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**ECONOMIC COMMISSION FOR EUROPE**

COMMITTEE ON HUMAN SETTLEMENTS

Sixty-third session

(Geneva, 16-18 September 2002)

(Item 4 (d) of the provisional agenda)

**ORGANIZATION OF WORK ON  
GUIDELINES ON PRIVATE HOUSING FINANCE SYSTEMS  
FOR COUNTRIES IN TRANSITION**

Note by Housing and Urban Management Advisory Network with the assistance of the  
secretariat

**Introduction**

1. At the sixty-second session of the Committee in September 2001, Mr. H. Pfeiffer (Housing and Urban Management Advisory Network) presented the project proposal for guidelines on available housing-finance instruments for countries of Central and Eastern Europe. The Committee invited the Network to proceed with the preparatory work for the study and to report to the Committee's Bureau (ECE/HBP/122, paras. 34-36).

2. At its meeting on 4 February 2002, the Bureau considered the revised draft proposal and, after further consultations with donors, interested countries and the secretariat, the project was approved as it is presented in this note. It was agreed that upon finalization of the proposal, including the organization of work, the donors would pay their financial contributions into the ECE Trust Fund on Human Settlements. This note presents the purpose, outline and organization of work of the project. It sets out (a) the outline of the study (annex I); (b) the organizational structure and the division of responsibilities (annex II); and (c) the composition of the Steering Group (annex III).



**Purpose of the project**

3. Housing finance is of considerable importance to countries with economies in transition. Financial sector reform is a precondition for efficient housing finance, both to encourage savings for the purpose of housing and to create the necessary financial intermediation. Countries in transition have undertaken different reforms to create the framework for developing formal housing finance.

4. Policy makers in countries in transition have received much policy advice, but this advice has often been unbalanced. There are several systems in use in the ECE countries, but it is not necessarily clear to the authorities in countries in transition what systems are the most suitable for adaptation to their domestic situation. In addition, policy makers in many of these countries are trying to develop an appropriate legislative framework.

5. The aim of this project is to provide the countries in transition with an opportunity to grasp the range of experience available in the ECE countries. This should take the form of practical guidelines on private housing finance instruments based on studies of selected housing finance models available in the ECE countries.

Annex I

**OUTLINE OF THE GUIDELINES ON PRIVATE HOUSING FINANCE SYSTEMS  
IN THE ECE COUNTRIES**

**Introduction**

The introduction will present the role of the ECE Committee on Human Settlements in housing policy in general and in the preparation of these guidelines in particular. The aim, scope and target group of the guidelines should be mentioned.

**Executive summary**

The executive summary will provide a synthesis of major findings and conclusions of interest to high-level policy makers.

**Chapter I: PRESENT STATE OF HOUSING FINANCE IN  
COUNTRIES IN TRANSITION**

This chapter should give an overview of the major challenges and bottlenecks in the field of housing finance in the transition countries. It should describe in a general way the progress made so far and that to be achieved in the area of housing, its financing and the use of relevant instruments. This chapter should therefore look at the related legal, institutional and economic aspects of importance in the countries concerned. It should identify the place and role of private housing finance in countries in transition in comparison with other types of housing finance (State housing finance, social housing, municipal housing sector), and in relation to the income of the population in these countries, etc.

**Chapter II: PRIVATE HOUSING FINANCE: OVERVIEW OF PRIVATE  
HOUSING FINANCE IN THE ECE REGION AND THREE BASIC  
PRIVATE HOUSING FINANCE SYSTEMS**

**Section A. General overview of the main private finance instruments available in the  
ECE member countries**

This section will deal with a comparative presentation of current private housing finance practice as illustrated by the following models:

- (i) Deposit-funded finance for housing: savings bank, commercial bank and building society financing (the French “Epargne-Logement” model; the German/Austrian “Bausparkasse” model; etc.);
- (ii) Mortgage bonds - as developed in Germany (“Pfandbrief”) and the Scandinavian countries;
- (iii) Mortgage-backed securities - as widely used in the United States and to a certain extent in several European countries.

**Section B. German “Bausparkasse” model**

Description, functions, comparative advantages and disadvantages

**Section C. Mortgage bond model**

Description, functions, comparative advantages and disadvantages

**Section D. Mortgage-backed securities model**

Description, functions, comparative advantages and disadvantages

**Chapter III: REQUIREMENTS FOR THE SUCCESSFUL INTRODUCTION  
OF THE THREE SELECTED MODELS OF PRIVATE  
HOUSING FINANCE**

This chapter will focus on the general and specific framework conditions that have to be in place to make the systems work.

**Section A. General requirements for all three models**

This section will focus on the general framework conditions that have to be in place to make the systems work. These conditions will at first relate to the legal and institutional aspects and will be determined by general economic, market-related and political considerations. These include the role that the State has to play in housing finance and the instruments that the State is using to support private housing finance. Consideration will be given to the preparation of efficiency indicators (subject to a decision by the Steering Group at its first meeting).

**Section B. Specific requirements for the German “Bausparkasse” model**

This section will focus on the specific framework conditions that have to be in place to make the “Bausparkasse” model work.

**Section C. Specific requirements for the mortgage bond model**

This section will focus on the specific framework conditions that have to be in place to make the mortgage bond model work.

**Section D. Specific requirements for the mortgage-backed securities model**

This section will focus on the specific framework conditions that have to be in place to make the mortgage-backed securities model work.

**Chapter IV. CONCLUSIONS**

(Optional, to be seen in relation to the executive summary, subject to consideration by the Project

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Annex I

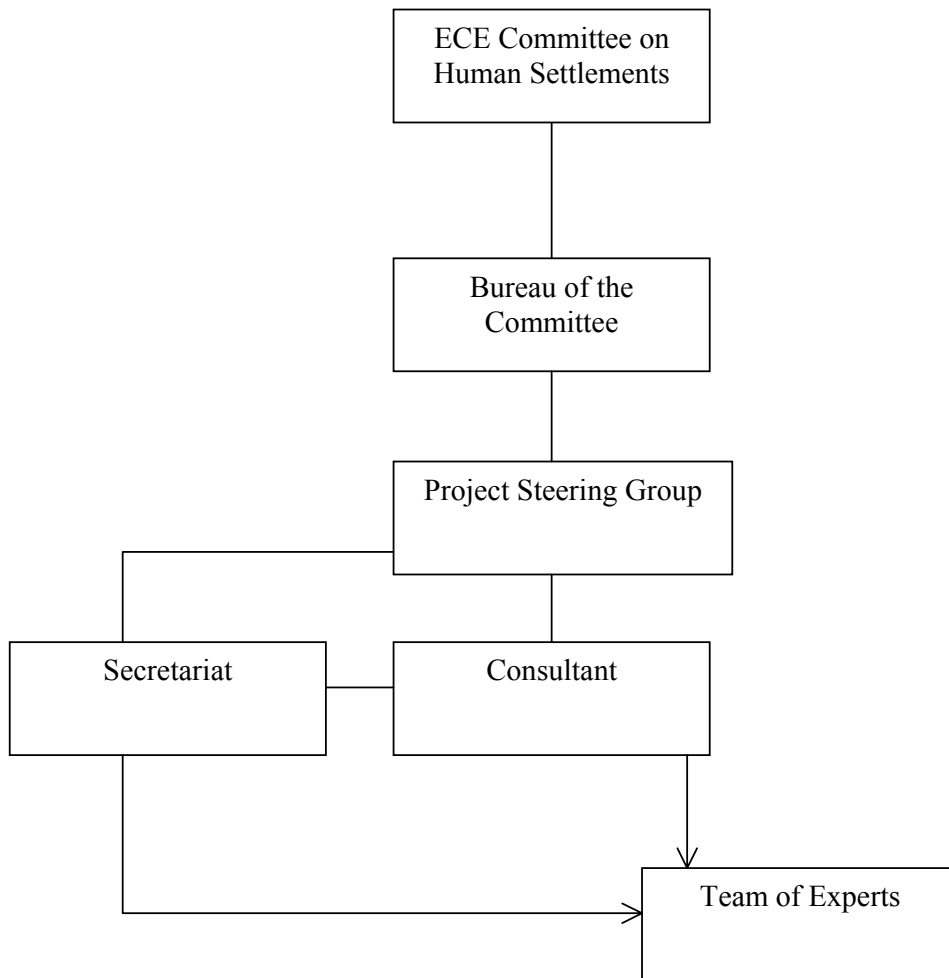
Steering Group.)

This chapter should provide conclusions related to chapters I and III on ways to improve the present state of housing finance in view of the requirements of the three models.

Annex II

**ORGANIZATIONAL STRUCTURE OF THE PROJECT AND  
DISTRIBUTION OF RESPONSIBILITIES**

**I. ORGANIZATIONAL STRUCTURE**



**II. DISTRIBUTION OF RESPONSIBILITIES**

### **ECE Committee on Human Settlements**

The project is implemented under the auspices of the UNECE Committee on Human Settlements. The Committee is responsible for the general approval of the project's organizational framework, its supervision and publication.

### **Bureau of the Committee**

The Bureau carries out functions of the Committee with regard to the supervision of the project and the approval of the principal decisions between annual sessions of the Committee. In this task the Bureau communicates with the Project Steering Group and the secretariat on all aspects of the project.

### **Project Steering Group**

The Project Steering Group consists of representatives of some interested ECE countries, donor organizations, the Chairperson of the Committee's Bureau, interested NGOs and the ECE secretariat. The Group elects its Chairperson. The Group monitors and supervises the project's implementation. It evaluates the drafts submitted by the Consultant and recommends improvements to the drafts and to the implementation. The Group carries out a professional assessment of the final draft and recommends its publication to the Bureau.

### **Consultant** (project manager)

The Consultant has the following main functions and responsibilities (which will be the basis for establishing a contract between ECE and the Consultant):

- Selects experts for the Team of Experts (in consultation with the secretariat and the Project Steering Group);
- Draws up a work plan for the experts;
- Manages and coordinates the work of the experts;
- Organizes and chairs all meetings of the Team of Experts;
- Drafts parts of the study, re-drafts other parts, if needed;
- Harmonizes all chapters within the study;
- Submits drafts and progress reports to the Project Steering Group;
- Is responsible for the quality of the final draft of the study (ready for editing by the secretariat).

### **Team of Experts**

The Team of Experts is selected by the Consultant in consultation with the Project Steering



Group and the secretariat. It works under the full supervision of the Consultant according to the plan drawn up by the Consultant. The experts are responsible to the Consultant for the timely preparation of their drafts as agreed between them and the Consultant.

**Secretariat**

The secretariat is represented in the Project Steering Group. It establishes contracts with the Consultant and other experts.

Annex III

**COMPOSITION OF THE STEERING GROUP**

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