

PPP-Housing – a new approach to facilitate social housing in transition countries

Dr. Wolfgang Amann



HOUSING FORUM
EUROPE & CENTRAL ASIA



UNITED NATIONS
ECONOMIC COMMISSION FOR EUROPE



Institute for Real Estate, Construction and Housing Ltd.
PB 2, A 1020 Vienna
+43 1 968 6008
office@iibw.at
www.iibw.at

Why social rental housing?

- Downturn of housing construction after the crisis
- Smooth recovery of housing completions in many countries

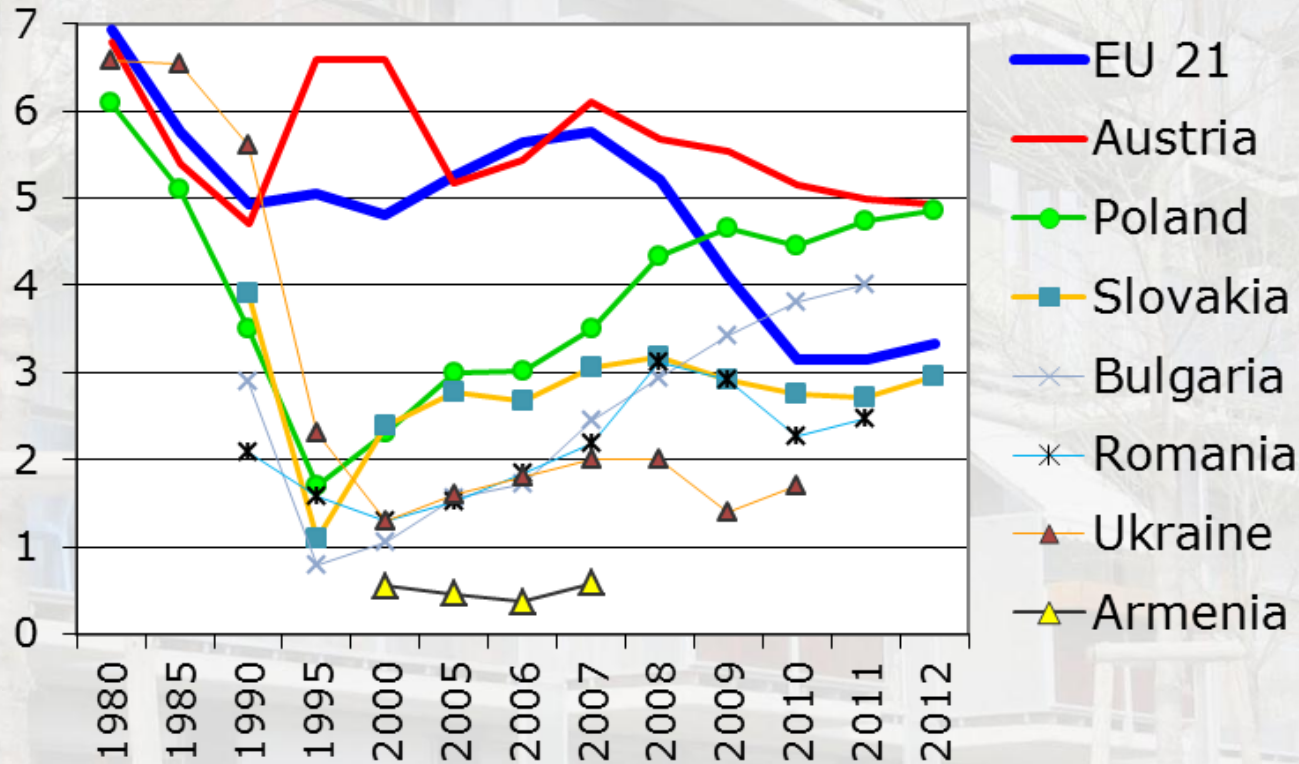
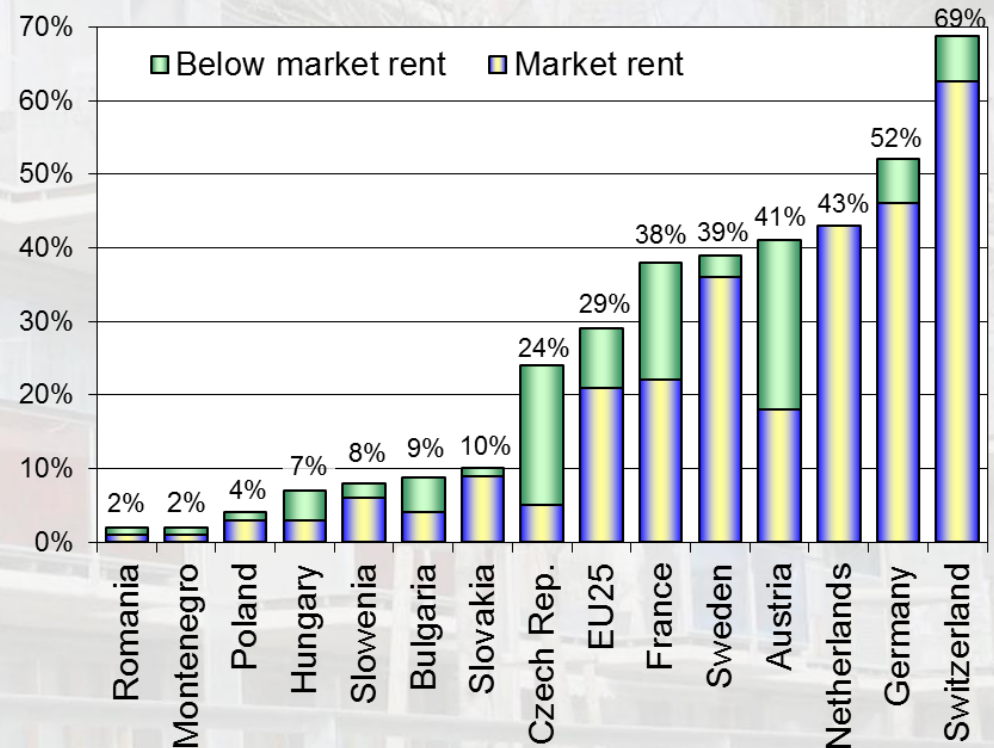


Fig.: Housing completions per 1,000 inhabitants

Why social rental housing?

- New construction in CEE countries mainly owner-occupied housing, in the upscale market, in metropolitan areas
- Market failure regarding location and affordability
- Serious deficiencies in the housing stock
- Very low housing mobility
- But relatively low housing expenditure rates
- Lack of consumer choice
- Therefore an undetected economic brake



Source: IIBW, Eurostat (EU SILC), UIPI (for Switzerland), Statistik Austria (for Austria)

Social housing wrongly in discredit

A well functioning social housing sector may contribute not only to social welfare, but also to economic and environmental development

- Price stabilisation
- Stabilisation of construction output (on an increasing level)
- Capacity building
- Political maneuverability
- Satisfaction of social demand
- Moderate and stable housing costs favour other private investments
- Strengthening of competitiveness of markets

Role models in Western Europe and Asia

Well developed social housing sectors in many Western European and Asian countries, e.g.

- Austria
- The Netherlands
- Scandinavia

Integrated housing policy schemes have better overall performance than residual housing policy schemes

Different approaches ...

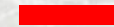
- Market approach

Subsidised private housing



Use of existing capacities

Strengthening the private sector



Windfall gains

However unaffordable prices

Difficult public controlling

Different approaches ...

- Market approach
- Public services



Different approaches ...

- Market approach
- Public services
- Public-Private Partnership

PPP housing



Capacity building

Political manoeuvrability

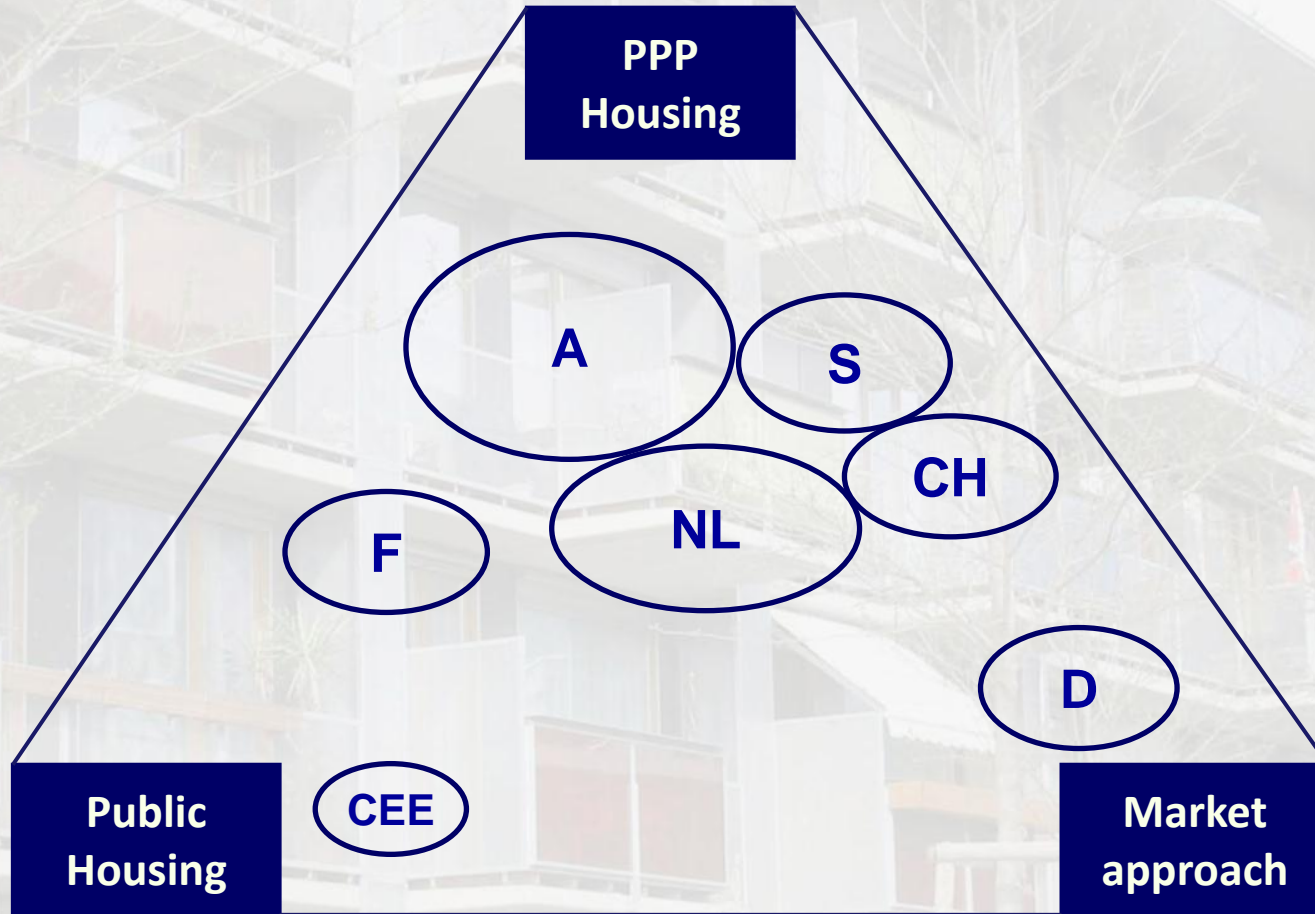
Building up an
economical strong sector



Difficult implementation

Pressure to private sector

Provision of social housing



High public costs:

- Tax subsidies for middle income groups
- Housing allowance schemes with high coverage and no effective regulation of the markets
- Public housing in quantities effective on markets
- Too high quality standards in social housing
- Non-action (long term)

Moderate public costs:

- Non-action (short term)
- Reliance on existing capacities
- Systems that combine the strengths of the markets with the backing of the state (PPP)
- Continuity

PPP Housing as a new business case

- For demand not covered by the markets so far, particularly affordable rental housing
- Therefore no market interference
- Private companies fulfill public service obligations
- Subsidies are indispensable, but may be low (particularly in a mature economic environment)
- Comprehensive supervision and control

Cornerstones of implementation PPP Housing

- Housing organizations as investors, developers and administrators
- Long term perspective, stability of the legal environment
- Set of skills: financing, contractual and financial administration, building technologies
- Sustainable relations to public authorities, e.g. with a social partnership approach, as social partners remain counterparts of the government, even in the case of political change
- Consumer choice of tenure
- IIBW structured financing model for rents of 1.50 to 3.00 €/m², with only little public subsidies
- Implementation of a maintenance scheme
- Comprehensive scheme of audit and supervision
- Western twinning partners

IIBW projects

Toe-holds for the implementation
of PPP Housing sectors

Legal framework / business
case for PPP housing

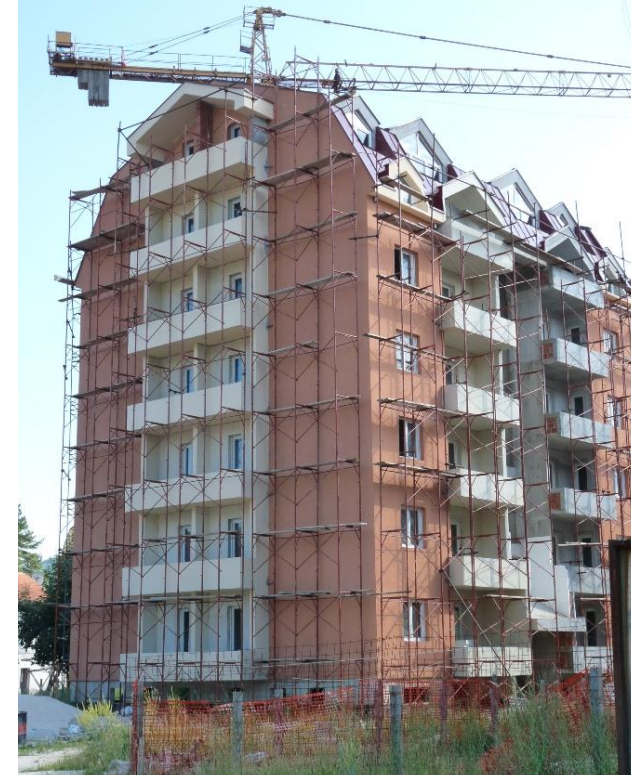
Structured
financing

Capacity building (social
partnership model)

- Albania: Feasibility study „Establishment of a PPP Housing Sector” (Austrian Development Agency, Government)
- Armenia: Assessment of the existing housing policy scheme (World Bank)
- Bulgaria: Implementation project
- Hungary: Consultancy on the implementation of a PPP Housing sector (construction product industry)
- Kyrgyzstan: Assessment of the existing housing policy scheme (UNECE)
- Montenegro: Implementation of PPP rental housing, legal consultancy (Government)
- Romania: Development of a new Housing Law including a PPP Housing Law (Government)

Affordable housing in Montenegro

- “Montenegrin Fund for Solidarity Housing Development“ (CFSSI) as social partnership model with the Government, the Trade Union and the Federation of Employers as shareholders
- 500 dwellings completed, 2,000 in preparation, contractual relations with 19 out of 20 local governments.
- 300 rental dwellings completed or in preparation, with rents of 2 to 3,- €/m², IIBW structured financing model with support of Dutch International Guarantees for Housing (DIGH) and Council of Europe Development Bank (CEB)



Thank you for your attention

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