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ECONOMIC COMMISSION FOR EUROPE

COMMITTEE ON HUMAN SETTLEMENTS

Item 5 of the provisional agenda  
for the sixty-first session  
(Geneva, 18 and 20 September 2000)

HANDBOOK ON HOUSING FINANCE STRATEGIES  
Project proposal by the Housing and Urban Management Advisory Network

Introduction

1. The housing sector represents a vast source of potential economic growth in many ECE countries. In western countries the housing stock typically accounts for more than one quarter of tangible capital wealth. The share of new housing construction is between 3 and 8 per cent of GDP, excluding housing-related infrastructure and household services. Households typically spend between 20 and 25 per cent of their net income on housing. The system of housing finance thus has important social implications.
2. In countries in transition, housing finance faces many constraints, such as macroeconomic instability, an undeveloped financial sector, poor legal environment, and distorted relative prices in the housing sector, which discourage new investment. To facilitate the exchange of experience on housing finance and the development of effective housing finance strategies in ECE countries, there is a need for an overall review of the existing financial instruments and systems. Such a review should specify the strong and weak aspects of these systems and their consequences for the housing sector and the national economy as a whole.

## I. PURPOSE AND SCOPE OF THE PROJECT

3. The purpose of the project is to provide a practical handbook for central and local authorities in ECE countries on how to define and implement housing finance strategies on the basis of the existing housing finance systems and experience available in the region. This project would include two stages.

4. In the first stage, attention will be given to collecting information on the “state of the art” in housing finance in the ECE countries, describing internationally available financial systems and instruments, and case studies. General requirements for the legal and institutional framework (financial services, land registry and cadastre, courts, State administration) will be formulated. Macroeconomic effects will be studied, in terms of both quality and quantity, as well as capital market requirements and their impact on the housing sector.

5. In the second stage, it is envisaged that country-oriented feasibility studies will be carried out at the request of individual ECE countries. The feasibility studies will deal with legal instruments and institutional infrastructure. Attention will be given to the effects on and possible options for housing sector development (renovation/modernization or new construction; tenure structure: owner-occupied housing/rental housing/social housing; relationship between employment, inflation, house-building industry and fiscal income).

## II. ORGANIZATIONAL STRUCTURE OF THE PROJECT

6. The project will be implemented by three groups of experts: (a) project group on legal and institutional frameworks; (b) project group on financial aspects; and (c) project group on macroeconomic aspects.

7. A project steering committee will be established. It will include representatives of the Committee’s Bureau, the ECE secretariat, the Advisory Network and participating international organizations. The steering committee will designate the project manager.

8. Moreover, a project reference group is to be established with national experts and experts from interested international organizations.

## III. TIMETABLE

9. The following timetable is envisaged:

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|--|--------------------|
| - Identification of interested countries, international organizations and sources of project financing | End of 2000        |
| - Consultation of participating parties and selection of the project teams and initiation of phase I   | Winter-Spring 2001 |
| - Termination of phase I   | September 2001     |
| - Initiation of phase II in interested countries   | October 2002       |

#### IV. FINANCING

10. The project should be funded by interested national delegations and international organizations. Discussions could be held with the World Bank, the Organisation for Economic Co-operation and Development (OECD), the International Union for Housing Finance (IUHF), the European Mortgage Federation, the European Bank for Reconstruction and Development (EBRD) and others.

11. The Committee may wish to:

- (a) Invite the Advisory Network and the secretariat to elaborate further the proposal and to establish contacts with interested international organizations;
- (b) Invite its Bureau to consider the progress at its next meeting.