

RESEARCH REPORT



Assessment of the Possibilities for Enhancing Self-Help Housing Provision in the Soviet Union and Eastern Europe



CMHC—HOME TO CANADIANS

Canada Mortgage and Housing Corporation (CMHC) has been Canada's national housing agency for more than 65 years.

Together with other housing stakeholders, we help ensure that the Canadian housing system remains one of the best in the world. We are committed to helping Canadians access a wide choice of quality, environmentally sustainable and affordable housing solutions that will continue to create vibrant and healthy communities and cities across the country.

For more information, visit our website at **www.cmhc.ca**

You can also reach us by phone at 1-800-668-2642 or by fax at 1-800-245-9274.

Outside Canada call 613-748-2003 or fax to 613-748-2016.

Canada Mortgage and Housing Corporation supports the Government of Canada policy on access to information for people with disabilities. If you wish to obtain this publication in alternative formats, call 1-800-668-2642.

**ASSESSMENT OF THE POSSIBILITIES
FOR ENHANCING SELF-HELP HOUSING
PROVISION IN THE SOVIET UNION
AND EASTERN EUROPE**

Prepared for:

Project Implementation Division
Canada Mortgage and Housing Corporation

Prepared by:

ANDY ROWE CONSULTING ECONOMISTS
93 Bond Street, St. John's, Newfoundland, A1C 1T3
Telephone (709)754-2065, Fax (709)754-6303

Canada Mortgage and Housing Corporation (CMHC), the Federal Government's housing agency, is responsible for administering the National Housing Act.

This legislation is designed to aid in the improvement of housing and living conditions in Canada. As a result, CMHC has interests in all aspects of housing and urban growth and development.

Under Part IX of this Act, the Government of Canada provides funds to CMHC to conduct research into the social, economic and technical aspects of housing and related fields, and to undertake the publishing and distribution of the results of this research. CMHC therefore has a statutory responsibility to make widely available, information which may be useful in the improvement of housing and living conditions.

This publication is one of the many items of information published by CMHC with the assistance of federal funds. The views expressed are those of the author(s) and do not necessarily represent the official views of Canada Mortgage and Housing Corporation.

Executive Summary

The high levels of overcrowding, the universally small flats and low space standards and often poor quality of external design and interior layout will not be remedied over night by raising rents, or by selling state accommodation to sitting tenants or to co-operatives. This can only be done by increasing the supply of accommodation. It is clear that the leadership of most ECESU nations are looking towards private sector construction for a good part of the increase in supply. However the ability of either the private or public sectors to do this is constrained by a number of conditions including entrenched and low state rents, a massive economic crisis, an undeveloped financial market for private house construction and purchase, a construction industry which is inflexible and technically backward, and shortages in the supply of building materials.

It is difficult to predict whether in the near future the current economic reforms will be able to have a positive effect on housing production. It is still too early to assess their impact on the housing sector in Poland and Hungary, the countries where the reforms have been most rigorously pursued. As in other advanced industrial countries a revitalised private sector will have to coexist with a public sector. The latter will serve as a 'social guarantee' for those on low incomes unable to compete in the market. The exact nature of that public sector will vary from country to country. In terms of economic viability, cultural desirability and social acceptability, a more technically advanced form of **self-build** in some of these countries has considerable prospect. It could be a way of achieving other long standing objectives which have remained allusive. For instance, the basic socialist objective of containing the growth of large cities, and its concomitant the dispersal of industry to smaller towns, may be better pursued if a more flexible housing policy is introduced. If housing (and infrastructural) standards improve in the countryside (small towns), then this will probably have a more positive impact on restricting population migration to the large cities and reducing congestion than directive, administrative measures have had in the past.

A huge demand for housing exists. Unemployment is rising and Governments are reducing their budgetary expenditures. The immense trauma of change, exacerbated by what is virtually a national apostasy, has left vast numbers of people discontent, anomic and alienated. **Embarking on a well-planned self-build programme could be of greater benefit to the people and governments than merely the provision of good quality accommodation.**

This raises the question of how this could be initiated and what role foreign governments such as Canada might play. From Canadian and European experience we can identify five key elements for successful self-help; serviced or serviceable land, appropriate financing, a standardised building system, means by which individuals and groups can access the necessary building technology, and affordable standardised building materials.

From this review of ECESU housing it appears likely that these conditions are most closely approximated in Bulgaria where there is already considerable self-help building and a financial mechanism including state support which provides for self-help. We do not know enough about the building system or materials supply to assess these elements, however, given the high levels of both private sector construction and self-help prevailing there, it is likely that there are some positive aspects to these elements. Elsewhere in the ECESU there appears to be good opportunities for self-help, but that a directed effort would likely be necessary to establish the required conditions for even a successful demonstration project. However, given the direction that housing reform is taking and the general conditions in which this occurs, all in the context that most ECESU nations have at least some degree of self-help already, then the possibilities of adoption of a successful demonstration appear favourable. **Consequently it appears to be worthwhile considering the possibility of undertaking a self-help demonstration project in the ECESU.** Prior to this it will be necessary to have a more detailed assessment of the possibilities and technical and social conditions involved in self-help housing provision in such a setting.

Résumé

Le degré élevé de surpeuplement, l'étroitesse généralisée des appartements, des normes peu élevées en matière d'espace et la qualité souvent médiocre de la conception extérieure comme de l'aménagement intérieur ne seront pas corrigés du jour au lendemain en augmentant les loyers ou en vendant les logements de l'État à leurs occupants ou à des coopératives. L'unique solution est d'augmenter l'offre de logements. Il est évident que les dirigeants de la majorité des pays d'Europe centrale et orientale et d'Union soviétique (ECOUS) se tournent vers l'industrie privée de la construction pour une bonne partie de l'augmentation de l'offre. La capacité du secteur privé ou public d'accroître l'offre est cependant limitée par un certain nombre de circonstances; mentionnons entre autres une longue habitude de loyers étatiques minimales, une gigantesque crise économique, un marché financier très peu développé en ce qui concerne la construction et l'achat de maisons privées, une industrie de la construction peu souple et rétrograde sur le plan technique ainsi que des pénuries de matériaux de construction.

Il n'est pas facile de prévoir si, à court terme, les réformes économiques actuelles pourront avoir un effet positif sur la production de logements. Il est toujours trop tôt pour évaluer leurs effets sur le secteur du logement en Pologne et en Hongrie, là où ces réformes sont le plus vigoureusement mises de l'avant. Tout comme dans les autres pays industrialisés avancés, il faudra qu'un secteur privé revitalisé coexiste avec le secteur public. Ce dernier servira de « garantie sociale » aux personnes à faible revenu qui ne sont pas compétitives dans le marché du logement; la nature précise du secteur public variera d'un pays à l'autre.

Les débouchés pour une forme techniquement avancée d'autoconstruction sont assez considérables dans certains de ces pays du point de vue de la viabilité économique, de l'attrait culturel et de la compatibilité sociale. L'autoconstruction pourrait être une façon d'atteindre d'autres objectifs de longue date qui sont demeurés hors d'atteinte. Par exemple, l'objectif socialiste fondamental de restreindre la croissance des grandes villes, qui explique la dispersion conséquente des industries dans de plus petites villes, est mieux servi par une politique de logement plus souple. Si les normes de logement (et d'infrastructure) s'améliorent à la campagne (petites villes), cela aura probablement un plus grand effet sur la limitation de la migration vers les grandes villes et la réduction de la congestion que les mesures administratives directes n'ont pu en avoir dans le passé.

La demande de logement est énorme. Le chômage augmente et les gouvernements réduisent leurs dépenses. L'énorme traumatisme que représente le changement, exacerbé par ce qui semble être une apostasie nationale, a laissé énormément de personnes insatisfaites, désorganisées et aliénées. Entreprendre un programme d'autoconstruction bien planifié pourrait être plus utile à la population et aux gouvernements que de simplement fournir du logement de bonne qualité.

On peut alors se demander comment mettre en oeuvre un tel programme et quel serait le rôle de gouvernements étrangers tels que celui du Canada. Les expériences canadienne et européenne ont permis d'arrêter cinq éléments

clés pour la réussite d'un programme d'autoconstruction : des terrains viabilisés ou viabilisables, un financement approprié, un système de construction normalisé, des moyens permettant aux particuliers et aux groupes d'avoir accès à la technologie de construction requise et enfin, des matériaux de construction normalisés et abordables.

Selon cette évaluation du logement dans les pays d'ECOUS, il semble que c'est en Bulgarie que les conditions sont les plus favorables puisqu'on y effectue déjà beaucoup d'autoconstruction et qu'on y trouve un mécanisme financier comprenant de l'aide étatique qui permet l'autoconstruction. Nous n'en savons pas assez au sujet des méthodes de construction ou de l'approvisionnement en matériaux pour pouvoir évaluer ces aspects, mais étant donné que les secteurs de la construction publique et de l'autoconstruction sont très actifs en Bulgarie, il est probable que ces éléments soient plutôt positifs. Ailleurs dans les pays d'ECOUS, il semble y avoir de bons débouchés pour l'autoconstruction, bien qu'il faille probablement un effort structuré pour créer les conditions requises à la réussite ne serait-ce que d'un projet de démonstration. Étant donné l'orientation de la réforme du logement dans la conjoncture actuelle et compte tenu du fait que la plupart des pays d'ECOUS possèdent au moins une certaine capacité en matière d'autoconstruction, les possibilités de réussite d'un projet de démonstration semblent favorables. Par conséquent, **il semble pertinent d'envisager la possibilité d'entreprendre un projet de démonstration dans un pays d'ECOUS.** Il faudra obtenir au préalable une évaluation plus détaillée des possibilités et des conditions techniques et sociales de la mise en oeuvre d'un programme d'autoconstruction dans un tel contexte.



National Office

Bureau national

700 Montreal Road
Ottawa ON K1A 0P7
Telephone: (613) 748-2000

700 chemin de Montréal
Ottawa ON K1A 0P7
Téléphone : (613) 748-2000

Puisqu'on prévoit une demande restreinte pour ce document de recherche, seul le résumé a été traduit.

La SCHL fera traduire le document si la demande le justifie.

Pour nous aider à déterminer si la demande justifie que ce rapport soit traduit en français, veuillez remplir la partie ci-dessous et la retourner à l'adresse suivante :

Centre canadien de documentation sur l'habitation
Société canadienne d'hypothèques et de logement
700, chemin Montréal, bureau CI-200
Ottawa (Ontario)
K1A 0P7

Titre du rapport: _____

Je préférerais que ce rapport soit disponible en français.

NOM _____

ADRESSE _____

rue

App.

ville

province

Code postal

No de téléphone () _____

TABLE OF CONTENTS

1 INTRODUCTION	1
2 BACKGROUND	2
2.1 Constraints of Recession and Low Fixed Rents	2
2.2 Housing in ECESU Countries	4
2.3 Summary	6
3 GENERAL HOUSING MODEL	8
3.1 Property Rights	9
3.2 The Soviet Housing Model	11
3.3 Recent Legislation on Housing in the Soviet Union	14
3.4 The Evolving Strategy	17
4 FINANCE	19
5 CONSTRUCTION INDUSTRY	21
5.1 The Construction Industry in the Soviet Union	21
5.2 The construction industry in Hungary	22
5.3 The Building Materials Industry	23
6 COUNTRY REVIEW	24
6.1 Bulgaria	24
6.2 Czechoslovakia	26
6.3 Hungary	26
6.4 Poland	28
6.5 Romania	28
6.6 Yugoslavia	29
7 SUMMARY AND RECOMMENDATIONS	30

1 INTRODUCTION

With the changes being witnessed in the Soviet Union and Eastern Europe there is an increasing focus on housing needs and alternatives to state provisioning. Although the political changes are rapid and often confusing, the priority of changing the housing system has not been reduced; it is recognised that housing is one of the keys to the successful transformation and modernisation of the economies. Perhaps ironically, the Soviet Union has turned to the individual as a means of improving the effectiveness of the housing system and has called for increased participation of individuals in production. This requires changes in property relations, financing, material supply and construction methods, many of which have already been enacted. Given that individual self-help and collective housing already had some degree of importance even prior to the recent changes (and particularly in rural areas), and that other changes which will also bring forth changes in urban housing, then self-help is becoming a much more acceptable and welcome form of housing provision.

This report was commissioned by the Project Implementation Division of CMHC and is intended to provide a quick preliminary overview of the opportunities for self-help in the Soviet Union and Eastern Europe. By necessity a review of this sort is unable to provide an even coverage of all countries and Republics and has had to rely on interviews and secondary sources. However there was general agreement among all the sources on the main points discussed in this report, and a consensus that it is an appropriate juncture to consider the possibilities of an expansion of self-help provisioning in the Soviet Union and East and Central Europe.

This review first considers some factors which must be borne in mind as background to the changes discussed in the main body of the report. This is followed by a description of the Soviet housing model which has prevailed in most East European countries, and the changes which have occurred in recent years. This is followed by a discussion of financing and of the construction process, as well as overviews of housing in each of the East European countries and the various Soviet Republics.

2 BACKGROUND

In order to assess the possibilities for self-help housing in the Soviet Union and Eastern Europe it is necessary to establish the environment in which the housing systems of those countries function. One of the most important elements in this is the current economic environment: never since the beginning of the Industrial Revolution in Britain in the late eighteenth century has there been an economic recession anywhere in Europe as rapid as that which is now being witnessed in Eastern Europe. This singular fact must constantly be born in mind when considering housing policy in the region. A second element of considerable importance is that the changes which the leadership of all East and Central Europe and the Soviet Union (ECESU) nations desire in housing provision must occur on the basis of existing housing markets whose main feature is an extremely low level of rents. These two elements are discussed in the following subsection and are followed by an overview of housing conditions in the respective nations.

2.1 Constraints of Recession and Low Fixed Rents

The depth of the economic recession is reflected in the decline of material production and rise in inflation. For example, in Czechoslovakia, real net material production fell by 3.5% in 1990 and is predicted to fall by 7% in 1991; consumer goods price inflation was 20% at the end of 1990 and forecast to rise to 70% in 1991 while unemployment could reach 12% in 1992. In the Soviet Union National Income is predicted to fall by 12% in the first 6 months of 1991.

However, within this general economic context it is widely recognised, even outside the circle of housing specialists, that housing reforms in ECESU nations are an integral component to the macro-economic stabilisation of the national economies and to achieving structural change in the region. This is because housing subsidies constitute a major burden on central government budgets, and, as well, the present housing policies of most countries act as serious constraints on labour mobility. Also, the housing finance system and barriers to private property and constraints on private construction are impediments to the mobilisation of household savings.

Thus, while the issue of housing has slipped considerably from the prominence it once enjoyed in Western Europe it has risen to occupy one of the foremost positions on the agendas of governments in ECESU.

The depth of the economic recession in tandem with the serious housing shortage (discussed in the following sub-section), and the necessity for the government to reduce expenditures, strengthens the case for granting greater opportunities and assistance for self-build housing. However this would have to

occur within the housing system operating in the Soviet Union and Eastern Europe; thus it is useful to consider the general nature of that system. Thus a more detailed description of the Soviet housing model is presented in Section 3.

The second constraint on the housing systems in the majority of countries in the ECESU is that rents have remained unchanged for extremely long periods, for example:

- ♦ in the case of the Soviet Union, the rent tariff was set in 1928,
- ♦ in the former GDR they were at the level fixed by the rent moratorium in 1936,
- ♦ in Czechoslovakia rents were fixed in 1964, and,
- ♦ in Bulgaria they have not changed since 1967.

This helps account for the relatively low share of rent and utilities in the net expenditures of households. For example, the World Bank figures presented in Table 1 below show rent and utility costs to range from 4.3 to 6.2% of new household expenditure in most East European countries.

TABLE 1 Share of Rent and Utilities in Net Household Expenditures in the mid 1980's			
COUNTRY	Rents & Utilities	Rents	Utilities
GDR	5.0	2.5	2.5
Hungary	5.4	3.2	2.2
Poland	4.3	1.8	2.5
USSR	5.0	2.7	2.3
Yugoslavia	6.2	4.5	1.7
Source: World Bank data			

In principle, private rental housing has been prohibited on the grounds that the income derived from letting is 'unearned'. However, most countries do make legal provision for subletting. Formally, rents are strictly regulated, although in practice they may be extremely high and may fully express the market price. There is little doubt that the near future will see the adoption of more commercial rent contracts and a more 'liberal' attitude towards eviction.

Although the economies of these countries have different sectoral weaknesses and potential strengths, they all have to confront the problem of correctly sequencing the price increases which they intend introducing. Removing or reducing the substantial subsidies on food (35-55% of total household expenditure) and on housing (currently only 3-8% of expenditure) could place severe burdens on

individual households. At present there is considerable disparity in rental charges between state rental housing and other sources, for example the price paid in the Soviet Union for accommodation by those living in their own homes or co-operative apartments have been at least 7-8 times more than the rents charged in state housing.

The potential political difficulties caused by raising rents can be lessened by encouraging new housing production from sources other than the state, and given the higher prices already prevailing for these forms of provision, it is more likely that these forms can be economic. **Thus the high levels of subsidisation of rents in state housing creates a potential market space for self-help housing**, and, as will be discussed below, this form of provision is not unknown in ECESU nations, nor is it as anathematic to the political leadership as it once was.

2.2 Housing in ECESU Countries

The countries in the region are far from homogenous and differ from one another in important ways; and as well, the very vastness of the USSR and the cultural, climatic and economic diversity of its 15 constituent republics means that the country cannot be treated as a whole.

It has been estimated that the USSR needs 30.2% new dwellings, Bulgaria, 27.4%, Poland and Yugoslavia, 23.5% in order to overcome current housing deficits (see Section 3.2). New dwellings in the ECESU at an average size ranging from 56.8 m² in the Soviet Union (1986) to 83.0 m² in Hungary (also 1986) are often smaller than Canadian dwellings and are more crowded (3.2 persons per dwelling in the Soviet Union and 2.7 in Hungary). By the late 1980's most new dwellings (98-100%) in all ECESU nations had piped water and a fixed bath or shower (91.4-100.0%). Given a per capita GNP ranging from \$3,000-10,000, these housing conditions are impressive. As will be shown in Section 3.2, the level of output has also been impressive. However, despite this, it is unlikely that the ECESU nations will be able to meet their targeted levels of new housing production, and the deficiencies of the existing older housing stock will not be eliminated. It is important to note that new private sector flats are larger than state sector flats, for example, in the Soviet Union the average private sector flat was 72.5 m² in 1986, over 25% more usable floor space than the national average. Moreover, there is considerable variation within the Soviet Union, for example the average size of a private flat in Azerbaidhzan was 70.2 m², while in Latvia the average was 107.6 m², both 1986. Similarly, in Azerbaidhzan per capita housing provision was 8.9 m² (second lowest behind another eastern Republic, Tadzhikistan at 7.6 m²), while Latvian per capita provision was 23.4 m² (second behind another Baltic Republic, Estonia at 26.2 m²).

In total 102,336 thousand m² were built by the state sector and 1,704 thousand m² were built by

the private sector in the Soviet Union in 1986: thus private sector production accounted for 14.5% of total production in that year. Once again, there is considerable variation by Republic, the private sector is much more important in Republics with larger rural populations. Thus private housing accounted for 50.8% of production in Azerbaidhzan, 44.4% in Turkmenia and 43.3% in Moldavia (all eastern Republics), but only 5.9% in the Russian Republic itself, and 10.2 and 15.1 respectively in Estonia and Latvia. Not all eastern Republics have large private sectors in housing however, for example in Kazakhstan the private sector only accounted for 8.6% of output in 1986.

As Table 2 shows many ECESU countries also have substantial rural populations, which in itself means that there is a considerable demand for low-rise dwelling units.

TABLE 2 Total Population and Proportion Living in Towns, 1988		
Country	Total Population (‘000)	Proportion in Towns (%)
Bulgaria	8,987	67.0
Czechoslovakia	15,624	75.6
GDR	16,675	76.8
Hungary	10,590	59.5
Poland	37,775	61.2
Rumania	23,112	51.3
USSR	286,717	66.4
Source: Adrusz (1990):Housing in Eastern Europe and the USSR, <i>Town and Country Planning</i> , July.		

The form that urbanisation has taken and the fact that industrialisation and urbanisation occurred in relatively short periods of time have combined to create certain cultural preferences for types of housing. Generally speaking, the urban populations in a number of these countries maintain close connections with the countryside. This contact is reinforced by the poverty of their urban environments.

As a result, the country villa (known in Russia as the ‘dacha’), is popular among large sections of the population. Many people thus live in a poorly-equipped, low standard, overcrowded apartment in a high-rise block of flats in the city and spend time in an even worse equipped and furnished, but detached, timber second home in the country. The small plot of land attached to the house meets some of the needs of the household in terms of vegetables, fruit and eggs.

As an example, in Bulgaria 10% of all households own a poorly equipped and furnished 'second home' but in the cities of Sofia and Pernik the figure rises to about 30%. **The recent upsurge in building has come mainly from new self-build ventures.**

One of the factors limiting extensive or suburban forms of urban development has been transportation: public transport costs are reduced if densities are high and compared to Western Europe and North America, private transport is far less common. For example, in the mid 1980's Bulgaria only produced 14,700 automobiles, while the more industrialised countries of the GDR, Poland, Czechoslovakia and the USSR only produced 218,000, 294,000 and 1.3 million cars respectively. The slow and uneven pace of automobilisation of ECESU countries has led to two different urban trends:

- ♦ housing policy will continue to be based on erecting high-rise prefabricated blocks of flats in the central areas of the towns but will likely allow people to engage in self-build activities in the countryside. This variant will sustain the market for self-build, low-cost 'second' homes in the country.
- ♦ as automobiles become more prevalent there will be a gradual conversion from high-rise ferro-concrete, prefabricated blocks to a lower density, low-rise form of development associated with suburbanisation.

This second trend also has implications for self-help housing since it could meet popular demand for a 'house and garden' as the 'first' (main) home, thereby reducing the demand for the second home for large numbers of people who currently have a second home or aspire to acquiring one - which essentially means self-build. This could be cost effective for society in so far as a high quality, low-rise wooden dwellings would be cheaper to produce than the construction of both a town apartment and country home.

2.3 Summary

From this brief overview it should be clear that while there are impressive levels of provisioning there is still a very significant housing deficiency in ECESU nations, and that this deficiency will not be eliminated without a major effort. It is also clear that housing provision is uneven, and that while this is not unique to ECESU nations, it might be an important factor in targeting support for self-help housing initiatives. This unevenness is reflected in the level of per capita provisioning and in the share of provisioning by the state and private sectors. Section 6 of this report reviews the level and character of provisioning in ECESU nations and individual Soviet Republics in more detail.

Elimination of the housing gap is constrained by the rapid and deep economic recession affecting all ECESU nations and which will limit the resources available for housing to ECESU states. A further

constraint is imposed by the prevailing heavy levels of subsidisation of rents in the state sector, which will make it even more difficult for the states to meet the housing gap. Notwithstanding these difficulties, housing remains a top priority of ECESU states because of its role in restructuring the ECESU economies.

As will be seen in the following section, this urgent need to address the housing gap and restructure the housing system in the context of severely limited state resources has led to calls for increased private participation in housing. Private sector production is not new, indeed it was shown above to account for a significant share of output in several Soviet Republics, however the call by top policy makers for increased private production is new, and **self-help housing provision has a role to play in reducing the housing gap in ECESU nations.**

3 GENERAL HOUSING MODEL

It is possible to see the housing policies of the countries of Eastern Europe as sharing a common origin in the model developed and prescribed by the Soviet Union. At the end of the 1940s when the Soviet model was introduced in Eastern Europe, the property system of these countries underwent a fundamental change. However, nationalisation of the housing stock was not the only means nor a precondition for controlling the private sector.

The state has controlled the supply side of house building by its control over building materials, land and planning permission. It has also determined demand by keeping wages low. Economic and housing reform are linked by the need to move away from the combination of low cash wages and heavily subsidised housing.

Therefore in centrally planned economies 'effective (monetary) demand' did not call forth an increase in the supply. Problems with this system have long been recognised and were reflected in successive waves of pro- and anti-privatisation programmes:

- [a] The **late 1940s and early 1950s** were dominated by efforts to ensure total state control over the housing production and distribution;
- [b] Political unrest during the **late 1950s** gave rise to relaxing of control over private production in order to increase output;
- [c] Recentralisation occurred again during the **late 1960s and 1970s**. This was a period of high economic growth rates and an expansion of large scale industrialised housing construction technologies;
- [d] The mounting economic crises of the **late 1970s** saw an end to the period of expansion in state housing construction and greater tolerance of the private and quasi-private (i.e. co-operative) sectors;
- [e] By **1988-90** it was acknowledged that the depth of the economic crisis in these countries required a radical restructuring of the housing system. As Table 3 shows, housing construction began to contract.

TABLE 3 Housing Construction by Country: 1970, 1980, 1988						
COUNTRY	1970		1980		1988	
	Total Built ('000)	State Share (%)	Total Built ('000)	State Share (%)	Total Built ('000)	State Share (%)
Bulgaria	45.7	29.3	74.3	52.0	62.8	47.3
Hungary	80.3	41.1	77.0	39.4	50.63	10.2
GDR	76.1	69.3	169.0	35.2	219.0	31.0
Poland	194.0	23.2	217.0	18.2	190.0	20.6
Rumania	159.0	42.8	198.0	94.4	104.0	----
USSR	2,300.0	69.6	2,000.0	80.0	2,200.0	77.3
Czechoslovakia	112.0	33.2	129.0	39.1	82.9	25.2
Source: SEV (1990)						

This is now taking place within the framework of the restructuring ('*perestroika*') of the economy as a whole, which entails:

- [a] decentralising control over production to enterprises which now have to be responsive to the forces of supply and demand in an increasingly market oriented economy;
- [b] the total refashioning of the taxation structure with a shift to higher levels of progressive income and corporation tax, with the latter including concessions and exemptions as an incentive, for example, to increase house building;
- [c] the introduction of major budgetary changes in order to increase the powers and functions of local governments.
- [d] inaugurating as part of a wide-ranging wage reform much greater wage differentials. This is a sine qua non if the goal is a housing system where the majority of households pay the full cost of their accommodation - obtained in competitive markets - and allowing only special needs' groups to be recipients of public sector assistance.

3.1 Property Rights

At the heart of these changes, indeed their underlying premise, is the creation of a totally new set of **property rights**. This requires the establishment of a legal framework within which state property, leasing arrangements and co-operative and private ownership may coexist. This undermines the ideological foundation of Soviet planning but also occurs in a context where the concept of 'private' property is almost

wholly alien to the culture.

This means that in the Soviet Union (with the possible exceptions of the three Baltic republics, Georgia and Armenia) and in Poland, Rumania and Bulgaria especially, there is a regrettable but understandable tendency amongst theorists, publicists, politicians and the population towards political polarisation caused by a misunderstanding of 'private property'.

Its importance for housing policy derives in part from the relationship of housing to land. The transformation of property in land into a legal relationship becomes a necessity only when it is suitable for becoming a commodity; that is, when it has a value thus making its private appropriation profitable.

This generalisation may be translated into the specific Soviet case in the following fashion. Until recently, Soviet theory treated as axiomatic that under socialism land had lost its commodity status. Nevertheless, the fact that the ideology acknowledged that land had scarcity value, thus enabling differential rent to be calculated, suggested that both legal experts and economists also perceived that its commodity character had not been abolished; rather its circulation had been restricted. The issue now is: to what extent are restrictions on its 'circulation' to be removed?

The absence of rights to land ownership constitutes an obstacle to the emergence of a legal land market and an effective land pricing mechanism based. In general this is most likely to be on a leasehold rather than freehold basis.

The Soviet **Law on Ownership** of July 1990 is a step towards creating a framework for private property ownership. The aim, constantly restated, is "to put property in the hands of owner-producers". (This means that property can be in the hands of individuals (foreign as well as Soviet), joint stock companies, mixed companies in which the state has a stake and cooperatives). The Law allows members of housing cooperatives to have full proprietary rights once they have repaid their loan.

Ironically, the property rights enjoyed by tenants in public sector housing are frequently more protected and valuable than those of owner occupiers. Not only are occupancy rights to heavily subsidised accommodation permanent, they can also be transferred to relatives. Thus, in so far as tenants in state owned accommodation virtually controlled the right of transfer, public property was *de facto* converted into private property. This is one reason why sitting tenants in public housing in the USSR and elsewhere are adamant that they should not have to pay large sums for the purchase of 'their' flats, if they should pay at all.

The problems facing the USSR are also to be found in other ECESU countries which are in the process of clarifying property law. At present ownership of a number of residential (and non-residential) properties are subject to legal claim from previous owners. The problem is particularly acute in what was until last year East Germany. Czechoslovakia and Hungary are also trying to find ways of dealing with claims being made by former owners.

The clarification of property rights will not be completed over night. However, international pressure (World Bank, I.M.F. and Western financial institutions) may compel an early revision of the laws and regulations inimical to the freer use of private property.

There is a fear of predatory speculation and this may be justified. Their existence has, however, to be distinguished from a distrust of all profit-motivated behaviour. The ideological shift which is occurring through intense political struggles in these countries is to draw a clear distinction between these two forms of behaviour and to stress the legitimacy of the latter.

3.2 The Soviet Housing Model

The Soviet Union has provided a model and supporting ideology for the development of the economies of East and Central Europe. It is in the USSR that most components of the 'original' socialist housing model continue to be found:

- ♦ the share of the total housing stock belonging to the public sector is larger in the USSR than elsewhere
- ♦ rents are lower in relation to incomes, and,
- ♦ building plots are owned by the state.

Western specialists in Soviet housing policy have long acknowledged that:

- [a] Soviet citizens have suffered from a dreadful housing shortage;
- [b] the country's house building record in terms of the number of units constructed has been admirable, although
- [c] the quality of that housing has left something to be desired;
- [d] inequalities have existed in the distribution and consumption of accommodation.

The XXVII Congress of the Communist party in 1986 passed a resolution to provide each family with its own separate flat or house by the year 2000. In order to achieve this objective, 40 million new

flats and individual houses (2.1 - 2.3 billion square metres of overall space) will have to be erected in the 15 year period, 1986-2000, which will mean doubling the existing housing stock. In 1988 this was revised upwards.

According to one Soviet housing specialist, planners omitted to consider in need of housing, individuals in the 20-30 year old age range, since they already have homes with their families. This means that the demand for housing is seriously underestimated. He concluded that by the year 2000 the country will have 119 million households in contrast to Gosplan's estimate of 97 million. So, instead of the projected 40 million new homes which are to be provided in the period 1986-2000, the figure should be 54 million.

By 1989 house building plans were not being fulfilled and people were beginning to doubt whether the original 1986 goal was achievable. In May 1990 Gorbachev issues an Edict (Ukaz) reiterating that the acuteness of the housing shortage was as great as ever.

This poses the following questions:

- [a] can 30 mln. flats be built over the next 10 years (1991-2000) in order to ensure 'normal' housing standards for each family?
- [b] are there enough materials, finance and building capacity?
- [c] is there a mechanism which can mobilise them so that this goal can be achieved while in the process of transferring to a regulated market?

The housing shortage was described in terms of the low average norm of living space per person, measured in square metres. Communal flats, where bathroom, cooking facilities and landings (if not living rooms) were shared by a number of households, were extremely common. In 1990, 15% of urban residents still officially live in such flats. Waiting lists were known to be long, although official statistical data were until recently unavailable. Waiting lists for state housing in urban areas range from 12% of Moscow households to 36% of the households in Ufa. At least 35% of all families and single person households do not have their own separate accommodation and this reaches 45% in urban areas.

Having one's name on the waiting list means that entitlement has been recognised: this normally depends on the applicant having less than 5.5 - 6.0 square metres of living space per person and thus being defined as "in need". Currently about 14 million families fall into this category.

The lack of information on the growth in the number of households makes it impossible to match the impressive annual increments to the housing stock against new household formation - a much more important statistic than the annual number of registered marriages.

Many problems were in this way denied through "not knowing". Ignorance in this field of social life, as in many others, was bliss. The number of people renting a room (or a shared room) in a private house, or in a state or co-operative apartment was unknown. Anecdotal information on private renting and the extortionate prices charged by landlords existed were occasionally exposed in newspapers. But while individual exploitative landlords were identified and pilloried, the phenomenon itself was never systematically explored.

In the course of its evolution, the Soviet Union created its own form of housing allocatory system which is widely regarded by Soviet citizens as even more iniquitous than private landlordism. In fact, for one school of Soviet housing specialists, the private landlord is preferable to the system that currently exists.

In 1990 the four tenure categories which had emerged by 1924 continue to be the pillars of house ownership:

- ♦ local soviet (municipal housing);
- ♦ state ministries, enterprises, trade unions;
- ♦ housing co-operatives;
- ♦ individual home ownership.

Actual need, although an important criterion for being allowed to join a legal queue, is not the sole determinant of whether a person will be provided with accommodation. Since the early 1930s the Government has issued decrees and sent out circulars defining which groups of citizens may be prioritised in the allocation process. Government decrees issued at different times over the past half a century have extended to some of these social categories special additional space entitlements. However, in a situation of acute shortage, rules conferring entitlement have been of far less importance than contacts in the distributional system.

In addition, the propiska (residence registration) system, restricting people's ability to settle in republican capitals and other large cities, the constraints placed on private home ownership and legal regulations on the functioning of a quasi-housing market, have all served to intensify existing practices of

bribery and corruption both within the bureaucratic allocatory system itself and outside it.

Once again it has to be stressed that these institutional practices, although found in their 'purest' form in the Soviet Union, have also been typical features in the modus operandi of all the other countries.

3.3 Recent Legislation on Housing in the Soviet Union

Three important housing decrees were published in February, March and December 1988 and all marked, in the consistency of their prime objectives, a major change in policy direction.

The first of them came in the decree of February 1988 entitled *"On Measures to Accelerate the Development of Individual Housing Construction"*. At the beginning of the year it represented the most radical of all post-war government promulgations on housing policy. It stated that much greater reliance would have to be placed on the population using its own labour, income and savings to provide accommodation.

Of course, savings deposits are an obvious target for the government and in a period of open inflation and economic insecurity it also makes sense for citizens to invest in property.

In comparison with 1985, when it erected 16.3 million square metres of living space (14.4% of all housing construction), by 1995 the figure should be 60 million. By the end of the century, "housing erected by the population" will comprise 29.3% of all accommodation built and 19.7% of that erected in urban areas. This compares with 17.1 and 8.8% respectively in 1988. The new 'legislation' thus signals a reversal of the long-term decline of the 'private sector' over a 30-year period.

This reversal is to be brought about by a combination of initiatives:

- (a) banks are to make credit available to enterprises intending to start or expand production of building and decorating materials;
- (b) preference in the allocation of building plots should be given to people surrendering their public sector accommodation to the local authority (soviet);
- (c) the areas set aside for individual housing development must be provided with access roads and all public utilities;
- (d) state banks are to be allowed to make advances of up to 20,000 rubles repayable over 25 years in towns and 50 years in the countryside.

This increases the size of the loan from 3,000 rubles and extends the repayment period from 10 years. The same favourable terms are to be granted to people wishing to purchase individual homes - an important requirement for the furtherance of an open housing market.

The development of a housing market will be enhanced by allowing enterprises and organisations to sell houses to their workers if the latter pay them "no less" than 40% of the value of the house over a period of 50 years in the countryside. The corresponding figures for urban dwellers are 50% and 25 years. This was the nearest the Soviet Union has ever come to the British policy of selling council housing.

In so far as "encouraging the population to use its resources" to expand the supply of housing has in recent years been directed at least as much to the house-building co-operative as the owner-occupied sector, it was to be expected that the increased benefits accruing to the latter would soon be accompanied by amendments to legislation governing co-operatives.

This duly occurred in March 1988 in the decree *"On Measures to Accelerate the Development of Housing Cooperatives"*. The preamble of complaints on the lack of success of this form of tenure to date was followed by the statement that housing co-operatives would become *"one of the main ways for expanding housing construction...so that by 1995 they will contribute no less than two to three times more than at present to the overall volume of housing construction"*.

In the period 1996-2000 this could mean co-operatives contributing 20-30% to new building in towns compared with 9.5% in 1988.

The legislation defines two types of co-operative:

- [a] House-building co-operatives specifically created for the purpose of constructing and running dwellings by and for the benefit of the membership. They are allowed to acquire buildings in need of major capital repairs, renovate them and then occupy them.
- [b] These are not concerned with building at all. They are set up in order to acquire existing housing, either newly erected or renovated, from enterprises and the local soviets.

These properties are being offered at a huge discount, since the purchaser has to pay "not less than 20-25% of the property's assessed value", with the balance to be paid off over 25 years.

The creation of co-operatives to purchase older and newly erected buildings from the state was symptomatic of the shift towards acceptance of the principle that at least part of the state housing stock

3.4 The Evolving Strategy

The Presidential edict of May 1990 the President, *"On new approaches to the solution of the housing problem in the country and measures for their practical implementation"*, requires an *"expansion in the sources of finance by drawing upon:*

- *state,*
- *leasing and co-operative enterprises,*
- *share societies (aktsionernye obshchestva),*
- *voluntary organisations,*
- *bank loans and personal savings*

which is to be accompanied by building housing for sale with low monthly repayments spread out over a long period and by the establishment of a network of commercial banks, building co-operatives and firms dealing with the sale and renting of accommodation".

In this "regulated market" phase, which places emphasis on solving the housing problem principally through private individuals (and co-operatives) and work collectives, the state's role is to concentrate on actually increasing the aid that it gives to a whole range of disadvantaged social groups.

As far as the problems faced by younger people in trying to obtain accommodation are concerned, the Ukaz recommended that young families are to be helped to build their own homes and housing complexes, co-operatives and hostels for young adults and young families.

The extensive reliance placed on self-build by young people is still attractive, the actual construction of one's home is for many the only way in which they can acquire a place of their own. At present much of this self-build uses the same building materials as state and cooperative builders to erect the same type of multi-storey apartment houses.

The Edict specifically refers to the formation of a housing market in which every individual may freely acquire a flat or house through purchase, taking out a long lease or renting in the public sector. This will require removing all unnecessary restrictions on the reallocation and exchange of accommodation. Individuals with more living space than they require must be given an incentive to transfer to a smaller flat by offering them financial compensation.

Some sitting tenants might exercise their right to buy and then sell in order to reap a quick gain and use the money to build a "house in the country". This could have the effect of stimulating the whole house construction industry. The prudent might accept the gift and then hold onto their real estate asset

as a hedge against rising inflation. These are, however, only speculative scenarios for, among other things, a groundswell of hostility amongst tenants towards the propriety of "selling tenants their own flats" and the charging of higher rents.

These attitudes towards (higher) charges for accommodation find reflection in the large number of people who fail to pay even the low rents which are presently being charged. Many people still adhere to the belief in a "universal housing norm" which everyone should enjoy. On the other hand, a policy which allows co-operative members to dispose of their flat when they have finished paying for it, which stimulates the owner-occupied sector and which finds ways of facilitating the exchange of property, will help to cultivate a market mentality, and the effects of this will extend well beyond their approach to housing markets.

State organisations (either central agencies and enterprises which own about 58% of the public stock, or local authorities, owning 42%) who sell public rental housing to sitting tenants are entitled to determine the number of properties which they wish to sell and the selling price.

For a variety of reasons, among which price assessment is prominent, these bodies have so far shown themselves to be reluctant to sell. Even the radical Moscow City Council had only sold 1,500 flats to sitting tenants until December 1990 when it placed a moratorium on further sales until it has settled on a comprehensive housing policy. Those sold went at high price: 60,000 rubles was being asked for a 3-roomed flat on the outskirts of Moscow, compared with 14,000 being asked for a similar co-operative flat.

This was partly in response to the fact that many of those purchasing have applied to emigrate and since there are no rules prohibiting the re-sale, they immediately tried to sell their newly acquired property on the open market.

4 FINANCE

Because housing accounts for such a high proportion of national wealth (albeit less in ECESU than in more prosperous economies), the economic reforms being introduced cannot avoid making certain fundamental changes to the ways in which the housing sector is financed.

Subsidies to housing paid directly from the central budget have been estimated at 3%-5% of GDP and in some cases even higher. Local governments and enterprises also make off-budget subsidies to the construction of new housing and the maintenance of existing dwellings.

Financial institutions have played a limited role in centrally-planned (Soviet-type) economies. To this general underdevelopment of banking has to be added the basic premise of command-administrative systems, namely that accommodation is a basic need and therefore should not be expensive and like food and health should be subsidised.

There is some reason to suspect that those countries in which the second (informal, black) economy is large - 40% in Hungary and 20% in Poland - might find it easier to hasten the process of privatisation and rent reform. As subsidies are removed and prices liberalised and rise to market levels, the second economy should gradually merge with the formal sector. Hence the Soviet Prime Minister's position that *"privatisation of industry must come after the liberalisation of prices, on the grounds that since the Soviet Union has never had any kind of market, the country has never had rational prices"*.

Given housing price to income ratios in ECESU countries of between 10 and 20, the question of how privatisation is to be financed is critical. At present the whole infrastructural complex of professional, specialist, economic, financial and social institutions on which housing markets rely is wholly underdeveloped. The establishment of this infrastructure would be a major contribution towards the development of a housing market thereby accelerating the production of new dwellings and aiding the general economic transformation of these countries.

In the USSR little change has taken place in the realm of housing finance. Although interest on deposits increased from 2-3% to 5-9% in November 1990, interest on housing loans has not yet changed. In January one of the three banks operating in housing finance was abolished and its local branches were converted into commercial banks.

According to certain Western specialists, the following need to be given consideration a priority issues for the reform of the system of housing finance:

- [a] the introduction of a dual-rate adjustable mortgage loan (DRAM) in countries experiencing both high inflation and falling or stagnant real wages;
- [b] the separation of subsidy elements from financial credit during the transitional period while integrating the subsidy with the loan. Funding would then be based on:
 - ♦ household savings
 - ♦ non-credit subsidies and/or shared appreciation mechanisms, in order to solve the price-income affordable problem
 - ♦ a flexible unsubsidised mortgage instrument.

The signing of the agreement setting up the **European Bank for Reconstruction and Development** is one of a number of financial ventures which can be drawn upon to assist countries in the region to develop their housing and urban infrastructures.

Given the more modest cost of self-help housing it might be possible to introduce financial mechanisms for housing more easily than for more expensive industry and state production. In any case, it is likely that any self-help project should include a financing mechanism if it is to be implemented in ECESU nations.

5 CONSTRUCTION INDUSTRY

The system of housing construction is universally based on large scale building enterprises and rigid, monopolistic administrative and operational structures. It was developed in order to produce large amounts of floor space in vast concrete housing estates.

Since supply is generated by firms and organisations trying to fulfil planning production targets and not on demand, the internal design, composition, quality and location of buildings were neglected. Local monopolies and centralised control over materials and architectural design stifled creativity. Although governments tried to tackle these problems, their systemic nature meant that such attempts were unsuccessful palliatives.

5.1 The Construction Industry in the Soviet Union

Despite significant advances during the 1930s, it was not until the mid-1950s that prefabricated technology began to be introduced on a large scale in the construction industry in order to rapidly expand house building.

The proportion of all state and cooperative housing in towns erected using large, four-metre wide panels rose from 1.5% in 1959 to over 60% in the 1980s. This expansion has been at the expense of brick-built houses, because of substantial reductions in building time and labour costs associated with panel construction. The use of bricks in the public sector declined from 48% in 1970 to 30% in 1980 and is envisaged to contribute about 10% of all new urban house building by the year 2000. However, it is likely that this figure will now be revised upward.

In 1965, 5% of all new public and cooperative dwellings built in towns were of 9 or more storeys. By 1980 the figure was 51%. In the case of Moscow, Kiev and Leningrad construction is virtually entirely of blocks of 9, 16 or more storeys. Almost all blocks of flats in cities of less than 100,000 inhabitants are 5 storey walk-up blocks. On the whole the latter will remain the norm in all towns with less than half-a-million inhabitants. According to some forecasts the 1990s will see a shift from a policy of erecting buildings of "9 storeys and over" to one of "9-10 storeys and less", with greater use being made of 1-4 storey blocks in high density complexes.

In 1987 the Government passed one of its periodic votes of censure of the architectural profession, although recognising that building production was dictating the activities of architects. The highly centralised nature of standard design work and the predominance of large panel construction have created monotonous and expressionless cities. This is likely to change now that private construction and

architectural cooperatives have been established.

The transfer of building contractors and other firms involved in the building trade to full cost accounting and self-financing should create opportunities for improvements in the industry. Allowing larger enterprises to combine the functions of designing and building may also improve efficiency.

The greater stress now being placed on modernisation and conservation work requires the retraining of the workforce which, because of the widespread use of students and soldiers and high labour turnover in this branch of the economy, is lacking in skills - a fact manifested in the very low quality of house building.

An army of building workers, known in Russian as 'shabashniki' (operating as individual tradesmen or in groups) has existed for many years. In the past they contracted to work clandestinely (for such work was illegal) for either private clients or public organisations. Working in small gangs their earnings were 3-4 times greater than the average industrial worker's wage. Many of them are now forming themselves into legal construction cooperatives. **It is this section of the construction labour force which is most likely to work with a self-help producer, however given the relative weakness of market controls, the producer (whether individual or collective) will be vulnerable to problems of overcharging, quality control and scheduling.**

The decision to expand the private and co-operative housing sectors, has required legislation to restructure the 'material-technical base' of the construction industry. In essence this means increasing the supply of building materials to the market.

5.2 The construction industry in Hungary

Employment in this sector declined by 16% in the period 1980-89 while investment fell by half. Overall building activity declined in value terms by 9% and output by 18%. A further reduction in activity was anticipated for 1990.

As elsewhere in the economy, decentralisation has meant the legalisation of small building contractors who are able to enter into competition with large state enterprises many of whose productivity and profit/turnover ratio is below the national average.

5.3 The Building Materials Industry

Production declined by 49% in the decade 1979-89, in part due to a decline in house building. Following legislation during this period, the number of firms working in the industry increased from 40 to 148. State enterprises still account for 96% of those employed in the industry. The vast majority suffer from overmanning and low labour productivity. Just over 50% of the brickyards are regarded as obsolete.

Output levels for the 1986-88 in the Building Material Industry have increased in all ECESU nations (except Bulgaria) as compared to the previous planning period, 1981-85. For example, the average rate of growth in the Building Material Industry in Hungary was 3.1% compared to a fall of 1.4% in the previous period, in Poland the figures were 3.5% and -2.8%, and for the Soviet Union 2.9% and 4.4%. However gross output of some key materials such as cement and bricks have fallen or remained stable in most of the ECESU nations, while others such as the output of the wood processing industry have increased, although at a slightly slower pace than for the Building Material Industry. Perhaps more importantly, the share of building material output in overall gross industry production has declined slightly or remained stable in most ECESU countries. All of these estimates end in 1988, reflecting perhaps the increased importance of housing as well as the difficulty of transforming established priorities and practices. It is important to note that none of the estimates include the recent period of economic crisis when building material production likely fell along with most other industrial products.

Both the construction industry and building materials industry are in need of modernisation. At the same time demands for an improved infrastructure, office and hotel accommodation and industrial plant make it imperative that these sectors themselves expand.

The production of non-traditional building materials for housing could relieve pressure on those firms manufacturing building materials and equipment for the non-residential sector. It is important that the availability, quality and cost of all materials necessary for housing construction is assessed, whether the housing is of native or imported (eg. Canadian wood frame) design. The record of production in the ECESU is that firms are much more vertically integrated and less specialised than Western European or North American firms; and this systematic characteristic is the principal means whereby individual firms deal with problems in the quality and delivery of inputs.

6 COUNTRY REVIEW

Because the material presented above relies most heavily on information from the Soviet Union this section gives more details on individual East and Central European nations. Because of the limited time and resources for this study the review is preliminary and additional work would be required before a firm picture of the housing situations in the respective countries could be determined.

TABLE 5 Sector of Ownership of the Housing Stock and of New Construction						
Country	Ownership of Housing Stock - 1980 ¹			Sector of New Construction - 1986		
	State	Cooperative	Private	State	Cooperative	Private
Bulgaria	16.1	0.1	83.8	48.3		51.7
GDR	27.7	9.8	62.6	50.0	32.9	17.1
Hungary	25.6	1.8	72.6	29.6	0.0	70.4
Poland	32.4	21.8	45.8	17.3	58.1	24.6
Romania	n/a	n/a	n/a	93.6		6.4
Czechoslovakia	n/a	n/a	n/a	36.5	33.9	29.6
Yugoslavia	22.3	n/a	n/a	38.1		61.9
USSR	65.0	3.0	32.0	74.5	5.0	20.5
¹ All data 1980 except Bulgaria (1985), Poland (1984) and Yugoslavia (1984). Source: UN Commission for Europe						

As can be seen there is considerable variation across ECESU nations with regard to the ownership of the housing stock and the sector responsible for new construction. While Bulgaria, the GDR and Hungary have the highest proportion of private ownership of the housing stock, the GDR had relatively low levels of private sector new construction, while Bulgaria, Hungary and Yugoslavia have quite high levels of private sector new construction. In the following sub-sections more details are given on each member nation in the ECESU.

6.1 Bulgaria

Bulgaria has one of the weakest economies in the region, but **might have considerable potential for the further development of self-help provisioning**. The majority of the housing stock is owner-occupied and there is an existing state supported system providing grants to new homeowners with an incentive to build rather than purchase.

The current housing stock and even new acquisitions are not of a very high standard and of all

dwellings erected in 1986:

- ♦ 33.8% were supplied with mains electricity, water, sewage disposal and central heating
- ♦ 65.1% only had electricity, water and sewage disposal
- ♦ 0.8% only had electricity and water, and
- ♦ 0.3% had electricity only.

The annual output of dwelling units averaged 45,200 in the period 1965-74. Production rose from 44,100 in 1974 to 57,150 in 1975 and to 67,625 in 1976 and peaked at 75,885 in 1977. It declined erratically from that peak to 64,870 in 1985.

Basic housing data for 1985 (the last full census year) shows:

- ♦ total stock: 303 dwellings per 1,000
- ♦ 18.6 square metres of overall living space per person
- ♦ 1.2 persons per room
- ♦ 2.8 rooms per dwelling
- ♦ 61.1 square metres is the average dwelling size
- ♦ 76% of urban dwellings have an inside lavatory, and only 7.9% of houses in the countryside.

Dwelling units are on the whole extremely small and there is a discrepancy between the number of rooms and size of households (a feature common in ECESU nations). Bulgaria has 4 forms of house ownership:

- [1] Government (16.0% of 1985 stock). Houses are built using central funds from the central budget and allocated to municipal and other government organisations for rent;
- [2] Social ownership (0.1% of 1985 stock). Dwelling construction is financed by public organisations, such as the Bulgarian Agrarian Union, for renting to their members;
- [3] Cooperatives (0.1% of 1985 stock). These too use their own funds to finance the construction of buildings for rent;
- [4] Owner occupancy (83.8% of 1985 stock). Individuals use their own savings or long-term state loans to build or purchase.

Despite a 4 point increase in the rental sector between 1975 and 1985, the overwhelming majority of the population live in the owner-occupied sector. Every citizen is entitled to a State loan up to 12,000 leva to purchase or 15,000 leva to build. Loans are repayable at 2% p.a. over 30 years. Certain categories of people can also benefit from additional subsidies.

The 'old' attitudes towards property ownership and towards control over the buying and selling price of houses continue to prevail:

- ♦ individuals (families) may build a dwelling in order to meet their personal needs for accommodation
- ♦ they can contract part or the whole of the construction to specific building firms;
- ♦ housing transactions between private individuals or between individuals and local authorities or other public agencies willing to sell dwellings to private citizens are closely controlled with *"the price being in conformity with a tariff approved by the Council of Ministers"*;
- ♦ the price is regulated by the Decree of Real Estate Prices;
- ♦ the price of a dwelling is normally lower than the actual construction costs incurred by the building contractor carrying out the work;
- ♦ building taxes are paid irrespective of whether they are occupied or vacant. The determining factor is whether or not the dwelling is fit for habitation. Some categories of housing are tax exempt.

It has been authoritatively stated that the current taxation system adversely affects the fair distribution of accommodation and its efficient use. In order to rectify this situation, a new taxation policy is currently being prepared which is aimed at a more efficient (re-)distribution of the housing stock by employing some form of market mechanism.

6.2 Czechoslovakia

Almost all prices were liberalised from January 1991, except those covering public rented accommodation. The latter will rise in two stages reaching a market level in January 1992.

Properties nationalised and placed in the public domain when the Communists came to power in 1948 began to be re-privatised at the beginning of 1991. Where the use of the original property has changed or has been sold to a sitting tenant, the previous owner will be compensated.

The whole issue of security of tenure is under review; at present private landlords will only be able to evict after three years. State loans will be made available to tenants and landlords undertaking modernisation work on their properties.

6.3 Hungary

In 1989 a change in the law now allows families to own more than one apartment. The law also saw the transfer of ownership of state housing into the hands of local municipal authorities. This sector controls just 21% of the total stock. It is likely that a proportion of this will be privatised with different alternatives for the transfer of property now being canvassed. However, growing concern is now being

expressed at proposals to dispose of large segments of the public sector too quickly.

Late spring 1991 should see the publication of a new law clarifying critical questions concerning:

- security of tenure
- right of eviction
- rights to increase rents
- the price at which public housing can be disposed

The current (1991) central government budget makes no provision for spending by local government on housing. Although, as part of the decentralisation process, municipal authorities have been empowered to levy taxes, because of steep rises in prices, it is unlikely that the population would be able to bear an additional tax burden imposed by local government.

Under these circumstances, potentially the sole source of income for local governments is the sale of publicly rented housing. One problem here might be the low income capacity of many tenants. This could mean that the selling price of the properties would of necessity be very low with repayments extending over a long period. The selling price has typically been 15-65% of the property value repayable over 25-30 years at 3% p.a.

In 1989 sales were in the range of 1-8% of the stock, rising to 5-50% in 1990. If current trends and policies continue then 30-70% of city housing stocks could be sold by the end of 1992.

However, there is an important caveat when considering income levels: 75% of Hungarian families have two main sources of income, with 30% deriving from the second economy. Access to the second (informal/black) economy is not evenly distributed; it is estimated that 25% of the population is excluded from it.

Since significant numbers of people will be unable to pay considerably increased charges for housing, it is possible that non-profit housing associations will be created. These could borrow from well-tried co-operative housing schemes - both in Hungary and elsewhere - which build and/or maintain low income residential property.

It also seems likely that in the owner-occupied sector there will be a movement away from the granting of loans for new housing on the basis of variable interest rates towards the dual-rate adjustable mortgage loan (DRAM) system (sometimes called the Dual Indexed Mortgage [DIM]).

A new law on Planning and Building is in preparation.

6.4 Poland

At the end of 1990 the only bank granting credit for house building virtually ceased issuing new loans. It seems likely that the mortgage market might take some time to recover, with new credits becoming available only in the second half of 1991. As in Hungary, dual-rate adjustable mortgage loan will probably be introduced as recommended by international bodies.

In December 1990 legislation was passed permitting eviction under certain circumstances.

Land and other property belonging to the state can only be disposed of through public auction. Housing is the exception and can only be sold to either the sitting tenant or previous owner.

Major laws are in the pipeline on building, planning and co-operatives. Some of this is not too controversial. The greatest controversy surrounds the draft Housing Law covering public housing. Parliament has so far refused to ratify a Bill on this issue. This prompted the Minister responsible to stop further sales of public rental housing. The price at which this housing is to be sold is under discussion.

Low income households have been able to apply for rent assistance since mid-1990. Despite complaints of high rents, the take-up rate has been very low, partly because of badly disseminated information about the scheme.

6.5 Romania

One of the first decrees by the new regime following the ousting of Ceausescu was to restore the right which citizens had between 1973 and 1987 to buy their state rented dwelling.

Individuals can now themselves enter into contracts with state or private builders for new construction or renovation work and loans are available from state or 'private' banks. However, as in the Soviet Union, land remains in state ownership.

Although the privatisation and reprivatization of housing has been accepted in principle, so far there has been no firm decision on the precise procedure and mechanism to adopt.

Compared with other east European countries rents are, at 10% of household income, relatively high. On the other hand, house prices are relatively low - approximately five times annual income. This means that there are strong pressures against any full liberalisation of prices.

In general, there would seem to be considerable incentive to buy. The result would be the residualisation of the state rental sector.

6.6 Yugoslavia

Work on a new Housing Law has been in progress for some time. The fact that the Yugoslavian federation will probably be the first to decompose (with the secession of Slovenia), more than one law will be enacted to deal with the specific problems of the individual republics.

It is thought that they will, however, share in common the need to abolish the domination of social ownership and remove certain obstacles to the operation of a freer housing market.

At present both privatisation and re-privatisation are optional choices for republican governments, some of which have already introduced regulations sanctioning this process.

Substantial differences exist between republics in the down payments required (0-20%), the repayment periods (15-50 years) and discounts, which may depend on the number of years that a tenant has been working for an employer-landlord and the age of the dwelling. Some enterprises have been keen to sell in order to raise cash to alleviate liquidity problems.

Although, to date, there has been limited privatisation, in the long term the forecast is that the public rental sector will shrink and become marginalised.

7 SUMMARY AND RECOMMENDATIONS

The high levels of overcrowding, the universally small flats and low space standards and often poor quality of external design and interior layout will not be remedied over night by raising rents, or by selling state accommodation to sitting tenants or to co-operatives. This can only be done by increasing the supply of accommodation. It is clear that the leadership of most ECESU nations are looking towards private sector construction for a good part of the increase in supply. However the ability of either the private or public sectors to do this is constrained by a number of conditions including entrenched and low state rents, a massive economic crisis, an undeveloped financial market for private house construction and purchase, a construction industry which is inflexible and technically backward, and shortages in the supply of building materials.

It is difficult to predict whether in the near future the current economic reforms will be able to have a positive effect on housing production. It is still too early to assess their impact on the housing sector in Poland and Hungary, the countries where the reforms have been most rigorously pursued. As in other advanced industrial countries a revitalised private sector will have to coexist with a public sector. The latter will serve as a 'social guarantee' for those on low incomes unable to compete in the market. The exact nature of that public sector will vary from country to country.

The important thing to stress is that subsidies will cease to be universal and may become means tested as part of an effort to achieve a more efficient use of central government assistance. The success of a private housing market will rely heavily on the restructuring of the banking and financial institutions in these countries. Indeed the whole housing sector could benefit immensely from the creation of innovative measures for long-term lending. Above all there has to be a shift away from the almost universal use of low interest loans and subsidised credit. This would be associated with the encouraging people to save by offering positive real interest rates. However, in Czechoslovakia for example although personal savings accounts continue to grow, there has been a slow down in their growth as savers have been persuaded to invest in bonds, shares and hard currency accounts.

The signing of the agreement setting up the European Bank for Reconstruction and Development is one of a number of financial ventures which can be drawn upon to assist countries in the region to develop their housing and urban infrastructures.

In addition to the problems in the financing sector, there will likely be limitations placed upon increasing the supply of housing by the building materials industry. As the statistics reveal, the private (owner-occupier) sector in many of these countries is very considerable. However, it is underfunded and

the materials used are not only in short supply but technically backward.

In terms of economic viability, cultural desirability and social acceptability, a more technically advanced form of **self-build** in some of these countries has considerable prospect. It could be a way of achieving other long standing objectives which have remained allusive. For instance, the basic socialist objective of containing the growth of large cities, and its concomitant the dispersal of industry to smaller towns, may be better pursued if a more flexible housing policy is introduced. If housing (and infrastructural) standards improve in the countryside (small towns), then this will probably have a more positive impact on restricting population migration to the large cities and reducing congestion than directive, administrative measures have had in the past.

A huge demand for housing exists. Unemployment is rising and Governments are reducing their budgetary expenditures. The immense trauma of change, exacerbated by what is virtually a national apostasy, has left vast numbers of people discontent, anomic and alienated. **Embarking on a well-planned self-build programme could be of greater benefit to the people and governments than merely the provision of good quality accommodation.**

This raises the question of how this could be initiated and what role foreign governments such as Canada might play. From Canadian and European experience we can identify five key elements for successful self-help; serviced or serviceable land, appropriate financing, a standardised building system, means by which individuals and groups can access the necessary building technology, and affordable standardised building materials.

From this review of ECESU housing it appears likely that these conditions are most closely approximated in Bulgaria where there is already considerable self-help building and a financial mechanism including state support which provides for self-help. We do not know enough about the building system or materials supply to assess these elements, however, given the high levels of both private sector construction and self-help prevailing there, it is likely that there are some positive aspects to these elements. Elsewhere in the ECESU there appears to be good opportunities for self-help, but that a directed effort would likely be necessary to establish the required conditions for even a successful demonstration project. However, given the direction that housing reform is taking and the general conditions in which this occurs, all in the context that most ECESU nations have at least some degree of self-help already, then the possibilities of adoption of a successful demonstration appear favourable. **Consequently it appears to be worthwhile considering the possibility of undertaking a self-help demonstration project in the ECESU.** Prior to this it will be necessary to have a more detailed assessment

of the possibilities and technical and social conditions involved in self-help housing provision in such a setting.

Visit our website at www.cmhc.ca