Social Housing in Transition Countries

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Routledge
Taylor & Francis Group
NEW YORK LONDON

3 Financing Social Housing

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EMERGING NEW HOUSING FINANCE SYSTEM

Introduction—The Legacy

The definition of *social housing* in the socialist housing system is very uncertain, as public housing did not correspond to Western social housing models. State subsidized housing (both in the public and in the owner-occupied sector) was open to a wide range of different incomes and professional groups. However, a private housing market developed alongside the state housing sphere under more or less strict state control (rural self-help buildings, private condominiums, buying and selling the existing housing), which led to the emergence of a dual market. The state housing investments (public, cooperative, and owner-occupied housing) were financed through budgetary resources and through the state bank system, which operated under the control of central planning. The banks issued loans at a price and in a magnitude set by the central planning agencies. Consequently, the financing of public housing was identical to the financing of housing in general (Hegedüs and Tosics 1990).

After 1990, the socialist housing finance system collapsed. The fiscal pressure on the state budgets forced governments to cut housing subsidies drastically. Public housing investments were practically discontinued in most transition countries and subsidies to bank-financed schemes were severely cut or entirely withdrawn. Inflation increased the cost of money to the state saving banks, which augmented the pressure on the budgets—the so-called "old loan" problem (Struyk 1996).

For most transition countries, the first decade after the transition was characterized by the strongly decreasing volume of new housing construction. Between 1990 and 1997, the number of completed housing construction projects dropped by 50 percent in the five Visegrad countries, by 80 percent in the Baltic states, and by 60 percent in Russia. In the same period, the indicator of housing completions per one thousand inhabitants fell from above five (over the EU average) to 1.15 (calculation based on UN Housing Statistics).

In the early phase of the transition, the housing market was affected not only by a sharp decrease in public housing subsidies and new housing construction, but also by the mass privatization of a large part of the existing public rental housing stock, representing over 30 percent of the total housing stock in some sample countries (e.g., Slovakia, Ukraine). The ownership rate increased to over 90 percent in Hungary, 70–80 percent in Poland and the Czech Republic, and over 60 percent in Russia (see Chapter 2, this volume).

Demand for social housing has increased as a consequence of the transitional recession and growing social inequality, but the fiscal pressure on governments made large capital investments in social housing unrealistic. Consequently, the future of social housing in transitional countries depends on whether the emerging new financial institutions will prove willing and able to fund the new social landlords' housing investments; whether "social housing presents an opportunity to widen the base of their portfolios and to include a relatively low-risk stream of revenue which can be expected to rise in real terms" (Whitehead 2003, 3). The institutional stability of the emerging social landlords and whether they will be able to guarantee the necessary financial stream for the housing investments are other major questions. The goal of this chapter is to give an overview of the basic social housing finance schemes applied in selected post-socialist states and discuss options for long-term social housing finance models that may provide a solid base for the social housing sector in the region.

Distortions of the Tenure Structure: Homeownership-Based Regulations

Owner-occupied housing became the dominant tenure form across Central and Eastern Europe (CEE). Because housing subsidy systems (and tax policy) favored owner-occupation, households preferred to leave the rental sector. The uncertain future of the public rental sector (future rent levels and property rights) provided a further incentive for higher-income households to move to the owner-occupied sector. Social landlords (typically the municipalities) also tried to get rid of the social housing stock by privatization, as it placed a financial burden on the municipal budgets and led to social tension caused by the "antisocial behavior" of low-income tenants (see Chapter 5, this volume). The combination of all these factors led to the rapid shrinkage of the social rental sector.

The private rental sector remained in legal limbo in most countries: it was hardly covered by new housing legislation, and the enforcement of contracts was uncertain (Dübel, Brzeski, and Hamilton 2006; Mandic 2000; Hegedüs 2007). Housing policy focused on new condominium and mortgage regulations. The private rental sector mainly provided housing for households who did not have other alternatives: the poor, the mobile, and the young. The supply of private rental units came primarily from homeowners who acquired them during the mass public housing privatization. In countries where restitution affected a significant part of the housing stock (like the Czech Republic and Estonia), the private rental sector started to play a more significant role and eventually stabilized as an affordable alternative to owner-occupation: most of the contracts came to be concluded in written form and market rents became more affordable (Lux and Mikeszová 2012; Lux and Kährik 2012).

Legal uncertainty, financial disadvantages and a lack of institutional interest in investments made potential social housing finance very difficult. The need for social housing was channeled to the private mortgage market; the rental housing development did not represent an interesting investment opportunity for either the possible institutional landlords or the new private financial institutions.

Bank Reforms and Emerging Housing Finance

All transition countries had to undertake thorough reforms of their banking sectors. Both gradual (Hungary, Bulgaria, and Romania) and radical reform (the Czech Republic, Estonia) led to the emergence of a competitive market as well as banking crises, although with different timing. As a result, the former monopoly of state-owned savings banks was relaxed. In countries such as Serbia, Belarus, the Ukraine, Slovenia, and Lithuania, the state kept a decisive influence in the banking sector well after 2000. The new private banks, which often had foreign owners, considered the mortgage market risky, which delayed development in this area. However, as consequence of a stable macroeconomic environment and predictable legal conditions, the mortgage market developed to a profitable business by the end of the 1990s.

Because of the new mortgage finance products, the volume of outstanding loans increased dramatically in all transition countries after 2000; it went from 0 to nearly 20 percent of GDP in the Czech Republic, Croatia, Hungary, and Poland.

Housing loan funding relies on two models: the bond market accessed by mortgage banks and the commercial banks and the savings banks' deposit system.

In transition countries there were two options for mortgage bond finance. According to the option chosen by Latvia, Hungary, and Poland, legislation requires a special mortgage bank institution to issue mortgage bonds. The other option, used in the Czech Republic and Bulgaria, provides commercial banks with a license to issue bonds backed by housing (mortgage) loans. This means that universal banks can obtain a license for mortgage bond issuance as long as mortgage banking operations and assets are kept in separate legal and accounting records.

The stable increase of household income, favorable macroeconomic trends (decreasing inflation and interest rates), legal changes (foreclosure regulations), competition among banks, and the increasing surplus of financial savings in the world economy led to the rapid development of the mortgage finance system after 2000 in CEE countries. The outstanding stock of loans to households in the new EU member states nearly doubled from 12.3 percent of GDP at the end of 2004 to 22.5 percent of GDP by the end of 2007 (Walko 2008). Mortgage development was stopped by the global financial crisis. The increasing number of mortgage arrears became a new social issue especially in countries where the mortgages were issued in foreign currency and government deficits were high (e.g., Baltic states, Hungary).

Social Housing Finance Models

Governments' white papers have demonstrated since 2000 that policymakers realize the need for extending the social housing sector (Donner 2005; Hegedüs 2007). Housing policy targeted legal reform as well as quantitative goals of affordable housing provision. Sustainable solutions to the growing tension between demand for and supply of affordable housing are few and far between. However, because of privatization, low-income homeowners have become a possible target for social housing finance programs, especially energy savings and retrofit programs.

Municipal Housing and Budget Programs

In transition countries, the typical social landlord is a public management company owned by the municipality. Its financial sustainability depends on the country's rent policy, which is set either on the national level (e.g., in the Czech Republic until 2012) or the local level (e.g., in Hungary), as well as maintenance and operation schemes. The municipalities generally have little incentive to expand social/public housing, as the fiscal burden of new social rental housing competes with other municipal responsibilities, such as education, health, or infrastructure. Social/public rents are often not sufficient to even cover management and maintenance costs. The difference has to be covered by the municipalities from their general revenues. With a negative cash flow, it is hardly possible to acquire capital market financing for new construction. Moreover, the social housing sector typically generates other social and political problems.

In many transition countries, the reorganization of state authorities often shifted responsibility for housing to the municipalities without respective allocation of funds. Small municipalities feared that their social housing programs would lead to the immigration of poor people from other municipalities, which would increase rather than reduce social tensions. Small local governments thus tend to "export" problems to other places rather than effectively solve them. This "paradox of decentralization" affected households in very acute need of housing negatively, such as homeless or Roma households.

However, municipalities are generally interested in investments in their constituency, if it does not require too much public resources. Every investment generates local economic growth and typically increases the power of the local decision makers. In some cases, the financial burden of new social housing was lower than that of the existing stock, as earmarked funds from the national government were available. In transition countries such as Slovakia, the Czech Republic, Romania, and Hungary, central budget funds became the most important source for new social housing construction (see Table 3.1). To subsidize those programs, the central governments typically imposed certain conditions in terms of rent setting, allocation, and construction.

The conditions were not only different in the various countries, but also changed over time. Maximum rents (see Chapter 4, this volume) were defined either as a percentage of the "replacement value" (e.g., in Poland), as a percentage of market value (e.g., Czech Republic between 2007 and 2012), on the basis of cost-coverage (e.g., in Hungary), or were linked to disposable family income (e.g., in Romania). The actual rents are set by the local governments, and are often below the defined limit, as local governments are uncertain about the tenants' ability to pay. In Poland, for example, the average rent was around 1.5 percent of the replacement costs in 2001 (Uchman and Adamski 2003).

In the Czech Republic, most new public housing constructed after 1995 (estimated sixty thousand flats) was financed from grants allocated from the state budget. However, the original state support for municipal housing construction was in fact converted into support for co-op housing: 'tenants' paid large contributions from their own pockets; became co-op members; and, as co-op members, had relatively extensive disposal rights similar to that of homeowners. Consequently, the program led to state subsidies of

Table 3.1 Share of Public Housing in New Construction in Selected Countries in 2000, 2005, 2009

	2000	2005	2009
Czech Republic	11.5	8.4	2.0
Estonia	0.1	0.0	4.5
Hungary	1.0	1.7	0.6
Latvia	0.0	0.0	0.9
Poland	6.8	8.3	6.5
Romania	na	8.9	3.9
Slovak Republic	11.6	14.2	12.5
Slovenia	8.6	7.0	4.7

Source: EU Housing Statistics (2010), National Statistical Offices.

the construction of luxurious dwellings, dwellings for the highest-income households, secondary homes, and flats acquired purely for speculation. The program was substantially amended in 2002.

The Hungarian rental housing construction program in 2000–2004 gave a grant of up to 75 percent of the investment costs to local governments. In this period, close to thirteen thousand social dwellings were constructed, with a total grant of 240 million euros. Granting to local governments was based on a competitive selection procedure, with low construction costs as a criterion. Similarly, in Slovakia central budget grants for social housing were higher for projects with low construction costs. In Croatia the government defined maximum construction costs and land value for their social housing program (Čačić 2003). In Romania social housing construction is conducted by the National Housing Agency (ANL), which transfers the premises to local governments; they then are responsible for allocation, operation, and maintenance (IIBW 2008).

In some programs, the central governments defined allocation criteria mainly based on household income, age, household composition (e.g., young families), or professional groups. In some countries the allocation schemes are set up by the municipalities (e.g., Hungary and Romania); a more detailed comparison of models for new social/public housing construction can be found in Chapter 19.

A further important issue related to social housing construction programs was whether the new units would be eligible for privatization. In many cases, tenants became eligible to acquire their dwellings quite soon. For example, in Tallinn, a public housing program made it possible for tenants leaving restituted apartments to buy their homes after five years (Kährik et al. 2003). In Russia, privatization of newly constructed social dwellings is still practiced.

Nonprofit or Limited-Profit Housing Schemes

The cooperative sector is in crisis in most transition countries, because this tenure form is considered a version of homeownership. It has lost most of its privileges (grants, subsidized loans, free access to land, etc.) and has to compete with the private sector. However, there were several attempts, frequently supported by European donor organizations, to establish new nonprofit or limited-profit associations providing apartments for rent.

The most successful attempt in the early years of transition was Poland's TBS (housing association) program, which was based upon the French HLM model. The administration of this program was carried out by the state-held BGK Bank. The TBS could take different legal forms, such as a limited liability company, joint-stock company, or cooperative of legal persons. The majority of the TBSs were set up or initiated by local governments, in total about 450 institutions by the end of 2004. Financing required 30 percent funding from local governments, prospective tenants, or the TBS's own equity. The remaining funding was contributed by the National Housing Fund (KFM), 60 percent of which was funded by budgetary grants from the national housing budget, and the rest was mainly funded by long-term public debt contracted after 2002 from two multilateral institutions (European Investment Bank [EIB] and Council of Europe Development Bank [CEB]) in order to keep expanding the program. The interest rate subsidy in terms of net present value is in excess of 60 percent of the loan amount. The rents for TBS housing were set by the municipal councils as cost rents; but they cannot exceed 4 percent of the construction cost per year (replacement value).

The program was not exclusively aimed at lower-income groups, but rather at middle-income groups. The deposit equal to 10 percent of capital costs was provided by the tenants and therefore the selection of the tenants followed their ability to pay. The deposit was fully refundable to the tenant if the rental contract was ended and the tenant decided to move out of the flat. However, the tenants often considered themselves quasi owners. Altogether, the nonprofit housing associations have provided good standard housing with controlled rents, but the program was criticized because of insufficient targeting and excessive public costs. The total volume of the TBS program amounted up to 10 percent of total housing construction (2001) but has since expired (Zawislak 2003; World Bank 2006; Amann and Mundt 2012).

Slovakia tried to implement a limited-profit housing sector with a law on nonprofit organizations and in cooperation with the Netherlands' Matra grant program. Subsidies and tax benefits only applied to housing associations predominantly owned by municipalities with strong control mechanisms and very low building cost caps. Implementation proved to be difficult. Consequently, only two associations with quite limited activities were founded. The Matra housing organization in the city of Martin was established by the municipality to hold and maintain the public housing stock, which has not been privatized so far. Operation and maintenance of this stock must be provided by the municipality, whereas new construction and refurbishment activities were supported with loans from the Dutch financing institution DIGH (Červeňová 2005). Currently, in a similar framework with DIGH financing within the Matra grant program, a limited-profit housing association in Armenia has been established.

In the former Yugoslavia, affordable housing provision was financed from the Solidarity Funds for Housing Construction. Enterprises, institutions, and state bodies were legally required to collect a percentage of salaries to provide housing for employees. The legal base for these funds was abolished only in 2001.

In Serbia, some of these funds were transformed into municipal housing agencies, which are regarded as the basic implementing instruments of a future social housing system as defined by the Social Housing Law of 2008. In the framework of the UN-HABITAT granted Settlement and Integration of Refugees Program (SIRP), seven such agencies created low-rent dwellings for vulnerable households with highly subsidized loans on a nonprofit basis.

In Montenegro, a Fund for Solidarity Housing Development (CFSSI), following the model from socialist times, was reestablished in 1996 by the Confederation of Trade Unions. In 2008 it was transformed into a social partnership model, including the government of Montenegro, the trade unions, and the Federation of Employers on a nonprofit basis. CFSSI mainly provides affordable owner-occupied dwellings, but has also started rent and leasing schemes following an Austrian model. Financing is based on contributions from partner companies and public authorities, loans from international finance institutions (DIGH, CEB), and bank loans. Almost all Montenegrin municipalities have contractual relations with CFSSI for the provision of construction sites and infrastructure free of charge. As such, they fulfill their legal obligation to use 1 percent of their budget for social housing. CFSSI housing construction reaches up to 10 percent of total housing production in Montenegro (IIBW 2010).

There is a potential for "third sector" solutions: Private Public Partnership (short: PPP) models for housing finance and for limited-profit housing development. PPP housing legislation is one option for establishing a new business sector that targets affordable housing, particularly rental housing (UNECE 2005). Compared to public housing, PPP housing can be less costly to the state, if the necessary legal and institutional framework is in place. Thus, a well-designed PPP housing scheme may become an important tool to execute state housing policy. However, in order to establish PPP housing as a new business sector, a second strategy is necessary, that is, finance schemes that allow for affordable rents without leaving the path of market-based operations. Together, the aim is to develop social housing as a bankable product. In this respect models have recently been designed that focus on structured finance for affordable rental housing construction (Amann, Lawson, and Mundt 2009; Amann 2009).

Nonprofit or limited-profit housing associations play a major role in affordable housing provision in many Western and Northern European as well as Asian countries. It is difficult to explain why twenty years after the collapse of socialism hardly any model with similar economic sustainability has been introduced in any of the CEE countries. The introduction of such schemes in the West after World War II was characterized by strong public commitment, both institutional and in terms of financing. At that time, the markets were not able to provide sufficient quantities of housing. Today, the higher capacities of the market make it seem as though other allocation schemes were unnecessary. However, market-based housing allocation is not able to satisfy all housing needs, particularly the needs of the most vulnerable households.

Drawing on the Private Rental Sector for Social Housing Purposes

Internationally, the private rental sector plays an increasing role in social housing provision. A good example is social housing in Germany, which is heavily based on a model of regulated and subsidized private rental housing used for social purposes. The two key elements of the model, which has a more than fifty-year history, are soft rent control and housing allowances.

A solution to increase access to housing for vulnerable groups is to use social rental agencies to mediate between private landlords and households in need. The landlords' reluctance to let rental units to vulnerable groups may be managed by provision of direct or indirect guarantees. Such agencies have been established in Belgium starting in the 1970s and in the UK in the late 1980s, when discrimination of minority groups in housing allocation was identified.

For transition countries, drawing on the private rental sector for social housing issues is critical because of its highly informal functioning. Regulations concerning tenant protection, setting of rents, terms of contract, and termination of the contract are widely lacking. Due to the low share of legal written contracts, missing tenant protection, and transparency (with the exception of a more advanced private rental system in the Czech Republic), private rentals cannot fully substitute for social housing programs in post-socialist states.

There are thus only very few programs in place in CEE countries. One example is the so-called "guaranteed housing", piloted in the Czech Republic. In Hungary, a rent allowance program for rental investment was proposed (Hegedüs and Teller 2005), but it failed because the required rent guarantees were too high. In 2005, an allowance program for low-income families with children in private rental dwellings was introduced. The rent allowance paid by the central government was limited to 30 percent of the rent or 25–30 euros per month, with similar additional funding by the local governments. The program failed, partly because of the very low-income limits and partly because it required the landlord to register with the tax authority.

A basic obstacle to employing the private housing sector for social housing provision is the danger that the subsidy may be capitalized by the landlords or other private actors. But even in well-developed markets, targeted allowances or tax reliefs may lead to an increase in prices but can nevertheless provide broad affordability.

Homeownership Programs

After the large-scale privatization programs in the region diminished the social housing stock, social housing policy had to find techniques to help households to access and maintain owner-occupation. The task was to design programs targeting low-income groups that enhance access to owner-occupation or help low-income households to improve their housing conditions through renewal and reconstruction.

The advantage of these programs is that they do not need a special institutional structure and administration costs are low. The disadvantage of the programs is that they are typically poorly targeted (or not targeted at all) and thus put a fiscal burden on the economy to support a middle class that does not necessarily need state support.

Nevertheless, there are situations when homeownership programs can be considered more effective than rental programs, for example, in rural areas where there is no demand for rental housing and no skills or organizational capacities for managing and maintaining social housing. Privatized multiapartment buildings that require investment into modernization so as to avoid depreciation and marginalization are another example. In the latter case, preventing such processes through subsidy programs for homeownership can be effective and can decrease the social costs of renewing such properties in a later phase.

Most of the countries in the region had to deal with the middle- and even upper-middle income households' housing problems. Because of the collapse of the housing finance system in the 1990s, even these groups faced an affordability problem. However, the introduction of support for savings banks, interest rate subsidies and tax allowances served the higher-income groups and such created a large fiscal burden for the governments that limited their possibility to introduce targeted social housing programs. For example, in Hungary when the fiscal costs of the housing program introduced in 2000 were considered to be too high, it was the social rental program that was stopped right away, whereas homeownership programs continued (Hegedüs 2007).

Mortgage programs aim to reduce the effective interest rate paid by the borrower from a market rate. A solution applied in the region is to use a special fund to issue loans at below-market interest rates. Different sources have been used, including the revenues from privatization (Estonia, Slovenia). In Slovakia, the Housing Development Fund issues loans for eligible households at the discount rate of the National Bank in Slovakia (Zapletalova et al. 2003). Some Western countries, such as Canada, had very good experiences with mortgage insurance schemes. Similar programs in transition countries had different effects. In Estonia, after abolishing the Housing Fund, a self-managing guarantee fund, KredEx, was established in 2000 (Kahrik et al. 2003).

Another technique to reduce the effective interest rates is the introduction of tax advantages. The personal income tax may be reduced by the amount of interests paid on a loan used to finance the purchase or expansion of a dwelling occupied by the taxpayer. Among the homeownership programs, contract savings programs were particularly popular in the region.

Lump sum subsidies are a type of cash grant used to enhance housing investments by individual households. It is typically used for financing new construction, but can be given for reconstruction or even to support transaction costs. The lump sum grant is used in Hungary to support families with children for new construction and is given to condominiums in particular for thermal rehabilitation.

In Croatia, the government introduced the so-called POS program in 2001, a centralized, top-down housing construction program to help families buy their first home. The prices of such homes are considerably lower than market prices. Local authorities ensure land and infrastructure, and the state ensures favorable loans. Until 2010, almost 5,000 housing units were built in this program. The sustainability of the program could not be guaranteed, as it was tied to one political party (Tepuš 2005), and when a new government came to power in 2003, the program was no longer a political priority and consequently fewer and fewer housing units have been produced. Within the program, a partnership with local authorities for social housing construction is offered. However, only one city has used the resources for these purpose.

Housing renovation and energy saving programs become very important in current years in many countries in the region. The State Support Program in Latvia between 2007 and 2010 is a good example for such interventions.

GOVERNANCE AND THE ROLE OF INTERNATIONAL CONTRIBUTIONS FOR SOCIAL HOUSING IN TRANSITION COUNTRIES

At the national level, housing funds became an important factor. The effectiveness of housing funds depends on their size as well as their administrative capabilities. National Housing Funds have been introduced, for instance, in Poland, the Czech Republic, Slovakia, Slovenia, Romania, and Albania (Amann and Springler 2012). The Slovenian Housing Fund emerged as an important provider of finance for the social housing sector after the transition, when mortgage finance was developing slowly and housing policy was inadequate. The Polish National Housing Fund (KFM) has financed more than sixty thousand new rental units since its establishment in the mid-1990s. The administration of the fund is carried out by the state-owned Bank Gospodarstwa Krajowego (Chiquier and Lea 2009).

There has been substantial international financial support for social housing in post-socialist states. The EIB supports social housing in two major ways. Social housing may be financed directly: the EIB participates in implementing EU development aid and cooperation policies through long-term loans (UNECE 2005). It has started to actively promote social housing by redirecting funds from urban renewal projects to social housing, for example, a 200-million-euro loan for urban renewal and energy efficient social housing in Poland (Amann et al. 2006). CEB has a special focus on social housing in transition countries with a big variety of projects in Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Macedonia, Montenegro, and Serbia. It promotes projects that provide assistance to the most vulnerable people while supporting a structural approach to the development of social housing schemes in the target countries (Tsenkova 2005). World Bank financial support was granted in the past to housing projects in Poland, Russia, Albania, and Latvia (Tsenkova 2005) and more recently in combination with land administration projects also to Montenegro, Serbia, and Bosnia-Herzegovina.

CONCLUSION

The social rental programs are embedded in a policy environment and thus undergo constant adjustment according to the changes of the macro-environmental conditions and social needs.

The critical question is the availability of budget resources. Support for the public rental sector was a burden on the budgets of all European countries, although the overall cost of housing programs tends to decrease as a society becomes wealthier. The transitional countries typically have a GDP per capita around 30–50 percent of the European average, whereas their real estate market prices (and rents) are around 70–90 percent of the European level. Thus, to maintain a public rental sector costs more for the transitional countries, but these expenses can be lowered in the long run. The costs of social rental programs are high, and the expenses should be thoroughly planned, based on need. An unrealistic calculation of future program costs can quickly lead to the withdrawal or termination of such programs. A specific requirement for efficient housing policy schemes is continuity over election periods, rare indeed in most transition countries.

There are several institutional forms for implementing public rental programs, and it is difficult to set priorities among the alternative solutions. We have seen that the transitional countries have attempted to make use of many various models that exist in developed countries. The key question is how to ensure that the new institutions have their own interest and capacity to survive and continue to operate, in order to guarantee the sustainability of the respective models.

Interestingly enough, many rental programs turn into ownership programs when privatization becomes an available option for the sake of a short-term (political) advantage, which causes the failure of the social rental programs. Mass-scale privatization led to the development of a general expectation or "social pressure" to privatize remaining or newly constructed units.

The financial sustainability of a program means that the new tenants will be able to maintain the apartments, that is, they can afford the rents and housing costs. Hence, it is a question of allocation (not only the poorest should have access) and putting in place an efficient housing allowance system that guarantees that housing will be maintained and managed properly and, thus, be sustainable in the long run.

The aftermath of the international financial and economic crisis showed the necessity of reinventing the downgraded social housing sectors. Although European Union and transition economies were differently affected by the international economic crisis, households suffered in all economies.

The development of social housing and its financing was of low political significance in all transition countries. Most of them followed an explicit liberal market policy model with the idea that housing provision would basically be solved by the markets. Following a strict low-tax strategy, there was no scope for social housing finance anyway. Urgent social concerns were seemingly solved with mass privatization of previously social housing stocks. Policy reform focused on preparing the conditions for commercial housing construction, mainly by introducing condominium legislation and mortgage legislation and by privatizing the banking sector. The increasing output of residential construction, resulting from the introduction of retail financing products in the early 2000s, seemed to affirm this strategy. But the economic crisis showed quite clearly that the stalled housing boom has missed demand extensively in terms of location and affordability. After twenty years of transition, hardly any of the observed countries have developed a comprehensive scheme of social housing including according financing mechanisms. International institutions, including the EU, did not help much to make a difference.

Social housing is not only a social issue. Its potential for economic or environmental development, which is highly appreciated in Western countries with integrated housing policy schemes, is hardly realized. Many transition countries have very high ownership rates despite the negative effects on household mobility and consumer choice.

Some transition countries have experienced phases of relatively high public expenditure on housing, resulting from allowance schemes and temporary initiatives in new construction. But the state expenditure rates of western or northern European countries have hardly ever been reached. Following the economic crisis, many transition countries have even reduced the previously low expenditures on social housing. The development of the private banking sector has fueled commercial housing and contributed to the house price bubble in many metropolitan areas. But it hardly influenced social housing. Unlike in the West, commercial financing has hardly been integrated into social housing finance so far. Few examples with interest subsidies for commercial mortgages had a short life span due to exhaustive public costs. The banking sector is still no partner for social housing finance. There is little progress in financing (thermal) refurbishment of the multiapartment housing stock for several reasons: lacking private funds; reluctance of the public to further subsidize such upgrades after privatization; deficient enforcement of owners' associations; and, hence, low creditworthiness for such measures.

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