



Housing sector reform in Central and Eastern Europe: regulatory framework and policy development

Claudio Acioly

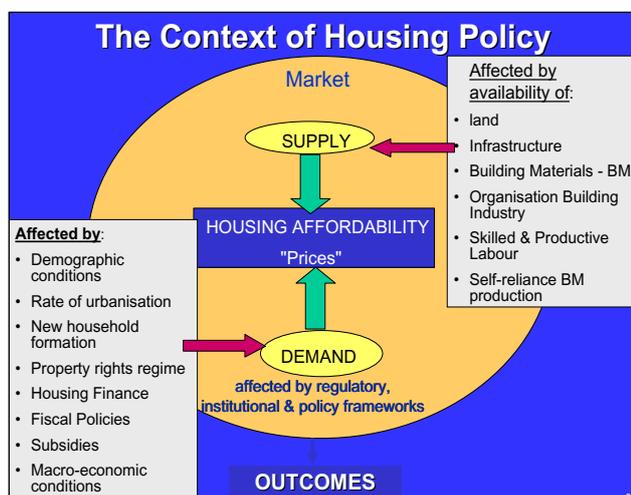
With the shift to an open market economy initiated in 1989, the role and responsibility of the post-communist state evolved with regard to infrastructure and housing provision. Large scale privatisation and the retreat of the state have especially had a significant impact on housing stocks. Shifts of ownership, unaccompanied by a transformation of policy and institutional mechanisms, have left the existing housing stocks in poor repair. In most transitional countries, the housing sector faces severe challenges, including with regard to safety, quantity and liveability; however the gravity of the problem varies from country to country. Acioly provided an insight into his work with governments of transitional countries, with regard to policies prevalent under the new regime. He examines the legal, regulatory, institutional and policy environments, and how they have adapted to the new context. A call is made for introducing some form of property tax and homeownership maintenance fees to finance maintenance of the housing stocks.

Understanding the Housing Sector

Institutional, legal and regulatory frameworks, within the housing sector, work together to form a specific housing market context. The context of housing policy is thus affected by numerous social, economic and political factors which impact the supply and demand of housing stocks and hence their affordability (Figure 1). This process entails an interplay of labour, finance, infrastructure, land and building materials.

The context of housing in transitional countries is unique, especially due to large scale changes with

FIGURE 1. The context of housing policy



Source: Acioly, 2009

FIGURE 2. Multi-Family high-rise accommodation



Source: Acioly, 2009

regard to ownership, the role of the state and macro-economic conditions. There are three main sectors pertaining to housing, that need to be mentioned; these are: the ownership sector, the private rental sector and the public rental sector; all have undergone major transformations in the last two decades; in many instances, those changes are still on-going, often to the detriment of the condition of housing stocks. Acioly underlined the importance of the public rental sector in the context of transitional countries, which has seen an erosion of its role on the housing market. In most cases, governments stimulate homeownership, and existing housing stocks are often put to privatisation. The newly emerged ownership sector demands new responsibilities for homeowners who are required to contribute to the maintenance of housing stocks. Property maintenance companies are often hired to fulfil this new role. In the case of rental sectors, this process is more challenging; here housing associations play an important role, often with poor results.

Housing stocks: owner vs. renter occupancy

Multi-family high rise housing, known as 'superblocks' (Figure 2), the product of modernist ideas in architecture and urban planning, are an important form of housing in Central and Eastern European (further CEE) countries. In CEE countries 53% of housing stocks are multi-family buildings and 29% are high rises, compared to the EU15 countries, where these figures stand at 45% and 14%, respectively. In Hungary, Poland, Slovakia, around 20% of housing stocks are made up of multi-family

high-rise housing, with Spain and Ukraine leading at almost 30%.

As mentioned earlier, after the 1989 economic reforms, ownership in CEE countries underwent significant changes. Table 1 shows some international comparative research data regarding housing occupancy. Since 1989, 85% of Eastern European housing stocks have been owner occupied. Latvia is a case in point of this transformation; here owner occupied accommodation rose from 19% pre-1989 to 79% after the open-market policy was launched. Currently, the private sector accounts for an average of 95% of housing stocks in the CEE countries; this means virtually no public sector involvement in the provision of housing (Table 2). This fast-paced change has brought many challenges.

Understanding the housing challenge: maintenance and management

According to Acioly, the 'housing problem' has its roots in fast-paced transformations and results from legal difficulties, management shortcomings or simply bad policy. Currently, in Europe there is a housing backlog valued at 4 trillion Euros; it is estimated that it may take between 40 to 100 years to solve. Due to such a high demand, it is very likely that high rise housing will have an important function in the years to come.

Generally, owners have little knowledge about their rights and obligations in relation to their property; there is a huge degree of ignorance about regulatory frameworks. Consequently, the repair and maintenance of buildings is often unattended to, contributing to their dilapidation and deterioration of the living environment. After the fall of the communist regime, an emphasis has been put on 'owners' participation' in housing stock management; however, the novelty of this concept and lack of clear understanding of what it entails, has meant that management is often fragmented and inefficient, with owners facing difficulty with organizing collective responsibility. There have been no practical arrangements put in place to support owners to manage their flats, consequently they are unable to fulfill their obligations as owners; at least not in the same sense that homeowners in western capitalist economies contribute to housing management. Very often, a large proportion of homeowners have little disposable income to contribute to management needs. According to Acioly, the poor financial situation of owners and the need for investment in their properties will not be sustainable for the housing stocks in the long term.

TABLE 1. Comparative statistics

	EU15	NL	EU10	EE	LV	LT
% owner occupied <1989	58%	45%	47%	–	19%	29%
% owner occupied, present	62%	54%	70%	85%	79%	87%
% private rental, present	14%	9%	5%	10%	3%	8%
% public/social rental, present	10%	37%	8%	3%	16%	3%

Source: Acioly, 2009

TABLE 2. Privatisation in CEE

	% of stock privatised	% private sector	% public sector
	1990–2004	2004	2004
Czech R	12	83	17
Estonia	70	96	4
Hungary	15	96	4
Latvia	53	84	16
Lithuania	58	97	3
Poland	18	92	8
Slovakia	31	96	4
Slovenia	23	94	6
Bulgaria	2	95	4
Romania	27	97	3
TOTAL	23	95	5

Source: Acioly, 2009

The strategy: multi-sector approach

The resolution of the housing problem will demand interaction between the central government, financial institutions, development corporations, municipal governments, NGOs and the private sector, which should seek to engage with homeowners through homeowners' associations. Acioly underlined the important role that the government needs to play; it should set the rules but at the same time it must have the capacity to enforce the law and a strategy to make it work. The state and municipalities should create an environment in which communal ownership of housing should be treated as a private sector, with the owners having clear rights and obligations. The state should have the role of an enabler, and if owners are unable to meet their obligations, then they should be offered an alternative. This essentially means that maintenance of owner occupied housing stocks should be the responsibility of owners; however, governments should help facilitate the process.

Conclusion and relevance to affordable housing

Acioly presented a comprehensive picture of the state of housing stocks in Central and Eastern Europe after the post 1989 economic transformations. The transition to a new regime of homeownership brings along new responsibilities for homeowners, who need to partake in management of their properties through homeowners' associations, housing agencies and property management companies. Nevertheless, homeowners do not always

fulfil their obligations, which leads to deterioration of housing stocks. Even though the problem of housing management is endemic in post-communist countries, there are similar problems in more mature capitalist economies; for instance, the formation of 'ghettos', in the French *banlieux*. Nevertheless, the essence of the Central and Eastern European problem lies in the shortcomings

of its fiscal, legislative and regulatory capacity after the ownership shift. To solve the problem an interaction between multiple players is needed, which, according to the presenter, requires a strong enabling state. However, the housing problem will continue to pose a challenge for CEE countries, where huge housing backlogs have accrued over the years.

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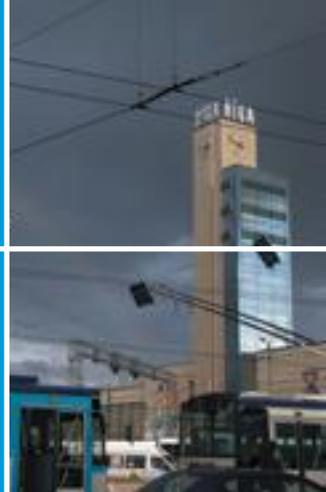
CONFERENCE REPORT

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UN HABITAT
FOR A BETTER URBAN FUTURE



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