

Lessons Learnt - Experiences and Challenges

In a final discussion the „lessons learnt“ during this congress are to be considered, experiences are to be exchanged and challenges regarding our future activities should be defined.

My contribution is a report on a number of projects in the field of housing in all their stages from financing to the actual building process.

Project No.1

I will first describe a project of **creating structures for financing the building and refurbishment of dwellings in Eastern and South-eastern Europe**. This project is being implemented within the framework of the Stability Pact. It was initiated by Dr.Erhard Busek and was started in the course of the Conference on Real Estate and Housing Research (Konferenz über Immobilienforschung) held in Vienna in January, 2004.

This project is **not a relief programme** but an investment strategy which meets the demands of Eastern and South-eastern Europe for housing as well as those of Central and Western Europe for advantageous investment of its capital.

Western European countries are currently experiencing a change in their old age pension systems. The old “pay as you go” system is giving way to a new “mixed” system containing elements of capital-based financing. This results in procuring considerable capital resources; low-risk and long-term investment of this capital must be guaranteed. Eastern and South-eastern Europe, on the other hand, need large amounts of capital in order to provide housing for the lower and middle income groups.

The implementation of this programme should achieve the following effects:

- Strengthening of the rule of law and of property rights
- Assured financing for housing construction and refurbishing
- Boosting of the local economy (building trade as well as local banks which could provide loans)
- Affordable new dwellings and refurbishing of existing ones

The concept for the project has been completed. As a second step, a European Bank for Housing Construction is to be founded. This bank is to invest the substantial Western and Central European capital in building and refurbishing projects in Eastern and South-eastern Europe.

Guarantees are to be provided by European institutions, such as EU and/or EIB. The investors should be national governments as well as private banks and other private investors. In this field, the emerging “Bausparkassen” will certainly play an important rôle. Raiffeisen, for instance, reported a total of 470 000 new contracts in the Czech Republic, Slovakia and Croatia in 2003.

Project No. 2

In consequence of a multinational meeting of limited profit housing associations and banks a housing association based in Lower Austria, the GWS Neunkirchen, entered into several cooperative projects:

- 2.1. In cooperation with the East European Fund of the City of Vienna the local infrastructure of the town of GAIARY in Western Slovakia (3000 inhabitants), namely, schools, a kindergarten and a cultural centre, was renovated and a new alternative energy plant was built.
- 2.2. The GWS SLOVAKIA was founded by a number of firms, a third of them Slovakian. 35 dwellings (some to be let, some to be sold) are currently being built in Bratislava.
- 2.3. One of the members of the GWS HUNGARIA, which was also recently founded, is a Hungarian cooperative; residential buildings in Budapest are being planned.

Project No.3

In 2002 the Austrian GPA-Wohnbauvereinigung and the Bosnian Zeljeznicara founded the GPA BOSNIA which succeeded in building 164 apartments, 18 offices and garages for 60 cars in Sarajevo within a year. It was an important prerequisite for this project that the right to dispose of the building site was certified by legal documents. The building costs were covered, partly by capital resources, but largely by a loan provided by Bank Austria. The financial advantages of this procedure were illustrated by the "Wirtschaftsblatt" as follows: "In Bosnia-Herzegovina loans are at least three times as expensive as in Austria, whereas building costs amount to a third of those in Austria."

The Sarajevo project was handled by the local cooperative; the necessary sums were transferred to the latter according to building progress. Thus, the responsible contractor's requirements of liquidity and the completion of the building within the time limit could both be guaranteed.

The canton of Sarajevo has taken over the whole site, including all obligations such as insurance, payment of communal duties, etc., as a general lessee. It sublets the apartments according to social criteria. Due to the combination of low financing and building costs the rents are 60% below the level of comparable dwellings.

Projects concerned with transfer of know-how

- 4.1. The "CECODHAS Arbeitsgruppe Mittel-Ost Europa" is starting a programme in 2004 which seeks to promote junior executives in the housing industry.
- 4.2. The Erhard Busek Award of the "Wohnen in Wien" association was created this year. It will promote young scholars doing research in the field of housing construction.

- 4.3. In 2001 a CD-Rom containing selected topics from 30 years of Austrian housing construction research was distributed to all countries of Central, Southern, and Eastern Europe.

Problems

OSCE, World Bank and UNDP devised the Property Law Implementation Plan for Bosnia-Herzegovina.

Formally, 92 % of all claims for recuperation of property could be dealt with in a satisfactory way. However, the number of cases in which the former owners actually returned to their old homes was much smaller. In many instances the site or dwelling was taken possession of, only to be sold, after a waiting period of two years, to those who had been in possession in the meantime or to third persons. Thus the desired effect, namely, the return of the original inhabitants, was not achieved.

There were also economical reasons for this failure, such as a lack of possibilities to rebuild destroyed houses, a lack of job possibilities in an area in which the original inhabitants had become strangers, as well as a lack of health care, the cancelling of payment of old age pensions, the lack of ethnic schools, and deficiencies in infrastructure regarding water and power supply, sewerage systems and roads.

Conclusion

From these instances a number of prerequisites for success can be inferred:

- The **framework of public institutions** should be as stable as possible; i.e. titles to property must be ascertainable (e.g. land register), the law relating to private enterprise should be assured and a building code should exist. Especially in the field of housing construction, up-to-date legislation concerning cooperatives, a binding definition of the term of “limited profit association” and transparent rules for public subsidies are desirable.
- A minimum of **development as to infrastructure** must exist.
- **Private capital** provided by institutions, banks and savings banks as well as by individual investors must be obtainable; its yield must be, not speculative, but reliable in order to allow long-term planning. The large-scale implementation of “Bausparen” suggests itself.