

FROM BUDAPEST TO BISHKEK:

MAPPING THE ROOT OF POVERTY HOUSING



*An analysis of the conditions
and causes of poverty housing
in Central and Eastern Europe
and Central Asia*



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Habitat for Humanity Europe and Central Asia

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Foreword

Shelter is a primary need for all. At its most basic, it is just a roof and four walls where we are safe and dry. It is not too much to ask. In fact Habitat for Humanity believes that simple, decent shelter is a basic human right.

Sadly, we live in a world where people are increasingly denied simple, decent shelter. According to UN Habitat data, some 2 billion people in our world lack adequate shelter or are homeless, and this is set to rise by another 1 billion in urban areas alone by 2030. The world is waking up to the scale of this problem and realizing that action needs to be taken now. The “Cities without Slums” target set out in the Millennium Development Goals calls for: “By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers.” If we are to meet these targets, NGOs like Habitat for Humanity, its partners and supporters will have to campaign and work hard to make sure shelter is firmly on the international agenda.

Adequate shelter provides so much more than a roof. It is one of the corner stones upon which healthy, productive lives can be built. Slum housing causes ill health, severely limits educational and economic opportunity, and perpetuates the cycle of poverty. To make clear just how damaging slum housing is to lives, we at Habitat for Humanity refer to inadequate shelter as “poverty housing”. To free a family from poverty housing has immediate and direct health benefits, and is strongly associated with rising educational and economic attainment. But most all, it honours an individual's innate human dignity – they have a dwelling they do not feel ashamed of and will proudly call home.

This book focuses on Europe and Central Asia, that is roughly, the transitional economies of Central and Eastern Europe, the CIS nations and the EU. Within this study, we have put much more focus on the transition countries and CIS. Our purpose is to try to identify the causes of poverty housing in this region, the scale of the problem, as well as possible solutions.

From the report, we can see that “affluent” Europe is far from immune from poverty housing. In the poorer areas of Europe and Central Asia there remains a legacy of chronic underinvestment in housing resulting in a severely inadequate housing stock. At the heart of the huge social problems facing the region lies a ticking bomb of inadequate shelter.

Only by spreading the word about the need for simple, decent homes for all and acting on our belief together we can hope to rid the world of poverty housing.

*Don Haszczyń
Area Vice President of Habitat for Humanity Europe and
Central Asia*

Major Points from the Book

- ◆ Adequate housing has been linked with physical and mental health, ability to acquire and maintain employment, and children's capacity to succeed in school.
- ◆ Substandard housing is considered both a cause and a result of poverty: improving housing is imperative to alleviation of poverty and its worse manifestations.
- ◆ The general affordability of housing in Central and Eastern European countries had decreased sharply by the mid-1990s.
- ◆ In most CEE and Central Asian countries, the public rental sector has decreased from previous levels of 20% to more than 50% of the housing stock to current levels of well below 10%.
- ◆ As the public rental sector diminished to under 10% in most countries, the percentage of people living below the poverty line increase by three to five times.
- ◆ The majority of housing stock in CEE and CIS countries was built from low quality pre-fabricated materials and has been seriously damaged by inadequate maintenance. A high percentage of this housing is now in the process of rapid deterioration, and is considered the region's "housing time bomb".
- ◆ Of Poland's total housing stock of 11 million units, 1 million need major renovation and 300,000 should be demolished.
- ◆ The UN estimates that 40% of all urban housing in Romania is of low-quality, pre-fabricated construction, with ageing infrastructure and utilities in need of urgent investment.
- ◆ About 2 million people in Russia currently live in officially condemned housing.

- ◆ In Kyrgyzstan, only 16.8% of the rural population have access to running water in their homes.
- ◆ The World Bank estimated in a 2004 report on housing conditions in five CEE and CIS countries that 22% to 58% of urban households heated their homes with dirty fuels, lacking a clean alternative.
- ◆ A majority of the seven to nine million Roma who live in Central and Eastern Europe and the CIS are chronically poor and often live in informal or illegal substandard settlements, with limited access to water, sanitation and sewerage.
- ◆ In Armenia, almost every building in the country is considered to be below current safety requirements for earthquakes.
- ◆ Households with inadequate housing are often less able to earn income.

Executive Summary

The purpose of this report is to set forth the conditions and causes of inadequate housing in Central and Eastern Europe and Central Asia, and to present some of the efforts being made to improve housing conditions. The report is organized in six chapters.

Chapter I, the introduction, poses the principal questions underlying the report and gives alternate definitions of inadequate housing.

Chapter II discusses the quantity and quality of housing within Central and Eastern Europe and Central Asia. This chapter includes details on new construction levels, deterioration of housing stock, and access to basic services such as water and sewerage. It concludes with sections on homelessness and

groups of people considered most vulnerable to poverty housing.

Chapter III summarizes the effects of inadequate housing conditions, both on an individual and a societal level. It also discusses the link between inadequate housing and poverty.

Chapter IV presents the primary causes for inadequate housing conditions within the study area. These causes include increasing poverty, unfavourable macro-economic conditions, problems associated with privatisation of the housing sector, current government policies related to prioritisation, subsidies and eviction, insufficient access to financing, war, immigration, demographic considerations such as ethnicity, gender and age of population, and environmental issues.

Chapter V outlines current efforts to confront inadequate housing in Central and Eastern Europe and Central Asia. Organizations involved in improving housing conditions in this region include multilateral development organizations, international NGOs and research institutions, bilateral aid organizations, and local and national groups.

Chapter VI summarized the conclusions and trends discussed throughout the report.

The report contains two appendices. Appendix A gives a UN Development Programme list of socio-economic indicators for measuring human development in five sub-regions of the CEE and CIS region (2005). Appendix B presents additional details concerning inadequate housing in 12 countries within the study area.

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Chapter I: Introduction



The study of access to adequate shelter for people throughout Central and Eastern Europe (CEE) and the Commonwealth of Independent States (CIS) underlines key similarities throughout the region, and also the widely diverse experiences of each of the different 29 countries included in the study area. While this report focuses on the region's shared housing issues, it does so only with the caveat that understanding any country's housing situation within the region would require an independent, in-depth study of the particular housing issues confronted by this country. Brief housing profiles of 12 countries within the region are set forth in Appendix B.

Set against a backdrop of deep social, political, and economic change over the last 15 years, the question of housing vulnerability proves to be a window into broader issues of transformation. Has the shift from command to market economy improved the welfare of the majority? If not, is it likely to in the future? Has this transformation created new classes of vulnerability? Who is most affected, and how? How have states confronted issues of social need that have not, as of yet, been fulfilled by market forces? What will be the most effective role for the state in serving the social needs of vulnerable classes of people within the context of a market economy? One Slovenian author posed the question, in terms of housing, this way: "Have these reforms created better conditions to alleviate housing shortages and homelessness?" (Mandic 2004: 6.)

While the purpose of this study is not to answer

these questions, they underscore the nature of housing as an important indicator of social, political and economic relations.

Some observers describe a shift in government policy toward housing in the CEE and CIS countries as a movement away from a focus on housing as shelter toward a focus on housing as investment. Under socialism, housing was usually considered a residential facility to which every person was entitled. As market economies have taken hold, the perceived value of housing has shifted toward that of a form of household wealth, an individual economic asset (Mandic 2004: 9-11). This perspective is not easily reconciled with the idea that housing is a social entitlement to be distributed according to need.

As housing systems in CEE and CIS countries have shifted over the past 15 years, the civil sector has become increasingly involved in identifying and confronting housing needs that have not been met by the private market or state assistance. Many observers note that NGOs are often able to operate more efficiently than governments in providing housing for vulnerable groups, and some governments have turned to civil-sector institutions such as NGOs and Housing Associations to implement projects using state funds. Civil sector institutions also serve the essential role of helping people to identify key housing issues on local and regional levels, organize around these issues, and advocate for their change.¹

Access to adequate housing is important not only for shelter purposes, but also in the formation of a cohe-

sive, inclusive society. As some observers have pointed out, this role of housing becomes even more important as wealth levels within a society become more disparate (Szolgayová 2000: 81). According to the United Nations Development Programme (UNDP), development of human settlements is necessary to the success of democratic processes and transformation. The UNDP summarized this view as follows:

In the Eastern Europe and CIS region, decline in the quality of human settlements represents more than a deterioration in the physical quality of personal and shared spaces. In its manifestations in threats to personal safety, poor environments for work and livelihood, and damage to health and life itself, it also becomes the source of social and political mobilization not only against the state but against citizens as well. From this perspective, actions taken to improve the quality of human settlements can make important contributions toward re-establishing the basis for vital economic, social and political life. (UNDP 1997: 50.)

Seen in a positive light, provision of adequate and affordable housing can become a valuable tool for transforming the radical shift from command to market economy into a pathway for social, political and economic change that brings widespread stability and prosperity (see, e.g., UNDP 1997: 15).

Adequate housing has also been linked with physical and mental health, ability to acquire and maintain employment, and children's capacity to succeed in

¹ In his 2005 Annual Report, the UN Special Rapporteur on Housing highlights the role of NGOs in housing and urban development projects, recommending that "Governments work more closely with NGOs and local communities in developing city master plans and urban development schemes and projects." (Par. 70(b)(5)) In their 2001 report for the Council of Europe on Housing for Disadvantaged Categories of Persons, Tosics and Erdósi explain that governments are increasingly relying on NGOs in confronting housing problems. Although the role of NGOs in housing has traditionally been much stronger in Western Europe than in Eastern Europe, these authors point to a growing sense of power and self-awareness of housing-related NGOs in CEE countries. They recommend that governments increase their assistance to NGOs in confronting housing vulnerability. (Par. II(3)) In a 1999 report, the UN Economic Commission for Europe described strategies by governments in Vienna and Budapest's District IX to transfer decision-making and project implementation for urban renewal to quasi-governmental non-profit organizations. (UN Economic Commission for Europe 1999: 12-13.) Further examples of NGO participation in housing in Central and Eastern Europe and Central Asia are set forth in Chapter V of this report.

school. Substandard housing is considered both a cause and a result of poverty: improving housing is imperative to alleviation of poverty and its worse manifestations.

To evaluate housing issues in CEE and CIS countries, it is useful to begin with a definition of adequate housing. Each country has its own definition, and information/ indicators are seldom uniform. The right to adequate housing in international law is set forth in General Comment No. 4 on the Right to Adequate Housing, adopted by the UN Committee on Economic, Social and Cultural Rights in 1991. The interpretation of adequate housing given in General Comment No. 4 is expansive, requiring “tenure security, affordability, adequacy, accessibility, proximity to services, availability of infrastructure and cultural adequacy.” (Summary found in UN Special Rapporteur on Adequate Housing 2005: par. 11.)

The Council of Europe uses a simplified working definition to assess housing conditions. Formulated on the principle that state social provisions (including housing) should be based on universality and security, the Council considers a “triple-A” approach (adequacy, accessibility and affordability) in analysing housing conditions (Council of Europe 2002: 11).²

Housing experts Edgar, Doherty and Meert³ provide another working definition of “homelessness” that incorporates four concrete aspects of housing vulnera-

bility (or inadequate housing): (1) rooflessness (defined as “rough sleeping”, people who literally do not have a roof over their heads); (2) houselessness (defined as living in emergency shelters or long term institutions with insufficient conditions, houselessness implies a lack of adequate accommodation within communities); (3) insecure accommodations (defined as insecure tenure, temporary accommodations, living with threats or harassment regarding housing); and (4) inadequate accommodations (defined as accommodations unfit for habitation, or overcrowded, or those living in caravans or boats) (Edgar, Doherty & Meert 2002: 7).

Also of note is the official list of slum indicators identified for the CEE and CIS countries by the UN as part of its “slum dweller” target for the Millennium Development Goals.⁴ The current indicators are:

- ◆ Inadequate access to safe water;
- ◆ Inadequate access to sanitation (and other infrastructure);
- ◆ Overcrowding (more than 2 people per room);
- ◆ Poor structural quality of housing (housing in hazardous locations or built of impermanent materials); and
- ◆ Insecurity of tenure (i.e., no documentation of tenure).⁵

Habitat for Humanity most often uses the term “poverty housing” to describe inadequate housing, a term that expresses the link between poor shelter and other poverty indicators such as economic well-being,

health and education. However, the terms “adequate” and “inadequate” housing will be used in this report to indicate the interpretation of adequate housing set forth by the UN in General Comment No. 4, with a focus on the working definitions of adequate housing and homelessness set forth by the Council of Europe and Edgar, Doherty and Meert. The UN’s list of slum indicators provides important background standards for analysis of urban housing conditions considered in this report.

² In promoting these goals, the Council uses the following description of its “Triple-A” approach: (1) Adequacy: the minimum standard offered should be sufficiently high, and a high proportion of the population in need should be covered (quality and quantity should be considered together); (2) Accessibility: legal regulations, determining who should be eligible for social support; and (3) Affordability: “the ability of individuals and households to purchase goods and services, and the cost of provision.” (Council of Europe 2002: 9, 11).

The European Union has concretized the Council of Europe’s “Triple-A” approach to housing in its social housing agenda. This agenda contains two parts: (1) access for all to decent and sanitary housing, including the basic services necessary to live normally (electricity, water, heating); and (2) prevention of the risk of exclusion (including homelessness).

³ Bill Edgar and Joe Doherty are the Co-ordinators of Research for the European Observatory on Homelessness and Directors of the Joint Centre for Scottish Housing Research.

⁴ For more information on the Millennium Development Goals and how they pertain to housing, see Chapter V, *infra*.

⁵ This summary of the indicators is found in World Bank 2004, *The Environment Millennium Development Goal (MDG) in ECA: Targets, Monitoring Indicators, Progress, Costs and Developing Policy in Relation to the Goal* (Attachment 3: Detailed analysis of Slums/ Degraded Housing): 68-9.

Chapter II: The quantity of housing and the quality of housing conditions in CEE and CIS countries



A. Quantity of housing stock

For the purposes of this report, the relevant inquiry into housing quantity is the amount of housing stock available to low-income households and other vulnerable sectors of the population. This requires looking not only at national housing surpluses or deficits, but also at the affordability of this housing, its spatial distribution relative to population centres, and considering whether its tenure structure is conducive to access by low-income households.

The sufficiency of the quantity of housing stock in CEE and CIS countries is much debated. While the aggregate housing stock in most transitional countries⁶ meets or exceeds the quantitative housing needs of the population (Council of Europe 2002:12), this fact masks concerns with the geographic and social distribution of housing. Those observers who hold that the housing stock in the CEE and CIS region is sufficient point to the fact that housing quantities and conditions in this part of the world exceed those in other parts of the world with similar income levels. Expectations for better housing in CEE countries, they argue, are borne of aspirations toward Western European standards of living, but are not based on the reality of current wealth levels or income generating capacity.⁷

Another indication used to show that housing quantities are sufficient in CEE and Central Asia is that national population is decreasing in many countries. Observers point to the fact that, despite decreased le-

Table 1: Total dwellings per country and dwellings (or square meters) per 1,000 inhabitants⁸

Country	Year	Total dwellings (1000)	Dwellings per 1000 inhabitants
<i>Countries for which data is available in numbers of dwellings</i>			
CEE and CIS Countries			
Albania	1993	...	...
	2001	785.5	...
Bulgaria	1993	3406.0	401.0
	2002	3692.0	471.0
Croatia	1993	1599.0	333.9
	2001	1851.6	417.3
Cyprus	1993	238.4	380.8
	2002	298.9	421.2
Czech Republic	1993	...	...
	2001	4366.3	427.0
Estonia	1993	...	...
	1997	619.5	440.1
	2002	623.6	457.3
Hungary	1993	3955.0	385.0
	2002	4104.0	...
Latvia	1993	961.0	378.0
	2002	958.0	411.0
Lithuania	1993	1203.8	323.0
	2002	1295.0	374.0
Macedonia (FYROM)	1993	524.1	253.7
	1997	596.8	298.6
Moldova, Rep. of	1993	...	...
	1997	1236.0	338.0
	2002	1293.8	357.2
Poland	1993	11365.9	295.2
	2002	11763.5	307.7
Romania	1993	7710.1	338.8
	2002	8128.9	373.0
Serbia and Montenegro	1993	3093.0	295.1
	1997	3151.9	297.0
Slovakia	1993	1658.0	311.0
	2002	1724.6	320.6
Slovenia	1993	672.2	338.0
	2002	784.9	393.2

⁶ The term "transitional countries" refers to those countries that underwent, and in most cases continue to undergo, an economic, social and political transformation that has accompanied the change from centrally planned economies to market-based systems. Transitional countries include the new EU countries of Central and Eastern Europe, the EU accession countries of Central and Eastern Europe, the Western Balkan countries that are not slated for EU accession, and the Eastern European and Central Asian countries that were part of the former Soviet Union and are not slated for EU accession. This report focuses on housing in these transitional countries, although information on Turkey (not a transition country) is also included.

⁷ See, e.g., Struyk 2000: x, 7-8. Struyk uses his analysis on negating a sense of "crisis" regarding the amount of housing in transitioning countries to stress the importance of re-channeling public housing resources away from new construction and toward repair and maintenance of existing structures.

⁸ Source: www.uncece.org/env/hs/bulletin/2004. For descriptions and qualifications of data sources, see complete tables presented on the UN web site.

Table 1: Total dwellings per country and dwellings (or square meters) per 1,000 inhabitants⁸

Country	Year	Total dwellings (1000)	Dwellings per 1000 inhabitants
<i>Countries for which data is available in numbers of dwellings</i>			
Western European Countries			
Denmark	1993	2413.0	467.0
	2002	2540.9	472.0
France	1993	27183.0	471.5
	2002	29495.0	503.0
Germany	1993	34988.8	430.0
	2002	38924.8	472.0
Ireland	1993	1071.0	299.0
	2002	1387.0	384.1

vels of new construction since 1990, many countries have experienced improvements in the quantity of housing (measured as units or floor space per 1,000 inhabitants, or as the average number of people per room) per capita. However, decreasing population rates do not always translate into reduced demand for housing, and sometimes are accompanied by new demands for household formation, as will be discussed in the section on demographic factors in Chapter IV, infra.

Table 1, following, presents the quantity of housing per country, as well as housing quantity per 1,000 inhabitants. The table is divided into two parts: the first part lists countries for which data on housing quantity is available in total dwellings; the second part lists countries for which this data is available in square meters of housing.

The information in Table 1 makes clear that the suf-

iciency of housing quantity varies greatly among countries within the study area. The number of housing units per 1,000 population averages 357 in CEE and CIS countries (15,892 square meters is the average for CEE and CIS countries for which data is provided in square meters). These numbers are lower than those found in most Western European countries (400 to 460 housing units per 1,000 population, on average), but higher than those found in most middle to low-income countries around the world. Within the study region, Central European countries have higher numbers of houses per population, whereas numbers in Central Asia are much lower (see Kyrgyzstan, with about 1.25 square meters of housing per inhabitant, and Tajikistan with only 0.85 square meters per inhabitant). The table also shows that the number of units (or floor space) per inhabitants has increased since early transition for every country for which data is available, except for Kyrgyzstan and Tajikistan.

Apparent net housing surpluses in many CEE and

Countries for which data is available in million square meters

Country	Year	Dwellings per 1000 inhabitants
Armenia	1993	...
	2002	...
Azerbaijan	1993	12324.7
	2002	12100.0
Belarus	1993	19406.2
	2002	21882.9
Georgia	1993	17045.1
	1997	17961.5
Kazakhstan	1993	14700.0
	1997	15600.0
Kyrgyzstan	1993	12700.0
	2002	...
Russian Federation	1993	17300.0
	1997	18600.0
	2001	19700.0
Tajikistan	1993	9030.5
	2001	8532.0
Turkmenistan	1993	13221.7
	2002	19175.1
Ukraine	1993	18328.5
	2002	...
Uzbekistan	1993	12754.0
	1997	13138.0

Central Asian countries may not translate into adequate housing for the poor, a fact revealed by pervasive and substantial housing deficits.⁹ Despite low to negative population growth, many countries continue to experience shortages in housing supply (UNDP 1997: 66). This is true for a number of reasons. First, the housing units may be unsuitable for habitation due to deterioration or lack of one or more basic services, such as water, sanitation, or heating. Data quantifying housing inadequacy across the study area are scarce.¹⁰ This is

⁹ See Balchin 1997: 119, pointing to continued "substantial housing deficits" in Central and Eastern Europe.

¹⁰ Data on Western Europe is more readily available. According to a 2000 study by an EU working group, 18 million people across Western Europe lived in inadequate housing, defined as housing that is lacking basic necessities, structurally unsound, overcrowded, or lacking secure tenure. An additional 3 million people were homeless. Edgar, Doherty & Meert 2002: 1. (Note that the number of people living in inadequate housing in Western Europe increased from 15 million in 1998, as cited by the Council of Europe 2002: 12.)

particularly the case for rural housing conditions and for the Central Asian countries. Housing-related data that does exist throughout the region is often not uniform, and in many instances considered unreliable. Further discussion on housing inadequacy can be found later in this chapter, under sections on “deterioration” and “access to services”.

Second, the housing that exists may simply not be affordable to the poor. According to the UNDP in 1997, most countries CEE and CIS countries continued to experience housing supply shortages, despite decreasing population levels, because housing was not affordable to a large percentage of the population. “While a small segment of the society has gained significantly from legal and illegal housing and land markets, vast numbers find housing to be beyond the reach of their incomes, particularly where unemployment rates are high.” (UNDP 1997: 12.) The Council of Europe cites financial obstacles, or the “insufficient supply of affordable housing for disadvantaged persons”, as the most important impediment to adequate housing across Europe (Council of Europe 2002: 4). The general affordability of housing in Central and Eastern European countries had decreased sharply by the mid-1990s, according to housing expert Srna Mandic (2004: 7). The affordability problem is usually concentrated in large and small towns, rather than rural areas (Ibid: 13). New construction has dropped steeply over the past 15 years in most transition countries, restricting the quantity of available housing. Much of the new construction that has taken place since 1990 has been for wealthy homeowners.

Third, regional housing shortages exist in most CEE and Central Asian countries, regardless of whether aggregate national housing is in surplus. Significant housing shortages in some areas have been caused by rural-urban migration over the past 15 years, as well as migration due to ethnic conflict and refugee movement (UNDP 1997; Council of Europe 2002: 12). Migration causes some areas, usually rural ones, to become abandoned, thus reducing the capacity for upgrades and repairs to services and infrastructure for those who remain in these areas.¹¹ It increases housing demand in the (usually urban) migration poles, causing overcrowding, excess demand on services and infrastructure, and the development of informal, illegal settlements on the urban fringe. (For further discussion, see section in Chapter IV on immigration.)

A final, though perhaps most important, explanation for continued housing deficits for large percentages of the population across the CEE and Central Asia, is the lack of affordable rental housing. See Table 2, below, for statistics on private housing ownership. In shifting from command to market economy, many countries across the area of the study have conducted a radical privatisation of housing stock since 1990. One of the results of privatisation/ restitution in most countries was the selling off, at very low prices, of the public rental sector.

Since the private rental sector is small and undeveloped in the transitional countries, the public rental sector¹² is considered by most experts to be the last resort for those households who were unable to purchase

their dwelling through privatisation, or who have recently immigrated into this region, or who may be evicted from their privately owned homes due to failure to pay rising utility costs. In most CEE and Central Asian countries, the public rental sector has decreased from previous levels of 20% to more than 50% of the housing stock to current levels of well below 10%. Because privatisation occurred at such low prices, it generated little income that could have been used to refurbish and expand the public rental sector, leaving the sector in “outright crisis.” (Lux 2000: 7) The Council of Europe cites the shortage of public rental units as a primary factor in the shortage of housing available to the poor: as the public rental sector diminished to under 10% in most countries, the percentage of people living below the poverty line increase by three to five times (Council of Europe 2002: 12). Table 2, following, gives the degree of urbanization and the percent of privately owned buildings in CEE and CIS countries.

¹¹ See UNDP 1997: 66, for information on how urban migration causes both rural vacancies and urban overcrowding.

¹² The United Nations Economic Commission for Europe set forth the following summary of the types of housing tenure that commonly make up the “social housing sector”, after first qualifying that the role and definition of social housing is understood in different ways throughout Europe depending on social circumstances and historical and economic contexts. (A) The social rented sector (also called “public rental sector” in this report) may be owned and managed by the state, municipalities, or non-profit housing associations. It is the most highly subsidized sector and in many cases is reserved to certain income groups. (B) The private rental sector is mostly profit-oriented but in some cases is regulated by state laws. (C) The owner-occupied sector is privately financed or indirectly publically subsidized, and may include mixed forms of tenure such as shared or cooperative ownership. (UNECE 2003: 4.)

Table 2: Urbanization and tenure¹³

Country	Year	Dwellings in urban areas (percent)	Dwellings privately-owned (percent)
Albania	2001	46.4	...
Armenia	2002	60.2	96.3
Azerbaijan	2002	56.9	83.0
Belarus	2002	...	...
Bulgaria	2002	62.5	97.0
Croatia	2001	...	96.5
Cyprus	2002	63.3	...
Czech Republic	2001	...	...
Estonia	2002	65.6	95.0
Georgia	1997	...	...
Hungary	2002	...	...
Kazakhstan	1997	...	93.2
Kyrgyzstan	2002	39.1	95.5
Latvia	2002	68.1	83.0
Lithuania	2002	67.8	97.6
Macedonia (FYROM)	1997	...	...
Moldova, Rep. of	2002	40.9	95.2
Poland	2002	67.6	...
Romania	2002	52.6	97.5
Russian Federation	2001	72.5	...
Serbia and Montenegro	1997	53.6	77.7
Slovakia	2002	...	...
Slovenia	2002	51.5	...
Tajikistan	2001	41.9	...
Turkmenistan	2002	35.4	78.9
Ukraine	2002	...	...
Uzbekistan	1997	...	95.9

B. Construction levels: current and projected

Housing construction levels across the region fell markedly during the transition period. Construction volumes fell to one-half their pre-transition levels in most countries (Struyk 2000: 8). While some countries, such as Hungary and Poland, have experienced a resurgence in new construction in recent years, construction levels have continued to fall in many countries, such as Russia (Ibid.). Reductions in construction levels by country are presented in the following table, which compares the number of housing units built in 2002 with the number of units built in 1993.

¹³ Source: www.unece.org/env/hs/bulletin/2004. For descriptions and qualifications of data sources, see complete tables presented on the UN web site.

Table 3: New construction (comparing 1993 levels with 2002 levels)¹⁴

Country	Dwellings completed per 1000 inhabitants 1993	Dwellings completed per 1000 inhabitants 2002	Houses completed in 2002 as % of houses completed in 1993
Armenia*	99.0	89.0	89.9%
Azerbaijan*	2.3	1.0	43.5%
Belarus	5.8	2.9	50.0%
Bulgaria	1.3	0.8	61.6%
Croatia	1.7	...	...
Cyprus	12.5	8.6	68.8%
Czech Republic	3.0	2.7	88.5%
Estonia	1.6	0.8	50.6%
Georgia	0.5	0.2	40.0%
Hungary	2.0	3.0	147.8%
Kazakhstan	3.0	0.7	23.7%
Kyrgyzstan	1.6	0.8	48.8%
Latvia	1.5	0.3	20.7%
Lithuania	2.2	1.3	59.1%
Macedonia (FYROM)	3.1	2.2	70.3%
Moldova, Rep. of	1.9	0.6	31.1%
Poland	2.5	2.6	106.1%
Romania	1.3	1.3	98.5%
Russian Federation*	4.6	2.8	60.9%
Serbia and Montenegro	1.9	...	...
Slovakia	2.6	2.6	98.9%
Slovenia	4.0	3.6	90.7%
Turkey	4.5	2.3	51.0%
Turkmenistan	4.4	3.5	79.5%
Ukraine	3.7	1.3	35.1%
Uzbekistan	3.5	...	...

Housing construction levels dropped heavily during the transition period for several reasons. The pre-transition levels of construction, according to Struyk and others, were only made possible through “massive state subsidization.” (Struyk 2000: 8.) Through reduction these subsidies, national governments used the housing sector as a shock absorber for drastic cuts across national budgets.¹⁵ Construction was also constrained by low levels of GDP (gross domestic product)

per capita, and the relatively low percentages of GDP and household income that were allocated to housing (Balchin 1997:19). Another cause for sluggish performance in the construction industry was the fact that market changes, in the housing sector and beyond, did not bear fruit as quickly as some had hoped. Instead, investments in housing continued to decrease, along with sharp declines in new construction (Mandic 2004: 17). Reductions in overall construction resulted when

the state withdrew its support (whether involuntarily or intentionally) in the absence of capacity by the private sector to produce substantial housing (UNDP 1997: 66). In some countries, the construction industry was also harmed by a lack of technical expertise and training, a lack of appropriate equipment, and a lack of experience within the industry with building anything other than large-scale prefabricated housing buildings (for which demand has fallen considerably), and a reduction of work force due to emigration. The scarcity of affordable commercial financing for construction or for home mortgage further depressed the construction sector.

C. Quality of housing stock-deterioration

Most experts agree that the most important factor in regard to the quality of housing in most CEE and CIS countries is the deterioration of current housing stock. Much of the housing throughout the region was built in the three decades preceding transition, and so is relatively new. The majority of this stock, however, was built from low quality pre-fabricated materials in the form of multi-story apartment buildings, and has been seriously damaged by inadequate maintenance (Balchin 1997: 234-35). In a study of housing conditions in five CEE and CIS countries, The World Bank estimated that multi-family stock built since 1960 was not intended to last more than 25 years (World Bank 2004, *The Environment Millennium Development Goal (MDG) in ECA*: 71). Little or no repair or maintenance was conducted on this housing stock between 1960 and 1990.

¹⁴ Table 3 is based on information found at www.unece.org/env/hs/bulletin/2004. For descriptions and qualifications of data sources, see complete tables presented on the UN web site. *Note that the data for Armenia and the Russian Federation are presented in meters squared, and the data for Azerbaijan are presented in 1000 meters squared.

¹⁵ In some countries, state support for housing began to drop off prior to economic transition. Between 1980 and 1992, following high-volume construction of pre-fabricated housing in the 1970s, reduced state spending caused housing construction to decrease by 72% in Hungary, 48% in Czechoslovakia and 38% in Poland. This is true despite the fact that housing deficits in some countries, like Poland, remained acute. (Balchin 1997: 233-34.)

Most of the housing constructed after 1960 had no or limited repair or maintenance prior to 1990. As Paul Balchin explains in *Housing Policy in Europe*, within the context of housing shortages and decreased construction, it is very significant that housing standards and quality are low, and that investment in existing stock has been negligible over the past decades (Ibid.). A high percentage of this housing is now in the process of rapid deterioration, and is considered the region's "housing time bomb". According to the UNDP, "The sudden breakdown in the social capacity to create and maintain the integrity of the human settlements has made all the more vivid the backlog of chronic neglect." (UNDP 1997: 66)

Although the extent of deterioration of prefabricated housing buildings varies in each country, the problem pervades the region. In Bulgaria, prefabricated construction accounts for 77% of the housing stock. Construction of these buildings was of low quality to begin with, and most have not been maintained or repaired since they were built (Metropolitan Research Institute (2003): 28-38). Of Poland's total housing stock of 11 million units, 1 million need major renovation and 300,000 should be demolished (Slabkowicz 2000: 72). No recent survey has been conducted on housing quality in Romania, but the UN estimates that 40% of all urban housing is of low-quality, pre-fabricated construction, with ageing infrastructure and utilities in need of urgent investment (United Nations Economic Commission for Europe (UNECE) Romania Housing Profile 2001: 3-17; 95-106). In Ukraine, the government estimates that one third of all state rental apartments need repair as all housing built during the "mass industrial housing development period" (about 10% of the national stock) needs either reconstruction or replacement (State Committee of Ukraine on Construc-

tion, Architecture and Housing Policy 1999). The UN estimates that 11% of the stock in Russia needs urgent renovation and 9% should be demolished. Many of the recently constructed high-rise housing buildings were built without regulations and in disregard for safety standards. About 2 million people currently live in officially condemned housing (UNECE Russia Housing Profile 2004).

The transition period brought even further reductions in the resources available for building repair and maintenance. Through privatisation, many of the apartment units in multi-story "block" housing were transferred into individual ownership. Because private ownership was offered at very low costs (or in some cases for free), many of the people who received ownership rights were poor, and lacked the resources necessary for even minimal levels of repair and maintenance (see, e.g., Balchin 1997: 12). As unemployment and poverty escalated through the 1990s, new homeowners became even less able to pay for immediate housing repairs, let alone long-term maintenance and rehabilitation. During this time, public subsidies for housing maintenance and repair slowed to a trickle and in most countries were cut off completely. The emergence of social ghettos and the degradation of housing condominiums post-privatisation are noted by the UN as two examples of a social housing approach that is both unsustainable and exclusive (UN Economic Commission for Europe 2003: 10).

Through privatisation, the state transferred ownership rights under the expectation that responsibility for repair and maintenance would also transfer to the new owners, but homeowners usually received no information about or preparation for their new responsibilities. Up until this time, maintenance and repair had been

the responsibility of state-owned and managed companies; few people thoroughly understood the extent of their new rights or responsibilities as homeowners. Furthermore, homeowners residing within common buildings lacked the legal framework and organizational structures necessary to organize group payments and projects for repair and maintenance of the building. In most cases, condominium laws and Homeowner Associations were introduced years after the transfer of ownership rights took place. In most countries Homeowner Associations have only scattered membership and have not proven effective in organizing for repair and maintenance. Another common problem is that a mix of private owner-occupancy and public rental units persists in some buildings, rendering it very difficult to reach consensus on maintenance and repair projects, and collect the fees necessary to fund them. Rules for condominiums and homeowner associations often require unanimous approval among residents for any building improvements or repairs. Given the number of poor owners within most buildings, this requirement has operated to stifle most attempts at bettering the condition of the buildings.

Housing repair and maintenance has also been impeded in some countries by limited, or non-existent, competition among suppliers. The UN Economic Commission for Europe points to the fact that state maintenance firms with administratively-set budget continue to hold monopolies on repair and maintenance in some cities and countries, preventing competition by more efficient and effective suppliers (Balchin 1997: 234-35).

Deterioration encompasses not only housing itself, but also infrastructure for critical services such as water, sanitation and gas, general urban infrastructure,

and regional transportation and communications infrastructure. According to the UNDP, “The current stock of infrastructure, whether industrial, urban, regional or housing, was for the most part put in place several decades ago and is in an incipient if not already steep path of deterioration.” (UNDP 1997: 5.)

A wide variety of experts agree that public subsidy will be necessary to remedy the deterioration of housing stock; private homeowners simply lack the resources and organizational capacity with which to do this alone. Given the importance of the deterioration “time bomb” to the housing welfare of large numbers of people throughout CEE and Central Asia, most experts agree that shifting government subsidies away from new construction and toward rehabilitation, maintenance and repair of existing structures would be wise.

D. Access to Services

One important indication of housing quality is access to services such as clean water, sewerage, and electricity or gas. Compared to many poorer countries in the world, CEE and CIS countries still have high levels of access to water and wastewater services.¹⁶ However, most of the water infrastructure in these countries was built between 1950 and the 1970s and was constructed out of poor quality materials for unrealistically high demand forecasts (Ibid). After the 1970s, very little investment was made in service infrastructure, a trend that worsened following 1990. As a result, basic service infrastructure deteriorated and service provision suffered. Recently, costs of service provision to households have risen in many CEE and CIS countries, making water and sanitation services unaffordable to many

poor families. Although unaffordable to a growing number of people, these cost hikes still don’t allow service providers (particularly for water) to cover their costs.

While access to services varies greatly country-by-country, some regional trends do exist. For example, urban housing is generally much better equipped with utilities than is rural housing. Discrepancies between the two can be great. In Moldova in 1997, water supply was available in 79% of urban dwellings, and only 1% of rural dwellings. Sewerage reached 76% of urban dwellings, and only 4% of rural dwellings (UNECE Moldova Housing Profile 2004). In Kyrgyzstan, 70.4% of the urban population had access to running water in their homes, an amenity reaching only 16.8% of the rural population (World Bank 2004, Report for Kyrgyz Republic (Draft): 3). In urban areas of Russia in 1992, 13% of the population had no running water, 15% lacked sewerage, and 20% lacked access to gas. In rural areas, 59% had no running water, 69% lacked sewerage, and 76% lacked access to gas (UNECE Russia Housing Profile 2004). Within urban housing, access to water and electricity is more prevalent than access to sewerage and drainage, which is often discharged into open waterways and frequently contaminates water delivery (UNDP 1997: 74).

Inadequate waste management causing seepage of human waste, toxic chemicals, and other substances into drinking water was the reputed cause of a resurgence of “poverty diseases” (including diphtheria, tuberculosis and hepatitis) in some countries within the region following transition (Ibid: 78). Partly because of contamination by waste water, access to clean drinking water across Eastern Europe and the CIS was “at the crisis stage” according to the UNDP in

1997. Highly irrigation-intensive agriculture, as well as leaky supply lines, have worsened the problem. Access to water is generally worse in Central Asia than in Central and Eastern Europe (Ibid: 75).

Table 4 below shows the marked differences in access to utilities between countries across the region. (Compare access to piped water in Moldova (30%), Romania (58%) and Uzbekistan (37%) with access to this service in Poland (96%), Slovakia (92%) and Slovenia (98%).) The average percentages given for each country may disguise sharp divisions between access to services in rural and urban areas.

¹⁶ Information in this paragraph found in World Bank 2004, *The Environment Millennium Development Goal (MDG) in ECA: 81*.

Table 4: Percentage dwellings with basic services¹⁷

Country	Year	Dwellings with (as % of the total dwelling stock)			
		Piped water	Fixed bath or shower	Flush toilet	Central heating
Albania w/	2000	97.0			
Armenia	1993	...	...	...	...
	2002	98.0	86.0	...	81.0
Azerbaijan w/	2000	78.0			
Belarus w/	2000	100.0			
Bulgaria	1993	83.4	...	57.7	16.9
	2002	87.5	...	67.1	12.7
Croatia	1993	86.4	76.0	80.7	24.9
	1997	86.9	76.7	81.3	25.2
Cyprus	1993	98.4	90.4	90.9	17.1
	2001	98.5	92.0	92.5	26.6
Czech Republic	1993	...	...	...	...
	2001	86.4	83.7	82.2	64.5
Estonia	1993	...	...	...	...
	1997	84.4	67.2	74.6	59.0
	2002	84.3	67.1	74.6	59.0
Georgia w/	2000	79.0			
Hungary	1993	84.0	79.1	75.0	40.1
	1997	84.6	79.9	80.4	...
Kazakhstan w/	2000	90.0			
Kyrgyzstan y/	2001	40.0	24.8	26.7	29.2
Latvia	1993	76.6	65.9	75.2	65.2
	2002	83.0	66.9	78.0	64.9
Lithuania	1993	...	...	...	...
	2002	74.9	67.8	73.5	70.2
Moldova, Rep. of h/	1993	...	...	...	...
	1997	30.4	27.5	...	30.3
	2002	36.5	30.9	...	30.8
Poland	1993	88.3	76.3	76.2	66.7
	2002	95.6	87.0	88.1	77.8
Romania w/	2000	58.0			
Russian Federation	1993	66.0	57.0	...	64.0
	1997	72.0	63.0	...	70.0
	2001	74.0	64.0	...	75.0
Serbia and Montenegro	1993	...	...	61.2	...
	1997	79.6	68.3	...	21.2
	2002	...	...	...	...
Slovakia	1993	...	...	...	...
	2001	92.2	90.3	85.6	74.3
Slovenia	1993	97.5	87.0	90.0	63.8
	2002	98.1	92.2	92.9	78.6
Tajikistan w/	2000	60.0			
Turkey w/	2000	82.0			
Turkmenistan t/	1996	47.	26.7	...	29.3
	1999	53.8	30.0	...	30.5
Ukraine w/	2000	98.0			
Uzbekistan	1993	19.6	14.3	16.9	15.4
	1997	36.5	13.3	17.4	19.5

Widespread deterioration of utilities infrastructure, such as the main pipelines for water, sewerage and gas, threatens the current and future delivery capacity of these systems. Deterioration has accelerated during the transition period in most cases, and is becoming and increasingly urgent problem. According to the UNDP, "Whether rural or urban, one of the most important needs of the region is to give effective attention to the problem of maintenance and repair of existing environmental infrastructure." (UNDP 1997: 77; see also World Bank 2004, *The Environment Millennium Development Goal (MDG) in ECA: 70*, discussing deterioration of water and sewerage infrastructure in five CEE and CIS countries.)

In the CEE and CIS countries with colder climates, the loss of a safe source of heat for housing is an important issue. In many cases district heating has collapsed since 1990, and individual heating arrangements are unsafe and harm the quality of the house itself. The World Bank estimated in a 2004 report on housing conditions in five CEE and CIS countries that 22% to 58% of urban households heated their homes with dirty fuels (World Bank 2004, *The Environment Millennium Development Goal (MDG) in ECA: 70*).

¹⁷ Table 4 Source: www.unece.org/env/hs/bulletin/2004.

Abbreviations in this table stand for the following:

h/ Data refer to dwellings in urban localities only

t/ Data for Turkmenistan found in UNECE tables for 2002.

w/ Data for these countries were not included in the original UNECE tables. Data on water supply is derived from the UN's Human Development Index web site, and indicates the percentage of population with "sustainable access to an improved water source." The UN definition of "sustainable access to an improved water source" is very broad, and so may include many households that do not have access to water in their housing unit, and who have very limited access to a community water source.

y/ Information for Kyrgyzstan is found in World Bank 2004, *Report for Kyrgyz Republic* (Draft): 1-2. Information for column 2 (fixed bath or shower) includes only bathrooms with a shower.

Some national governments have opted to privatise their utilities, a trend more countries will likely follow. In the 1990s, services across Europe were de-monopolised and price controls lifted. This caused a sharp price increase to consumers, the negative consequences of which may have outweighed any positive gains in improving market efficiency, according to some experts (Council of Europe 2002: 13-14). In the absence of income-based utilities allowances, many homeowners across CEE and CIS countries are simply not able to afford any increase in the price of utilities. Eviction rates are expected to rise as arrears in utility fees to private companies escalate.

E. Homelessness

Homelessness has increased in the CEE and Central Asian countries over the past 15 years. According to Srna Mandic in a report to the European Network for Housing Research (2004: 8), "The transition decade has added to the structural problems and to causes of homelessness and housing vulnerability. Not only did the hidden forms of homelessness persist and possibly increase, but they became accompanied by an overt form of homelessness that was previously unknown under socialism—such as sleeping in public places." A 2002 report found that homelessness was on the rise in nearly all EU member states, and that this was a result of reductions in social housing, increased costs of housing for the poor, higher eviction rates, new and covert forms of substandard housing, and increased spatial and regional segregation within and between EU member states (Edgar, Doherty & Meert 2002: 3). Time Magazine reported in 2003 that homelessness in Europe was climbing to levels not seen since the end of World War II. (Gosh 2003).

Studies of homelessness in Western Europe can be instructive in understanding this new phenomenon in the transitional countries. In 1995 housing expert D. Avramov identified the three primary causes of homelessness in Western Europe as: (1) socio-demographic changes, such as increased number of households and decreased household size; (2) a housing supply not able to meet the new needs created by socio-demographic changes, and reflecting a shift in policy towards "decreasing social housing, deregulating the market and reducing the cheap housing supply"; and (3) growing levels of poverty, income disparity and social exclusion (Mandic 2004: 3).

In 2002, Edgar, Doherty and Meert introduced an analysis of homelessness in Europe that augments Avramov's analysis by dividing causal factors into those produced by the market, and those associated with the interaction between civil society and the state in negotiating market forces. Homelessness, they said, is an outcome of: (1) the way the European housing market embraces some and rejects others, "producing and reproducing conditions of housing vulnerability for significant sections of Europe's population"; and (2) the way in which civil society is involved in the nexus between the market and the state, and the role that it plays in providing options for those unable to access housing through state or market channels. This analysis highlights the importance of civil society in meeting those housing needs not satisfied by the market.

F. Who is most affected—vulnerable groups

Income level is viewed by most as an increasingly important threshold indicator of a household's ability

to access adequate housing in CEE and CIS countries (See, e.g., Council of Europe 2002: 4). This is true in many cases even where low-income households received ownership rights to housing through privatisation, because many cannot afford to pay utility fees and necessary repair and maintenance costs. As the public rental sector diminishes, poor households who do not own their own homes face increasing barriers to securing adequate housing.

In addition to household income and wealth levels, other social indicators define the groups of people most vulnerable to inadequate housing within the study area. The Council of Europe, for example, refers to a list developed by Avramov in 1999. According to this list, the most disadvantaged groups in regard to affordability and access to adequate housing (listed in descending order) are: (1) marginalized homeless, substance abusers, battered women; (2) immigrants and refugees; (3) one-earner income/ unemployed/ non-worker families; (4) single-parent households; (5) young people in their first-time employment and first independent housing; and (6) elderly low income households in old housing (Council of Europe 2002: 14).

The European Union offers the following list of socially and economically disadvantaged populations in general, signifying which groups experience the highest incidence of poverty (listed in descending order): (1) unemployed or otherwise economically inactive people and families; (2) single parents with young children; (3) young people living alone; (4) retired people, especially if living alone; (5) households with three or more children; (6) single parents with one child (Ibid.).

Ethnicity, gender and age are the three predominant demographic factors cited as influencing access to

housing in CEE and CIS countries. Particular concern is expressed for the housing welfare of the Roma population, considered the “largest excluded and vulnerable group in Central and Eastern Europe.”¹⁸ A majority of the seven to nine million Roma who live in Central and Eastern Europe and the CIS are chronically poor. They have scarce access to services and few household assets. The World Bank has called the Roma situation “the biggest challenge to poverty alleviation in Central and Eastern Europe.” The poverty of the Roma is closely related to housing, as Roma people often live in informal or illegal settlements on the outskirts of population centres. Housing quality in these settlements is substandard, services are few, and access to electricity, gas, water, sanitation and sewerage is limited.

Gender is an increasingly important factor in determining housing vulnerability in CEE and CIS countries. This is especially so for women heads of household, who have lost earning and employment capacity through the transformation period due to reductions in child care, higher incidence of layoff, and pay disparities. Reductions in state subsidies for health and child-care have affected women disproportionately to men, and serve to reduce the amount of disposable household income with which to pay for housing. Globally, a lack of housing options for women may increase their vulnerability (and their children’s vulnerability) to domestic violence (UN Special Rapporteur on Housing 2005: pars. 46-49). Legal aid is often not available to assist women in enforcing their legal rights in regard to home ownership or possession of tenure (Ibid.). The situation for women may be particularly disadvantageous in Central Asia, where women possess fewer legal and cultural rights to property ownership.

Elderly people, especially those living alone, face increasing difficulties in accessing and keeping adequate housing due to the declining value of pensions. Among single elderly, women may be more likely than men to experience poverty. In Hungary, for example, single elderly women are 19 times more likely to be chronically poor than men.

Children may also bear a disproportionate burden of the poverty in CEE and CIS countries. According to UNICEF (2004/05), economic gains in Eastern Europe and Central Asia have not generally benefited children: 14 out of 44 million children in this area continue to live in poverty 15 years after the beginning of the transformation period. Households with large numbers of children experience particularly high levels of poverty, and so lesser access to decent housing.

¹⁸ Information in the following three paragraphs is found in The Chronic Poverty Research Center (2004).

Chapter III: The effects of inadequate housing in CEE and CIS countries



Inadequate housing conditions affect social, political and economic stability on many levels. Shelter conditions are a critical component of human well-being. When people live in housing that is decrepit, overcrowded, lacking access to basic utilities, without legal tenure, and/or located far from transportation to necessary services and employment opportunities, their physical, emotional and mental health suffers. Their ability to contribute positively to society also diminishes. Adequate shelter, on the other hand, fosters human dignity, self-esteem, and social respect (UN Special Rapporteur on Housing 2005; Edgar, Doherty & Meert 2002:16).

Increasing poverty, decreasing access to adequate shelter, and declines in physical and mental health often operate cyclically; each factor affects the others. According to empirical data collected in the 1990s, poverty or the lack of ability to pay is strongly associated with poverty housing (Angel 2000: 112). While many consider inadequate housing to be a result of poverty, it is also a primary cause. When housing costs go up for those who have few economic resources, household income available for other basic needs goes down. Families must choose, then, between losing their housing or cutting back on food, health care, clothing and, in some cases, education for their children. “The high cost of housing,” summarize Edgar, Doherty and Meert, “can itself create poverty even where government assistance to housing costs is available.” A lack of affordable housing limits coping strategies for people without family support (for example, women seeking divorce), families in transition, and families in crisis (Ibid: 59).

As discussed above in Chapter II, some conditions associated with inadequate housing, such as lack of clean water and sufficient sanitation and sewerage, directly affect human health, causing illness and death. When homelessness results from inadequate and unaffordable housing options, it brings acute vulnerability to human health risks, such as disease, ill-health, and premature death (Ibid: 16).

Households with inadequate housing are often less able to earn income. According to one study, those without homes or with inadequate housing are unable to partake in either of the two income-generating potentials associated with housing. The first is the use of housing for micro-enterprise. Land and building account for 25 to 45 percent of the investment required to set up a micro-enterprise; without this asset, most poor families are unable to participate in micro-enterprise (Centre for Urban Development Studies 2000: 4). The second economic potential is the use of housing as an income-producing asset, either through renting out property or through increases in market value at the time of sale. The potential economic benefits of homeownership that are associated with rental and sales markets are just beginning to develop in many CEE and CIS countries, and will probably become much more important as housing markets mature. Households that do not own their houses will not be able to participate in these economic opportunities (Ibid.).

Access to decent and affordable housing for all is essential to development of a society that is cohesive and inclusive, as discussed in Chapter I, *supra*. Martin

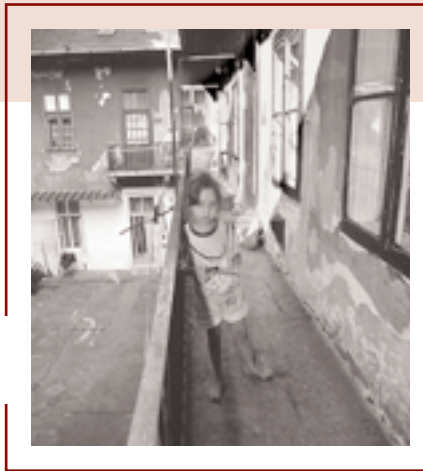
Lux¹⁹ argues that “Housing is also perceived as a basic social need of human beings and its standard greatly influences the standard of welfare of the whole society. Housing insecurity can have far reaching consequences for the labour market, as well as for the political stability in a particular country.” (Lux 2003: 9.) The role of housing in social integration takes on even greater importance in the context of the social, economic and political upheaval experienced in CEE and CIS countries over the last 15 years. “Affordable housing,” wrote a representative of Slovakia’s construction and regional development ministry, “can contribute to the economic stability and has a crucial role in promoting social integration.” (Szolgayová 2000: 85.) The UN describes the importance of housing and other infrastructure as follows: “[T]he quantity and quality of the built environment has immediate impacts on almost all other goals of economic and political reform.” (UNDP 1997: 99.)

One additional effect of poor housing conditions, particularly overcrowding, may be a negative influence on demographic factors, such as new household formation, marriage rates and stability, and birth rates (Ibid: 80).²⁰ In countries where negative population growth already threatens social and economic stability (see section on demographic factors in Chapter III, below), this influence may be especially important.

¹⁹ Martin Lux is the Ing. Mgr. of the Socio-economics of Housing at the Institute of Sociology at the Czech Academy of Sciences. He has written and edited a number of books on social housing in Central and Eastern Europe.

²⁰ In Minsk, the capital city of Belarus, new households are seldom able to live in their own home. Fifty percent live with parents, about 33% live in hostels, and about 3% buy their homes. The rest rent. “This has a negative effect on marriage rates, on marital stability, and on birth rates. As a result the number of divorces grows and the likelihood of marital separation has increased.” (UNDP 1997: 88.) See also Mandic (2004: 9), for the point that over-reduced rental stock and a lack of non-traditional housing options may restrict new household formation.

Chapter IV: The causes of inadequate housing in Central and Eastern Europe and Central Asia



A Macro-economic conditions, poverty, unemployment, inequality of wealth, and rising housing prices relative to household income

Rising levels of poverty, unemployment and income disparity, as well as decreased national and per capita production, are cited by experts as primary factors in diminishing levels of adequate housing throughout CEE and CIS countries (See, e.g., Council of Europe 2002, Access to Housing: 4-5; The Chronic Poverty Research Centre 2004). Economic performance varied greatly between countries: GDP levels in Estonia, for example, rose four times more than those of Tajikistan or Turkmenistan in the first half of the 1990s (UNDP 1997: 16). Effects of reforms were worst in the Caucasus (Armenia, Azerbaijan and the Republic of Georgia) due to war, hyper-inflation and the loss of production capacity. In Central Asia, per capita income levels remained low despite rich mineral resources. Among European countries, those outside of the Former Soviet Union fared better.²¹ Some countries (mostly in Central Europe and the Balkans), have rebounded significantly since early transition. Nearly all countries, however, experienced deep economic recession in the early and mid-1990s (no country had a production rate in 1994 equal to that of 1990 (UNDP 1997: 17), and most continue to struggle economically.

Table 5(a), below, presents four of the major socio-economic phenomena that have shaped and limited housing options for the poor in most transitioning countries over the last 15 years. Table 5(b) presents parallel macro-economic data for comparator countries outside of the study area.

The first column of the table gives the United Nations Human Development Index (HDI), which is considered a standard means of measuring well-being, especially child welfare. The index ranks each of 177 countries (1 is high) according to its relative level of human development. It takes into account poverty, literacy, education and life expectancy. The HDI rankings demonstrate the differences in welfare between CEE and CIS countries. Several Central European countries received relatively high rankings, while the Central Asian countries and Caucasus received much lower rankings. No CEE or CIS countries, however, are considered to fall within the “low human development” tier on the Human Development Index. Ten fall into the “high human development” tier, and 18 into the “medium human development tier.”

Second, the table gives production levels, represented by GDP. It presents both current GDP per capita and overall GDP growth over the periods 1975-2002 and 1990-2003. The GDP statistics show that production fell considerably throughout the study area during the transition period. This meant that households had less money to apply to housing expenses, and that governments had reduced budgets for housing subsidies.

Third, the table presents inflation trends, represented by the Consumer Price Index, for the periods 1990-2002 and 2001-2002. High inflation levels through the transition period, rising to hyper-inflation in some countries, reduced the supply and effective demand for low-income housing, due to its effect on pushing up interest rates for loans to finance construction and home purchases.

Fourth, the table gives income disparity levels, represented by the Gini coefficient.²² The higher the number, the greater the level of inequality. Income inequality increased markedly during the transition period. This indicates that the distribution of the wealth that was generated through economic transition was skewed toward the rich. The negative economic effect of the transition period on the poor, therefore, was probably more pronounced than indicated by the declines in GDP.

²¹ Information comparing economic performances found in UNDP 1997: 20.

²² The Gini coefficient is usually used to measure inequality of income, and sometimes of wealth. It is a number between 0 and 1, where 0 corresponds with perfect equality (everyone has the same income) and 1 corresponds with perfect inequality (one person has all of the income, and everyone else has none). The Gini coefficient is often expressed in multiples of 100 (as a number between 1 and 100 rather than a fraction between 0 and 1), with a lower number indicating a greater degree of equality. (http://www.en.wikipedia.org/wiki/Gini_coefficient).

Table 5(a): Human Development Index, GDP growth, inflation, and income inequality for CEE and CIS countries²³

HDI Rank	GDP per capita (PPP US\$) 2002	GDP per capita Annual growth rate (%)		Average annual change in consumer price index (%)		Survey year	Inequality measures Gini index	
		1975–2002	1990–2002	1990–2002	2001–2002			
High Human Development								
27	Slovenia	18,540	...	4.2	19.8	3	1998/99	28.4
30	Cyprus	18,150	4.7	3.2	3.4	2.8	...	...
32	Czech Republic	15,780	...	1.4	6.7	1.8	1996	25.4
36	Estonia	12,260	-0.2	2.3	16.7	3.6	2000	37.2
37	Poland	10,560	...	4.2	21	1.9	1999	31.6
38	Hungary	13,400	1	2.4	18	5.5	1999	24.4
41	Lithuania	10,320	...	-0.3	22.7	0.4	2000	31.9
42	Slovakia	12,840	0.3	2.1	8.3	3.3	1996	25.8
48	Croatia	10,240	...	2.1	61.3	2	2001	29
50	Latvia	9,210	-0.5	0.2	21.7	2	1998	32.4
Medium Human Development								
56	Bulgaria	7,130	0.1	(.)	94	5.8	2001	31.9
57	Russian Federation	8,230	...	-2.4	75.2	15.8	2000	45.6
60	Macedonia (FYROM)	6,470	...	-0.7	6.5	0.1	1998	28.2
62	Belarus	5,520	...	0.2	258	42.5	2000	30.4
65	Albania	4,830	0.3	6	21.6	7.8	2002	28.2
66	Bosnia and Herzegovina	...	...	18	...	...	2001	26.2
69	Romania	6,560	-1.1	0.1	85.5	22.5	2000	30.3
70	Ukraine	4,870	-6.6	-6	116.7	...	1999	29
78	Kazakhstan	5,870	...	-0.7	45.6	5.9	2001	31.3
82	Armenia	3,120	...	1.7	44.7	1.1	1998	37.9
86	Turkmenistan	4,250	-4.4	-3.2	...	...	1998	40.8
88	Turkey	6,390	1.8	1.3	75.5	45	2000	40
91	Azerbaijan	3,210	...	0.2	109.1	2.8	2001	36.5
97	Georgia	2,260	-5.2	-3.9	17.7	5.6	2001	36.9
107	Uzbekistan	1,670	-1.5	-0.9	...	...	2000	26.8
110	Kyrgyzstan	1,620	-3.6	-3.2	18.7	2.1	2001	29
113	Moldova, Rep. Of	1,470	-5.4	-6.9	18.5	5.1	2001	36.2
116	Tajikistan	980	-9	-8.1	...	...	1998	34.7
Without HDI ranking								
	Serbia and Montenegro	...	...	2.2	...	...	...	...

Table 5(b): Human Development Index, GDP growth, inflation, and income inequality for comparator countries

HDI Rank	GDP per capita (PPP US\$) 2002	GDP per capita Annual growth rate (%)		Average annual change in consumer price index (%)		Inequality measures Gini index	
		1975–2002	1990–2002	1990–2002	2001–2002		
High Human Development							
1	Norway	36,600	2.8	3.0	2.2	1.3	25.8
6	Belgium	27,570	1.9	1.8	1.9	1.6	25
8	United States	35,750	2	2.0	2.6	1.6	40.8
9	Japan	26,940	2.6	1.0	0.5	-0.9	24.9
10	Ireland	36,360	4.4	6.8	2.6	4.7	35.9
12	United Kingdom	26,150	2.1	2.4	2.7	1.6	36
16	France	26,920	1.7	1.6	1.6	1.9	32.7
19	Germany	27,100	2	1.3	2.1	1.3	28.3
20	Spain	21,460	2.2	2.3	3.6	3.1	32.5
24	Greece	18,720	1.1	2.2	7.7	3.6	35.4
Medium Human Development							
100	Ecuador	3,580	0.1	(.)	38.6	12.5	43.7
115	Honduras	2,600	0.1	0.3	17.2	7.7	55
131	Ghana	2,130	0.3	1.8	27.4	14.8	30
Low Human Development							
174	Mali	930	-0.2	1.7	4.6	5	50.5

The relative numbers of poor have risen in almost every country throughout the region. While poverty began to decrease in some countries (such as Hungary, the Czech Republic, and Slovakia) after the initial shock of transition, it has continued to rise in most. Poverty is worst in the Former Soviet Union (UNDP 1997: 58). The Council of Europe estimates a 22-26% poverty rate in Central Europe, and a 40-75% rate in the former Soviet Union (2002: 12).²⁴ Information on poverty levels pre-transition is not generally considered to be accurate. The UNDP states that mass impoverishment, reaching into the middle classes, is the most important aspect of the “new poverty” emerging from transition (UNDP 1997: 24).

The end of socialism brought about vast increases in unemployment, as state subsidies to the agriculture and industrial sectors disappeared and the private sector failed to provide a sufficient number of jobs. Unemployment impedes a household’s ability not only to acquire shelter, but also to retain it (Mandic 2004: 8-9). As discussed above, many of the households that received homeownership rights through privatisation did not have the financial capacity to pay even minimum costs for repair and maintenance, nor for rising utilities fees. Housing conditions for these families continue to deteriorate, and delinquencies in fees are increasingly causing eviction.

Falling levels of household income directly affect the affordability of adequate shelter for people in CEE and CIS countries. The most important obstacles to access to housing for poor people, according to the majority of experts, are financial ones. A lack of supply of affordable housing for vulnerable groups is “universally acknowledged”, and exists in both rural and urban areas (Council of Europe 2002: 4).²⁵

As household income levels across CEE and CIS countries fell in the 1990s, housing prices in many cases increased, and governments with reduced budgets slashed housing subsidies. Both factors compounded the problems of housing affordability caused by reduced

²⁴ The Council of Europe (2002) gave the following poverty levels per country: 22% in Romania; 24% in Poland; 28% in Hungary; 40% in Russia; 45% in Armenia; 50% in Uzbekistan; 60% in Azerbaijan; 60% in the Republic of Georgia; and 75% in Moldova. The Council of Europe report gives a poverty level in Western Europe of 18.6%, and compares the 11% average share of social housing stock in Western Europe with lower levels in CEE and CIS countries where poverty rates are much higher.

²⁵ In Western Europe, general economic growth has masked rising levels of inequality between those who can afford to pay increased housing costs (relative to wages), and those who cannot. Low-paid and part-time employment has increased, leaving some households less able to afford housing and increasing the numbers of households relying upon housing allowances, which face reductions due to budget restraints (Edgar, Doherty & Meert 2002: 6).

household incomes and increased poverty. Increasing housing prices may have helped a very limited number of low-income people who obtained their houses through privatisation and were able to sell them at higher values. Because this action only benefited those who had some alternative, less expensive option for adequate housing, few households received any advantage from exercising the option to sell. While some middle-upper class households have sold out of pre-fabricated high-rise housing obtained through privatisation in order to live in more desirable locations, most poor families lack any affordable housing option that is better than the one they are currently in. This is especially true due to reductions in the public rental sector. The primary effect of rising house prices, where they have occurred, is to exclude low-income households from homeownership. The limits imposed on state budgets from a negative macroeconomic environment have limited possibilities for public housing subsidies even as the need for them has risen (Council of Europe 2002: 4-5).

One interesting component of the affordability of housing in some CEE and CIS countries is that housing costs, relative to total household expenditures, remain extremely low by world standards. This is particularly true in countries of the Former Soviet Union. In Russia for example, households spend only 6.5% of their household income on housing-related expenses. Housing costs per household expenditures in Central Europe more closely resemble those of Western Europe. The minimal relative amount that households spend on shelter in some CEE and CIS countries highlights two important factors in assessing current housing conditions and possibilities for improvements. First, although the current housing expenditures in these countries are

low by Western European standards, they have increased by at least 200% in every one of these countries from pre-1990 levels. For households reeling from high unemployment, reduced wages, and plummeting pension values, even a minimal increase in housing costs could be unaffordable. Second, some experts have pointed to psychological resistance by many people who lived under socialist systems to paying more than minimal amounts for housing. The socialist philosophy that decent housing is an entitlement for all people, regardless of their income or wealth levels, continues to be deeply entrenched in many peoples' expectations regarding the role of government in providing housing.

In 2005, the UNDP published a list of development indicators within five sub-regions in the CEE and CIS area to monitor progress toward the UN's Millennium Development Goals. These indicators provide a background for understanding the macro-economic and social conditions influencing development, including adequate shelter, within the sub-regions. The list is included as Appendix A of this report.

B. History of privatisation, reduction of social housing sector

The process of transition from command to market economy in CEE and CIS countries over the past 15 years has created and shaped current housing markets. Under socialism, housing was often viewed as an entitlement for all, provided in many cases by the state. Its primary value was as a source of shelter. In a market economy, housing is often viewed as a commodity to be bought and sold. It is valued as a source of house-

hold wealth as much if not more than it is valued as a source of shelter. According to a wide variety of experts, the commodification of housing has been the primary factor in defining housing options for the poor across CEE and CIS countries in recent years.

1. History of privatisation

The starting place for privatisation of the housing market was different for every country within the study area. In some countries, a private housing market had existed legally or clandestinely for many years prior to 1990. While state ownership was extreme in Armenia, Estonia, and Russia, other countries such as Bulgaria, Hungary and Slovenia experienced levels of home ownership higher than the 65% level experienced in the U.S. (considered one of the highest home-ownership countries) (Struyk 2000: 3).²⁶ In Czechoslovakia and Poland, cooperative housing was very important in the 1980s, and continues to be today (Ibid.). On the flip side, the size of the public rental sector varied greatly among countries. The state rental sector occupied over 50% of the housing stock in the Soviet Union, about 28% in Central Europe, and only 19% in the South Eastern European socialist countries such as Albania, Croatia and Bulgaria (Council of Europe 2002: 12-13).²⁷

Commodification of the housing sector occurred through privatisation of the public rental sector and restitution of housing to its owners prior to World War II (or to their heirs). Of the two forms, privatisation was far more important due to its greater scope and reach. Privatisation involved the selling off of public rental units to sitting tenants at extremely low prices, or in some cases giving them away for free. It affected mostly

²⁶ Compare, e.g., a private home-ownership rate of 77.3% in Hungary with one of 40-42% in the Czech Republic and Poland between the years 1988 and 1991 (Balchin 1997: 232).

²⁷ For comparative purposes, the public rental sector in EU countries was, on average, 15% of the total housing stock in 1990. This average includes great variation per country: public rental sectors in the Mediterranean countries are much smaller than those of the northern European countries.

multi-family high-rise apartments. Only some countries (such as the Czech Republic, Slovenia, Poland, Bulgaria, Latvia and Lithuania) utilized restitution in addition to privatisation. Under restitution, the rights of the former owners to regain title to their property took precedence over the rights of sitting tenants to buy the unit through privatisation. This left sitting tenants with limited tenancy rights to their current housing and often without ownership rights to any housing; in some cases it led to eviction (UNDP 1997; Council of Europe 2002: 17).

The pace of housing privatisation varied greatly within the region. In the Czech Republic, Poland and Slovakia, declines in the public rental sector due to privatisation were only mild through the 1990s, but in other countries they were fast and sharp, so that the social rental was less than 10% of the total housing stock by the end of the decade (Mandic 2004: 7). Refer to Table 2 in Chapter II, above, for the percentage of privately-owned housing stock in CEE and CIS countries.

2. Effects of privatisation

a. overview

The effects of restitution/restitution of the housing stock were varied. In some cases privatising at below-market prices raised large amounts of money for the state at a very rapid pace (Balchin 1997: 240). It also alleviated the state's burden of costly repair and maintenance of the public rental sector (Ibid.). On the negative side, this method of privatisation resulted in a long-term loss of revenues to the state due to artificially low prices, long-term loss of accessible and affordable rental

housing for vulnerable groups, and difficulties of new poor owners in funding repairs and maintenance to their units and buildings (Ibid.). Losses to the state through inexpensive sale of the state rental stocks were compounded by the high cost of replacing these stocks, given that most of them belonged to the state debt-free (Balchin 1997: 7-8). For vulnerable housing groups, such as households with low or no-income, most observers agree that the net effect of privatisation/ restitution, at least over the past 15 years, has been harmful.²⁸

b. diminished public rental sector

One of the most significant aspects of privatisation has been the reduction of the public housing sector, intensified by the growing poverty experienced throughout the region. (Even as public rental sectors fell below 10%, the population living in poverty increased by three to five times in most countries (Council of Europe 2002: 12).²⁹ Because the formal private rental sector is often underdeveloped,³⁰ especially in regard to affordable housing, many experts consider public rentals to be the only reasonable housing option for the many people throughout the region who did not gain home ownership rights through privatisation, and for the increasing number of people who cannot hold onto these rights due to increasing fees for utilities, maintenance and repairs. As Mandic (2004) explains, privatisation may have improved housing opportunities for those who were able to buy at low prices, and has also led to (desirable) higher mobility rates in some cases. Mandic qualifies, however, that housing opportunities worsened for some, including

the vulnerable groups who had been on waiting lists for states housing for years, and who received no benefit from privatisation. These groups are sharply affected by reductions in the state rental sector.³¹

In Western Europe, the trend toward reducing the public rental sector over the past decade has also harmed the poor and undermined social integration (Gibb 2002: 29-30). Based on this experience, Edgar, Doherty and Meert (2002: 61) conclude that "The ability of vulnerable households to access affordable rental housing is clearly compromised when the rental sector is small or is declining." Also, the quality of the minimal public rental stock that remains in CEE and CIS countries has declined markedly over the transition period. This is due to a lack of state funds available to repair and maintain it, and also to the fact that the units that remained state-owned through privatisation tended to be those that were least attractive to sitting tenants, generally located in peripheral, low-quality buildings (UN Economic Commission for Europe 2003: 7-8).

The reduction of the public rental sector across the CEE and CIS region reflects, to many observers, the state's withdrawal from the housing sector and the accompanying increased burden on economically or otherwise disadvantaged groups. Experts throughout Europe are currently debating the most effective role for the state in housing (see further discussion in the section below on government "enabling" policies). The bulk of the literature on this point, representing a variety of political/economic positions, agrees that the

²⁸ See, e.g., Mandic (2004), stating that these vulnerable groups were among the "losers" of transition, due to the fewer number of affordable options they now hold for adequate housing (8, 12). According to the UN Economic Commission for Europe (2003), the retreat of the state from housing provision has had a net adverse effect on the socially weak. See also Balchin (1997: 243), stating that privatization along a neo-liberal model, as it was conducted, was a mistake. He argues that it would have been better to have formed tenant rental cooperatives, using the German/ Austrian model of a social market economy and unitary rental systems.

²⁹ In Central and Eastern Europe, the number of people below the poverty line is much greater than the stock of social housing following privatisation (Council of Europe 2002: 5). The key indicator is the gap between the percentage of people living below the poverty line and the share of public rental housing. This gap is much higher in the transitional countries than it is in the (old) EU, although the Mediterranean EU countries have patterns similar to those in the transitional countries (high numbers of poor, low numbers of public rental units) (Ibid: 12-13).

³⁰ The official private rental sector is quite small in most CIS and CEE countries, especially for low-cost housing. This does not preclude the possibility that a considerable level of private rental is occurring informally, on the "grey" market. Determining the de facto incidence of private rental among low-income households is an important area for further research.

³¹ See, e.g., Council of Europe 2002: 5, stating that reductions in social housing stock have threatened low-income people in many countries.

housing market on its own is unable to accommodate the needs of certain groups of people, including the expanding number of people with low or no income. As Edgar, Doherty and Meert summarize: since the market cannot and does not meet the needs of large segments of the population, and does not reduce housing vulnerability even in conditions of national prosperity and economic growth, commodification of housing directly increases risks for the poor, without an accompanying increase in potential benefits.³²

The UNDP's analysis of housing privatisation provides an equally critical view of the effects on the poor of rapid housing commodification in transition countries.

Some observers argue that the special nature of housing—a fixed object that is a basic social requirement and involves great expenditures over a long period of time—makes it an inappropriate candidate for radical deregulation and commodification. The experiences of many countries tend to lend support to this view. At least in the short term and in the overall context of economic decline in the region, the move toward buying and selling houses through the market has not either led to a substantial increase in housing stock or greater access to housing for large segments of the population. (UNDP 1997: 72.)

c. lack of necessary systems in place at time of privatisation

One of the problems with the privatisation/ restitution process in many countries was that essential systems for housing market operation, taxation, and alternative forms of subsidies were not in place at the time that rights transferred into private hands. For example, lack of adequate registration systems and laws for property rights, leading to a registration backlog, has significantly constrained housing markets in urban settings in

many transitional countries (UN Economic Commission for Europe 2000: 14). Lack of taxation laws (including mechanisms for collection and enforcement) and other regulation of the real estate market meant that gains in housing wealth through privatisation consolidated to individuals and generated little or no money for redistribution to those who did not realize such gains (Mandic 2004: 11). According to the UNDP, housing privatisation involved a massive “systems failure”: old systems were negated before the new mechanisms needed for private ownership were established. Missing mechanisms included enforcement codes, requirements that developers dedicate some percentage of new projects to low-income housing, and policies and mechanisms needed to deliver serviced land for housing (particularly important given the rise in informal and self-help housing) (UNDP1997: 67). The Council of Europe explains that governments increasingly relied on new housing markets but did not immediately regulate them. The Council further explains that, given this context and the increasing social risks such as unemployment, poverty and evictions from restitution, a greater percentage of the population will probably have difficulty accessing affordable housing (Council of Europe 2002: 17).

The absence of land use planning regulations made it easier for new homeowners to sell out to commercial developers, reducing the available housing stock. In Bulgaria, for example, available housing stock for low-income families was reduced when new owners sold to commercial developers (UNDP 1997). As will be discussed further under the section on subsidies below, the lack of social safety net for housing following privatisation has had a clear negative impact on the poor and other vulnerable groups.

d. new owners unable to meet expenses of ownership

Observers point out that even those low or no-income households that received ownership rights to their homes through privatisation may not be adequately housed. This is because the state of the housing units, and especially the buildings in which they reside, is in many cases inadequate, and new low-income homeowners lack the financial resources to apply to repairs or even minimal levels of maintenance (Mandic 2004: 4). (See discussion in Chapter II on deterioration.) In the absence of government subsidies to assist needy households with maintenance and other housing-related costs, privately owned housing in transition countries cannot be considered to fulfil the criteria for “low-income housing,” according to the Council for Europe (2002: 12).

e. decentralization

Privatisation in most cases involved a decentralization of authority for housing from central to local governments, but local governments were seldom adequately prepared to assume this responsibility. The Economic Commission on Europe points to three major problems that occurred at the local level: (1) fragmentation of planning in regard to housing; (2) ad hoc political decisions about housing without adequate preparation or strategic planning; and (3) a lack of professional staff and financing (UN Economic Commission for Europe 2000: 13). The UNDP, in its 1996 report on shelter in transition countries, gave several suggestions for strengthening local government capacity to address housing and other new responsibilities. These included bolstering the legal and constitutional bases of local authorities, increasing the capacity to raise local financial resources, improving the quality of local government personnel, and building

³² Edgar, Doherty and Meert (2002: 26) argue that the market doesn't reduce vulnerability for the poor even in conditions of prosperity, because when the economy is strong, demand for housing by affluent households increases, reducing available supply. Demand by the wealthy begins to draw into market housing previously considered marginal. This increases rents and prices in marginal housing areas, leaving even less options for the poor.

democratic processes at the local level (UNDP 1997: 51).

In summary, housing privatisation in CEE and CIS countries affected great numbers of people over a very short period of time. It involved a massive transfer of assets from the state to private individuals and, at the same time, a retreat of the state from housing provision and maintenance at a time when unemployment, inequity, and poverty were sharply rising. This has limited housing options for the majority of poor people, whether or not they currently own or rent.

C. Current government policies

1. Lack of priority on housing

Housing policies generally slipped in priority while governments throughout the CEE and CIS countries struggled to steer their way through the transition shock period. This diminished state attention to the housing situation occurred in the context of deteriorating housing conditions and rising numbers of people housed in inadequate shelter or left without any shelter at all. Transition countries fraught with imminent political and economic problems, including state budget levels that were a fraction of pre-1990 levels, were less willing to recognize and confront the growing housing problem than were their counterparts in Western Europe, where housing conditions were generally much better (Mandic 2004: 12).

Consideration of state housing policy is one of the most important topics addressed in this report, because it is an area where positive change is not only possible,

but where such change carries great potential impact on housing conditions for low-income and other vulnerable groups. Because each of the countries covered in this report has its own unique issues related to housing, appropriate best practices will vary considerably. For information on current efforts by the public, private, and non-profit sectors to confront housing issues in CEE and CIS countries, see Chapter V of this report.

Several sources point to the importance of including a broad range of stakeholders in the process of formulating housing policy. Social housing has been most successful when stakeholders, particularly those groups that are targeted for assistance, have had input in program design and implementation. Such processes should involve a joint effort by public, private and civic sectors (UN Economic Commission for Europe 2003: 6).³³ Involvement of target groups and the organizations that support their interests will be critical to raising awareness and motivation around homelessness and inadequate housing conditions. According to Mandic (2004: 14), this will require a marked change from past traditions of excluding target and advocacy groups from policy-making processes.

2. Subsidies

This analysis of housing subsidies looks first at the quantities of subsidies offered, both in terms of the total amount of resources expended and the total variety of subsidies offered, and second at the quality of these subsidies.

Experts broadly agree that current housing subsidy levels in CEE and CIS countries are too low. Over the last 15 years, implementation of reformed housing “safety-net” policies have lagged behind the reduction and/or elimination of the social rental sector and traditional subsidies.³⁴ Transition countries generally lack both housing allowance systems and broad housing subsidies, causing heightened risk of poor housing conditions for disadvantaged groups. Given the high levels of poverty throughout much of the CEE/ CIS region, according to the Council of Europe, access to affordable housing for vulnerable categories of people will continue to be problematic unless and until governments significantly increase subsidies to high enough levels to make a difference. Reductions in financing for social programs have caused many governments to restrict eligibility for social housing benefits, even at a time when the need for broader eligibility has grown. Hidden discrimination against ethnic or religious minorities often accompanies this trend toward reduced eligibility.

Some observers have pointed to the lower number of subsidy options offered by CEE and CIS countries as an impediment to effectively reaching the housing needs of vulnerable groups. The Council of Europe cites the low number of policy options used by governments in the new EU countries and in Eastern Europe as a major impediment to confronting inadequate housing (2002: 4).³⁵ The Council recommends that governments should introduce a greater “policy mix” in this regard, and encourage private and third sector (NGO) participation in developing new policy. It notes that Western

³³ The Economic Commission for Europe points to some of the consequences of social housing when target groups are not included in the policy formation process. Past social housing projects in CEE and CIS countries often incorporated low construction standards and quality in mass-produced apartment buildings in the suburbs, without decent access to services. The design and location of the projects often isolated social tenants from jobs and necessary infrastructure, thus impeding the very aim (to help low-income families) for which they were designed.

³⁴ Information in this paragraph is found in Council of Europe 2002: 4-5; 13; 17.

³⁵ The Council of Europe report points to the lack of market-oriented and provider-oriented policies, and the lack of NGO involvement in providing services for the poor (see 2002: 20). The Council’s study, conducted by Central and Eastern European housing experts Tosics and Erdösi in 2000, was also cited in Mandic (2004:12) to support the point that the Central and Eastern European countries lagged behind the old EU countries in developing housing policy options suited to the needs of the poor.

European countries have more successfully implemented this mix, and have been particularly successful in drawing on the assistance of the private sector and civil society organizations.

The relatively low level of housing subsidies offered in CEE and CIS countries increases the importance of using every subsidy amount to its highest effectiveness. However, most housing subsidies offered in transition countries are not targeted to vulnerable groups, nor do they meet other criteria of effective policy.³⁶ In his 2000 book on housing policy in transition, Raymond Struyk gives the following list of criteria for effective housing policy. Effective subsidies: (1) are open and transparent; (2) are well targeted; (3) improve access to housing; (4) are cost-effective; (5) are simple; (6) engender cost-control; and (7) bring positive development impact (Struyk 2000: 40). According to Struyk and others, subsidies in transition countries seldom fulfil these criteria. Instead, subsidy programs, nearly always targeted for new purchases, are often “inefficient, poorly targeted, and very expensive for these countries.” (Ibid: x) Struyk is especially critical of the prominence of untargeted tax subsidies throughout the region. In Poland and Russia, for example, two-fifths of all state spending on homeownership occurs through tax breaks, a reflection of poor targeting according to Struyk (Ibid: 54).

Like many experts, Struyk criticizes the emphasis on subsidizing new private construction in the transition countries. Public money may be better spent on rehabilitating multi-family housing stock and/or reform-

ing and reconstructing the public rental sector than encouraging new housing construction, they argue, for three primary reasons. First, homeownership rates following privatisation and restitution are extremely high in many CEE and CIS countries by global standards: the need to increase homeownership through new construction is difficult to justify. Second, many new owners live in rapidly deteriorating buildings with no personal resources for repair or maintenance, underlying the importance of preserving current stock before turning to new construction. Third, the public rental sector has been diminished to a fraction of current and future societal need; public money could probably best help the poor through a focus on reforming, repairing, and rebuilding this sector. A variety of experts agree that current rent control policies for both the public and private sectors should be replaced by a combination of cost-covering rents and housing allowances for those people who meet certain income (and other) criteria.

Reform of the public rental sector in itself could bring far-reaching benefits to vulnerable groups. Current public rental sector policy in almost every CEE and CIS country does not condition eligibility on household income, for example. A significant number of people living in state-owned rentals do not meet any particular criteria of need. (It is true, however, that the privatisation process reduced the numbers of middle and upper class households living in social rental housing, as those who could afford to purchase their unit generally did.) The UN Economic Commission for

Europe suggests that, given the extremely small size of the remaining public rental stock in most countries, one option would be to transform the existing public rental stock into social rentals targeted specifically to low-income households (UN Economic Commission for Europe 2003: 8).

While the public rental sector has extended high levels of subsidies to households who do not meet criteria for social need, it is important to note that not all needy households currently live in, or seek to live in, social rentals: many of them are new homeowners (Ibid: 4). As discussed above in the section on privatisation, the phenomenon of “poor ownership” that followed privatisation has escalated housing deterioration patterns, and created a situation in which many people owning homes are unable to pay the normal costs of homeownership, such as utility fees. According to the Council of Europe, the higher the rate of “poverty ownership,” the more the government should prioritise programs intended to help low-income owners to pay for, maintain and restore their units and buildings, rather than programs that target new construction (Council of Europe 2002: 5). An example of this type of programme is a general housing allowance system.

A variety of experts agree that increasing demand-side subsidies such as housing allowance (distributed based on need criteria, and not dependent on an applicant’s housing tenure circumstances) would be one channel for increasing the effectiveness of housing subsidies in transition countries.³⁷ Some countries have, in

³⁶ See, e.g., Balchin 1996: 237, stating that few subsidies in Central European countries are carefully targeted, and most are regressively allocated. The authors of the UN Economic Commission for Europe’s Moldova Housing Profile set forth a checklist of principles that should be included in a social housing safety net (Moldova Housing Profile: xv). These could serve as a template not just for Moldova, but for any other country facing similar challenges to adequate housing for low-income people. These principles include:

- ◆ All benefits to be means-tested, using a standardized system throughout the country;
- ◆ Benefits to be available to households irrespective of tenure;
- ◆ A clear order of priorities, e.g., those who are actually homeless, those living in unsafe, unsanitary or overcrowded conditions;
- ◆ Priority to be given to the most vulnerable households; and
- ◆ Benefits to be made available directly to households, as opposed to subsidies for building works

fact, begun to implement housing allowance programs based on household incomes, although not yet at sufficient levels. Implementing a sizeable housing allowance program could facilitate other reforms of the private and public rental sectors. By allowing rents to increase to cost-covering levels without hurting the poor or other vulnerable groups, housing allowance programs could help motivate investment in repair, maintenance, and new construction in the rental sector.

3. Shift to “enabling” strategies

The state’s role in housing provision has shifted throughout Europe in the past few decades from that of direct provider of social housing to that of “enabler” or “facilitator” of housing provision by the private and civic sectors.³⁷ This strategy is based on the belief that markets are more efficient than governments in providing housing that meets society’s needs.

Per “enabling strategies”, governments in Western Europe have sought approaches relying more and more on the private sector and NGOs to confront inadequate housing and homelessness (Council of Europe 2002: 17). Although each country has chosen a slightly different route, almost all have reduced state intervention in housing markets through withdrawal from the public rental sector and diminished regulation and enforcement (Edgar, Doherty & Meert 2002: 2). They have shifted their focus to expanding the role of private financial institutions in the housing supply (Ibid.) The changing role of the state has been described as a “hollowing out” of state authority for the housing sector, involving a transfer of state resources upward to

supra-national organizations like the EU, downward to local governments and quasi-state organizations, and outward to NGOs and the private sector (Ibid: 25).

The trend in Western Europe (and in many other market economies) toward reducing the state’s role in housing provision and focusing on market solutions was probably highly influential in shaping the housing policy options pursued in transition countries over the past 15 years. The public rental sector was sold off at very low prices to people who seldom had experience with private homeownership. The state provided these new owners with little (or in most cases no) information about the rights and responsibilities of home ownership. The private sector, newly expanded, was regulated poorly if at all. In many cases, laws and regulations for this sector were not even established until years after privatisation. Enforcement of regulations that did exist was difficult if not impossible due to lack of financing and lack of expertise and experience in market-oriented regulation. States slashed traditional housing subsidies without providing new safety net provisions for those whose needs could not be met through privatisation or the commercial housing market. It can be concluded from this experience that CEE and CIS countries embarked on a sort of amplified “enabler” strategy during the transition period, relying heavily on new and undeveloped commercial markets to meet housing needs.

Defining the state’s role in housing according to an enabling strategy is at odds may be at odds with the societal needs and expectations in transition countries (see, e.g., Mandic 2004: 11). The speed with which the housing sector was transformed through privatisation

and restitution, along with the lack of regulation and taxation of the new private housing industry, has been criticized by a number of experts. Since this is now part of history, it is perhaps more useful to focus on the most effective current and future role of the state in housing in these countries. Should states take a more active or less active role in housing market intervention? What strategies make the most sense given the particular social, economic and historical experiences of each country? How can public resources for housing be used most effectively, given constricted state budgets?

Because it is difficult to sort out the consequences of the enabler strategy from the consequences of the transition of the housing sector as a whole in CEE and CIS countries, observing the effects of the adoption of this enabler strategy in Western Europe may prove illuminative. One of the positive consequences of reducing the state’s direct role in housing provision in Western Europe has probably been the development of private sector and NGO participation in housing provision for vulnerable groups. As discussed in the section above on subsidies, those countries that have the greatest mix of social housing policies are often most effective in meeting the needs of target groups. In the context of transition countries, this suggests that states might aptly focus some percentage of their housing resources on incentives to the private sector and to NGOs to provide adequate housing to vulnerable groups.

Some experts on poverty housing, however, argue that the shift toward market-oriented housing policies has weakened access to adequate housing by low-income households and other vulnerable groups. One of

³⁷ Struyk 2000: 42 (see also his support for down-payment subsidies, such as those offered in Russia); UN Economic Commission for Europe 2003: 9; Balchin 1997: 237.

³⁸ This trend away from housing provision and toward “enabling” market-based solutions follows a broad international movement in both developed and underdeveloped countries, believed by many to have been defined and motivated by a 1993 World Bank housing policy document subtitled “Enabling Markets to Work.” This report calls on governments to leave construction of housing for the poor to the private sector and reduce planning regulations and control.

the most cited reasons for instability in national housing markets across the European Union is policy trend reversal, a switch to policies that prefer “private, weakly regulated market frameworks.” Some experts argue that this trend has increased homelessness and the growth of slums across Western Europe (Edgar, Doherty & Meert 2002: 4). As governments have reduced supply-side subsidies and deregulated financial markets, the costs of borrowing for housing purchase and repair have increased, as have the costs of both housing consumption and provision. At the same time, governments have reformed housing allowances and other housing subsidies based on the need to reduce and retarget state spending. The combined effect of these changes in housing supply, housing finance and housing subsidies, according to Edgar, Doherty and Meert, is tougher conditions for those most vulnerable to social exclusion (Ibid: 4). Increased participation by NGOs has not yet been sufficient to mitigate this negative effect.³⁹

In the past few years, some policy makers in Europe have begun to swing away from a strong focus on enabler strategies. They cite increasing statistics on numbers of homeless and those housed inadequately to support their views that the housing needs of some groups of people have not, and will not, be met through market-based strategies.

4. Eviction policy

The right to protection against eviction is an essential component to adequate housing conditions.⁴⁰ This right

is most beneficial to vulnerable housing groups, however, when it is balanced with measures that support investment in low-income rentals and privately-owned homes.⁴¹ A private rental sector is unlikely to develop if landlords do not have recourse against tenants who fail to pay rent, and commercial financing institutions will not risk mortgage loans if they are not reasonably protected against borrowers who fail to make payments. Nor will the public rental sector become effective in meeting the needs of the poor if it remains open to sectors of the population that do not meet housing vulnerability criteria, and who may neglect to pay rents with impunity. In Eastern and Central Europe, the issue of payment arrears on mortgages and for rentals has become quite serious, and points to underlying factors that prohibit borrowers or tenants from making full, timely payments. These include massive privatisation, sudden increases in utility prices, high numbers of low-income families, and the government’s limited financial capacity to provide income-related housing benefits (Council of Europe 2002: 7).

Evictions have been increasing in most CEE and CIS countries over the past 15 years. This has also been the case in EU countries over the same time period.⁴² The most common cause for eviction is the failure to pay rent arrears. Evictions may also be ordered by the court for other breaches of rental agreement by the tenant, or because dwellings are considered substandard, or due to state projects such as road construction. It is difficult to know exactly how many evictions have occurred; many happen outside of the formal legal system.

Despite increased incidence of eviction, the institutions necessary to invest in the housing market (such as banks and developers) often perceive that they would be unable to enforce their rights in the event of non-payment, or another breach of contract, by borrower or tenant. In many CEE and CIS countries, payment arrears have reached levels that threaten the functioning of market-oriented institutions such as banks and utilities. Societal abhorrence of evictions runs deeply through the history of most transition countries. As the Council of Europe summarized, “From the history of evictions in the EUA [European Union Accession] and EE [Eastern European] countries, it is clear that, after 40 years of non-evicting, it is difficult to introduce even a ‘soft’ version of a market-oriented enforcement system in the short term.” This is true, according to the Council, even in the face of escalating payment arrears that threaten the collapse of the renting and mortgage systems.

Strong legal and judicial protection of tenants may not deter forced eviction. In transition countries, faith in legal tenant protections may be unwarranted, as eviction threats are often issued by “housing mafias” operating outside of the law. In other cases, legal and judicial protections for borrowers and tenants may be inaccessible and unavailable due to high costs or long backlogs. In Slovenia, for example, forced evictions against the elderly are “common and effective”, and those evicted have little recourse to legal channels since court actions are too slow.

³⁹ Civil society agencies have “been unable to significantly influence or moderate the structural factors that create homelessness,” according to Edgar, Doherty and Meert, whose broad definition of homelessness includes a number of forms of housing vulnerability. (2002: 126.)

⁴⁰ See the definitions of adequate housing offered in Chapter I, above. Edgar, Doherty & Meert state that access to decent and sanitary housing for all depends on “a minimum legal protection of the citizens from arbitrary evictions by the provision of explicit (if bounded) legal rights to security of tenure.” (2002: 11.)

⁴¹ The Council of Europe sets forth the need in transition countries for a balance between protecting vulnerable groups and ensuring institutional rights. The Council suggests that technical assistance from outside of the region could be useful in achieving the best policy balance in this regard. (2002: 7.)

⁴² Information in the next three paragraphs found in Council of Europe 2002: 5; 7; 14; 25).

5. EU housing policy

Some have speculated that the expansion of the European Union will influence housing policy for vulnerable groups in new accession countries. Because the EU has traditionally considered housing to be an issue of national concern and has no direct competency on housing policy (Edgar, Doherty & Meert 2002: 18), it is unlikely that EU expansion will directly affect housing policy in Central and Eastern European countries (Balchin 1997: 323). Some observers note an indirect negative effect on housing policy in EU accession countries, related to required reductions in national social subsidies (including those targeted for housing).

The EU has recently expanded its involvement in issues of homelessness and housing vulnerability, which may have some general future impact on access to housing within membership countries. Over the past six years, the EU has expressed and developed its goal to “end social exclusion” within membership countries.⁴³ The joint competence of the EU and member states in the social policy field was reaffirmed by the 1999 Treaty of Amsterdam. This treaty also established a legal foundation for the EU’s involvement in fighting social exclusion (see Articles 136 and 137 of the Treaty of Amsterdam). Later European Councils set forth policy objectives based on the framework established in the Treaty of Amsterdam. These objectives specifically refer to housing, calling on member states to “implement policies which aim to provide access for all to decent and sanitary housing,” and to “put in place policies which seek to prevent life crises which can lead to situations of social exclusion, such as indebtedness... and becoming homeless.” The objectives flow-

from the Treaty of Amsterdam guided the development of the first National Action Plans for Social Inclusion, submitted by member states in June 2001.

D. Lack of financing⁴⁴

Much attention is paid in the literature to the importance of developing housing finance markets in the transition countries. Housing finance (mortgage, or pledge) is an important tool for turning a physical property into a tradable, wealth-generating asset for a household. Through mortgage, households are able to leverage a relatively small amount of personal resources to purchase their home; effective housing finance markets thus greatly expand the possibility of home ownership to the middle classes. If households had to pay the entire market price of a home up-front, very few would ever become homeowners. Housing finance markets also provide loans for developers in both the private and public sector, motivating new construction.⁴⁵ Although mortgage is often contemplated in the context of housing purchase, housing finance can also provide capital for improvements to existing housing.

As with all aspects of transition, different countries have had markedly different experiences with mortgages. In recent years, for example, mortgage volumes have increased in Poland, stagnated in Hungary, and diminished from already nominal levels in Russia. Countries have also differed in the types of housing finance institutions they have introduced. The three most common types of institutions are specialized mortgage banks, commercial banks, and contract-savings programmes modelled after the German “Bausparkas-

sen” system. The Bausparkassen contract savings scheme involves the formation of savings groups that self-finance mortgages from group savings. Members receive a loan up to the size of their savings, with a limit of between 12,000 and 15,000 US dollars. The government often subsidizes loan interest rates to lower them below market rates, and provides matching annual “bonuses” of up to 30% of the funds saved in a year. The contract savings system in Germany is used to generate only a part of the financing needed to buy a home: borrowers generally take a mortgage from the contract savings scheme for about 20% of the cost of their home, another mortgage from a specialty mortgage bank for 40% to 55% of the cost of the house, and put down a relatively large down payment (25% to 40%) for the balance. The Bausparkassen system has experienced popularity in Hungary, the Czech Republic and Slovakia. Some have criticized the system for its dependence on government subsidies, which are not targeted toward lower-income households and are not very transparent. (See section on subsidies, above.) Although use of alternative financing means such as the contract savings programmes is growing, commercial banks continue to provide the bulk of mortgage lending in almost all transition countries. Multiple loans are still the exception.

In addition to direct financing institutions, countries have tried a variety of approaches toward offering secondary support for housing finance institutions. Poland, for example, has created a credit bureau to improve loan under-writing practices. Russia has created a liquidity facility to purchase mortgages that banks originate, in response to the fact that universal banks were unable to extend long-term loans due to a shortage of long-term capital shortages. Development

⁴³ Information in this paragraph is found in Edgar, Doherty & Meert 2002: 2-3.

⁴⁴ Except where otherwise noted, information in the following section can be found in Struyk 2000, throughout. See pages 56-58 in Struyk for a complete list of supply-side and demand-side impediments to mortgage in transition countries.

⁴⁵ See, e.g., Balchin 1997: 239, stating that expanding housing finance opportunities in transition countries would increase owner occupation and house building in the private sector.

of secondary mortgage markets to assist with the problem of limited bank capital may take hold in other CEE and CIS countries in the future.

Despite introduction of a number of different housing finance institutions, housing finance markets in most CEE and CIS countries have been very slow to take hold. Very little of the necessary legal and institutional framework for mortgage was in place at the time of housing privatisation, and is only now beginning to develop in some countries. Reasons for the slow growth of housing finance in most CEE and CIS countries include both supply-side and demand-side factors.

On the supply side, competitive banking institutions have only recently appeared in many CEE and CIS countries. In many countries, old state savings banks continue to dominate. Banking institutions across the region have little access to long-term capital sources, which limits their ability to make long-term loans. Loans for housing are rarely for more than a five-year term, and more often for less than a three-year term. Interest rates, carefully controlled under command economies, rose sharply to market levels during the transition period. High inflation often exacerbated interest rate hikes, so that annual interest rate levels often exceeded 30 or 40 percent. Macro-economic instability has influenced both lender and consumer confidence regarding long-term financing. A lack of trained financial officers has also impeded banks from entering mortgage markets.

One important reason that financial institutions have hesitated to involve themselves in mortgage lending is the lack of legal and institutional means for enforcing payment by the borrower. The idea of foreclosure and/or eviction is repugnant to many people who

experienced life under a socialist framework, where housing was a human entitlement provided by the state. CEE and CIS countries have often been slow to adopt foreclosure and eviction legislation and, even where it does exist, banks are sceptical that courts will actually enforce them. Banks that have entered the market charge higher interest rates to cover the risk that they will not be able to enforce payment of mortgage loans. Most of the literature on this subject suggests that a balance must be struck between protecting the rights of both borrowers and lenders. In most CEE and CIS countries, strengthening lenders' rights will probably be a prerequisite to increasing the willingness of banks to enter into the mortgage market. This will carry heavy social costs in some instances. (For additional discussion, see section on eviction policies, above.)

On the demand side, a lack of household wealth is the primary factor impeding growth of mortgage markets; many if not most households in transition countries are too poor to purchase a house even with a mortgage (Yasui 2002: 35). Those households that could have afforded a mortgage option at reasonable interest rates have been impeded by the exorbitant rates mentioned above. In times of macro-economic instability and rising unemployment, households have also been less willing to commit to a housing loan that would require long-term payment (Ibid.). A general distrust of banks places another damper on mortgage demand.

One problem with focusing on developing commercial mortgage financing in the CEE and CIS is that it is unlikely to be accessible to the majority of poor households due to the high cost of buying a new house and prohibitive requirements for household income levels. As Mark Stephens summarizes in an OECD report on

housing finance, efficient housing finance systems cannot overcome two entrenched barriers to owner-occupation: (1) that mortgage financing requires front-loading the house payment; and (2) that low household income levels make long-term payments unaffordable to many (Stephens 2002: 178). A government housing policy that focuses excessively on developing mortgage markets risks excluding the broad segment of the population that would be unable to purchase a home with or without a mortgage.

E. War and violence

War and internal violence affects housing needs in several ways.⁴⁶ First, it causes the destruction of housing and community infrastructure such as water and gas pipes. Approximately one million housing units have been destroyed or badly damaged due to war in Europe since 1991.

Second, war causes an exodus of people seeking safety, either in other parts of the same country (Internally Displaced Persons) or in other countries (refugees). The Global IDP Project estimates that since 1991, war has created at least three million internally displaced persons across Europe and 1.5 million refugees (Global IDP Project 2004, Internal Displacement in Europe: 1). Shelter needs for these people may at first be temporary, but as conflicts stretch on, so do the housing and other social needs of the displaced. Displaced people may build shack housing in informal settlements on the periphery of villages and cities, move in with relatives, stay in refugee camps provided by the international community, or crowd into abandoned apartment buildings or hotels. Basic services such as water and heat are seldom accessible. As the IDP Project describes: "[I]DPs

⁴⁶ Unless otherwise noted, the following discussion is adapted from Council of Europe 2003, *Refugee-related Housing Issues in Selected SEE Countries*.

are waiting for durable solutions in squalid conditions, packed into sub-standard shelters, with poor access to water and other utilities, and with very little possibility of generating income.” (Council of Europe 2003: 5.) While IDP and refugee returns have generally increased in the CEE and CIS countries over the past four years,⁴⁷ many people continue to face long-term displacement. IDPs in Azerbaijan, Cyprus, Georgia and Moldova, for example, will probably be prevented from returning to their homes for many years (Global IDP Project 2003, Protecting Internally Displaced Persons in the OSCE Area: 7). Also, the conflict in Chechnya show little hope of settling in the near future, although the Russian Federation government has required many IDPs to return (Ibid: 6).

The third way that war impacts access to shelter is that it stalls housing production and maintenance throughout the duration of the conflict. This creates further housing shortages for returning refugees and IDPs and for a new generation of children born during protracted displacement.

Fourth, increased impoverishment as a result of war and displacement renders even a well-functioning housing market unable to meet the needs of a large sector (25-30%) of the population. This problem is acute in the context of transitioning economies, where housing markets are not well-functioning, and where social safety nets have not developed to alleviate the loss of social housing provision for vulnerable sectors of the population.

Fifth, rapid urbanization caused by violence in rural areas has increased pressure on urban housing stock, often expressed through the growth of informal settlements on the urban fringes.

At the same time, urbanization has created rural housing vacancies, which sometimes deter the adequate provision of services to the partially vacated areas.

Sixth, in transitioning economies, displacement due to violence has complicated property rights questions regarding housing. This is especially true where privatisation occurred during the period of displacement, transferring ownership rights to de-facto occupants at “give away” prices, regardless of who the legal tenant was.

Seventh, the limited economic capacity of governments and the financial sector to respond to the need for reconstruction and ongoing reconciliation efforts following war impedes the development of an effective housing sector. Governments in Southeastern Europe, for example, lack the institutional capacity necessary to support market-based housing development. Legislation is underdeveloped, trained staff is scarce at both local and national levels and governments lack the educational capacity needed for training. Banks are also unwilling to engage in mortgage lending in the absence of institutional prerequisites, which are seldom achievable during the course of a war or in its aftermath. These prerequisites may

include “adequate property information and titling systems, which are transparent, property valuation capability, enforceable mortgage legislation through the judicial system, and a mortgage loan insurance and/or refinancing facility.” (Council of Europe 2003: 13.) A war environment also further reduces the long-term loan capacity needed by banks to extend mortgage financing.

In a related issue, international donors who provided significant emergency relief for housing-related needs of IDPs and refugees in CEE and CIS countries during the 1990s have reduced their assistance, expecting a transfer to long-term development and restructuring programmes. These programmes, however, have not received sufficient support from national governments or the international community to sufficiently meet the housing needs of the long-term displaced, or of returnees.⁴⁸

Internal displacement affects eleven countries in Europe, including Croatia, Bosnia and Herzegovina, Macedonia, Serbia and Montenegro, Turkey,⁴⁹ the Russian Federation, Uzbekistan, Armenia, Georgia, Azerbaijan, and Cyprus.⁵⁰ See Table 6 below for numbers of refugees and IDPs in CEE and CIS countries in 2003, years after many people have returned to their homes following violent conflict in the Balkans and elsewhere. By the end of 2002, the Council of Europe estimated that one million people displaced by war in Southeastern Europe alone lacked permanent settle-

⁴⁷ The number of IDPs in Europe decreased from 3.7 million in 2001 to 3 million in 2003 due to increasing return rates (Council of Europe 2003: 3; Global IDP Project 2003: 6).

⁴⁸ For example, more than 20,000 minority families returning to Bosnia/Herzegovina had received no assistance by the end of 2001, and in the same year, funds from the government and the International Community only sufficed to reconstruct approximately 10,000 houses in Croatia and Bosnia/ Herzegovina. (Council of Europe 2003: 4).

⁴⁹ The continued displacement of villagers in the southeast of Turkey is considered to be one of the greatest current IDP concerns within the CEE and CIS region. At least 380,000 IDPs (see estimates by Human Rights Watch) and possibly many more (see estimates by the European Commission of up to 3 million) live in extreme poverty on the fringes of larger cities and villages. Improvement of housing conditions is one of the top concerns for these people. The Global IDP project lists three housing-related issues faced by Turkish IDPs in 2002-03: (1) displaced people live in precarious and crowded housing conditions; (2) housing initiatives favor village guards (rather than original property/home owners); and (3) displaced people returning to villages face shelter needs due to destruction to their housing and service infrastructure (Global IDP Project 2004, *IDPs in Turkey: Subsistence Needs*).

⁵⁰ For details on the causes and circumstances of the conflicts that caused displacement in each of these countries, refer to Global IDP Project 2003, *Protecting Internally Displaced Persons in the OSCE Area*.

ment solutions.⁵¹ Despite an overall decrease in violence in Europe and the CIS, a total of 2.2 million IDPs continued to face long-term displacement in Azerbaijan, Georgia, Serbia and Montenegro, Turkey and Cyprus (Global IDP Project 2004, Internal Displacement in Europe: 5). The possibility of EU accession has motivated some European countries to develop sustainable solutions for IDPs, in order to comply with EU human rights standards.

F. Immigration

Immigration and intra-national migration patterns throughout the CEE and CIS region have created housing shortages in migration poles and housing abandonment in the areas from which people come (Council of Europe 2002:4). These patterns are often masked by aggregate national housing surpluses. The primary causes of migration patterns within the region are rural-to-urban migration due to economic necessity,⁵³ migration caused by ethnic conflict (see section above on war and violence), and the voluntary return to countries of origin following the break-up of the former Soviet Union. In Eastern Europe, ethnic migration patterns dominate.⁵⁴ These include a substantial return migration to Russia by ethnic Russians who had lived in other parts of the former Soviet Union, and return of refugees and IDPs in the Balkan countries as violence has subsided. Some CEE and CIS countries have become the destination of a considerable number of migrants, including undocumented/ illegal transit

Table 6: Internally Displaced Persons and Refugees in transition countries (2003)⁵²

	Internally displaced people (thousands) 2003	Refugees by country of asylum (thousands) 2003	Refugees by country of origin (thousands) 2003
Albania	0	(.)	2
Armenia	0	239	6
Azerbaijan	576	(.)	248
Belarus	0	1	3
Bosnia and Herzegovina	327	23	167
Bulgaria	0	4	1
Georgia	260	4	10
Kazakhstan	0	16	4
Kyrgyzstan	0	6	2
Macedonia (FYROM)	0	(.)	5
Moldova, Rep. of	0	(.)	6
Romania	0	2	6
Russian Federation	368	10	67
Serbia and Montenegro	257	291	199
Tajikistan	0	3	59
Turkey	0	2	147
Turkmenistan	0	14	1
Ukraine	0	3	58
Uzbekistan	0	45	4

migrants from South Eastern European countries who, faced with steep entry barriers to Western Europe, may increasingly become permanent residents of Central and North Eastern European countries.

One effect of EU expansion may be increased rural-to-urban migration in the accession countries. This is because agricultural restructuring required for EU accession is predicted to further decrease rural employment opportunities (UN Economic Commission for Europe 2000: 7). As more households migrate from rural areas to the cities, public and private services in

rural areas are expected to become weaker. In the urban areas, excess demand for inexpensive housing will significantly increase demand on service infrastructure that is already in bad shape in many areas. Excess demand for housing in the formal sector may spill over into squatter communities.

G. Ethnicity and gender issues

Ethnicity and gender are two of the predominant demographic factors that influence access to housing

⁵¹ In March 2003, the Council of Europe estimated that building 45,000 new housing units in Southeastern Europe over a 4-5 year period would significantly reduce the demand by refugees and IDPs (2003: 7).

⁵² Source: UN Human Development Index Data base, Monitoring Human Development (refer to web site). For descriptions and qualifications of data sources, see original UN charts. The numbers presented in this table appear generally lower than those given by other sources. Numbers for IDPs in Turkey may be much higher than indicated by Table 6, according to data from Human Rights Watch and the European Commission.

⁵³ The UNDP identified the primary causes of rural-to-urban migration in transition countries as: (1) decreased subsidies to rural areas; (2) increased unemployment among young people in rural areas; and (3) decreased infrastructure and public services in rural areas (UNDP 1997: 2). In some countries, such as Estonia and Latvia, even the population of urban areas declined after transition, due to mass national emigration (Ibid: 6).

⁵⁴ The remainder of the information in this paragraph is found in UN Economic Commission for Europe 2000: 7.

within the study area. The Council of Europe points to ethnic discrimination as one of the major obstacles faced by people throughout Europe in obtaining adequate housing.⁵⁵ While this discrimination exists in Western Europe implicitly, through the private sector housing market or from neighbours, in Central and Eastern countries it is also prevalent among administrators and public housing institutions (Council of Europe 2002: 4). As transition countries faced with increasing financial restraints have chosen to tighten eligibility requirements for public social housing, implicit discrimination against ethnic and religious minority groups has increased. Discrimination against disadvantaged groups prevails in both public and private housing markets, according to the Council of Europe. Of particular concern are the housing conditions of the Roma population living in CEE and CIS countries, and housing conditions for women heads of household who have lost childcare support and employment opportunities through the transition to market economy.

H. Other demographic considerations

Demographic trends in the CEE and CIS countries strongly influence the demand for and supply of housing. These trends, including birth and mortality rates and the rate of new household formation, vary greatly among countries within the study area.⁵⁶ Although some countries such as Albania, Turkey, and the Central Asian countries have much higher current fertility rates than other countries such as Ukraine and Russia, in almost every country the relative birth rate is

declining. This fact leads some to conclude that the demand for housing will also decrease, reducing the need for investment in the housing sector.

Most experts, however, point to a complex mix of demographic patterns that will actually increase the demand for housing in the CEE and CIS in the near to middle term. First, even though the birth rate is declining throughout the region, in some countries (such as Albania, Turkey, and the Central Asian countries) rapid population growth in the recent past has created a population structure that is very young, with relatively large numbers of people at or approaching the average age for new household formation. In Southwest and Central Asian countries, for example, between 33% and 43% of the population is under the age of 14 (UNDP 1997: 4). In these countries, the demand for housing due to new household formation will increase rapidly in the near to middle term. The ratio of dependent people (the young) to the working population is high, increasing the need for social assistance with basic necessities such as housing (Ibid: 10-11).⁵⁷ In some of these countries, continued emigration of working-age population may mitigate the increased demand for housing that is predicted to accompany the growth of new household formation.

In other CEE and CIS countries, current low birth rates reflect a pattern begun many years ago. Several of these countries currently experience negative population growth. A closer look into these broad patterns reveals specific housing-related challenges. First, the relative number of households continues to rise and the average household size falls (UN Economic Commis-

sion for Europe 2000: 8). This is due to the growth of younger households, the growth of single-person households (especially among the young and the old), and the growth of single-parent households (Mandic 2004: 9). The trend toward increasing numbers of households means that housing demand grows at a faster pace than population (UN Economic Commission for Europe 2000: 8). The growth of non-traditional families increases the need for low-income housing and good rental options, increasing the negative impacts of “over-privatisation”, according to Mandic (2004:9).⁵⁸

The second demographic factor influencing housing needs in countries with low or negative population growth is increased life expectancy, which raises the total number of households and elevates the dependency ratio of elderly people to the working-age population (UN Economic Commission for Europe 2000: 8). Birth rates that have fallen consistently over time heighten this dependency ratio, as fewer people of working age are available to support the elderly with housing and other social needs.

Table 7 presents population levels and growth rates, as well as percentage of the population over age 65, for CEE and CIS countries.

⁵⁵ Information in this paragraph is found in Council of Europe 2002: 4; 13.

⁵⁶ For a survey of demographic trends in different CEE and CIS countries, see UNDP 1997: 14-15.

⁵⁷ This dependency ratio is accentuated due to high levels of emigration of working-aged people from these countries. UNDP 1997: 4.

⁵⁸ This trend in many CEE and CIS countries mirrors a similar trend in Western Europe. In the “old EU” countries, demographic changes leading to increased numbers of single person and single-income families (including the increased number of female-headed households), have raised the number of households vulnerable to homelessness and to rising household costs (Edgar, Doherty & Meert 2002: 6).

Table 7: Population data on CEE and CIS countries (2002)⁵⁹

	Total population (millions) 2002	Annual population growth rate (%)		Population age 65 and above (% of total)	
		1975–2002	2002–2015	2002	2015
Albania	3.1	1	0.7	6.2	8.1
Armenia	3.1	0.3	-0.3	9.2	9.9
Azerbaijan	8.3	1.4	1	6.1	5.9
Belarus	9.9	0.2	-0.4	14.2	14.3
Bosnia and Herzegovina	4.1	0.4	0.3	10.8	13.6
Bulgaria	8	-0.3	-0.8	16.3	18
Croatia	4.4	0.1	-0.3	16.3	17.8
Cyprus	0.8	1	0.6	11.8	14.9
Czech Republic	10.2	0.1	-0.1	13.9	18.6
Estonia	1.3	-0.3	-1.1	15.8	18.2
Georgia	5.2	0.2	-0.7	13.8	14.9
Hungary	9.9	-0.2	-0.5	14.8	17.4
Kazakhstan	15.5	0.3	-0.1	7.5	8.4
Kyrgyzstan	5.1	1.6	1.2	6.3	5.9
Latvia	2.3	-0.2	-0.9	15.8	18.3
Lithuania	3.5	0.2	-0.6	14.5	16.4
Macedonia (FYROM)	2	0.7	0.4	10.4	12.2
Moldova, Rep. of	4.3	0.4	-0.1	9.7	10.9
Poland	38.6	0.5	-0.1	12.5	14.8
Romania	22.4	0.2	-0.3	13.9	14.8
Russian Federation	144.1	0.3	-0.6	13.2	14.3
Serbia and Montenegro	10.5	0.5	-0.1	13.6	14.9
Slovakia	5.4	0.5	0.1	11.5	13.6
Slovenia	2	0.5	-0.2	14.6	18.5
Tajikistan	6.2	2.2	1.2	4.8	4.6
Turkey	70.3	2	1.2	5.7	6.7
Turkmenistan	4.8	2.4	1.5	4.5	4.6
Ukraine	48.9	(.)	-0.7	14.6	16.1
Uzbekistan	25.7	2.3	1.4	4.9	5

I. Environmental issues and natural/man-made disasters

The relationship between housing and the natural environment is closely interrelated. While environmental conditions such as water levels, forestation, geographic terrain, and the prevalence of events such as earthquakes, flooding and landslides define and restrict the housing supply, so do human settlement

practices influence the quality of the natural environment. The effects of unsound building practices in environmentally frail and dangerous areas often result in loss of housing and infrastructure to floods, landslides, desertification, earthquakes, and “dangerous toxification of whole regions.”(UNDP 1997: 70.)

A shortage of adequate housing for low-income people and other vulnerable groups often accentuates the

risks created by substandard construction and placement of housing in environmentally dangerous areas. This is especially true when housing construction falls outside of the formal sector, or when regulations within the formal sector are not enforced. Those who cannot afford to purchase land or housing within the formal sector, and who are unable to obtain adequate shelter through the rental sector, often turn to informal land and housing markets, building ramshackle housing in high-risk zones such as near or on city dumps, on steep slopes around the fringes of urban areas, or on river banks or flood plains. In Turkey, for example, many of those who were killed when their houses collapsed in the 1999 Ankara earthquake lived in the informal housing sector. In Armenia, almost every building in the country is considered to be below current safety requirements for earthquakes, a fact that cost dearly in homes and lives in the 1988 Spitak earthquake. Enforcing these safety regulations became even more difficult in the 1990s as illegal construction grew (UNDP 1997: 70).⁶⁰

Man-made disasters have also undermined housing conditions for many people in the CEE and CIS countries. The most famous of these disasters, the nuclear explosion at Chernobyl, has had lasting effects on human settlements in Ukraine, Belarus, Moldova and Russia. In Belarus, 1,185,000 people were still housed in radioactive zones in 1996 (UNDP 1997: 63). In Ukraine, 20% of the urban population lives in one of the 13 “most radioactively contaminated cities.” (State Committee of Ukraine on Construction, Architecture and Housing Policy 1999.)

In Uzbekistan, many people have fled from their homes near the Aral Sea due to toxins in the air and soil

⁵⁹ Source: UNDP (2005) *Measuring Human Development-Regional Specifications* (available at http://europeandcis.undp.org/index.cfm?wspc=MeasuringHD?_modules). For descriptions and qualifications of data sources, see complete tables presented on this UNDP web site.

⁶⁰ For further information on the current housing conditions of those Armenians affected by the 1988 earthquake, see “Housing in Armenia” in Appendix B of this report.

that have been released as the sea has been drained for agriculture and the water-line receded. In 2000 alone, this problem caused more than 19,000 people to leave their houses and villages, resettling in other parts of the country or in Kazakhstan or Turkmenistan (Global IDP Project 2003 (*Uzbekistan section*): 4).

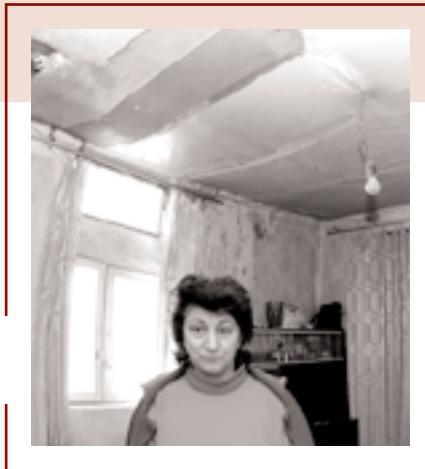
Air and water pollution have increased in many instances in transition countries.⁶¹ In many cities throughout the CEE and CIS region, rising automobile use is elevating air pollution to dangerous levels, threatening the health and quality of life for those housed in urban areas. Air pollution has gone down since 1990 in some CEE and CIS cities, however, due to decreased industrial pollution. Raw sewage disposed of into rivers and toxic dump leaks have contaminated drinking water supplies in some areas.

Whether a disaster affecting human settlements is “natural” or “man-made” is not always clear. As discussed above, the effect of an earthquake, flood or landslide on the housing in any community will depend greatly on how adequately this housing was constructed, and its placement relative to the most high-risk zones.

⁶¹ Information in this paragraph found in UNDP 1997: 52-53.

Chapter V: Efforts to confront inadequate housing in the CEE and CIS region

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While the previous chapters set forth the extent and causes of inadequate housing in Central and Eastern Europe and Central Asia, this chapter offers a brief summary of efforts being made by a variety of institutions to confront poor housing conditions throughout the region. The summary is by no means exhaustive, but is rather intended to introduce the types of institutions working to combat the issue of poverty housing. Four types of institutions and projects are discussed below: multilateral development organizations; international NGOs and research institutions; bi-lateral assistance organizations; and national and local programs.

A. Multilateral development organizations

United Nations

Several branches of the United Nations play significant roles in addressing housing issues in CEE and CIS countries. These include the UN Development Programme (UNDP), UN-Habitat (also called the UN Human Settlements Programme, or UNCHS), and the UN High Commissioner on Refugees (UNHCR).

In 2000, the UN facilitated the adoption of eight Millennium Development Goals (MDGs) by 187 countries (<http://mdgr.undp.ste>). These goals provide an overarching framework for development organizations throughout the world between 2000 and 2020. The UN has established time-bound targets and quantified indicators for each goal. The two goals that relate most closely to housing are the first (to eradicate poverty

and extreme hunger) and the seventh (to ensure environmental sustainability). Target 11, considered to fall under Goal 7, specifically addresses urban housing issues by calling for the achievement of a “significant improvement in the lives of at least 100 million slum dwellers” by 2020 (<http://www.unchs.org/mdg>).

The UNDP is working on a report for Europe and the CIS regarding efforts of governments, civil society and aid organizations to meet the Millennium Development Goals, and to share knowledge about how to better fulfil these goals. The UNDP plans to complete this report in the first half of 2005. It should contain information relevant to housing and community development issues in many of the countries included in this report. It will be available on the UNDP web site for the CEE and CIS region (<http://europeandcis.undp.org>). In addition to working on housing in the context of the Millennium Development Goals, the UNDP currently has development projects in 22 CEE and CIS countries (links to each of these projects are provided on the web site given above). Most of these projects are not housing-specific, but rather provide technical assistance and funding for development institutions, including poverty monitoring, support to rural communities, and advisory services for development.

UN-Habitat has embarked on two global campaigns to improve housing conditions for the poor. The first is the Global Campaign for Secure Tenure,⁶² the second is the Global Campaign for Urban Governance. Both of these campaigns include but do not specifically focus on the CEE and CIS countries. UN-Habitat has also undertaken responsibility for assisting member states to

achieve the “Cities Without Slums” target (<http://www.unchs.org/mdg>).⁶³ To monitor this target, UN-Habitat published the Guide to Monitoring Target 11: Improving the Lives of 100 Million Slum Dwellers in May 2003 (available at the above web site). The guide provides a detailed, useful framework for assessing housing conditions in urban areas.

The UNHCR also assists refugees and Internally Displaced Persons with shelter provision. Most of UNHCR’s shelter assistance is temporary, provided in the context of emergency relief for fleeing civilians. Sometimes UNHCR also provides assistance for groups that face long-term displacement. In Bosnia and Herzegovina and Serbia and Montenegro, for example, UNHCR is conducting a joint project with the Council of Europe Development Bank (CEB) to build or rebuild homes for displaced people in the two countries (UNHCR press release, 15 March 2005, available at <http://www.unhcr.ch/cgi-bin/texis/vtx/news>). In Tblisi, Georgia, the UNHCR and the Norwegian Refugee Council have begun a joint project to rehabilitate earthquake-damaged public buildings that refugees from Abkhazia have been using for shelter since the early 1990s. These buildings, including former schools and factories, were damaged in a 2002 earthquake. (UNHCR press release, 5 August 2003, available at <http://www.unhcr.ch/cgi-bin/texis/vtx/news>.)

*World Bank*⁶⁴

The World Bank has stated a strong commitment to pursue the UN’s Millennium Development Goals. In so doing, the Bank has begun to collect information on the current state of housing in several CEE and CIS coun-

⁶² As part of the Global Campaign for Secure Tenure, UN-Habitat established the Advisory Group on Forced Evictions (AGFE) in 2004. This group monitors acts of forced eviction throughout member states.

⁶³ UN-Habitat notes that the urban population in transition countries will approach 420 million (78% of its projected entire population) by 2020 (http://www.unchs.org/mdg/ein_summary.asp). A significant percentage of these urban inhabitants will be considered slum households by the UN-Habitat definition. According to UN-Habitat, a slum household is one that lacks any of the following elements: (1) access to improved water; (2) access to improved sanitation; (3) security of tenure; (4) durability of housing; and (5) sufficient living area (Ibid.).

⁶⁴ Information on the World Bank is available at www.worldbank.org.

tries. This information could prove very useful, given the paucity of current shelter-related data in many countries. The World Bank's Europe and Central Asia Department has also conducted a number of projects directly affecting housing conditions, including provision of service infrastructure. In Armenia, for example, a recent World Bank project supports the improvement of water and wastewater services in Yerevan through a loan and credit programme (Press Release, 24 February 2005). This is the third such project in Armenia; a 2004 project focused on municipal water and wastewater treatment for Armenia's small and medium sized cities. In Azerbaijan, the World Bank approved an \$11.5 million project to improve living conditions for Internally Displaced Persons (Press Release, 15 February 2005). The first phase of this project will support 200 small-scale projects (\$50,000 each) to rehabilitate and improve basic small infrastructure, temporary shelters, and other facilities. In Moldova, the World Bank recently launched a new Country Assistance Strategy (for 2005-2008) that will include improving access to social capital, services and community infrastructure (Press Release, 14 December 2004). The Bank recently conducted a Poverty Assessment Update in order to better understand changes in the state of poverty in Tajikistan between 1999 and 2003, presumably including access to basic needs such as food and shelter (Press Release, 28 October 2004).

European Union (European Economic and Social Committee of the European Commission, European Housing Forum)

The European Union (EU) has been active in shelter issues in Central and Eastern Europe through a committee of its executive branch (the European Economic and Social Committee of the European Commission)

and through the European Housing Forum. The role of the European Economic and Social Committee (see <http://www.esc.eu.int/pages/en/home.asp>) is to integrate social concerns and groups into the economic and political agenda of the EU. It serves as an advisory committee to the Economic Commission. It works not only with EU member countries and applicant countries for EU accession, but also with many economic and social groups in "third" countries. The Committee has conducted useful research on housing issues in CEE and CIS countries, and has been instrumental in raising the importance of housing rights within the EU, particularly in EU accession countries. The European Housing Forum was created to foster debate and exchange of ideas on housing issues within the EU (www.europeanhousingforum.com). Its stated purposes are to: (1) facilitate information exchange among members; (2) identify key themes related to housing; (3) help start initiatives of member countries within EU institutions; and (4) promote the importance of the housing sector at all levels.

Council of Europe (COE)⁶⁵

The Council of Europe is an international organization of 46 member states within the European area. One half of these member states (23) lie within the CEE and CIS region. The COE has focused on strengthening and protecting human rights in Europe since World War II. Among its successes was the adoption of the European Convention on Human Rights in 1950, which became the basis for the European Court of Human Rights. In 1999, the Council of Europe formed the Group of Specialists on Access to Housing (CS-LO) to address the fact that substandard housing conditions existed in every COE member country. The CS-LO has done extensive research on housing issues throughout

Europe since this time, and has produced a series of policy guidelines addressing issues such as "improving the supply and the financing of affordable housing for vulnerable categories of people", "institution framework and co-operation between public authorities and civil society", and "reducing the risk and the negative consequences of evictions for vulnerable people." (Council of Europe 2001, *Policy Guidelines on Access to Housing for Vulnerable Categories of Persons*.) The Council of Europe is seated in Strasbourg. It is not part of the EU.

Council of Europe Development Bank (CEB)⁶⁶

The Council of Europe Development Bank was established in 1956. It is a multilateral development bank with an exclusively social vocation. It falls under the authority of the Council of Europe, but has its own legal status and financial autonomy. The CEB's focus is to improve living conditions and social cohesion in the less advantaged regions of Europe. It does this by granting loans to COE member states. Approximately 44% of all disbursements are dedicated to strengthening social integration, including projects concerning social housing and aid to refugees, migrants, and displaced populations. In Slovenia for example, the CEB approved a loan for 4.6 million euros to assist with reconstruction of buildings and infrastructure facilities (including construction of social housing for elderly persons) after an earthquake in 1998. The CEB loaned 9.7 million euros to Lithuania for construction and renovation of housing for former deportees returning from the FSU. In Turkey, the CEB loaned 26.3 million euros to build 13,150 urban housing units following a 1999 earthquake. The CEB also contributed 34 million euros to assist with construction of a new town in the highly urbanized city of Izmir in Turkey. This project

⁶⁵ Information on the Council of Europe is available at <http://www.coe.int>.

⁶⁶ Information on the Council of Europe Development Bank is available at <http://www.coebank.org>.

included building 3,000 social housing units (providing homes for nearly 15,000 disadvantaged persons) and construction of urban and social infrastructure.

European Bank for Reconstruction and Development (EBRD)⁶⁷

The European Bank for Reconstruction and Development has also provided funding for housing and service infrastructure in CEE and CIS countries. In some instances the EBRD has directly supported housing development. In Poland, for example, the EBRD loaned 30 million euros to real estate developer Dom Development SA in 2003 to build affordable housing for 2,000 Warsaw residents. Dom, a joint Dutch-Poland corporation, specializes in building, marketing and selling relatively low-cost, high-quality housing in Warsaw. It has attracted many first-time homebuyers through offering alternative finance programs. (For more information, see <http://www.ebrd.com/new/stories/2003/030410x.htm>.) In Russia, the EBRD made a \$20 million revolving loan to a mortgage bank in Russia (DeltaCredit Bank) in 2002 in an effort to spark the fledgling housing finance industry in this country (<http://www.ebrd.com/new/pressrel/2002/02may151x.htm>). Since 1990, many of the EBRD's investments have related to funding water supply systems, wastewater disposal systems, heating, public transportation, and support for environment preservation. Some of these efforts have been closely related to privatisation of major service provision. For a complete list of related projects, see EBRD's Statement of Cumulative Net Commitments, Municipal and Environmental Infrastructure, available at <http://www.ebrd.com>.

B. International NGOs and research institutions

Habitat International Coalition (HIC)⁶⁸

Habitat International Coalition is an international pressure group committed to defending the rights of the homeless and inadequately housed and increasing public awareness about housing problems. HIC's European Focal Point serves as an umbrella for over 60 members (including housing associations, research centres, co-operatives, and NGOs) in European countries.

European Liaison Committee for Social Housing (CECODHAS)⁶⁹

CECODHAS is an NGO founded in 1988. Its membership is exclusively NGOs, which together provide over 25 million social housing units for rent or ownership. It has 46 full members from EU countries, and two associate members from other European countries. The primary purpose of CECODHAS is to represent member organizations to international organizations in Europe and elsewhere. CECODHAS pursues this purpose through the following means: (1) promoting the work of social housing organizations in the EU; (2) facilitating the interchange of ideas and experience among members; (3) promoting good practices through conferences, seminars and reports; (4) increasing access to European funding for members; and (5) campaigning for the right to decent housing for all Europeans. CECODHAS houses the Social Housing Observatory, and is located in Brussels.

Habitat for Humanity

Habitat for Humanity (HFH) is a non-denominational Christian, non-profit housing organization founded in 1976 and currently working in 100 countries around the globe. It seeks to end poverty housing wherever it exists, and works primarily through constructing and selling homes to low-income households at no profit. Sales are financed through long-term, non-profit loans. Habitat for Humanity keeps costs low with volunteer labour, donated materials and money, and a requirement that home buyers contribute labor to the construction of their homes. Habitat for Humanity Europe & Central Asia currently has building projects in 13 countries and advocacy projects in six others.⁷⁰

Centre on Housing Rights and Evictions (COHRE)⁷¹

COHRE's mission is to "promote and protect the right to housing for everyone, everywhere." Its work includes: housing rights training; research and publication; monitoring, preventing and documenting forced evictions; fact-finding missions; housing and property restitution; women's housing rights; active participation and advocacy within the UN and regional human rights groups; and training NGOs to be better housing rights advocates. The COHRE web site provides useful information about how to advocate on housing issues within the UN. COHRE is located in Geneva.

European Network for Housing Research (ENHR)⁷²

The primary goal of the European Network for Housing Research is to support housing research and

⁶⁷ Information on the EBRD is available at <http://www.ebrd.com>.

⁶⁸ Information about HIC is available at <http://www.habitants.org>.

⁶⁹ Information on CECODHAS is available at <http://www.cecodhas.org>.

⁷⁰ Information on Habitat for Humanity Europe & Central Asia is available at <http://www.habitat-europe.org>.

⁷¹ Information on COHRE is available at <http://www.cohre.org>.

⁷² Information on ENHR is available at www.enhr.ibf.uu.se.

to connect housing researchers and practitioners. ENHR membership includes over 1,000 individuals and 100 institutions. It pursues its primary goal through : (1) sponsoring major international conferences every two years; (2) publishing a comprehensive newsletter four times per year; (3) providing a framework for approximately 20 working groups (including working groups on East European Housing and Urban Policy, Housing in Developing Countries, Housing Finance, and Homelessness); (4) encouraging smaller conferences and seminars every year; and (5) supporting an active group of PhD students involved in housing research. ENHR is based in Sweden.

European Federation of National Organizations Working for the Homeless (FEANTSA)⁷³

FEANTSA is an umbrella organization for advocacy, research and information exchange on a wide variety of homelessness-related subjects. Its membership includes 90 member organizations in 29 European countries. CEE and CIS countries with member organizations include the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Belarus, Macedonia, Romania, Russia, Slovakia, Slovenia and Ukraine. FEANTSA's web page provides links to local and national organizations related to homelessness in each of these countries. FEANTSA is currently building a specific web site that will be a sort of clearing house for European housing information. FEANTSA is supported by the European Commission.

European Urban Research Association⁷⁴

The European Urban Research Association was launched in September, 1997. Its purpose is to host an

“urban debate” in Europe, by providing a forum for information exchange, encouraging high quality urban research, bridging the gap between academia and policy, and improving the quality of urban policy. The Research Association's primary activity is holding international workshops and conferences (such as a 2001 conference on Strategies for revitalizing Eastern European cities, and a 2005 conference on International policies and strategies of cities). It also publishes a newsletter twice per year that contains news and information about research development and events related to urban development in Europe (see <http://www.eura.org/newsletter.htm>).

The Urban Institute (UI)⁷⁵

The Urban Institute is a non-partisan economic and social policy research organization that focuses on urban development, including housing and services infrastructure and provision. It has managed many projects within the CEE and CIS region for bi-lateral and multi-lateral organizations. Examples of research projects and reports include an analysis of Russia's first means-tested housing allowance program (*Participation in a Decentralized Housing Allowance Program in a Transition Economy*, May 2003), an inquiry into the possibility of introducing democratic reforms to housing governance in Uzbekistan (*Assessment of Current Legal and Operational Status of Housing Partnerships in Uzbekistan*, November 2004), and a report on the high costs of housing finance policies in the Former Soviet Block (2000).

Global IDP Project⁷⁶

The Global IDP Project of the Norwegian Refugee Council is an international non-governmental organi-

zation working to protect and assist people displaced by violent conflict or human rights violations. The IDP Project seeks to monitor the status and needs of refugees and IDPs, increase awareness about the problems faced by displaced peoples and advocate for durable solutions, and improve local capacity to address internal displacement. The IDP Project has been involved with shelter issues and other basic needs concerning the large refugee and IDP populations in CEE and CIS countries over the past 15 years.

World Vision⁷⁷

World Vision is an international Christian relief and development organization working with the mission of promoting the well being of all people, especially children. One of World Vision's aims is to support long-term community development, including the reconstruction of homes and services infrastructure. World Vision also works on shelter issues in the context of emergency relief. It has conducted many development and relief projects in CEE and CIS countries, although none of its current projects appear directly related to the housing sector.

Caritas Internationalis⁷⁸

Caritas is a confederation of 162 Catholic relief, development and social service organizations working to improve living conditions for the poor and oppressed. Caritas has member organizations in over 200 countries and territories. Some of its projects in the CEE and CIS region have concerned housing (see, for example, information about a Caritas project in Croatia that has assisted vulnerable households to find

⁷³ Information on FEANTSA is available at <http://www.feantsa.org/code/en/hp.asp>.

⁷⁴ Information on the European Urban Research Association is available at <http://www.eura.org>.

⁷⁵ Information on the Urban Institute is available at <http://www.urban.org>.

⁷⁶ Information on the Global IDP Project is available at <http://www.idpproject.org>.

⁷⁷ Information on World Vision is available at <http://www.wvi.org>. For information on World Vision's operations in the Balkans, Caucasus, Central Asia and the Middle East, see <http://meero.worldvision.org>.

⁷⁸ Information on Caritas is available at <http://www.caritas.org>.

dwellings, as sited in Council of Europe 2002, Access to Housing for Disadvantaged Categories of Persons: 20).

Shelter for Life⁷⁹

Shelter for Life is a private volunteer organization with headquarters in the US. Its focus is providing medium and long-term shelter for displaced people. It has also worked in development of water supply systems, roads, and other community infrastructure projects. Within the CEE and CIS regions, Shelter for Life has worked in Macedonia and Tajikistan.

C. Bilateral assistance organizations

In addition to resources channelled through multi-lateral organizations, national governments in Europe and in some other countries sponsor direct bi-lateral assistance programs addressing shelter issues in CEE and CIS countries. The following information on bi-lateral assistance programs in Sweden, the United Kingdom, and the United States is demonstrative only; many other countries provide shelter aid.

The Swedish International Development Cooperative Agency (SIDA)⁸⁰

SIDA's Department for Europe covers Eastern and Southeastern Europe and Central Asia. SIDA's primary goal is to contribute to creating pre-conditions for poor people to improve their standard of living. Some SIDA projects in the past have included shelter issues. In Bosnia and Herzegovina, for example, a project sponsored by SIDA has restored over 6,000 houses and apartments damaged by war. The project is based on

self-help aid, allowing more houses to be restored for less money. Most of the shelter reconstruction has been accomplished through "Integrated Area Programmes", which seek to restore schools, infrastructure, and local health centres in addition to housing. SIDA has received assistance from Caritas Internationalis, the Lutheran World Federation, and Cross Roads International for this effort. In other countries, such as Lithuania, SIDA is assisting with improvements to infrastructure and urban development, which presumably will also help to improve urban housing conditions.

The Department for International Development (DFID, United Kingdom)⁸¹

DFID is the government department of the United Kingdom responsible for promoting sustainable development and reducing poverty throughout the world. DFID has stated that its primary means of achieving these ends through 2015 is through a commitment to the UN's Millennium Development Goals. It prioritises country-driven poverty reduction strategies, which presumably include housing components. DFID has recently published a Regional Action Plan for Central Asia, the South Caucasus and Moldova 2004-2007, available on its web site. Within this region, DFID plans to focus on Armenia, Georgia, Kyrgyzstan, Tajikistan and Moldova. The document does not state a particular agenda for shelter issues, although they could be implicitly included under several broader sub-headings.

United States Assistance for International Development (USAID)⁸²

In the early 1990s, the Urban Development and Housing Division of USAID's Bureau for Europe and

the New Independent States established technical training and assistance programs to help transition countries develop privately-owned, market-driven, decentralized housing sectors. In some countries USAID also supported capital financing for housing and infrastructure under its Housing Guarantee loan program. USAID has particularly focused on development of legal, institutional and physical infrastructure necessary to support a private housing market, including private sector real estate industries and mortgage financing. It has also attempted to increase local government capacity to assume responsibility for the housing sector in CEE and CIS countries.

D. National and local programs

Within CEE and CIS countries, programs exist at both the national and local levels to administer and support the housing sector. Most countries have a national department or agency with general authority over housing issues, although many are in the process of decentralizing the bulk of this authority to local governments. Local government institutions responsible for the housing sector are usually under funded, and lack the institutional and training capacity to execute and administer effective housing programs.

Local private and NGO initiatives to support housing for vulnerable people are developing at in some CEE and CIS countries, although information on programs that are not associated in some way with an international support effort is difficult to find. Following are examples of country-specific housing projects in Romania and Turkey that have gained international recognition.

⁷⁹ Information on SIDA is available at <http://www.sida.se>.

⁸⁰ Information on DFID is available at <http://www.dfid.gov.uk>.

⁸¹ Information on USAID in Eastern Europe and Central Asia is available at http://www.usaid.gov/locations/europe_eurasia.

Romania

In Romania, the Phare Sesam Programme is a social service program that monitors 41 pilot projects providing emergency housing (social housing or housing at low rents) for vulnerable households. It receives financial assistance from the European Commission. (Council of Europe 2002, *Access to Housing for Disadvantaged Categories of Persons*: 20.)

Also in Romania, the Timisoara Single Family Housing Project has been recognized on UN-Habitat's "Best Practices" database (<http://www.unesco.org/most/easteur3.htm>). The project was conducted between 1990 and 1996 by a combined effort of a private development company (BRAYTIM, Ltd.), a state-owned company (IPROTIM Plc), and the local government. The project involved the development of 22 hectares of land into single-household dwellings of diverse house and lot size (between 300 and 850 square meters). The project cut costs by developing the area as a whole, completing the infrastructure in advance, and setting up a single building-site. The significance of the project comes from the fact that it established single-unit homes for people with a wide range of economic resources, at a fairly early point in Romania's economic transition. It appears that all housing was sold into private ownership, and it is unclear how affordable it was for low-income households.

Turkey

In Turkey, a housing project in the western area of the capital city of Ankara has been noted as highly successful, and is also listed on UN-Habitat's "Best Practices" database (<http://www.unesco.org/most>). Batikent is currently the site of the largest mass housing project conducted through cooperatives that has ever been implemented in Turkey or in the world. The

goal of the project, which began in 1983, was to provide 50,000 units of housing for 250,000 low or middle-income people, at a cost of approximately one billion US dollars. Since this time, the project has succeeded in providing 45,000 units, and sheltering approximately 200,000 people. The project's innovation springs from its basis in local cooperatives, comprised of low to middle income households lacking adequate housing. The cooperatives are run on democratic principles; members determine their housing and environmental plans as a group. Six hundred of these cooperatives, in 30 different settlement cities, make up the project. Their goal has moved beyond housing provision to bettering the socio-economic living conditions of inhabitants.

Chapter VI: Conclusions and trends



The countries in Central and Eastern Europe and Central Asia, with few exceptions, have recently undergone one of the most extensive social, economic, and political transitions in history. This transition has fundamentally changed the housing sector, as well as societal perceptions of the value and purpose of housing. Where housing was considered a basic social need to which all people are entitled, it is now considered by many to be a privately-owned economic asset and source of household wealth. As a result of the transition, social housing assets have dwindled, leaving low-income households and other vulnerable groups without affordable options for decent housing. At the same time, the transition period has brought about significant rises in poverty, unemployment, and inequality of wealth distribution. As social housing assets have decreased, the need for them has grown.

In some countries, such as the Baltic and Central European states, economic conditions have begun to rebound, creating hope that the worst of the initial transition shock is over. Even in these countries, however, rises in inequality of wealth distribution create a greater rich-poor gap, and significant numbers of households continue to lack access to basic necessities, such as adequate housing. In other countries, such as the Caucasus and Central Asian countries, massive poverty continues to impede the possibility of social improvement, and more than half of the population of some countries lacks access to housing and/or basic services such as clean water and waste disposal.

For the moment, with increased peace throughout large areas of the region and the very worst first shocks of the economic transition being over—the challenge now lies in incorporating the poor into the overall gains in welfare and wealth that will hopefully follow.

The transition countries hold an unprecedented opportunity to forge a new path of social and economic integration. Finding new ways to better integrate disadvantaged groups into the housing sector will be one of the important ways to build social unity and strengthen the economy, and to avoid the social, political and economic fall-out that occurs when market-driven economies fail to create ways for wealth to be distributed to the most vulnerable.

This chapter summarizes the conclusions and trends discussed in the report.

1. The quantity of housing and the quality of housing conditions in CEE and CIS countries

The aggregate quantity of housing stock, relative to population, is considered to be quite high in most CEE and CIS countries. The ratio of housing units per population varies greatly among countries within the region, however. High aggregate numbers often include housing units not fit for human habitation and housing that is not affordable to the poor. These numbers often disguise regional housing deficits, as well as substantial decreases in the availability of rental housing.

Housing construction levels dropped sharply during the transition period. Much of the new construction that did occur was for wealthy households. The degree of housing construction projected for the future varies greatly among countries.

Perhaps the most significant issue regarding the housing stock throughout the CEE and CIS region is the rapid deterioration of existing residential buildings and service infrastructure. This problem, borne of the fact that few or no resources have been committed to repair and maintenance of the pre-fabricated housing buildings constructed in the 1960s, 70s and 80s, inten-

sified following privatisation. Millions of people throughout the region live in homes that are rapidly deteriorating, and the problem grows graver with each passing year. Many experts believe that substantial levels of public subsidy will be necessary to remedy deterioration, as private households lack resources and organizational capacity to do this alone.

Many households in the region lack access to basic services such as clean water, sewerage, and electricity or gas. The degree of access varies between countries; it is almost always much worse in rural areas than in cities. Inadequate and deteriorating utilities infrastructure causing leakage of waste into drinking water supplies caused a rise in diphtheria, tuberculosis and hepatitis. Household fees for services are expected to increase as utilities become privatised, which will cause economic hardship for many disadvantaged households without some sort of public support through a needs-based allowance program.

The incidence of homelessness has increased throughout Europe and Central Asia since 1990, even in those countries that have experienced economic growth (including Western European countries). This phenomenon in EU countries is attributed to reductions in social housing, increased costs of housing for the poor, higher eviction rates, and new and covert forms of substandard housing.

Several groups of people are considered most vulnerable to inadequate housing conditions or homelessness in Europe and Central Asia. These include households with low or no income levels, single parents, young people living alone, elderly people, and households with more than three children. A person's access to decent shelter may depend on his or her ethnicity,

gender and age. Access is particularly limited for Roma people throughout the region.

2. The effects of inadequate housing in CEE and CIS countries

Inadequate housing conditions influence both individual and societal well-being. Without decent living conditions, people often suffer physical, mental and emotional illness, and a reduction in their capacity to contribute positively to society. The effects on health may be profound: lack of clean water and sufficient sanitation and sewerage in homes causes illness and death, while homelessness increases risks of disease, ill-health, and premature death.

Poverty and inadequate housing operate cyclically; while poverty causes inadequate housing, it is also a result of it. When housing costs rise, people have less income to pay for other basic necessities such as food, health care, clothing, and education. People without homes or with inadequate housing are also less able to earn income.

When inadequate housing is widespread, it may cause extensive social ramifications. Insecure housing conditions negatively affect the labour market, and can threaten political stability. Some experts point to the particular importance of affordable, adequate housing in stabilizing the social, political and economic upheaval experienced in CEE and CIS countries through the transition period.

3. The causes of inadequate housing in the CEE and Central Asia

Rising levels of poverty, unemployment and income disparity, as well as decreased national and per capita

production, have reduced the levels of adequate housing in most CEE and CIS countries. High inflation rates during the transition period made construction and housing financing unaffordable to most. The relative numbers of poor have risen in almost every country throughout the region. As household income levels fell through the 1990s, housing prices in many cases increased and governments slashed housing subsidies. Housing became more unaffordable to more people. However, housing costs as a percentage of household expenditures remained low by global standards in many of the countries that faced the deepest recessions following the transition.

Commodification of the housing stock through privatisation, restitution and introduction of market-based transaction significantly changed the function of housing, and the capacity of disadvantaged groups to access it, in most CEE and CIS countries. Privatisation at “give away” prices allowed some low-income or poor tenants to become homeowners. It also resulted in a windfall to many privileged households, while at the same time restricting the income to local government that could have been used to strengthen the social housing sector. Households that did not become homeowners through privatisation were now excluded from almost any possibility of adequate, affordable shelter due to the sell-off of the public social rental sector. The social rental sector in almost every CEE and CIS country is considered to be well below the level of need. Another problem associated with privatisation is that necessary systems were not in place at the time that it occurred, causing reduced market regulation, a failure in subsidies for the poor, and a skewed distribution of wealth in the housing market. Finally, many new “poor” homeowners have been unable to pay even minimal amounts for needed repair and maintenance

to their buildings due to lack of household income. Some of these new owners have also been evicted for arrears to utilities providers.

Current government policies regarding the housing sector play an important role in determining the degree to which disadvantaged people have access to adequate shelter. Through the transition period, many CEE and CIS governments did not prioritise addressing housing problems, which may have contributed to the degradation of housing conditions for the poor. This lack of priority may have been due to the perceived necessity of confronting other more imminent political and economic problems, or because solutions to the growing housing problems were neither simple nor tangible in light of reduced public budgets.

The effectiveness of housing subsidy systems in transition countries has been questioned both due to low total amounts and lack of targeting and transparency. A high percentage of the subsidies that are granted for housing benefit middle and upper income households (e.g., through tax breaks). Most subsidies are geared to new construction rather than to repairs, maintenance and improvements to existing housing (needed especially by poor households who received ownership through privatisation). Even in the small remaining public rental sector, tenancy is not always awarded based on any indication of need. Channelling more resources to demand-side subsidies such as housing allowances, distributed based on need criteria, may be one way to increase effectiveness in reaching disadvantaged groups.

One trend that has influenced housing for the poor across Europe is the shift in the state’s role from a provider of social housing to an enabler of private sec-

tor provision of housing. Governments in Western Europe have thus significantly reduced their role in social housing, and have de-regulated the commercial housing market. They have committed the bulk of remaining resources to supporting the private sector and NGOs involved in social housing. This trend to “enabler” strategies influenced the process in transition countries toward reliance on market-based solutions for problems in the housing sector. Some argue that this has been responsible for an increasing gap among those who can and cannot access adequate housing. In the past few years, some policy makers in Europe have begun to swing away from a strong focus on “enabler” strategies and exclusively market-based solutions. They cite rising numbers of homeless and those who lack adequate housing to support their views that the housing needs of some groups of people have not, and will not, be met through market-based strategies.

Eviction policies in CEE and CIS countries have raised concern for two opposing reasons. The first is that lax eviction laws and enforcement of these laws leave landlords and financing institutions unprotected in the event of failure to pay. Some argue that until clear and enforceable rules exist for eviction, neither financing institutions nor rental housing developers and owners will be willing to invest in low-income housing. On the other hand, evictions have been increasing in CEE and CIS countries over the past 15 years, raising alarm that sufficient legal protections do not exist for disadvantaged tenants or homeowners.

Housing finance is still in fledgling stages in most of the CEE and CIS region, although it has begun to gain significance in a few countries. A well-functioning housing finance system allows households to purchase homes with relatively little money required up-front,

and so allows some households purchase homes who could not otherwise afford to do so. Mortgage (or pledge) can also be used to finance home improvements. Growth of housing finance faces several hurdles, including the only recent emergence of competitive banking institutions, and a sharply limited supply of long-term capital sources available to these banks, as well as demand-side factors such as poverty, a general distrust of banks, and the high cost of buying a new home. Focus on traditional housing finance mechanisms and institutions may have limited effect on improving housing conditions for the poor, for the simple reason that many, if not most, of those considered to be poor in the CEE and CIS countries lack the resources to purchase a house on the market, regardless of whether they could qualify for a loan.

War and violence have compromised housing conditions for many households in parts of the CEE and CIS region over the past 15 years. Internal displacement affects 11 countries within this region. War in Southeast Europe caused nearly five million people to leave their homes for extended periods of time. Many houses were damaged or destroyed by war, and an influx of refugees and Internally Displaced Persons into urban areas throughout the region increased demands on already-strained housing, utilities, and infrastructural resources. As a result, people displaced by war often live in squalid housing conditions with little or no access to basic services. In some areas, they have built informal “squatter” settlements on the fringes of urban areas.

Migration patterns, both within countries and across international lines, have also influenced housing conditions within the CEE and CIS region. Economic necessity (usually leading to urban migration), ethnic conflict, and voluntary return to countries of origin following the

break-up of the former Soviet Union have caused increased migration. These patterns have resulted in housing shortages in migration poles and housing abandonment in the areas from which people come.

Demographics also impact the demand for and supply of affordable and adequate housing through the region. Reductions in household size and growth of non-traditional households (such as a single elderly person living alone) are two patterns that are likely increase the demand for housing, despite falling birth rates and, in some countries, negative population growth.

Environmental issues and disasters (both natural and man-made) are closely related to housing conditions for the poor in CEE and CIS countries. People who cannot afford to live in the formal housing sector often build in unsafe areas, such as flood plains, steep hills, and on or near toxic dump sites. The Chernobyl explosion has had lasting effects on human settlements in several countries, where many people continue to live in radioactive zones.

4. Efforts to confront inadequate housing in CEE and CIS countries

Efforts to confront inadequate housing conditions in CEE and CIS countries include those by multilateral organizations, international NGOs and research institutions, bi-lateral assistance organizations, and national and local organizations. Some projects and programmes focus on provision of emergency shelter, others contribute to building housing and service infrastructure for permanent communities, and still others work toward development of the social, political and economic institutions that help make possible a well-functioning housing market.

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Appendix A



Regional Specifications for Measuring Human Development: UNDP list of socioeconomic indicators for measuring human development in five subregions of the CEE and CIS region (2005).⁸³

For the Western Balkans (Albania, Bosnia and Herzegovina, Croatia, TFYR Macedonia, Serbia and Montenegro):

- ◆ Emerging from a decade of conflict and crisis
- ◆ Havoc on economic, social and political structures
- ◆ Delayed transition out of socialist path
- ◆ Ultimate goal: accession into the EU
- ◆ Staggering unemployment
- ◆ Lack of economic opportunity
- ◆ Resulting "brain drain"
- ◆ More than 1.1 million people still displaced from their home
- ◆ Rampant corruption and organized crime
- ◆ Lack of foreign direct investment
- ◆ Persistent disparities among social and ethnic populations, including women, youth and minorities

For Central Asia (Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan):

- ◆ Difficult set of circumstances at independence
- ◆ Painful adjustment to the economic shock of the

break-up of the Soviet Union

- ◆ Complicated transition from state planning to market-driven economies
- ◆ Economy still dependent on natural resources
- ◆ Mainly agricultural and rural countries
- ◆ Weak governance and low level of democracy

For the Caucasus (Armenia, Azerbaijan, Georgia):

- ◆ Increase in wealth and income disparity and serious poverty
- ◆ Rapid GDP growth (8-10% per year)
- ◆ Unemployment around 10%
- ◆ Flagship industries are mostly resource based (oil and gas, mining)
- ◆ Western investors lack a supportive political environment
- ◆ Slow progress in improving the tax and customs administration, and in enforcing anti-corruption measures

Western CIS (Belarus, Russia, Moldova, Ukraine):

- ◆ Enormous disparities between cities (capitals) and rest of country
- ◆ Rampant corruption
- ◆ Institutions and banking sector still need transformation
- ◆ Unemployment around 9%
- ◆ Public sector problems

- ◆ Armed conflict or terrorism (mainly Russia)
- ◆ Widespread incidence of HIV/AIDS

EU Accession Countries (Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, Slovenia, Romania):

- ◆ Common goal: EU accession in 2004 or 2007
- ◆ Moderate GDP growth (ranging from 3-5%)
- ◆ Inflation is stabilized
- ◆ Severe Roma situation (especially in Bulgaria, Hungary, Slovakia and Romania)
- ◆ Large unemployment ranging from 6% (Hungary) to 20% (Poland)
- ◆ Large foreign direct investment, but is expected to fall

⁸³ This list is found at: http://www.europeandcis.undp.org/index.cfm?wspc=MeasuringHD_modules.

APPENDIX B:



Summary Housing Profiles for Armenia, Bulgaria, Hungary, the Kyrgyz Republic, Macedonia, Moldova, Poland, Romania, Russia, Slovakia, Tajikistan, and Ukraine

Housing in Armenia⁸⁴

In Armenia, three events have shaped the current housing situation: economic and social transition including housing privatisation; a massive earthquake in 1988; and a large influx of refugees.⁸⁵ Ninety-six percent of the housing stock in Armenia is privately owned. The four percent of housing remaining in public rental is not targeted to low-income households. No national system of housing allowances yet exists. Although new construction in 2001 was at about one-tenth of its 1990 level, Armenia has no country-wide housing shortage due to high levels of emigration.

A significant part of the country's housing stock is in "deplorable" condition, and continues to deteriorate. The drop in household income that accompanied economic transition limited investment in housing repairs and maintenance, as did a lack of household experience and information in regard to ownership responsibilities. Maintenance fees are too low to cover even current repair costs, and utility fees are also artificially low. As a result, building deterioration continues, and utilities are provided only at low levels.

Although public responsibility for housing support has been somewhat decentralized to local govern-

ments, this has not been accompanied by the necessary transfer of resources. Local governments need financial support, training, and increased technical capacity to effectively administer their responsibilities over the housing sector.

The 1988 Spitak earthquake destroyed or damaged much of the housing stock in the north of the country, mostly in Armenia's second and third largest cities (Vanadzor and Gumri). As a result, five percent of the population of Armenia continues to lack permanent shelter. About half of these people live in temporary shelter with inadequate technical standards and sanitation. These shelters include metal railroad cars, condemned or damaged buildings, and public structures such as museums, schools and hostels (USAID Europe and Eurasia: Armenia 2004:1). As donors have withdrawn support in the form of kerosene, some of these households have difficulty heating their shelters (Ibid.). Although the Soviet Union did provide for some alternative permanent housing for earthquake victims, it was mainly in the form of multi-storied cement block apartments outside of the traditional urban areas. Many of these units remain vacant, as families have chosen to live elsewhere due to problems accessing transportation, shopping, and services (Ibid.). Coping with damage to housing caused by the earthquake forced Armenia to divert public resources from other pressing housing needs around the country.

The need to improve housing earthquake safety remains a major issue in Armenia. In 1996, eight years after the Spitak earthquake, all buildings were considered to fail the safety standards in place at the time. The

worst safety conditions were found in concrete high-rise buildings. Enforcing safety regulations has become increasingly difficult with the expansion of the informal housing sector (UNDP 1997: 70).

In part because of the earthquake damage, a significant informal housing sector has developed in Armenia, composed of hundreds of thousands of dwellings built on urban fringes. These self-built houses have no property titles and are not registered. Via a law passed in 2003, the government is attempting to legalize over 300,000 of these dwellings, though high costs may prevent many households from taking advantage of this.

Housing in Bulgaria⁸⁶

Bulgaria's housing situation differs from that of many of the other transitional countries in that it had a strong owner-occupancy sector (91%) prior to 1990. Housing tenure shifted only slightly between 1990 and 1993; by 1993 96.7% of housing was privately owned and 3.3% was publicly owned. The public rentals are considered the only affordable housing for low-income families, although the small percentage of stock held in this tenure is not sufficient to house even the most destitute (including the homeless). Most privatisation since 1990 has resulted from restitution, which affected 13,209 dwellings and has left 11,172 people (who were inhabitants of these dwellings) without permanent shelter. The country has an overall housing surplus, due to the prevalence of second homes.

⁸⁴ Except when otherwise noted, information in this text box is derived from the UNECE Armenia Housing Profile 2004: 53-73.

⁸⁵ Armenia's conflict over Nagorno Karaback, an Armenian enclave in Azerbaijan, caused an influx of refugees into Armenia between 1991 and 1993. Most have resettled, but an estimated 18,000 Armenians have yet to return to their homes for social and economic reasons.

⁸⁶ Except when otherwise noted, information in this text box is derived from Metropolitan Research Institute, Management of the Housing Stock in South-Eastern Europe (report prepared for the Council of Europe) Bulgaria case study 2003: 28-38.

Bulgaria's primary housing challenge concerns the quality of its housing and access to services. About 77% of the housing stock is comprised of prefabricated buildings. Construction of these buildings was of low-quality to begin with, and most have not been maintained or repaired since they were built. Private owners lack the means for upkeep, as well as the effective organizational structures and information needed to invest in their housing structures. The law gives responsibility for the maintenance and repair of publicly-owned housing to the tenants who, lacking financial resources and the incentive that accompanies ownership, have failed to maintain their units and buildings.

One of the problems concerning pre-fabricated housing is that the economic situation of the inhabitants continues to deteriorate. People who could afford to move out of these buildings did, leaving behind lower-income families who could even less afford the upkeep of the buildings. Private housing investment in Bulgaria during the initial transition period was lower than in other transitional economies, due perhaps to the juxtaposition between low household incomes on one hand, and high construction, land and housing prices on the other (UNECE Country Housing Profile for Bulgaria 1996: iii.).

In Bulgaria, as in other transitional countries, the reductions in household capacity to pay for rents, repairs, utilities and taxes has paralleled reductions in public support for housing costs. Although the average household expenditure on housing (10-15% of household income in 1996) is low by western European standards, this amount may still pose hardship given increases in the cost of other daily living requirements (food costs, for example, accounted for 50% of average house-

hold income in 1996) (Ibid.). Furthermore, these housing costs would have to rise considerably if they were to take into account maintenance and repair requirements for either private or public dwellings. Without a national housing allowance system to aid the poor, raising public rents or private maintenance and repair fees will pose extreme difficulty to low-income families (and would probably not be politically possible).⁸⁷

Access to basic services has become problematic for much of the population. In urban areas, the pre-fabricated buildings have very poor energy efficiency. Due to rising heat costs, heavy arrears in utilities payments, and the high cost of maintaining heating infrastructure, households in approximately 50% of these buildings have turned off their central heating. In rural areas, access to basic services is much lower than in urban areas. Sixteen percent of rural households lack piped water, and only 15% have bathrooms with flush toilets.

Housing in Hungary

Housing privatisation in Hungary began in the mid-1980s, when rental units were sold for 10-15% of market value to sitting tenants. Privatisation took another jump in the early 1990s, as the central government strongly encouraged local governments to sell off their rental sector housing at extremely low prices. This transfer of housing to private hands happened quickly relative to the experiences in other transition countries, and caused several long-term problems for low-income households.⁸⁸ First, the public rental sector decreased from 18% in 1990 to 5.5% in 2000, leaving Hungary with one of the lowest public rental sectors in Europe (Hegedus, Tosics and Gerőházi 2000: 51). The public

housing sector has continued to diminish through 2004 (European Roma Rights Centre, press release, 10/11/04). The units that remained in public ownership generally consisted of one room, and lacked basic amenities. Second, privatisation at "give-away" prices resulted in a large number of new owners who were unable to afford the costs of home ownership, including repairs and maintenance, and rising utility costs. The cost of maintenance and repair alone rose from an average of nine to a high of fifty percent of household income in the years following the bulk of privatisation (Kocsis 2004: 13). Third, artificially low privatisation prices created wealth inequities, providing a windfall to tenants of higher valued units while leaving the municipal governments with few resources for public housing assistance to needy families.

While Hungary does not have a net housing shortfall, it does have a deficit of affordable housing (Hegedűs, Tosics & Gerőházi: 2000). As of 2000, no effective housing allowance system existed to ease the increasing costs of housing, and utilities, for the poor. According to the European Roma Rights Centre, several thousand people are homeless in Hungary, and over one million live in inadequate housing conditions (European Roma Rights Centre, press release, 10/11/04). Options for poor families are few: the public rental sector covers only a percentage of the demand by poor families, resulting in waiting lists of over ten years; and other types of rental housing are insignificant (Hegedűs, Tosics & Gerőházi 2000: 54). Furthermore, the condition of public rentals is quite bad, partly because tenants (most of whom have extremely limited financial capacity) pay artificially low rents that do not cover maintenance and repairs. Some have suggested that raising rents on social housing to a cost-covering level,

⁸⁷ Recommendation for a national housing allowance system, to accompany increased rental payments, comes from UNECE Country Housing Profile for Bulgaria 1996: iii.

⁸⁸ The following information is derived from Hegedus and Tosics 1996: 257-258, except where otherwise noted.

while at the same time providing housing allowances to poor households, would allow for maintenance and repair on public housing without denying support to those most in need.

As a response to the shortage of affordable housing, the Hungarian government has made available some degree of housing subsidy.⁸⁹ On the demand side, the government offers structural maintenance subsidies to occupants under a certain income level, in a dwelling not exceeding a specific size, and whose maintenance or heating costs exceed 35% or 20%, respectively, of household income (Kocsis 2004: 20-22). These subsidies are extensive: in 1997 over 25% of all households received them (Ibid.). They have been criticized by some for assisting middle-income households with high maintenance expenses while bypassing some of the poorest households that have such little access to utilities that their maintenance costs are too low for subsidy eligibility (Ibid.: 28). On the supply side, the central government began a program in 2000 to subsidize construction of municipal rental housing units. In the first year of the program, 2,500 units were contracted to be built, purchased or converted into residential housing, and about 6,000 units were planned for 2001. It is unclear how effective this program has been in meeting the needs of the poor.

Housing in Kyrgyzstan

The Kyrgyz Republic was one of the poorest countries in the Former Soviet Union before transition and, following 1990, the majority of the population became

much poorer. In 1999, over 55% of the population lived in poverty, and 23% in extreme poverty (Government of the Republic of Kyrgyzstan National Poverty Reduction Strategy 2003-2005: 27). Since 1999, these numbers have begun to decrease. Poverty is more intense in rural areas, where many people cannot manage to meet food needs, sanitation is worse, and disease more common. As the government has cut a variety of social benefits affecting health care and other primary needs, households have had to pay a higher percentage of their income to cover them,⁹⁰ leaving less resources to pay for housing.

Approximately 39% of the housing stock in Kyrgyzstan is located in urban areas, while 61% is located in rural areas.⁹¹ 95% of the housing stock has been privatised, and the state-owned sector is only 3.8%.

Access to basic services such as water and sewerage is limited in the Kyrgyz Republic, especially for poor people and people living in rural areas. Provision of services may be sporadic and many people drink from rivers and streams despite health risks, due to a lack of access to piped drinking water (Government of the Republic of Kyrgyzstan: 30). Deterioration of service infrastructure is a problem that underlies poor service provision: the level of deterioration for the technological equipment of utility providers is estimated at 85-90% (World Bank 2004, Report for Kyrgyz Republic (Draft): 10). As the following table shows, access to utilities is directly linked to poverty levels, and is worse in rural areas.

The World Bank summed up housing conditions in Kyrgyzstan as follows: "Health and sanitary conditions

Table A-1: Access to Services in Kyrgyzstan, 2001⁹²

Indicator	Total (%)	Urban (%)	Rural (%)
Running water	40.0	70.4	16.8
Public sewage	39.7	69.7	16.8
Flushing toilet	26.7	56.3	4.1
Bathroom (shower)	24.8	51.9	4.2
Hot water	20.9	45.2	2.4
District heating	29.2	58.4	7.0
Central gas supply	36.1	55.3	21.4
Telephone	28.0	47.9	12.8
Electricity interruptions less frequently than once per week (%)	41.9	62.6	26.2

are below adequate, and access to reliable utilities is limited. Only four out of every ten households have access to running water or a public sewer in 2001, and one out of every four households lives in homes with a flushing toilet or with access to a bathroom (shower). The environmental and health standards of housing are much worse for poorer households, and for households living in rural areas." (World Bank 2004, Report for Kyrgyz Republic (Draft): 4, citing to World Bank (2003) Enhancing Pro-poor Growth.)

Seeking relief from rural poverty, many people have moved to informal settlements on the fringes of Bishkek and other large towns, where housing is ramshackle and conditions inadequate.⁹³ About 23 settlements have been built, housing up to 200,000 people. Inhabitants of the settlements built whatever they could afford, without observing health or safety codes. The government has legalized the rights of the settlers, but has not provided them with basic infrastructure such as electricity

⁸⁹ For more information on housing subsidies in Hungary, see Housing Finance International 2004.

⁹⁰ See, e.g., UNICEF, At a Glance: Kyrgyzstan, 2004-2005.

⁹¹ Information in this paragraph is found in World Bank 2004, Report for Kyrgyz Republic (Draft): 1-2.

⁹² Source: World Bank 2004, Report for Kyrgyz Republic (Draft): 3. Data is weighted.

⁹³ Information in this paragraph found in World Bank 2004, Report for Kyrgyz Republic (Draft): 5-6.

and water supply. Some of the settlements are built in areas that are unsafe. One is built close to the ash-dump of the Bishkek power and heating station (a source of heavy pollution, as any slight wind covers the houses with ash), and several are built in areas of frequent flooding. The urban migration has also caused housing problems in rural areas and towns, where multi-family housing buildings are abandoned by some, deteriorate more quickly for those who remain. Those who left often took doors and window frames, and many abandoned buildings were marauded.

In urban areas, rapid privatisation led to individual ownership of over 90% of the housing stock, mostly in concrete block apartment buildings.⁹⁴ Deterioration of these buildings threatens housing adequacy over the medium and long term, due to lack of maintenance and repair. Legal clarity about ownership and responsibility of common areas of newly-owned apartment buildings, expressed in the 1996 Civil Code and the 1997 Law on Condominiums, may encourage better organization and financing of repair and maintenance over time, but as of yet few condominiums are officially registered, and those that are have experienced difficulty collecting the annual fee (8 US dollars) required to maintain common areas of the buildings.⁹⁵ Over the last 15 years, the state has not provided any funding for renovation or improvement of the housing sector (World Bank 2004, *Report for Kyrgyz Republic* (Draft): 2).

Some limited forms of public subsidy are provided in the Kyrgyz Republic. In Bishkek, housing allowances were available to households based on their relative

income levels and housing expenses. Outside of the capital, some households receive a small compensation for heat, hot water, and natural gas provision, based on financial need. Other service allowances are available to veterans.

Housing in Macedonia (FYROM)

The government of the Republic of Macedonia identified two primary causes for the rise in poverty experienced in Macedonia in the 1990s: the first was a fall in gross domestic consumption; the second was a rise in inequality of wealth distribution (Government of the Republic of Macedonia 2000: 2). As an indication of increased income inequality, the Gini index in Macedonia rose from under 20 in 1993 to almost 30 in 1996 (The World Bank, Europe and Central Asia Region 2000: 32).⁹⁶ Poverty is worst in rural areas (in which two-thirds of poor households live), and among larger families with unemployed members or low education levels. About 20% of the population of Macedonia falls under the official poverty line, earning less than 60% of the average household income (Ibid.: 1-2). As earnings for the poor have fallen and unemployment levels have risen, the government has made some attempts to provide a social safety net, but public benefits reach only about 50% of the poor. In an attempt to target its resources on the poorest sector, the government reduced the income ceiling for benefits to one-half of the official poverty line, rendering only 10% of the population eligible. The number of eligible households has continued to grow, however (increas-

ing by 27% between 1996 and 1999), indicating a sharp increase in households considered severely poor (Government of the Republic of Macedonia 2000: 6).

Privatisation of housing in Macedonia began on a small scale prior to the beginning of the transition (The World Bank, Europe and Central Asia Region 2000: 32). As in other transition countries, privatisation fees were extremely discounted.

Housing statistics in Macedonia, which indicate an overall surplus of units (about 500,000 units relative to about 502,000 families), disguise hidden deficits. About 80,000 households lack long-term housing solutions in Macedonia, and about 70,000 units, or 12% of the stock, are substandard and need to be replaced or rebuilt.⁹⁷

Living conditions for the rural poor are especially bad, and are related to a higher incidence of communicable disease, including tuberculosis and waterborne diseases.⁹⁸ Access to potable water and sewerage is worse in rural areas, and in some pockets of urban slums. These conditions are particularly grave for Roma households.

In urban areas, informal settlement has become a problem. About 320,000 people live in a total of 80,000 illegally-constructed buildings. The capital city of Skopje alone hosts squatter settlements of about 120,000 citizens (Metropolitan Research Institute 2003: 43).

Macedonia is coping with the additional challenge of housing a number of Internally Displaced Persons

⁹⁴ Information in this paragraph found in Charles Undeland 2000, except where otherwise noted.

⁹⁵ For more information on a large-scale project to encourage the formation and effective use of Housing Associations in the Kyrgyz Republic, see the Urban Institute web site at <http://www.urban.org>.

⁹⁶ The Gini coefficient is usually used to measure inequality of income, and sometimes of wealth. It is a number between 0 and 1, where 0 corresponds with perfect equality (everyone has the same income) and 1 corresponds with perfect inequality (one person has all of the income, and everyone else has none) (http://www.en.wikipedia.org/wiki/Gini_coefficient).

⁹⁷ Information in this paragraph derived from Metropolitan Research Institute (Jove Kakenovski, Macedonia case study) 2003: 43.

⁹⁸ Information in this paragraph derived from Government of the Republic of Macedonia, Poverty Reduction Strategy Paper 2000: 4.

(IDPs) as a result of the fighting between ethnic Albanians and Macedonia security forces in 2001.⁹⁹ Most of the 170,000 people who were initially displaced were able to return quickly after the conflict ended, but about 3,300 IDPs in Macedonia were still unable to return home as of August 2003. One impediment to their return was the destruction of or damage to their houses (a primary concern for 43% of the remaining IDPs).

Housing in the Republic of Moldova¹⁰⁰

Fourteen years after declaring independence, Moldova faces a housing crisis of deep proportions. Housing options for low-income families are few. Eighty-eight percent of the housing is now owned by private individuals, leaving very little available for subsidized rentals. New construction has slumped, and the new homes that are built by and for poorer families generally lack basic service infrastructure such as sewerage, gas and water. Many low-income owner-occupant households live in increasingly deteriorating

buildings. Purchase of new housing is affordable to only 1-2% of the population, and long-term housing finance is not available (the housing loans that do exist are for three years, with annual interest rates of about 30%).¹⁰¹ Public housing subsidies for housing (such as artificially low rents for public housing and non-payment of utilities fees) are not effectively targeted for the poor.¹⁰²

In Moldova, poverty has increased significantly since the transition to a market economy, especially in rural areas. In 1999, urban households spent an average of 58.5% of their budget on food and beverages; the average percentage for rural households was 78.8%. These percentages indicate severe poverty by international standards.

On average, urban households spend about 16% of their income on housing, and rural households spend closer to 8%. These numbers dropped between 1999 and 2000 because many people are not decently housed or, due to financial restraints, have simply stopped paying housing costs.

A substantial amount of the housing stock (about 3 million square meters) is in poor shape and needs major renovation. This number is increasing as owner-occupants lack the resources and organizational capacity to finance repairs and maintenance, and because public subsidies for this purpose continue to decrease. Most urban housing stock, though built after 1960, is of poor quality. Leaking roofs, fungus infestation of walls, and broken infrastructure networks are common (World Bank 2004, *The Environment Millennium Development Goal (MDG) in ECA*: 78). The lack of government funds for maintenance and repair is partly due to the low levels of revenue generated through “give away” privatization prices. One of the most acute needs for multi-family housing structures is improvement to heating systems, which are inefficient and costly, and also pose a danger to health.¹⁰³

Services such as gas, water and heating are generally provided in urban areas, but almost non-existent in rural areas, where 54% of the population live. This discrepancy is expressed in the following table.

⁹⁹ Information in this paragraph found in: Global IDP Project, Protecting Internally Displaced Persons in the OSCE Area: A Neglected Commitment 2003: 22.

¹⁰⁰ Except when otherwise noted, information in this text box is derived from the UNECE Moldova Housing Profile 2002: vii – xvi, 3-16.

¹⁰¹ The Swiss government is currently sponsoring an exploratory project into mortgage transactions reform in Moldova, which focuses on how legal reform (such as the introduction of a specific mortgage law) might influence the development of long-term, affordable, home mortgages. See Swiss Government Procurement Notice, November 5, 2004. The authors of the Moldova Housing Profile make the point that introduction of long-term credit could open the housing market to an additional 5-10% of the citizens, which would only put a small dent in the 82,000-140,000 families who currently lack their own housing (UNECE Moldova Housing Profile 2002: 9).

¹⁰² The UNECE authors of the Moldova Housing Profile set forth a checklist of principles that should be included in a social housing safety net (p. xv). These could serve as a template not just for Moldova, but for any other country facing similar challenges to adequate housing for low-income people. These principles include:

- ◆ All benefits to be means-tested, using a standardized system throughout the country;
- ◆ Benefits to be available to households irrespective of tenure;
- ◆ A clear order of priorities, e.g., those who are actually homeless, those living in unsafe, unsanitary or overcrowded conditions;
- ◆ Priority to be given to the most vulnerable households;
- ◆ Benefits to be made available directly to households, and as opposed to subsidies for building works.

According to the authors, a housing safety net could include any number of components, including:

- ◆ Housing benefits to pay for rents and service charges;
- ◆ Grants, loans, guarantees or equity share loans for essential repairs and improvements;
- ◆ Relocation allowances;
- ◆ The provision of rented accommodation by local authorities or not-for-profit companies, especially for emergency use;
- ◆ A home-repurchasing scheme; and
- ◆ Support for self-help schemes, such as homesteading and cooperatives.

¹⁰³ The government has made a serious attempt to confront problems in the heating sector, including meter installation, modernizing district heating provision, improving efficiency, and reviewing tariffs.

Table A-2: Access to Services in Moldova, 1997
(Percentage of total amount of dwellings)

Indicator	Total	Urban
Water supply	79.1	1.1
Sewerage	76.2	4
Central heating	77.3	1.6
Bath/ shower	70.3	4.3
Gas	89.5	8.7
Hot water	59.90	0.5

The UNECE authors of the Moldova Housing Profile highlight the relationship between a healthy housing sector and economic growth. Encouraging the necessary construction and renovation in the housing sector would increase employment and earnings, and so fuel the effective demand for improved housing conditions.

Housing in Poland

Poland is noted as having one of the highest national housing deficits of the transition countries. Relative to a total housing stock of 11 million units, Poland's housing shortage was estimated to be as high as 1.5 to 2.5 million units in 1999 (Muziol-Weclawowicz 2000: 61; see also US Department of State 2004: 1, citing a total deficit of 1.2 million units; and OECD 2002: 3, citing a deficit of 1.5 million units). Of the 11 million existing units, it is estimated that 1 million need major renovation work, and 300,000 units should be demolished (Slabkowicz 2000: 72). This deficit of adequate housing is attributed to a number of factors including the lack of appropriate financing and legal institutions needed to support a housing market in the first years after the transition, a lack of household income (US

Department of State 2004; UNDP, Poland 1996: 4), and the scarcity of serviced, buildable land (OECD 2002: 4).¹⁰⁴ Macro-economic factors such as high inflation, which caused real household income to plummet and interest rates to climb, also contributed to the fact that housing need did not translate into effective demand (e.g., Struyk 2000: 12, 15). Poland had about 309 units per 1,000 persons in 2001, compared with 400 to 460 units per 1,000 persons in Western Europe and an average of 357 units per 1,000 persons in other CEE and CIS countries (OECD 2002: 3, for Poland numbers).

Another factor influencing demand for housing in Poland is an increasing number of households. According to a 2002 census, the number of households grew by 1.4 million between 1988 and 1992, with single-person households making up the bulk of this number (US Department of State 2004: 2). A net total of 0.9 million housing units were added to the stock during this period (Ibid.), resulting in an increased net housing deficit of 0.5 million units.

Rural-to-urban migration, driven by the need for employment, has rendered housing shortages in urban areas more acute. Housing quality in urban areas is better than that found in rural areas, where over a third of the population resides. In 1999, for example, running water existed in about 98% of the dwellings in urban areas, but only 82% of those in rural areas (Muziol-Weclawowicz 2000: 62).

Housing affordability has become an increasing barrier to many Polish households. Housing prices have increased faster than household incomes, and income inequality has grown during the transition, creating an

expanding group of low-income households that cannot afford to buy houses. Among the middle classes, housing is also often inaccessible because of rising house and loan prices, and high transaction costs (Muziol-Weclawowicz 2000: 64; US Department of State 2004). Heating costs are also very high, consuming 60% of the average household's housing-related expenses (Slabkowicz 2000: 75). The Social Housing Associations (see below) have implemented construction measures to increase thermal efficiency, realizing that the small increase in costs at the time of construction is quickly absorbed through the heating payments saved by low-income families over time (Ibid.).

Poland differs from many other transition countries in that it retained a large percentage of public housing for rental purposes, causing a reduced owner-occupant share. In 2000, Poland's owner-occupant rate was 67%, compared with levels over 90% in many transition countries. In urban areas, the ownership rate is lower, about 30%. It is below 10% in Warsaw.¹⁰⁵ Poland's social rental share is larger than that of many other transition countries: about 2 million housing units in Poland are owned by municipalities and managed by non-profit organizations (Social Housing Associations) as rental housing (Slabkowicz 2000: 72).¹⁰⁶

One important difference between Poland and other transition countries is that the government turned over the management and construction of social housing to non-profit organizations, rather than to municipal governments. These organizations are called Social Housing Associations (SHAs). The statutory purpose of the SHAs is the construction and maintenance of social rental housing, primarily for lo-

¹⁰⁴ But note Struyk, who argues that the housing deficit in Poland and other transition countries is inflated, especially when used to justify a housing subsidy scheme focused on new construction. (Struyk 2000: x, and throughout).

¹⁰⁵ Information in this paragraph found in Struyk 2000: 6.

¹⁰⁶ This higher social housing share represents the government's recognition that only 40% of the population will be able to afford to purchase housing in the near or mid-term. Muziol-Weclawowicz 2000: 68.

wincome households.¹⁰⁷ The SHAs can take a number of legal forms. They are allowed to make a profit, but must turn it back around to support construction and maintenance. They receive an income tax exemption for so doing. The funding for SHAs comes from two primary sources: the National Housing Fund, and rental payments from tenants. The National Housing Fund grants long-term, low-interest loans for up to 70% of the construction cost of new projects. Rental rates cannot exceed 4% of the replacement value of the unit, and are set based on the amount of monthly credit payment (and its interest rate) owed by the SHA to the National Housing Fund. Rental rates are also based on market studies showing the payment capacity of future tenants, with the aim of charging between 20 and 25% of household income of the tenants.

66 | Aside from the National Housing Fund loans for construction of rental housing, housing subsidies in Poland are structured to motivate new construction.¹⁰⁸ They are primarily administered through exemptions in personal income tax (the cost of a new unit is deductible) and the VAT for construction materials. These subsidies provide the most assistance to middle and upper income households that can afford to build new houses. The households buying the largest units receive the greatest relative tax advantage. Upper-income households receive a total of 24-25% of the value of their new housing unit from government subsidies, of which tax advantages comprise the bulk.

Housing finance in Poland is more robust than in other transitioning countries. The number of mortgages increased yearly through the 1990s, so that in

1998 the country originated 43,500 mortgage loans (a significantly larger amount than in most other transition countries) (Struyk, 2000: 36). These loans came from a combination of commercial banks and contract savings programs. Poland has also created a credit bureau to strengthen loan underwriting (Ibid.: xii).

Housing in Romania¹⁰⁹

Like many transition countries, Romania's net housing surplus (about 184,000 units) masks underlying problems of overcrowding, lack of basic services, deterioration of the housing stock, and homelessness. Of these, deterioration of the current stock may be the most significant problem. According to the UN Housing Profile on Romania, the "relatively unrecognised enormous depreciating asset value of the country's housing stock due to insufficient investment in maintenance and repair" will amount to great loss to both state and private owners. Although no recent survey on housing quality is available, approximately 40% of all urban housing is of low-quality, pre-fabricated construction, with ageing infrastructure and utilities in need of urgent investment. In rural areas, less than 50% of the housing is built with concrete or brick, and is in significant need of modernization. In rural areas, according to the 1992 census, only 15.7% of the population had access to running (piped) water and drainage in their houses.

Less than 5% of the total housing stock in Romania is publicly owned, leaving only a token number of units available for low-income rental (Rughinis 2003/04: 3). The state virtually ceased construction of social hous-

ing after 1990; the budget funds for such construction fell from 8.7% in 1989 to 0.76% in 2000 (Ibid., *citing to* Kothari 2003: 10, and Dan & Dan 2003: 3).

Severe poverty limits access to housing, and is the primary impediment to overdue repair and maintenance.¹¹⁰ According to a 1998 household survey, 77% of the Romanian population had difficulty meeting basic needs. Home owning families in this group are unlikely to invest in home maintenance or repair, given the immediacy of other basic needs. In the urban block apartments, a "significant minority" of people, especially pensioners, have not been able to pay utility bills, relying instead on the state's tolerance of arrears. Homelessness is rising in Romania and is expected to get worse due to evictions caused by privatisation of utility companies (under the presumption that they will not tolerate extensive arrears), and enforcement of failure to pay property taxes.

Housing conditions are worse for Romania's large Roma population than for most.¹¹¹ Some local governments have attempted to "confront" substandard conditions for Romas, many of whom live as clandestine inhabitants or squatters in dilapidated buildings, by relocating them to separate housing facilities outside of city centres. These facilities are often of low-quality and are excluded from the mainstream of city life. In a 2003 report, the UN Special Rapporteur on Adequate Housing highlighted three urgent areas of concern regarding access to housing rights: housing conditions for vulnerable groups (particularly the Roma); the issue of forced evictions, and illegal settlements (Rughinis 2003/04: 2, *citing to* Kothari 2003: 10).

¹⁰⁹ Except where otherwise noted, information on Romania is found in UNECE Romania Housing Profile 2001: 3-17, 95-106.

¹¹⁰ Another impediment is lack of effective organizational structure for new owners in multi-family buildings to assume responsibility for repairs and maintenance. The Housing Act of 1996 established a framework for creating Homeowners Associations for this purpose, but HA formation had only reached 20% by 2001, due in part to unclear benefits and a complex registration process.

¹¹¹ Information in this paragraph is found in Rughinis 2003/04.

As household incomes have suffered, housing prices have increased, largely due to the lack of buildable land supplied with infrastructure and access to services. During privatisation, responsibility for infrastructure transferred to local authorities without any parallel transfer of resources. Other factors causing housing prices to rise are the high cost of financing and the high cost of materials and construction. Expanding the supply of buildable land will be important to expanding access to housing to low-income groups; without it the demand-side subsidies (such as housing allowances) will not be effective.

While the Romanian government has offered housing subsidies in the past, these have not been targeted to low-income and other vulnerable groups. For example, rent controls in the small public housing sector have been applied across the board, regardless of the financial means of the tenants. Artificially low public rental rates have depressed the fledgling private rental sector and, most importantly, have resulted in the deterioration of the public rental stock due to the lack of resources generated for repair and maintenance. The UNECE authors of the Romania Housing Profile believe that raising public rents to cost-covering levels, while at the same time offering housing allowances for needy tenants, would probably increase efficiency. The UNECE also recommends that the National Housing Agency, established as a revolving-fund for housing investment, direct its efforts toward construction of social housing and renovations that would be ill-afforded by the new owners of block housing.¹¹²

Housing in Russia¹¹³

Russia experienced a longer and deeper recession during the 1990s than did many transition countries. This translated into lower income per capita and a higher percentage of the population living below the poverty level. As a result, housing became affordable to fewer and fewer people (Struyk 2000: 10).¹¹⁴ Sharp rises in wage inequality (the Gini index rating rose from .289 in 1992 to .456 in 2004) have compounded the problem of housing affordability for a large number of people at the bottom of the income-earning pyramid. Housing affordability is considered to be about the same for both home owners and renters, as property taxes are approximately equal to rent levels. According to one household survey, only about 20% of the households in Russia that need new housing can afford it (Kosareva 2004: 8).

Housing expenses as a percentage of household income have doubled since 1991, but are still relatively low. In 2001, they were just 6.5% (compared with over 20% in Hungary and Poland, for example). These low housing costs are due to heavy rent controls on municipal and enterprise housing and the subsidization of energy prices.

Russia privatised most of its state-owned housing to existing tenants, free of charge. Private ownership increased from 33% in 1990 to 70% in 2004. As a result of privatisation, the public sector was left with very little capacity to offer rental housing to those in need.

In 2002, Russia had a national housing surplus of about 10% (55 million units for 49.8 million households), a statistic that does not take into account losses from the housing stock due to deterioration, nor the incidence of homelessness. About 150,000 units per year become uninhabitable due to lack of repairs. Over the past few years, 800,000 flats were taken out of stock for this reason. Specific information on the condition of housing stock in Russia is not available. According to UNECE estimates, however, 11% of the stock needs urgent renovation, and 9% should be demolished. About 2 million people live in officially condemned stock. Many of the recently-constructed high-rise housing buildings were built without adequate regulations and in disregard for safety requirements. In rural areas, wooden housing buildings are also often in poor repair. Over four million people in Russia are homeless; one-half of these have lacked a fixed home for more than two years.

Although new construction may be necessary to replace deteriorating stock, construction levels have decreased significantly since 1990 (in 2001, housing construction was at 40% of 1990 levels), and most new construction is for wealthy people in urban areas.¹¹⁵

The greatest and most imminent challenge to housing in Russia may in fact be the deterioration of existing stock. As the UNECE housing profile on Russia explains, "Given the age structure of the housing stock, it is expected that within the coming 10-15 years the need for repair and reconstruction will reach an alarming level." This deterioration is a result of past and cur-

¹¹² At the time of the UNECE Romania Housing Profile (2001), the National Housing Fund was in fact building good-quality housing, sold at reduced rates to customers who were not selected based on their income or wealth levels.

¹¹³ Except where otherwise noted, information on Russia is found in UNECE Russia Housing Profile 2004.

¹¹⁴ Although the economy has shown signs of improving in recent years, a UNDP study found that increased growth from 2000 to 2004 benefited a select few. The absolute majority of the population in the middle-income group did not benefit at all, and the gains only slightly benefited those in the poverty zone. UNDP on Russia, Nov. 2004: 53.

¹¹⁵ But see Struyk (2000: 7), arguing that the need for new construction in Russia and other transitioning countries is exaggerated. Demographic trends support the idea that housing need in Russia will diminish over time. The UNDP forecasts a reduction of 30% in Russia's population between 2000 and 2050. The actual effect this will have on housing demand will depend largely on whether those who emigrate from Russia are from higher or lower income brackets (UNDP Nov. 2004).

rent neglect. One of the underlying assumptions of the privatisation process was that new owners would take over maintenance and repair of their units. This has not occurred, however. Instead, buildings continue to be serviced by municipally-owned companies that operate in a monopolistic environment, lack subsidies, and are prevented by artificially low rent levels from conducting even routine maintenance work.

New owners have not taken over responsibility from these ineffective companies for a number of reasons, including: a lack of information to new owners about ownership rights and responsibilities; confusion over legal ownership of common areas of apartment blocks; and the lack of a new management structure for homeowners. Although a framework for Housing Associations was eventually established for building management and repair, it has attracted only 1% of the housing stock because of huge repair backlogs, a lack of resources by homeowners to overcome these backlogs, a lack of a system to collect money for future repairs and lack of accessibility to loans, requirements that all homeowners must sign off on the authorization of any repair work, and lack of a way to enforce payment from reluctant homeowners. Given these constraints, it is likely that the state will need to contribute financially to the repair and maintenance of block housing units, both public and private, in order to avoid losing large numbers of units to deterioration in the near future.

Access to basic utilities in Russia is better in urban areas than in rural areas. In urban areas in 2002, 13% of the population had no access to running water, 15% lacked sewerage, 12% lacked central heating, and 20% lacked gas. In rural areas, 59% had no running water,

69% lacked sewerage, 59% lacked central heating, and 76% lacked gas (2002 statistics). Even in urban areas, utilities infrastructure is in poor repair. Artificially low fees prohibited maintenance and repair of the infrastructure, leading to accidents in some cases. According to the UN, "The situation is now being described as disastrous." The government recently initiated an eight-year plan (2002 to 2010) to upgrade utilities infrastructure by increasing fees to cover costs, while at the same time providing allowances to needy families. The plan also includes utility privatisation. Implementation of the plan, however, faces impediments from low levels of municipal resources and a lack of public information and awareness.

The Russian government has offered several housing subsidies through the transition period. Implicit or "hidden" subsidies include: (1) uncollected utilities and maintenance fees; (2) artificially low maintenance fees that do not cover the cost of heavy repair; (3) very low social rent levels; (4) nominal property taxes on privatised units within public housing blocks; and (5) cost-free privatisation. Subsidies were not historically targeted toward lower-income households, in fact the idea of "means testing" was foreign to a socio-economic system based on the idea of providing housing to all. As state resources for housing have diminished, however, the need for means-testing has rapidly increased.

The government has instituted two additional subsidies that reduce the cost of buying a new unit. The first is down payment subsidies to certain groups of people, such as those who have been on the public housing waiting list for more than ten years and military officers.¹¹⁶ While these subsidies (at least those allocated to

households on the waiting lists) are somewhat targeted to needy families, they still provide higher-income households with a sizeable benefit. Households with income levels in the lower 80% of the scale receive about 40% off the price of a standard unit. Even households in the top income brackets, however, receive a benefit of up to 25% off the price of standard unit. Income tax deductions are for the price of the unit purchased, and can be spread out over three years. This benefit is not restricted by household means, and so it increases as the price of the housing unit increases. Several experts argue that housing subsidies in Russia would go further to alleviate the needs of the poor by shifting focus from new purchases to rehabilitation of block housing (both privately and publicly owned). Instead of paying homeowner subsidies, the state could more effectively help a greater number of families by providing housing allowances for rental units.

Housing financing in Russia is not yet developed, and is not at all accessible to lower-income households. In 1998, only 10,000 to 15,000 mortgages were issued, and this annual number has decreased since (Struyk 2000: 36). Primary impediments to housing finance in Russia include high interest rates (caused by inflation and exchange rate risk), high perceived lending risks due to foreclosure difficulty, and high perceived macro-economic risks for both lender and borrower (Ibid.: 34-35).¹¹⁷ Other causes include a deficit of household wealth and the ability to document income, as well as excessive red tape (Rogozhina 2004: 14).

¹¹⁶ Information on down payment and tax deduction subsidies found in Struyk 2000: 50-61.

¹¹⁷ For more information on borrower reluctance, see Rogozhina 2004: 9.

Except where otherwise noted, information in this text box comes from UNECE Slovakia Housing Profile 1999.

Housing in Slovakia¹¹⁸

The transition period in Slovakia has increased the challenges faced by low-income households in finding adequate housing. Slovakia has a total net deficit of about 200,000 housing units (out of about 1.8 million units total) (Szolgayová 2000: 77). An occupation rate of about 1.12 households per dwelling reveals overcrowding, especially in urban areas. About 30% of the multi-family housing stock is in need of extensive renovation. In 1995, the UNDP stated that Slovakia's "Current housing standard, both in quality and quantity, is one of the lowest in Europe." The report goes on to say that housing conditions are especially bad in the Roma squatter settlements, although little precise information exists (UNDP Slovak Human Development Report 1995: sec. 8.1).

Affordability is a growing problem, due to rising housing costs and diminishing household income levels. In 2000, about 60% of households were under the minimum living income levels established in Slovakia (Szolgayová 2000: 80). One expert cites low average household income and high unemployment as the greatest barriers to accessing the housing market (Ibid: 82). According to the UNECE Housing Profile on Slovakia, the low purchasing power of the population and a housing shortage in urban areas are signs of a deepening housing crisis in Slovakia.

Contributing to the rising costs of existing housing is the fact that the housing construction sector in Slovakia declined sharply during the transition period.¹¹⁹ Factors cited in depressed demand for construction include job insecurity, inflation, increased construction costs, lack

of credit options for developers, scarcity of buildable land with clear title in urban areas, strong rent control in the public sector, and excessive regulation of private housing. The new construction that does exist is mostly for the wealthy. Despite falling construction rates, the number of housing units per 1000 people increased over the first decade of transition, from 307/1000 in 1991 to 320/1000 in 2000 (Szolgayová 2000: 77). (Among Western European countries, the number is between 400 and 460 units/ 1000 people.) Because the current average household size in Slovakia is relatively large by European standards (2.9 people/ household), some predict that it will fall in the near future, creating more individual households and so an increased need for housing (Ibid.).

Another impediment to affordable housing for the poor is the small rental sector. By 2000, the privatisation process had left only 6% of all housing stock in the public rental sector, a very small number relative to the current income structure (Szolgayová 2000: 78). Almost no private rentals exist. Expanding the public rental sector may prove important for a number of reasons, including: the fact that demand, based on household income, is much higher than current supply; a strong rental sector assists in labour market mobility; the market price for housing is relatively high; and the number of new, young households is high and rising (Ibid: 83).

The housing privatisation process created other concerns as well. For example, it further institutionalised inequities in housing allocations practiced prior to 1990. Because of low privatisation rates, municipalities lost out on resources to implement new social housing goals. Mixed ownership within multi-family housing

blocks created confusion and muddled responsibilities for repair and maintenance, and no legal regulation was established to assist in the management and administration of these buildings.

Access to utilities is stronger in urban areas than in rural areas in Slovakia (UNDP 1996). Connections to the water main increased during the early transition period (from 73% in 1988 to 78% in 1994, rising as high as 92% by 2001, according to the UN information presented in Table 4 of the body of this report). Central, urban areas such as the capital city and its surrounds have better access to piped water than do the rural boundary areas. The same is true with sewerage. Although access to sewerage increased slightly in early transition, it is still scant in rural areas. In Bratislava, 96% of households are connected. In West Slovakia, however, only 42.3% of households are connected, and in Central and East Slovakia the number is closer to 50%.

One of the primary channels for public housing expenditures through the transition period has been rent control. Observers argue that Slovakia's rent control system was not well-targeted on the poor, and that the combination of low rents with extensive anti- eviction rights and the rights of current tenants to bequeath their tenancy rights to family members render it difficult to (re)-allocate public rental housing to those with the highest need. A further argument against the rent controls is that they stifle new construction in either the public or private rental sectors (UNECE Slovakia Housing Profile 1995; see also UNDP 1996: 4; Szolgayová 2000: 83). A housing allowance system that was started in 2000, available on a tenure-neutral basis to all households with less than a certain level of

¹¹⁸ Except where otherwise noted, information in this text box comes from UNECE Slovakia Housing Profile 1999.

¹¹⁹ According to UNECE data, construction dropped off through the 1990s. Szolgayová describes construction as more stable in the latter part of the 1990s, though dropping off severely in 1999 due to failing macro-economic conditions (2000: 77).

income, will be very important to protecting the needs of the poor if rent controls are dropped (Szolgayová 2000: 80 (on the new housing allowance programme); UNECE Slovakia Housing Profile 1995 (on the importance of housing allowances when rent controls are released)). A 1999-2000 government program designed to increase the share of public rentals offered subsidies for construction costs of municipal rental housing, subsidies for the technical infrastructure needed for this construction, and state guarantees for market bank loans (Szolgayová 2000: 80).

Housing in Tajikistan¹²⁰

Very little information is available on the state of housing in the Republic of Tajikistan. Tajikistan is the poorest country in the area of study, as it was prior to 1990 as well. Its current Human Development Index ranking is also the lowest in the area (at 116 out of 177 countries, however Tajikistan is still considered a “middle development” country). Eighty-three percent of the population is considered to live in poverty; of these 28% are considered very poor by international standards, earning less than 1 US dollar per day. Poverty is worse in rural areas, where 76% of the population lives, and in the south.¹²¹ The causes of poverty are, among others, limited employment and low wages, especially in agriculture. A civil war through the 1990s further deteriorated living conditions; the combination of the war and the transition from a centrally-planned economy (supported by the Soviet Union) to an independent market economy has left the country with severe economic and social instability and weak social protections. Even as

poverty increased through the 1990s, the government’s capacity to respond to it decreased. Rising economic inequality through this period also made it more difficult for the poor to access basic needs. Households with many children, women-headed households (more numerous due to the war), and elderly are more susceptible to poverty.

The civil war caused a significant exodus of Tajik citizens, many of whom have returned after years as refugees in neighbouring countries. Housing allocations for the returnees have been difficult in some cases, as other needy families had often moved into vacant houses, and had no place to go upon the return of the former owners/ tenants.¹²²

One of the effects of the rising levels of poverty and reduced government resources has been diminished access to safe drinking water over the past ten years (UNICEF 2004-05).

According to a mid-1990s World Bank social assessment that sought to identify the priorities of Tajik citizens in poverty alleviation, shelter was the fourth most pressing concern, behind security (first), food (second), and clothing (third) (Social Development Notes 1988: 2-3). Health and education were identified as the fifth and sixth priorities.

Housing in Turkey

Turkey is distinct from the other countries considered in this study in its socio-economic history, and

also in its housing challenges. Having not experienced a recent transition from command to market economy, its macro-economic and housing circumstances are unique to the study area. Information on the Turkish housing sector is surprisingly scant, especially concerning rural housing conditions.

Turkey has approximately 7.7 million houses in total, in a wide variety of quality and physical condition. A dated estimated need for new housing (from 1994 to 2000) was for 2.5 million new houses, or 35% of the total existing stock (UNDP 1997: sec. 10). It is unlikely that much, if any, of this deficit has been met over the past decade, at least in the formal housing sector. Housing tenure is divided between the private sector (67.7%), the cooperative sector (26.3%) and the public sector (6%). According to the UNDP in 1997, housing supply does not meet demand in any of these sectors. However, one expert on housing in Turkey cites a significant surplus of housing in urban areas, caused by a reduction in the steep urban migration experienced between 1980 and 2000, a parallel construction boom that may have overshot sustained demand over time, and reduced birth rates.¹²³ Housing in rural areas is generally of inferior quality to urban apartments (Özüekren 1997: 34).

To cope with severe housing shortages in urban areas, rural migrants in Turkey historically developed an extensive system of self-help housing called “gecekondu” which became, for a defined period, synonymous with affordable housing for the poor. A brief history of “gecekonduization” proves useful to understanding current housing options for the poor in Turkey.

¹²⁰ Information on Tajikistan, unless otherwise noted, is from Government of Tajikistan 2000: secs. 7-22.

¹²¹ See also Social Development Notes 1998: 2.

¹²² Experience of author, based on fieldwork for the World Bank in rural areas of Tajikistan in 1999.

¹²³ Bugra and Calglar 2003: 25.

Extensive rural-urban migration in the latter half of the 1900s created a severe unmet demand for housing in the receiving cities. Rapid urban growth, due to a “massive exodus of people from the rural areas,” high natural birth rates, and regional security issues increased strain on provision of housing, services and utilities (UNDP 1997: sec. 10). The average annual urban growth rate between 1950 and 1990 was 4.4% (Özüekren 1997: 33). In response to the housing shortage found in the cities, new migrants began to build squatter units around the factories in which they worked. These units were called “gecekondu.” (Ibid: 34) Squatting occurred first on public lands, then on private lands. Property was subdivided and sold illegally by informal and unregulated real estate agents. Buyers received an affordable place to live, but no ownership title. The real estate agents grew in power, and began to act as intermediaries between the local governments and the settlements, organizing the provision of infrastructure to these settlements (Ibid.).

Over time, the gecekondu became increasingly legitimized and secure against demolition. The government regularized (or “legalized”) many of the communities, and gecekondu owners began to construct their homes not just with adobe and stone, but also with concrete and brick. By 1990, gecekondu housed close to 34% of the urban population of the country (Özüekren 1997: 34-35).

At some point during the late 1980s or early 1990s, however, gecekondu ceased to provide an affordable housing solution for the poor, or for new migrants to urban areas. Land was no longer available. Housing

developments and business centres had taken the place of gecekondu, and so limited access to land ownership by the urban poor (Bugra 2003: 25). Because of strict military control on expansion of the settlements in the early 1980s, and later the almost complete commercialisation of gecekondu production by large-scale developers, newcomers were no longer able to buy or build in established communities. Finding no alternative, they built squatter houses in dangerous areas, near garbage dumps, in flood plains, or in water basin reservoirs (Özüekren 1997: 37). New migrants faced high levels of social marginalization. A large percentage of the new urban influx in the 1990s came from destroyed villages in the southern and south-eastern parts of the country; most of these people were unable to return home despite the unwelcoming conditions they found in the cities (Bugra 2003: 23). The UNDP estimated in 1997 that one half of the housing settlements in large cities in Turkey were unlicensed or of illegal squatter construction (UNDP 1997: sec. 10) (this number presumably does not include formerly regularized gecekondu settlements).

The poorest and least socially powerful households in Turkey rent their accommodations from private owners in either the formal or informal sector. According to a 1995 study, 91% of the tenant households in the informal sector were considered low-income.¹²⁴

The Turkish government has traditionally offered few subsidies in the housing sector.²² Rent control has never taken hold, differentiating Turkey’s experience even further from that of the transitioning countries. Individuals have relied on self-help measures, as

reflected by the gecekondu experience. Bank loans for housing are rare because of high interest rates (caused by high inflation), so most financing comes from personal savings or loans from relatives or friends. Through the 1990s, housing prices generally rose at a faster rate than inflation, making housing a relatively attractive investment.

Turkey’s demographic statistics also play an important role in its housing profile. Even though fertility rates have dropped significantly since 1980 (4.11 in the period 1980-85 to 2.70 in the period 1990-95), the population is still increasing rapidly due to the young age of the population (Özüekren 1997: 32).¹²⁵

Turkey faces two additional challenges to housing for low-income households. The first derives from the violent conflict with Kurdish communities in the south-eastern area of the country, which has caused direct damage to the housing in many villages, and intensified housing needs for low-income people in the areas of the country where IDPs have settled. The second is related to the 1999 earthquake in the capital city of Ankara.¹²⁶ The earthquake caused homelessness for 400,000 to 600,000 families. As a result of the earthquake, 57,572 housing units collapsed or were heavily damaged, 56,312 units were moderately damaged, and 66,449 units were lightly damaged. Over 100,000 tents for temporary shelter, in a total of 121 tent cities, were constructed as a result of international and national efforts following the earthquake.

One interesting note on housing for the poor in Turkey pertains to a project in the western area of

¹²⁴ This 1995 study identified three groups within gecekondu communities: owners of one or more apartment buildings who had converted their squatter units into two-four story buildings; owners of a single squatter unit; and tenants. Sixty-five percent of the first group, 85% of the second group, and 91% of the third group were considered to be low-income households (Özüekren 1997: 34-35).

¹²⁵ Information in this paragraph is from Özüekren 1997: 35.

¹²⁶ Information on the Ankara earthquake found in Relief Web, September 1999.

Ankara, in an area called Batikent.¹²⁷ Batikent is currently the site of the largest mass housing project conducted through cooperatives that has ever been implemented in Turkey or in the world. The goal of the project, which began in 1983, was to provide 50,000 units of housing for 250,000 low or middle income people, at a cost of approximately one billion US dollars. Since this time, the project has succeeded in providing 45,000 units, and sheltering approximately 200,000 people. The project's innovation springs from its basis in local cooperatives, comprised of low to middle income households lacking adequate housing. The cooperatives are run on democratic principles; members determine their housing and environmental plans as a group. Six hundred of these cooperatives, in 30 different settlement cities, make up the project. Their goal has moved beyond housing provision to bettering the socio-economic living conditions of inhabitants.

Housing in Ukraine¹²⁸

In Ukraine, an economic downturn corresponding with the transition to a market economy profoundly affected housing options for a large percentage of the population. Even though the economy has showed some signs of recovery in recent years, the living standards for a majority of people have continued to decline, while inequality of wealth has intensified. Poverty levels are significant, especially among fami-

lies with many children and single-parent households. Unemployment remains high.¹²⁹ Many believe that the economic decline is the primary cause for Ukraine's negative population growth. With a fertility rate of only one percent per year, Ukraine was ranked third in the world in population decline for the period of 2000-2005 (UNICEF website 2005).

An apparent national housing surplus obfuscates widespread deterioration in the quality of housing. The housing stock in Ukraine grew three percent from 1995 to 1998. This caused an increase in floor space per person (from 18.5 m² to 20.1 m²), indicating a reduction in overcrowding. However, the government estimated in 1999 that 17 million people (out of a total population of 48.9 million) have "unsatisfactory" living conditions. Many people endure long waiting lists for public housing. The lists contained the names of 2.2 million families and individuals in 1999, despite the fact that the annual number of households on these lists who were granted rights to housing decreased by five times between 1992 and 1999. State and communal housing, according to the government, is in bad repair. About one-third of all state apartments are in need of extensive or routine repair. All housing built during the "mass industrial housing development period" needs reconstruction, whether in private or public tenure. This could be as high as 10% of the national stock. Some smaller percentage of this number is considered in need of complete replacement. At the same time that

the need for repairs and replacement has increased, the volume of repairs has shrunk. It is estimated that municipal governments have had the resources to complete or assist with only about 1/17 of the repairs that have been needed during the transition period.

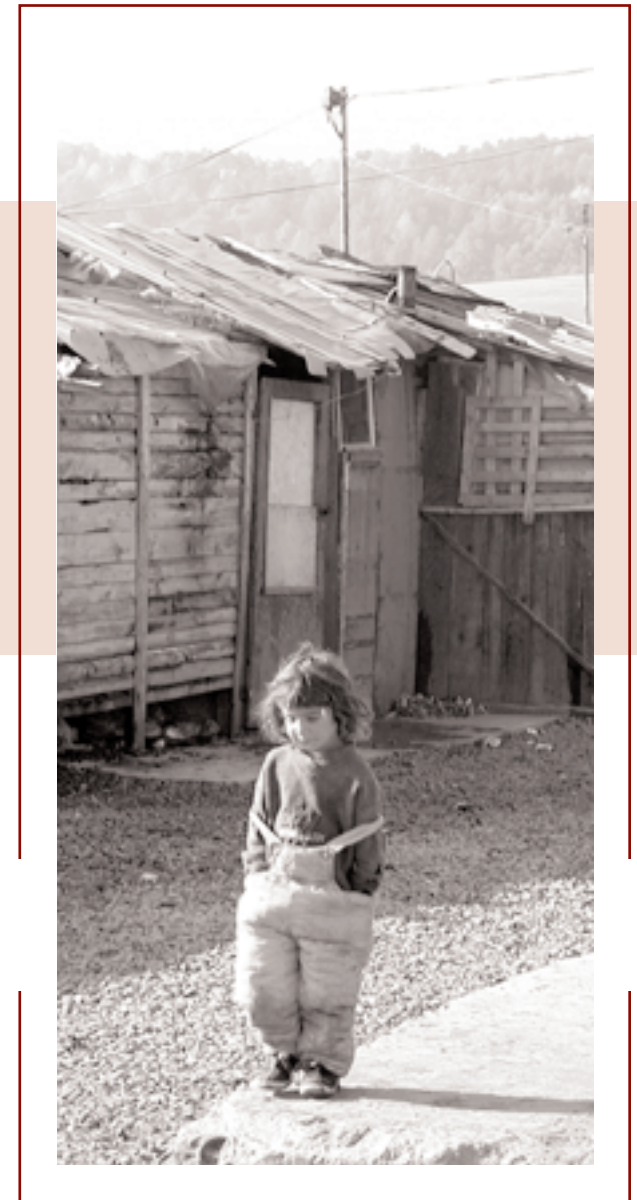
About 63% of the housing stock in Ukraine is located in urban areas, while about 37% is located in rural areas. Information on the quality of rural dwellings is scarce.

Natural and man-made disasters have compromised access to quality living space for a great number of people in Ukraine. Most notably, the Chernobyl nuclear disaster in 1986 caused ongoing hazard to communities in a vast swath of territory. About nine percent of the territory of Ukraine is contaminated with radionuclides, including 55 cities and 2,100 towns. The government estimated in 1999 that 20% of the urban population in Ukraine lived in one of the thirteen "most radioactively contaminated cities" in the country. Aside from nuclear contamination, air pollution from coal mining and oil and gas extraction is increasing, and is considered by the government to be "very high" in thirteen cities. Housing communities in Ukraine are also exposed to risk from natural disaster, including floods, landslides (which affected 200 cities and towns in 1999), and earthquake risks. About seven million people, in a total of 200 cities, were considered to live in seismically risky areas.

¹²⁷Information on the Batikent project is from UN-Habitat's Best Practices database, at <http://www.unesco.org/most>.

¹²⁸ Information in this text box is found in State Committee of Ukraine on Construction, Architecture and Housing Policy 1999, except where otherwise noted.

¹²⁹ Information on macroeconomic conditions in Ukraine is from UNICEF website, 2005.





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