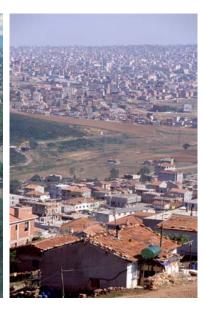
# Rental Choice and Housing Policy Realignment in Transition: Post-privatization Challenges in the Europe and Central Asia Region







Infrastructure Department
Europe and Central Asia Region (ECA)
The World Bank

Washington, D.C.

December 2005

### Abstract

Massive privatizations of housing in Europe and Central Asia transition countries have significantly reduced rental tenure choice threatening to impede residential mobility. Policy makers are intensifying their search for adequate policy responses aimed at broadening tenure choice for more household categories through effective rental housing alternatives in the social and private sectors. While the social alternative requires substantial and well balanced subsidies, the private alternative will not grow unless rent, management, and tax reforms are boldly implemented and housing privatization truly completed.

The primary authors of this report are *Hans-Joachim Dübel*, *W. Jan Brzeski (Team Leader)*, and *Ellen Hamilton*, Infrastructure Department, Europe and Central Asia Region, World Bank.

## **Acronyms and Abbreviations**

ECA Europe and Central Asia

EU European Union

GDP Gross Domestic Product
HOA Homeowners Association
HBS Household Budget Surveys

HLM Habitation à Loyer Modéré (French social housing system)

LSMS Living Standards Measurement Surveys

M-F Multi-family (building)PPP Public-Private Partnership

TBS Towarzystwo Budownictwa Społecznego (Polish social housing system)

USAID United States Agency for International Development

VAT Value Added Tax

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## Acknowledgements

The authors thank their sector manager Lee Travers and other colleagues in the World Bank who at various stages provided valuable comments and suggestions and/or reviewed and discussed the report text: Robert Buckley, Loic Chiquier, Anthony Cholst, M. Willem van Eeghem, Peter D. Ellis, Lawrence M. Hannah, John Litwack, Ali Mansoor, Bertrand Renaud and Margret Thalwitz. Special thanks go to Sudeshna Gosh for her technical contribution in data analysis, and to Larisa Marquez and Maria Teresa R. Lim for their help with final edition and formatting of the report text.

The following people provided assistance and comments on countries studied:

- Armenia: Steve Anlian (Urban Institute), Gevorg Sargsyan (World Bank)
- Lithuania: Vytautas Jonaitis, Elvyra Radaviciene, Vilma Vaiciuniene (Ministry of Environment), Eduardas Kazakevicius (Central Project Management Agency), Keistutis Nenius (City of Vilnius), Gedeminas Reciunas, Tomas Milasauskas (Lideika, Petrauskas, Valiunas and Partners)
- Poland: Andrzej Bratkowski (Ministry of Infrastructure), Marek Zawislak (Ministry of Infrastructure), Edward Kozlowski (REAS Konsulting), Elzbieta Szczawinska (City of Krakow), Henryk Rand (Property Managers Association)
- Romania: Ion Bejan (Ministry of Transport, Construction and Tourism, Bucharest),
   Christina Stoica (Legal expert, Bucharest), Illeana Budisteanu (Consultant)
- Russia: Peter Ellis (World Bank), Alexander Puzanov, Tatiana Lykova (Institute of Urban Economics), Louis Skyner (Institute of Law and Public Policy), Tim Lassen (German Mortgage Banks Association)
- Serbia: Goran Milicevic (University of Belgrade), Mina Petrovic (University of Belgrade)

#### **FOREWORD**

This study reviews the post-privatization rental housing challenges confronted by six transition countries in the Europe and Central Asia region: Armenia, Lithuania, Poland, Romania, Russia and Serbia. The common problem for policy makers across these countries is that housing privatizations decimated the stock of social housing, while the growing market-based housing production has been almost entirely focused on homeownership. As the number of households who did not benefit from the privatization continues to grow – especially the young, the mobile and the poor – the lack of accessible and affordable formal rental housing is pushing them into informal rentals with little tenure security, discouraging higher residential mobility and thus labor market flexibility. Governments are increasingly recognizing that sustainable homeownership for all is neither financially and fiscally possible, nor desirable for all household groups and life-cycle stages. Consequently, there is a need for post-privatization housing policies to recognize and address the need for social, non-profit and market-based rental housing choice.

In order to respond to this growing policy gap, the Bank has undertaken an extensive literature review. That desk study has been supplemented by limited field work. The study offers preliminary recommendations regarding the directions of policy response aimed at creating better choice of rental tenure by households who cannot attain homeownership and by those who consciously opt for this tenure form. We hope that this study will contribute to the growing policy dialogue within ECA countries in the area of housing and urban development.

Peter Thomson
Director
Infrastructure Department
Europe and Central Asia Region