however, a measure of additional contribution can be achieved, especially if upgrading programs are designed and implemented with community groups and the business community.

Furthermore, programs designed to address informal settlements must also address social and economic issues. As long as settling residents do not have adequate access to health, education, and income opportunities, they will continue to be faced with serious socio-economic constraints that inhibit their ability to develop their communities. Toward this end, there must be coordination between governmental, non-governmental, and international agencies involved in resettlement, with municipalities serving as the lead agencies in upgrading efforts.

Implementation of Regularization and Upgrading

Implementing regularization and upgrading programs is not an easy task. These initiatives require land administration & land management processes, including land information & registration systems. Planning documents and regulations must be reviewed and taken into account. Local government housing agencies must partner with multi-stakeholders such as community groups, businesses, environmental agencies, and others. Financing schemes must be made available, including large-scale financing for public infrastructure, as well as access to housing microfinance for individual families. Finally, project implementers must be able to transparently monitor the progress of these initiatives on a regular basis, in order to determine whether such services are indeed accessible by the majority of the population.



5.A.2 Taking a Regional Approach

According to the Migration, Asylum, Refugees Regional Initiative (MARRI) of the Stability Pact for Southeastern Europe, the commitment to regional cooperation in the area of housing is

fundamentally important. Many organizations and institutions in the field of housing policy work on very specific issues, i.e. cadastre. But what is critical is to support the translation of the findings of country and regional housing profiles into actions. Towards this end, countries must better exchange information and coordinate to resolve issues of displacements. MARRI has found that a *regional property information exchange unit* can effectively situate displaced residents back to their homes from one country to the next in order to streamline and better plan refugee assistance programs. This would reduce the incidents of “double benefits” and allow identifying and targeting the genuine beneficiaries in need.³² As such, this regional coordination should be supported by regional capacity building in housing development.³³ Toward this end, MARRI has established a Regional Forum that acts as an *interface* between the governments, the International Community and the Civil Society.³⁴

5.A.3 Role of International Support

Based on the particular housing and refugee needs throughout SEE, international agencies can assist in the following ways:

- *Capacity-building technical assistance.* Such support should build on existing initiatives of international support agencies such as Swiss Development Cooperation, SP/MARRI, SIDA, and the Netherlands government, GTZ, UN-Habitat, UNDP and UNHCR.
- *Housing finance support.* The international development banks and the European Commission/EAR are well situated to support financing housing development programs. The IFC has also recently commissioned a regional housing finance study intending to serve as a gap analysis of the housing finance market and as a feasibility study for establishing a primary housing finance institution. Results of this study should become available during the fall of 2004.
- *Regional property information exchange.* A 2003 mission carried out by MARRI and the Government of the Netherlands concluded that the establishment of a central database (merging information throughout the region) was not realistic in the short-term. Only a system that could provide case-specific information, obtained exclusively upon request, would yield rapid results. That being said, considering the urgent regional need for resolution of R/IDP property claims, international assistance should ultimately aim to develop a national data management capacity in all fields related to migration and displacement, in line with international standards.
- *Regional exchange of good housing practice.* Next steps should involve the establishment of a regional network, as well as a regional housing policy and program development resource center. In addition, a survey of state-owned housing stock as part of a regional housing profile and resolution of restitution claim issues should be explored.³⁵



In Kosovo, local construction firms receive capacity-building assistance through technical and business training.

5.A.4 Other Approaches

Beyond the strategies described above, housing program development can adopt other creative alternatives to meet housing shortages, including:

³² Wegelin, *Refugee-Related Housing Issues*, 18.

³³ MARRI: *The Housing Sector...*, 11.

³⁴ MARRI: MARRI-RIE Progress Report, May 2004. <http://www.stabilitypact.org/marri/0405-marri-rie.pdf>.

³⁵ Wegelin, *Refugee-Related Housing...*, 19.

- Legalization and support in “wild” housing areas (informal settlement areas);
- Better utilization of existing housing stock;
- Self-help housing approaches (housing microfinance schemes);
- Developing a variety of tenure options;
- Private sector housing finance mechanisms;
- Public-private partnerships: synergies with municipal development and financial sector development;
- Targeted grant support;
- Supporting capacity-building activities.

In the medium term, each country throughout SEE can develop programs and action plans that establish locally-based (municipal) housing sites and services, as well as complete units, for mixed local and refugee target groups. At the same time, governments can begin to take steps to develop an environment that will support a private commercial bank for market-based housing finance, as well as a national/state level housing fund to support housing for the most vulnerable groups. Finally, building capacity at state and local levels will help agencies to develop housing policy, while also preparing and implementing investment programs to start with what is doable now.

5.B List of Supplementary Materials for Informal Settlements (Part II)

To view these supplementary materials, please refer to **Part II** of this handbook.

Wegelin, Emiel. *Refugee-related Housing Issues in Selected SEE Countries*. Stability Pact: Presentation delivered in Sarajevo, May 2004.

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To view these supplementary materials, please refer to **Part II** of this handbook.

5.C Additional Resources on Informal Settlements

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