EXECUTIVE SUMMARY

This summary provides an overview of the housing and land management situation in Belarus, covering the main characteristics of the sector and advancing some policy recommendations.

Urbanization in Belarus follows common regional patterns and world trends: the urban population is increasing (currently more than 73 per cent of the total population, as opposed to 57 per cent in 1981), and the main growth is registered in the capital city of Minsk, home to nearly one fifth of the total population of the country. Migration is linked to the opportunities offered in urban areas by the development of industry and services and better living conditions.

There are several signs of a positive attitude shown by the Government of Belarus towards the housing and land management sector, including a number of reforms and by-laws. In line with similar experiences in the region, the country's housing and land management system has to respond and adapt to post-Soviet period needs as well as political and institutional restructuring. For instance, privatization of housing was one of the first ways to gradually improve the well-being and living conditions of the people of Belarus. Passed in 1992, after several amendments, the Law "On the Privatization of Housing Stock in the Republic of Belarus" (1992, with amendments and additions) allowed the Government to allocate housing space to citizens. As of 1 January 2008, privately owned housing stock accounted for 84.4 per cent, as compared to 53.5 per cent in the early 1990s.

Despite a general tendency to align themselves with regional development patterns and reforms, current trends and policy orientations in the housing and land management sectors need to be stronger to achieve the full and effective participation of all stakeholders in or affected by the housing sector, including a more proactive involvement of the private sector. The decentralization of decision-making is also necessary to involve local authorities and administrations, which is a crucial aspect in this regard.

In general, the Government and its ministries should loosen their regulatory functions and increase facilitation and monitoring of relations and interchanges between the public and private sectors. Hence, the know-how and experience acquired in regulatory frameworks should be applied more in the monitoring phases of projects to check the different actors' compliance with laws and rules. The rule-setting functions of the Government should be relaxed and decentralized to allow for decision-making at the local level, while facilitating and monitoring the interactions between the different actors (including non-governmental organizations (NGOs) and the private sector) involved in housing and construction businesses.

The two lead ministries on issues pertaining to housing and land management are the Ministry of Architecture and Construction and the Ministry of Housing and Communal Services, but in addition a number of other ministries and committees are involved in this policy area, leaving only a limited role and reduced number of tasks for local-level authorities. Overlaps of responsibilities at the highest levels and the limited decision-making powers of the local structures prevent the system from being more effective and flexible.

The work of local and regional governments (rayons and oblasts) should therefore be given greater scope and more independence for formulating and implementing housing policies. The current "top-down" approach discourages actors at the municipal level, who are mere executors of decisions taken at higher levels, and therefore cannot translate their knowledge and hands-on experience of local realities in effective and responsive policies and plans. More decentralization and a clearer division of responsibilities, coupled with a strengthening of interministerial cooperation, would benefit all levels of the decision-making system in the sector.

The State is the main actor in the housing and construction sector. Construction activities are implemented by the State through State-owned construction companies. As a consequence of a government-led market and centralized decision-making as well as restrictions on the roles of NGOs and the private sector, those two actors play a limited role in policymaking and the implementation of decisions. Their lack of participation does not enhance the transparency of processes and also discourages foreign investors. Similarly,

local investors would be more motivated if the system could guarantee the participation of more – and more diversified – actors at the local level. Thus the construction industry should be decentralized and opened up for participation on a competitive basis.

Belarus is aware of the importance of this sector and its impact on the well-being of the population, as well as for the health of other sectors. Housing policy is one of the Government's priorities. Its main goal is to provide each household with decent, affordable and qualitatively standard housing. Due to the change in tenure preferences and the efforts of the State to increase the responsibilities and financial involvement of owners and tenants, the policy is directed mainly at supporting homeownership tenure. This reorientation is perceived as the starting point for a transition from a State-rental housing model, where the State is responsible for construction and maintenance of the housing stock, towards a market-based housing model, where most of the construction costs are paid by the population (homeowners) and where market-based housing finance could gradually substitute for State subsidies.

In spite of the high level of homeownership produced by mass public housing privatization (84.4 per cent of housing stock as of 1 January 2008) and the dominance of homeownership tenure in new housing construction, the housing finance structure in Belarus is still heavily oriented towards the public sector and the role of private investment and market-based housing finance remains a minor one. The systems of housing finance, housing construction and housing maintenance, modernization and management are dominated by State entities, i.e. by State-owned companies and banks.[1]

The dominant role of public entities in housing construction and finance does not substitute a well-functioning market, and discourages the private sector from its further involvement. The positive macroeconomic development and drop in inflation should go hand in hand with an increased role for and participation of the private sector. However, both private housing development and private housing finance are relatively underdeveloped in Belarus. In both fields, competition is missing and private developers face complex regulations and bureaucracy. Banks face low liquidity (especially for long-term deposits) and high credit risk (due to an inappropriate legal framework). Under such conditions, the private sector cannot outperform the public one, and no private savings can be realized.

Some positive trends in the housing sector are nonetheless being seen in the country. While the typical Soviet-period flat is characterized by very small size and poor planning, after 1990 flats became bigger and more comfortable, reaching an average size of 55.7 m^2 by 1 January 2008. In the Minsk region, about 19,500 people work on housing maintenance in local government structures, and about 11 per cent of the Minsk regional budget is spent on housing maintenance. Housing maintenance polices can be described as well developed and comprehensive. At the moment, the country does not have significant illegal settlements or illegal constructions.

On 14 June 2007, the President of the Republic of Belarus issued Directive 3, which addresses sustainable livelihood and savings as keys to ensuring the economic well-being of the nation. Activities to implement this Directive include: (a) energy audits for heat supply schemes in buildings and the installation of individual devices for heat and hot water supply in residential housing; (b) the amendment of technical regulatory legal acts towards energy-efficient method of performing building design and construction; and (c) an extensive use of domestic energy- and resource-saving structures, tools and materials.

A comprehensive Programme on Energy Asset Modernization, Energy Efficiency and Use of Local Fuels 2006–2010 aims at the economic and rational use of energy in the construction sector. Already in 2007, 270,000 m^2 of housing stock had been selected for retrofitting to increase energy efficiency.

[1]The National Bank the Republic of Belarus controls the whole banking system; however, it does not intervene in the activities of commercial banks. Commercial banks can be State-owned, private or mixed. In this report, the term "State bank" is used to refer to a commercial bank where the State owns over 50 per cent of the shares.

The greater challenges in terms of energy efficiency are posed by the mass social housing dating from the 1960s and 1970s. These involve serious problems in terms of insulation, the poor quality of materials and structural design defects.

As of 1 January 2008, 717,500 people were registered as in need of improving their living conditions, according to available data. Although the State is providing housing, the demand is still greater than the supply. Demand for subsidized housing is increasing in Minsk and the Minsk region. The average time spent by people on waiting lists can reach 18–20 years in the big cities, making these lists of very limited practical use. In the period 2000–2007, the cost of housing grew at a rate exceeding the rate of inflation, and the price of housing services (maintenance of residential housing, hotel and hostel services) grew 100 times, as compared to an overall increase in consumer prices of only 7.6 times. Increases in the costs of heating, housing maintenance and electricity were the highest. Housing and utility costs have grown relative to household consumers' expenditures, from 3.0 per cent in 2000 to 7.4 per cent in 2007.

Moreover, since 1999 the State is no longer building social housing. Given the many people still in need of housing and the long waiting lists to access loans, government policies should focus on the need to produce alternatives and more diversified financial options as well as to strengthen the social housing sector. Policies for energy efficiency should be also further bolstered and encouraged, both as a way to retrofit buildings but also as part of a general approach aiming at energy savings, cleaner fuels and reducing reliance on oil and gas imports.

There is still an "affordability" gap between those households that received generous economic subsidies in the form of "giveaway" public housing privatization and those that have to repay the loans – albeit though with below-market interest rates – for purchasing a flat. So-called soft loans (loans with below-market-level interest) for the purchase of owner-occupied housing are extended only by the two dominant banks. Such loans constituted 72 per cent of overall outstanding housing loan balance in April 2007. The subsidy system should be reformed to avoid long waiting periods for low-interest credit. Subsidy eligibility should be modified (in particular, eligibility criteria should be clearer) and transparency in allocation of loans increased.

The system of housing finance as a whole is clearly only at the halfway point between being State-based and market-based, and it is still biased towards public financing. This is especially true when one takes into account who manages and maintains housing, who constructs new housing and who extends credit for purchase. The level of subsidies is comparatively high, especially when taking into account economic subsidies (house privatization), cross-subsidies (during management and utility consumption) and the implicit guarantees for performance enjoyed by State companies and banks.

In general, to overcome these problems, a reform of the subsidies should be undertaken to make them immediately available, and also by allowing private banks to issue them. These actions would increase the sources of loan financing and the participation of private capital in the housing sector. Thus, the development of a competitive banking sector should be supported. The liquidity of banks could be improved by opening up the banking sector more widely to foreign capital and money channels so long as this was accompanied by strong regulatory frameworks. Further legislation on mortgage banking, and possibly also setting up a system of housing savings, could also improve the present situation. The draft Law "On Mortgage" (2008), envisaged to enter into force in 2009, will, if properly implemented, also facilitate a move from housing loans to classic mortgage loans.

More intensive private sector involvement would also benefit the land administration system and spatial planning. The present study concludes that more efficient use of land resources and increased private capital for agriculture and industry development are necessary steps to liberalize the land market. This would generate additional income, which could contribute to the development of infrastructures, including social housing. In line with the above, restrictions to foreign land ownership should also be abolished, a practice that at the moment hinders foreign investment.

In general, land administration could be improved by reforming the taxation systems, clearly defining real property rights and facilitating real property formation procedures. E-land administration would further facilitate the process.

As with housing, the influence of national policy overrules local needs. Empowering local administrations to decide on local plans and their implementation would improve local quality and acceptance of planning measures. To diversify its approach, the Government should also make use of those urban planners who work in private practice, and should consider different development options and solutions.

In addition to the private sector, other stakeholders need to play stronger roles. Participation should be encouraged, not discouraged. For instance there are few incentives for homeowners to establish homeowners' associations. Existing legislation is not compulsory; in fact, the associations are set up almost exclusively in new apartment houses, and only a very few exist in buildings with privatized dwellings. The creation of homeowners' associations should become mandatory.

The opening-up of the housing and land management sectors to private operators does not and should not bring deregulation. On the contrary, a system should be put in place for the Government to guarantee the broadest possible participation, to monitor the interactions that take place according to the new rules and to respond to emerging needs.