



MARRI - Migration, Asylum, Refugees Regional Initiative
STABILITY PACT
FOR SOUTH EASTERN EUROPE

The Housing Sector - Access to Affordable Housing

Developing Sustainable Solutions to Displacement and Migration



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1, Place du Luxembourg - 1050 BRUSSELS - BELGIUM

TELEPHONE: +32-2-2861-362 FAX: +32-2-2861-390

alex.talmon-larmee@stabilitypact.org

www.stabilitypact.org

Abbreviations

AREA	Agenda for Regional Action
BiH	Bosnia & Herzegovina
CEB	Council of Europe Development Bank
CECODHAS	European Liaison Committee for Social Housing
DP	Displaced Person
EBRD	European Bank for Reconstruction and Development
EC	European Commission
ECRA	Economic and Community Revitalization Activity
EIB	European Investment Bank
FRY	Former Republic of Yugoslavia
fYRoM	Former Yugoslav Republic of Macedonia
GoS	Government of Serbia
HEG	Housing Expert Group
IDP	Internally Displaced Person
IFC	International Finance Cooperation
IFI	International Finance Institution
IHS	Institute for Housing and Urban Development Studies
KfW	Kreditanstalt fuer Wiederaufbau
MARRI	Migration, Asylum, Refugees Regional Initiative
MHRH	Ministry of Human Rights and Refugees (BiH)
MUPC	Ministry of Urban Planning and Construction
OSCE	Organisation for Security and Cooperation in Europe
PPP	Private Public Partnership
SCG	Serbia & Montenegro (Srpska & Crna Gora)
SME	Small and Medium Size Enterprises
SP	Stability Pact for South Eastern Europe
SRRHS	Social and Refugee Related Housing Secretariat
UNCHS	United Nations Centre for Human Settlements
UNDP	United Nations Development Programme
UNECE	United Nations Economic Commission for Europe
UTN	Urban Technology Network
WB	World Bank

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Pre-amble

MARRI builds on the successful efforts under the Stability Pacts' Regional Return Initiative to



keep the housing issue on the national, regional and international agenda and mobilize the long term development and reconstruction assistance that is needed to consolidate solutions for those 1.6 million refugees who have already returned, but also to promote and sustain solutions for the 900 thousand displaced and refugees still in need of a solution. It is now the intention to broaden the Agenda for Regional Action (AREA), providing a framework for action in Bosnia, Croatia and Serbia & Montenegro, to cover the entire region of the Western Balkans as an integral part of the overall regional initiative to manage and stabilize population movements in the Region (MARRI). However, MARRI's housing initiative is looking at wider issues than solutions for returnees and refugees in the belief that housing policy and finance

development also benefits the overall population, especially the socially more vulnerable. Affordable housing solutions are the precondition for stabilizing otherwise mobile population. Housing affordability also contributes to mobility by letting people choose where to live.

Scope

This Action Plan builds on the findings and recommendations of the Housing Programme Development Study by Group 5/Urb Act and subsequent AREA (Agenda for Regional Action) documents and is an update of the Housing Action Plan from July 2003. So far it mainly focuses on Bosnia and Herzegovina, as well as Serbia and Montenegro. Regarding Informal Settlement and Urban Management issues, the Former Yugoslav Republic of Macedonia (fYRoM) and Albania will also be included in 2004. Croatia has initially expressed no need in technical assistance¹. MARRI closely followed the developments of their current efforts in the field of housing, without providing technical services, and will re-evaluate possible forms of cooperation and coordination with the new Government in Croatia.

The activities in this housing action plan very much depend on the willingness and ability of other actors such as governments in the region, international organisations and, of course, funding organisations.

¹ Minister Radimir CACIC (2002) **letter to Soren JESSEN PETERSEN**; Republic of Croatia, Ministry of Public Works, reconstruction and construction; 1 August 2002

A. Problem Statement

Overall Problem

Lack of access of large sections of the population, including refugees IDPs and returnees to sustainable & affordable housing and housing finance instruments as a result of lack of housing policy.

Specific Problems & Assumptions

1. Affordable Housing is in major demand. Although no hard data are available to provide substantiated estimates on the magnitude of the gap, it is clear that the combination of the wars and the demise of the socialist mode of housing production has created a situation in which even a well functioning housing market would only be able to cater to part of the needs, as purely market-based solutions are bound to be unaffordable to some 25-30% of the population. The thus suppressed excess demand is physically articulated by multiple household occupancy of existing units and by the emergence of informal settlements at the fringes of major urban areas. The situation is further complicated by the largely completed, leap-and-bounds manner of privatisation of the public housing stock. The increasing recovery rates of property and tenancy rights in the war affected parts of the region is providing necessary assets and liquidity needed for new housing development, which is, however, largely impeded by the absence of policy and accessible financing instruments. In some countries, however, there are remaining and unresolved tenancy and property rights problems.
2. Absence of housing and spatial planning policies for economic growth, social cohesion and poverty reduction. This is even more relevant after the practically complete privatisation of public housing stock in the countries of question and transition. The overall challenge is to put in place the legal, regulatory and financial conditions to enable owners to maintain their property and provide them with security of tenure. The stock is deteriorating rapidly as it has changed hands from largely public or quasi public to private ownership of well above 90 percent today. Another challenge is to promote the development of the private rental housing sector through adequate incentives to small-scale investors.
3. Accessible financing instruments are needed for individuals to invest in the improvement and enlargement of their apartment / house, as well as in the construction /reconstruction. The prerequisite is that land registration and cadastre issues are resolved in order to use the land and/or house as collateral. Mortgage systems need to be developed after mortgage laws are in place.
4. Unresolved tenancy and property right issues create further delay for some of the returns to happen and / or for people to capitalize on their assets in order to invest where they feel safe.

B. Objectives

Overall objective

The **overall objective** in order to sustain longer-term benefits to beneficiaries and the wider benefits to other groups is to achieve sustainable solutions for the remaining 1 million IDPs and refugees in Croatia, Bosnia & Herzegovina and Serbia & Montenegro in the coming 5 years. Freedom of choice of living location and the mobility connected with this contributes to sustainable solutions and the stabilisation of population movements.

This fits into the regional and sectoral policies of the Stability Pact and the regional governments and organisations² concerned.

Specific objectives

1. Improve access of low income groups including refugees, IDPs and returnees to affordable and acceptable housing through the development of sound housing finance instruments and the promotion of adequate housing standards.
2. Develop local housing secretariats and a regional housing support facility acting as focal points and backstopping facility in the housing field on national and regional level and exchanging information.
3. Facilitate the changes necessary in order to have sound national policies affecting housing.

² Based on the European Convention on Human Rights and Fundamental Freedoms and other international conventions, OSCE for example re-iterated as a fundamental principle that the right to return cannot be altered or derogated, and should be uniformly enforced by the governments in the region. In order to define the necessary benchmarks, the OSCE Missions then introduced a *framework of seven common principles*, which should be respected by the countries in question, possibly requiring legislative amendments on the part of the concerned countries. The Principles have been included in the AREA II document:

The right to return to the country of pre-conflict residence must be guaranteed to all pre-conflict residents, regardless of their citizenship status or availability of accommodation.

All rights to property acquired in the former SFRY prior to the outbreak of hostilities in 1991 must be recognized. Property rights holders should have the right to repossess their property or, if their property cannot be restored to them, to receive adequate compensation through effective legal remedies. These property rights include private ownership of immovable or movable property, as well as occupancy rights to former socially owned property (protected property rights under the relevant provisions of the European Convention on Human Rights).

Acquired and vested property rights (e.g. pension or rights to social benefits) acquired prior to or during the disintegration of the former SFRY must be treated in a similar manner in all three countries.

The enjoyment of all property rights should not be subject to any of the following conditions: citizenship status or residence status; the physical return of the pre-conflict owner/occupancy rights holder; any deadline in contradiction with the general interest or to the conditions provided for by law; or on the existence/non-existence of bilateral agreements between the republics of the former SFRY.

The rights of the pre-conflict owner/occupancy right holder must prevail over the interest of any subsequent temporary occupant.

The State is responsible for providing alternative accommodation for persons who must vacate property to allow its repossession by the pre-conflict owner/occupancy right holder. The obligation of the State to provide alternative accommodation should be extended only to those who can not otherwise care for themselves. The lack of alternative accommodation and/or failure of the State to provide alternative accommodation must not restrict immediate repossession of property by the pre-conflict owner/occupancy right holder.

Since the fear felt by returnees of war crimes arrests impedes return, prosecution of war crimes should be ensured through a fully impartial and unbiased judicial system, respecting international legal standards. It should include non-discriminatory and transparent application of domestic amnesty laws.

4. Develop a sound and working rental and property market.
5. Develop and promote a regional urban management capacity building facility in order to catalyse municipal programme & project implementation
6. Aim at services to be delivered to the intended beneficiaries and target group, including but not limited to project services such as
 - a) Credits and loans
 - b) Registration of and capitalization on assets (mortgage, collateral etc)
 - c) Land and property transaction

resulting from a beneficiary demand.

Activities and expected output

The **activities**, how the project's goods and services will be delivered, include

1. identifying obstacles and bottlenecks,
2. highlighting and addressing their importance in discussion with local authorities and international organisations,
3. developing and promoting solutions and
4. disseminating these solutions regionally.

C. Approach

Policy Development – priorities

Housing policy – actors, activities and responsibilities

As regards **housing and spatial planning** policies its' crucial importance for economic recovery, social cohesion and environmental protection was meanwhile recognized by most politicians, financing institutions and international organizations. These policies and the relevant capacities will further be developed by each of the concerned countries, now also including Albania and FYROM. The idea of a regional technical backstopping facility and ensurance of regular regional fora for discussion (similar to the "High level ministerial housing conference" organized by the World Bank and the Council of Europe Development Bank under the auspices of the Stability Pact in April 2003 in Paris³) will be pursued. Active and early involvement of all relevant partners of the Stability Pact will be sought with emphasis on involving the financial and private sector in a long-term perspective. The MARRI regional housing team, together with experts from WT II, will continue to act as pro-active catalyst and promoter and establish the base for a long term structure and coordination mechanism in the region with the following expected Output (as agreed during the "High level ministerial housing conference" referred to above): To ensure social and political stability housing needs in South Eastern Europe need to be addressed urgently, in particular of low-income groups, refugees, returnees, displaced persons or other vulnerable social groups in SEE.

The fundamental importance of and commitment to regional cooperation in the area of housing policies needs to be addressed and highlighted; the process of exchange of information on these policies and related matters throughout South-East Europe needs to be furthered.

The SP identified six priority areas for national action, international cooperation and harmonization of housing policy and housing finance:

1. Legal and regulatory changes in areas such as:
 - **Housing management, land administration**, simple delivery of construction permits as well as clearly defined security of tenure, which are essential for a functioning housing sector.
 - **Urban management & planning**, including zoning and clear land ownership titles, whether for public or private housing, at all levels.
 - **Comprehensive spatial planning**, in particular when trans-boundary (including at the EU border) and cross-sectoral co-operation are called for.
2. Taxes and subsidies affecting housing and construction as well as charges for public utilities.
3. Social policies, e.g. a framework for social housing delivery mechanisms for socially weaker or vulnerable groups.
4. Housing finance, in particular encouragement for the development of mortgage loans, which requires both a functioning banking system and a secure system of mortgage registration and enforcement.
5. Institutional development and capacity building in the areas mentioned above.

³ A 'Sector Report' will be published and made available by the CEB in April 2004

6. Development of benchmarks⁴

As part of an overall reform process, the SP in a cross table effort is aiming at promoting a programme of action comprising the following elements:

1. Development, adoption and implementation of national policies, strategies and action plans, where still required, to address the six identified priority areas before the end of 2004.
2. Development of private sector instruments of housing finance to be complemented, as far as social housing is concerned, by other instruments; Ministers encouraged the identification of additional instruments involving among others Public/Private Partnerships (PPP) within current budgetary constraints at all levels of government, combined with enhanced efforts to raise funds with international financial institutions and donors.
3. Enhancing national action through strengthened regional cooperation in establishing joint expert groups and a regional network with the aim to facilitate exchange and transfer of experience and skills and to improve policies and planning where and when appropriate: sharing of experience with EU Member States, Accession Countries and other transition Countries would be crucial.
4. Holding an annual regional ministerial meeting to review progress against benchmarks and to continue to share experience and expertise.
5. Conducting a joint "Regional Housing Profile" for the SEE countries as developed within the UNECE programme, with the financial contributions of interested parties before the end of 2004.

Stability Pact

Current activities:

The role of the SP is to lobby effectively to bring the issue of sustainable solutions in the region (not third country resettlement) on the national and international agenda. On a policy level this includes

- To assist the countries in SEE to overcome obstacles in the development of housing policy instruments
- To promote the regional cooperation in the area of housing policies;
- To further the process of exchange of information on these policies and related matters throughout South-East Europe

On an activity level it includes

- in accordance with prioritised activities developed in the Agenda take on specific issues such as legalization of housing/property and develop specific programmes and projects
- to bring together actors, like investors – municipalities, western housing association – counterparts in the region, and support studies and pilot projects through external consultants
- to develop inventory of good practices and effective programmes including contact details of relevant organisations.

Next steps:

⁴ For policy and programme implementation, monitoring and evaluation

- Transfer of lessons learnt in Housing Policy development
- Transfer of lessons learnt in development of Housing financing instruments⁵.
- Social policies: Advise on realization of social rights for most vulnerable persons in society (pensions, social housing, employment, education).
- To organise a one-day working session with high-level officials from respective ministries in order to draft an inter-governmental 'Declaration on the Implementation of national policy frameworks and programs regarding Urban Management & Informal Settlements'⁶
- To organise a three-day "Conference on Regularisation & Upgrading of Informal Settlements in SEE" to be held in late September 2004 in order to exchange and disseminate (a) national as well as municipal experiences from SEE countries, (b) lessons learned from CEE countries in transition (c) internationally accepted best practices (d) one-day working group results in order to identify and address existing obstacles to regularization and upgrading programs for informal settlements in South Eastern Europe

Work on the following, more general, national policies affecting housing, where and when deemed necessary:

- Fiscal policies: utility charges, subsidies, property taxes, permits
- Legal and regulatory changes: Tenure security, housing management (condominium laws, ownership associations), land administration, urban planning (property registration systems to be secured, titles, zoning, spatial planning)

Potential partnerships and actors:

CEB, EBRD, EIB, KfW, OSCE, UNECE, UNHCR, UNMIK, USAID, WB

Governments and local authorities

Current activities:

Governments in the region, recognizing the importance of housing policy on national, regional, municipal and local level, are developing the necessary regulations and legislations, supported by a wide range of national and international institutions. However, these regulatory frameworks are still being developed and are at varying stages of adoption and implementation.

Next steps:

- To translate the findings of the housing profile, once they are available, into concrete actions.
- To develop an action plan and implementation strategy.

At the ministerial housing conference in Paris in April 2003, Croatia has announced to hold the next ministerial meeting initially scheduled for fall 2003. This conference will likely be hold in Q3/2004, pending the renewal of the commitment of the new Croatian Minister responsible for housing issues.

⁵ Stability Pact (2003) The Transformation Experience: Constructing a Central and South Eastern European Partnership, A Working Framework; Vienna; June 2003; Results of Meeting 5 May 2003

⁶ to be signed during the envisaged "Conference on Regularisation and Upgrading of Informal Settlements In SEE", Vienna, 28 Sept – 01 Oct 2004

Potential partnerships and actors:

Governments, UNECE, UNHABITAT, CEB, WB, bilateral donors, housing institutions

International Institutions, Organisations and Networks

Current activities:

In the field of housing policy and the development of a regulatory framework, international institutions and organisations mainly work on very specific issues, i.e. cadastre. Furthermore they provide financing for housing and related projects.

The UNECE, for example, is currently working on a ‘trends & progress’ document which looks at the regional gaps in housing policy.

Next steps:

- Support the translation of the findings of country and regional housing profiles into actions
- better exchange information and to coordinate activities
- provide support for policy and implementation where required

Potential partnerships and actors:

DANIDA, GTZ, housing institutes, IFIs, SIDA, UNECE and other UN organisations, USAID, think tanks

Civil Society

Current activities:

To lobby for housing issues and the recognition of the importance of housing rights, advocacy and social cohesion.

Next steps:

The issue of housing should be kept a central issue on the national agenda. This is a reflection of the great need for housing units for refugees, IDPs and the local population and a reflection of the power of housing as an economic multiplier.

To define the role of civil society in spatial planning, municipality planning, their capacity etc. in order to have an adequate input into policy development.

To provide an interface between the private and public sector and larger sections of society.

Bosnia & Herzegovina

- There is a small but growing number of people who are not legally entitled to either alternative or emergency accommodation but remain without other resources to house themselves.
- Social welfare: ‘...it is unacceptable that some municipalities still force displaced persons and refugees to bear the cost of providing social welfare’⁷
- ‘In the near future, provisional alternative and emergency accommodation policies will need to be replaced—for those who cannot provide for themselves—with long term social assistance under a more appropriate legal framework.’⁸

⁷ OHR/OSCE/UNHCR (2003) **BiH social welfare letter**; letter to Ministers Kebo, Music, Mehmedagic, Vignjevic, Samardzic, Sehagic, Kvaternik; 20 March 2003

Recommendation:

1. all levels of authority seriously review the current legal framework regarding social welfare, current needs, and the resources necessary to support it. In both entities, social assistance, which includes provision of social housing, should be allocated to qualifying individuals and families on the basis of objective demonstration of genuine need. However, the manner in which social assistance is provided should be geared to local needs and resources. Greater resources are likely to be necessary in the future in order to assist those in genuine need.
2. take stock of significant resources – in terms of revenues, habitable structures, and good administrative practices – that have already been developed in the course of property law implementation and apartment privatisation. Wherever appropriate and feasible, these resources should be maintained in order to provide for the needs of social cases. Examples include housing fund law, unclaimed apartments, other collective forms of accommodation, lump sum alternative accommodation

Potential partnerships and actors:

National and international NGOs and NGO networks (i.e. SEE-RAN), refugee commissions, UN agencies

Instruments / tools – backstopping and coordination

Regional cohesion and coordination

Current activities:

The SP, under the MARRI initiative, has hired a housing sector coordinator in February 2003, co-financed by the German and Swiss governments, attached to table 3 but working cross table with table 2 (social cohesion, infrastructure etc) with the task to co-ordinate and promote all actions required at regional and national level (SEE – Croatia, Bosnia and Herzegovina, Serbia/Kosovo/Montenegro) to further the development and implementation of adequate housing policies and financing mechanisms in the housing sector.

The MARRI initiative is also continuing to manage two housing consultants, working on an ad-hoc basis on specific issues in the region and providing technical assistance.

MARRI has established and secured funding for a regional information exchange programme (RIE). This initiative has the objective to put in place a safe and efficient regional (interim) mechanism for the exchange of property and social benefit related data in support to existing governments and international organisations efforts.

The SP is promoting CSDnet⁹ network as outcome of Tirana Conference with the objectives of

- a) Identify and initiate a regional network of professionals and organizations operating in the field of urban development, which will continue to exchange information and experiences;
- b) Encouraging a regional debate in this field through various forums, e.g. round table meetings in other countries, web-based debates, and other means promoting local debates;

⁸ OHR/OSCE/UNHCR (2003) **BiH social welfare letter**; letter to Ministers Kebo, Music, Mehmedagic, Vignjevic, Samardzic, Sehagic, Kvaternik; 20 March 2003

⁹ Civic Society Development network in housing and urban development

- c) Promote cooperation and partnership and integration in the region, including possibility to generate new ideas and activities in the future.

Next steps:

A regional housing policy and programme development resource centre: requests for housing policy and programme development support have been received from countries¹⁰ in the SEE region. There is a strong interest in cross-learning from experience within the region, dovetailed by building on experience in other transition countries. These requests for support may initially be responded to in an ad-hoc manner, but will ultimately be required to be assisted to a regional development resource centre for housing policy and programme development.

Support of a survey of state-owned housing stock as part of a regional housing profile and resolution of restitution claim issues, particularly through information/ experience exchange with eastern and western European countries. Coordinate with UNMIK who is also actively working on this regional housing profile, further explore interest and possible funding sources. Outline ToR for study.

Potential partnerships and actors:

CEB/ Governments/ SDC/ SIDA/ UNDP/ UNECE/ WB

In-country structures and capacity building

Current activities:

In Serbia a housing secretariat (SRRHS) was established, following a recommendation of the SP, attached to the Ministry of Urban Planning and Construction. This secretariat was involved in developing a 'Social and Affordable Housing Policy' and is the focal point for any housing related issues in the country. It is assisting the MUPC in preparing and implementing domestically and non-domestically financed projects.

MARRI has succeeded to strengthen the SRRHS through a housing finance position funded by CIM¹¹. This position was envisaged to be filled as of August 2003, however due to political circumstances the necessity of the position will be re-evaluated by the new Serb Government and will then be possibly filled.

Furthermore MARRI is looking into possibilities of secondment to BiH and Serbia through BFIO¹².

Resulting from MARRI's recommendations, a Housing Expert Group was established in BiH.

Next steps:

Bosnia & Herzegovina: Identify & establish a housing secretariat as a government task force in order to prepare and guide programme implementation and coordinate housing related programmes.

Further strengthen the housing secretariat through secondments and capacity building in Serbia.

To promote Urban Management Capacity Building in the region through:

¹⁰ Albania, Bulgaria, Macedonia and Romania

¹¹ The Centrum für internationale Migration und Entwicklung (CIM) is a joint operation of GTZ and the German Central Placement Office of the Federal Employment Institute. CIM places highly qualified German or European experts at state and parastatal institutions as well as at private enterprises in order to support these agencies with specific know-how for a limited period of time. CIM experts are 'integrated' in the sense that they are contracted by a local agency and to local terms, while CIM supplements the remuneration to match European standards.

¹² Büro Führungskräfte zu Internationalen Organisationen (BFIO)

5. Supervision of regional urban management CB assessment¹³
6. Development of a project proposal for a capacity building instrument to be anchored in the region
7. Establishment of capacity building facility in order to support:
 - o CB at national authority level for housing policy development and spatial strategy/planning development. Project formulation and support source identification.
 - o CB at municipal and canton level to implement and manage IFI/donor funded investment programmes.

Potential partnerships and actors: SDC, CIM, BFIO, SIDA, SDC, World Bank, UNDP, IHS, CEB

Technology and skill transfer (i.e. twinning)

Current activities:

The SP encourages international housing associations to seek partners in SEE and to build capacity by transferring knowledge about how to manage and run building/ housing associations.

The SP has commissioned the proposal for a feasibility study which investigates the usability of prefabricated elements from Germany in Serbia.

The SP/MARRI is working closely together with the Eastern and Central Europe Working Group of CECODHAS in order to promote know-how transfer and exchange lessons-learned in the social housing sector.

SP/MARRI has supported the City of Podgorica in applying for UTN¹⁴ II support, UTN II is supporting Eastern European cities in the development of bankable projects and in acquiring potential funding for Urban Technology Development.

Next steps:

Twinning programs could support municipal capacity in the field of financial advice, project design and implementation, management and city planning etc. for integrating communities.

Identify funding for feasibility study for prefab elements from Germany to Serbia.

Promotion of UTN services in the region.

Potential partnerships and actors:

Cities & municipalities in W. Europe, housing & building associations, 'Laender', universities

Housing Finance

The IFC has commissioned a regional¹⁵ housing finance study intending to serve as a gap analysis of the housing finance market and as feasibility study for the establishment of a primary housing finance institution. Results of this study should become available during September 2004.

¹³ to be conducted by external consultant in QII/2004

¹⁴ Urban Technology Network is a project financed under the European Union Structural Funds mechanism INTERREG, more specifically under the CADSES (Central Adriatic Danubian South Eastern European Space) arm

¹⁵ BiH, Croatia, Serbia-Montenegro including Kosovo, FYROM

The Stability Pact's Special Coordinator encouraged¹⁶ the development of a concept for a European Housing Bank, aimed at improving housing supply and housing standards in SEE. The task of EHB is to supply funds for housing finance through local banks, to issue guarantees, to advise banks and governmental institutions etc.

The UNECE is working on a publication 'Housing Finance in Transition Economies', to be available in QII/2004.

Housing Finance – specific options

Grants

Current activities:

Through the framework of the SP over the past years housing reconstruction and local settlements programmes have been financed on a grant basis on a wide range of donors, i.e. OBNOVA (EC), SIDA, SDC.

Besides traditional reconstruction programmes, in the framework of AREA and the housing development programme (December 2001) innovative and more municipality focused programmes have been developed. One example is the USAID sponsored voucher system: The New Housing Solutions (NHS) component of ECRA¹⁷ is an innovative demonstration program implemented in partnership with the Government of Croatia's Ministry for Public Works, Reconstruction and Construction. The aim of the NHS Program is to improve access to housing and housing finance for returnees, displaced persons and settlers in the Areas of Special State Concern (ASSC) of Croatia.

Next steps:

In addition to further support of socially weaker parts of the population, grants should be used as seed-money for (revolving) funds, technical assistance and capacity building and in support of access to loans (i.e. collateral).

Potential partnerships and actors:

European Commissions, WB, bilateral donors

(Soft) loans

Current activities:

The SP is working closely, with the World Bank and the Council of Europe Development Bank, among others. The SP is assisting the Government of Serbia (GoS) in applying for a €20 m loan from the CEB. The GoS felt it was necessary to prepare a feasibility study for the loan application, done by a consortium of international consultants, and was asking the SP to identify financing. This study also strengthens the SRRHS, the local counterpart, through building capacity.

Several projects in the region supported by the CEB have a regional dimension: in Croatia CEB loans totalled € 2.9 million in 2002 and € 114 million between 1998 – 2002¹⁸. The CEB disbursed to Croatia €22.5 million in 2002 and €62 million in total 1998-2002. In 2000, a programme was set up with the Croatian Authorities, the UNHCR and the World Bank in order to facilitate the return of refugees: reconstruction of housing damaged during the conflict, installation of temporary housing, reconstruction of community infrastructure.

¹⁶ Dr. Busek (2004) Speech at 'Real Estate Research Conference' organised by FGW; Vienna; 15-16 January 2004

¹⁷ Economic and Community Revitalization Activity

¹⁸ COE Development Bank annual report 2002; <http://www.coebank.org/en/presse/frapport.htm>

Both, BiH and Montenegro have received missions from the CEB and are CEB members, giving them the possibility to access to very favourable loans. The SP will assist both countries in the preparation of a sound project proposal in order to access a CEB loan for refugees and socially vulnerable population, should that be desired.

The SP promotes the housing finance component of the European Fund established and managed by KfW, which provides low interest access to housing loans.

Next steps:

BiH: Assist BiH in the preparation of a proposal for CEB funding.

Identify, assist to develop and promote further programmes which qualify for CEB funding in the housing sector.

Investigate possible programmes that qualify for other IFI financing, such as EIB, EBRD and WB.

Potential partnerships and actors:

The city of Vienna has an UTNII project that assists cities to develop bankable projects.

Mortgage

Current activities:

Mortgage legislation is under development in most countries at different levels. In order to transfer experience from other countries in transition, the SP introduced a representative of the association of German Mortgage Banks to various Governments in the region (Croatia, Serbia) and promotes the study on the development of mortgage banks as well as the example of a mortgage bank act this organisation has prepared.

Next steps:

Continue to promote the mortgage model in all countries in the region, as this provides the basis for capitalization of assets. This requires creating healthy and competitive mortgage lending institutions, and fostering innovative arrangements for providing greater access to housing finance by the poor.

Potential partnerships and actors:

Associations of German and European Mortgage Banks, Canada Mortgage and Housing Corporation, commercial banks, USAID

Private sector – including commercial banks

Current activities:

Current private sector investments in the housing market are limited to targeting high income groups. The commercial banking sector provides loans only to a small part of the population. Demand for low-interest long-term credits, normally used for housing investment, by far outnumbers the supply.

Next steps:

Through the policy framework a range of incentives promoting private investment need to be developed. These include, but are not limited to, subsidies, tax incentives.

The policy framework will also enable commercial banks to develop more attractive housing finance instruments.

Potential partnerships and actors:

Commercial banks, private investors, interest groups

Beneficiary

Current activities:

Even outside of donor financing a lot of (re-)construction is proceeding. However, almost any individual who is building does this in an informal manner as regulatory frameworks are not in place. Individuals rely completely on themselves and the direct support structure, i.e. family, neighbours, for both, planning and building, and financing.

Privatised apartments are maintained and renovated according to the owners' financial capacity. In the absence of collective mechanisms for building management the consequence is that the housing stock is deteriorating as there are no investments into the public part of the buildings, i.e. staircase, roof, entrance area, water, electricity etc.

Next steps:

Self-initiative has to be accommodated and supported, however, the interest of the public must not be forgotten. It is therefore deemed necessary to develop and enforce city plans. Furthermore it is necessary to introduce and enforce permitting, i.e. building permits etc. and inspections. This will also allow for harmonized building standards and ensure a safe environment for the population.

As regards to privatised apartments, a new group of urban poor has evolved. Apartment owners with no financial means to maintain, let alone improve their apartment. These socially weak need special attentions as to social housing policy, with special access to affordable loans, subsidised utility charges.

In order to limit the deterioration of the formerly public housing stock, housing associations and property management companies have to be developed, with mechanisms which allow everybody to contribute into these funds.

Potential partnerships and actors:

Civil society, housing associations, property management companies, government

Public sector

Current activities:

State Governments and bigger municipalities are financing construction and reconstruction programmes throughout the region using budgetary allocation, as well as soft and hard loans.

Croatia, for example, implements a sizeable housing programme, so does Sarajevo.

Next steps:

To highlight and address the importance of good governance. This includes the responsibility the Government has towards the socially weaker population. Solutions for those people have to be found, either through public institutions renting and providing living space, or through the Government building up a certain housing stock again, which can then be used to accommodate the poor.

Potential partnerships and actors:

Governments, municipalities, IFIs, commercial banks

PPP

Current activities:

PPPs are key to raise the considerable capital still required to address the most urgent gaps in the housing and employment market.

The first phase of a very successful PPP put together by the SP in BiH, the partnership of an Austrian housing association as investor and developer, and the Canton of Sarajevo, leasing and operating, was just finished with the completion of 164 apartments. In the second phase the Canton will now allocate the apartments and lease them from the investor over the next 30 years. This is a model for transfer of Western European capital to South Eastern Europe and should be replicated elsewhere. Western Housing Cooperatives can not only provide the transfer of know-how but foremost the necessary access to capital through guarantee mechanisms and direct financing.

During a recent trip to Banja Luka (RS, BiH), SP/MARRI introduced the above Austrian Housing Association to Government officials of Republika Srpska and a future co-operation¹⁹ in housing development has been agreed on.

In Serbia the SP was heavily involved in the promotion of a PPP between a foreign investor and the City of Belgrade as a pilot project for social housing. The project, with a potential of several thousand units, will probably have the investor building the units, the City providing the land and a third party managing the building(s). The investor is working with very low profit on the social housing project, but gets a more commercial project (shopping centre, hotel etc.) from the City.

Another PPP promoted by the SP in Serbia is a project between a commercial company producing fertilizers, as developer, the Serb Orthodox church, as land owner, and a foreign producer of prefabricated buildings, as investor considering to build a regional distribution plant for prefabs

The SEHI group, a regional housing initiative of Scandinavian companies, provides expertise and improved building technologies to the region.

Next steps:

Creation of adequate in-country mechanisms specialised in PPP legislation and promotion.

Especially partnerships with western housing associations will be promoted, as these associations have both the capital and the knowledge which are interesting for municipalities in the region.

Potential partnerships and actors:

SP BAC²⁰, investment promotion agencies, MIGA, chambers of commerce, UNIDO, UNECE, OECD

¹⁹ involving know-how transfer, capital investments in social housing and support in establishing housing stock management structures

²⁰ Business Advisory Council