

I. FRAMEWORK FOR THE HOUSING SECTOR TRANSITION

A. Key figures and information about Poland

—Population (mid-1996):	38 618 019
—Capital:	Warsaw
—Percentage of population in capital:	4
—Area (km ²):	312 685
—Density (persons per km ²):	123
—GDP per capita (1995):	US\$ 5 478 Zlotys 7 412
—Life expectancy (1995):	—Male 67.6 years —Female 76.4 years
—Infant mortality per 1000 live births (1995):	13.6

Sources: *Trends in Europe and North America 1996/97—The Statistical Yearbook of the Economic Commission for Europe* (United Nations publication, Sales No. E.97.II.E.5). Data supplied by the Central Statistical Office of Poland.

B. Demographic development

At the end of 1995, Poland counted 38,609,400 inhabitants, of whom about 62 per cent lived in urban areas. The total population of Poland increased by 426,200 between 1990 and 1995 (table 1). During the previous five-year periods (1980-1985 and 1985-1990) the increase was 1,625,000 and 915,000, respectively. In 1995 the population increased by about 28,000, which is the lowest real increase since the Second World War. By comparison, in 1986 the increase was 231,000 and in 1960 it was 423,000.

The population of Poland continues to grow thanks to the high birth rate. However the number of births and that of deaths are moving closer to each other. Poland is one of few countries in transition, together with Albania, the Republic of Moldova and Slovakia, which experienced a positive natural increase in their populations in 1995. Belarus, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Romania, the Russian Federation and Ukraine, all reported a fall.

The annual number of Polish migrants who move abroad permanently has no significant impact on the natural increase in population. In 1995, 26,300 Poles emigrated; in the 1980s the average figure was about 20,000 to 35,000 people a year. There is an evident growing trend in the number of people immigrating to Poland. In 1995, 8,100 immigrants arrived in Poland seeking permanent residence.

The destinations of Polish emigrants in 1995 were: Germany (73 per cent), the United States (11 per cent), Canada (6 per cent), Austria, Sweden and Australia. The largest number of immigrants to Poland came from: Germany (27 per cent), the United States (17 per cent), the former Soviet Union (16 per cent) and Asia. The migration from Poland to western countries and the general east-west migration have proved less intensive than anticipated and are expected to decrease rather than increase in the future.

From 1976 to 1980, the urban population increased by 2 million inhabitants. However, 1980 marked the beginning of the drop in rural to urban migration. Between 1981 and 1985, the urban population increased by only 1.5 million. The primary reason for this development was the economic crisis, which particularly affected the cities, where employment, housing provision and living standards dropped considerably in comparison with rural

TABLE 1

Population trends

Year	Population on 1 January	Natural increase	Net migration	Increase	Population on 31 December
1986	37 340 500	258 400	-27 100	231 300	37 571 800
1988	37 764 300	216 900	-96 600	120 300	37 884 700
1990	38 038 400	157 400	-12 600	144 800	38 183 200
1992	38 309 400	120 500	-11 600	108 600	38 418 100
1994	38 504 700	94 900	-19 000	75 900	38 580 600
1995	38 580 600	47 000	-18 200	28 800	38 609 400

Source: Council of Europe. *Recent Demographic Developments in Europe* (1996).

areas. In 1993, net permanent migration between rural and urban areas stood at only 59,900 inhabitants in favour of urban areas. At the same time there are indications that some 40 per cent of the population in rural areas make their living by economic activities other than farming. Thus, the influx into cities can be expected to increase, in particular with the general economic recovery there.

C. General economic framework

Economic policy programmes and objectives

Poland was one of the first countries of central Europe to take sweeping measures to promote transition to a market economy, when in early 1990 it started carrying out its economic stabilization programme ("shock therapy" programme). The programme emphasized four aspects: (a) macroeconomic stabilization; (b) deregulation of prices and economic activity; (c) integration with the world economy by liberalizing foreign trade; and (d) privatization. However, it resulted in a contraction of economic activity in 1990-1992. During 1990, gross domestic product (GDP) declined by 11.6 per cent, real wages by 20 per cent and employment by 6 per cent.

The Government elected in September 1993 continued the free market economic reform. Poland's gross domestic product grew by 3.8 per cent in 1993. In June 1994, the Government approved a medium-term economic programme "Strategy for Poland". The programme outlined the basic macroeconomic objectives and the measures needed to meet them, and set out directives for further economic and social reform. It proposed policies to boost growth rates, and foreign and domestic investments, and to cut inflation and unemployment in an environment of fiscal discipline and economic restructuring. One of the main problems addressed by the programme was unemployment, the most serious "side effect" of Poland's transition.

In the early 1990s, macroeconomic policy focused on achieving economic stability. These priorities precluded any departure from the strict rules applied across economic sectors and regions. In the mid-1990s, the situation changed and promoting steady economic growth and higher competitiveness became the primary goal of macroeconomic policy.

From the beginning of reform, the Government has been pursuing an adjustment process in view of Poland's accession to the European Union (EU). Since 1993 the Government's action programme for the adaptation of the Polish economy and legal system to the requirements of the European Union has been implemented. The programme defines the main directions of the integration process and the tasks of individual ministries and central offices. In March 1996, the Parliament of Poland adopted the National Strategy for Integration, which outlines the tasks stemming from the adjustment process, defines priorities and key elements of the process, and identifies development challenges. The

strategy is addressed to governmental organizations and bodies, to the President and Parliament, to political parties and social organizations, to business and employers' organizations, to trade unions and citizens.

The following bodies are charged with its implementation:

- The Council of Ministers;
- The Committee for European Integration;
- The Foreign Ministry and Polish diplomatic missions;
- Other ministries and central offices;
- Regional and local authorities.

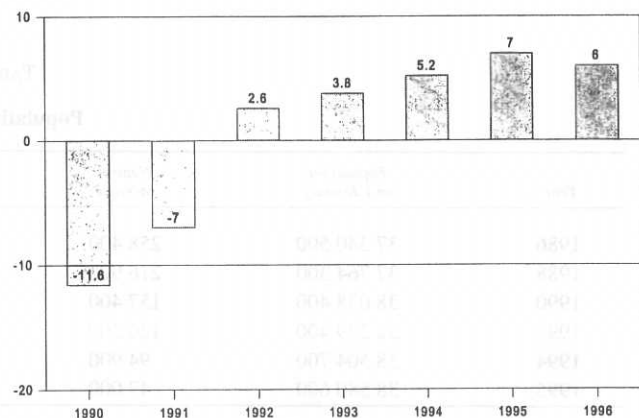
The work is being coordinated at the following three levels:

- Strategic: The Committee for European Integration;
- Operational: Secretaries or Deputy Secretaries of State responsible for European integration;
- Working: Heads of European integration departments in individual ministries and offices.

Highlights of recent macroeconomic developments

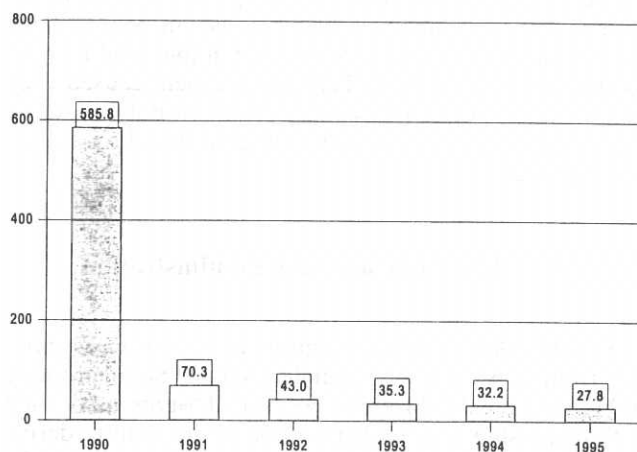
The most important indicator reflecting the upswing in the national economy is the change in GDP. Poland became the first central European country to register an overall increase in economic activity, with GDP up 2.6 per cent in 1992, 3.8 per cent in 1993, 5.2 per cent in 1994, 7.0 per cent in 1995 and 6.0 per cent in 1996 (fig. I). Industry was the main contributor to GDP. The consolidation of GDP was accompanied by a substantial fall in inflation. In 1996 inflation was still high, but it ended the year at 19.9 per cent, compared to 35.3 per cent in 1993 and 27.8 per cent in 1995. The Government was aiming for an inflation rate of 13 per cent by the end of 1997. Domestic demand was the main driving force for the economic growth, based on substantial growth in real investment, consumption and considerable inflation deceleration (fig. II).

FIGURE I
Real GDP change
(% change over previous year)



Source: Data supplied by the Central Planning Office of Poland. 1996: Forecast.

FIGURE II
Consumer price index
(% change over previous year)



Sources: Data supplied by the Central Planning Office of Poland. Economic Commission for Europe, *Economic Survey of Europe in 1996-1997* (United Nations publication, Sales No. E.97.II.E.1).

During the initial phase of the transition process, the demand for labour weakened as output declined. In Poland, like in many other countries in transition, employment stopped falling in 1994, when output started to pick up considerably (table 2). However, the number of new jobs created was comparatively modest, reflecting the considerable degree of excess employment in Poland before the transition. This situation enabled enterprises to increase output significantly without increasing their labour force. Despite the fall in number, the rate of unem-

ployment remains very high: 14.9 per cent in 1995 and 13.6 per cent in 1996. In 1994, some 35 per cent of the unemployed were 24 years old or younger. The labour force has contracted due to demographic trends and early retirement schemes. Employment has declined in particular in housing management, the public sector of agriculture and health care. Poland's unemployment has three main features: (a) many jobless are young people; (b) there is much long-term unemployment; and (c) there is a large and growing regional differentiation in unemployment due to discrepancies in economic development and demographic situation among regions. A deep quantitative deficit of dwellings is hindering the migration of workers between regions. High unemployment among young people means that they do not earn sufficiently to save money for housing. Unemployment has drastically reduced demand for housing and will continue to do so.

New (fixed) investments are a crucial factor in the recovery of the national economies of countries in transition. Table 3 gives an overview of the changes in the total investment volume in some countries in transition. In 1995, foreign private investment in Poland amounted to some 2.5 billion US dollars (counting only the firms which invested over 1 million US dollars). This was over 92 per cent more than in 1994. Foreign companies are already focusing hard on potential investment opportunities and joint ventures in Poland's construction sector, which is very active at home and, to some extent, overseas. Although comparatively small by western European standards, the domestic market is estimated to be worth about US\$ 9 billion a year. With its population of 38 million and low construction investment, Poland has the potential to become one of Europe's fastest growing construction markets. Activity in the Polish

TABLE 2
Main economic data

	1990	1991	1992	1993	1994	1995
GDP at current prices (US\$ billion at current PPP)	160.3	152.1	169.0	179.9	194.7	211.4
Gross industrial output (% over previous year)	-24.2	-11.9	3.9	6.4	11.9	9.4
Exports (f.o.b., US\$ billion)	14.3	14.9	13.2	14.2	17.3	22.9
Imports (c.i.f., US\$ billion)	9.5	15.5	15.9	18.8	21.6	29.0
Employment (% change over previous year)	-4.2	-5.9	-4.2	-2.4	1.0	2.0
Registered unemployment rate (%)	6.5	12.2	14.3	16.4	16.0	14.9
Exchange rate (Zlotys per US\$, at year-end)	0.95	1.1	1.58	2.13	2.44	2.47
Total expenditure on education (% GDP) ^a	..	5.2	5.4	5.4	5.3	5.2 ^b
Total expenditure on health (% GDP) ^a	..	5.0	5.1	4.7	4.7	4.7 ^b
Primary energy consumption (petajoules)	4 097	4 033	3 993	4 250	4 073	..

Source: *Trends in Europe and North America 1996/97—The Statistical Yearbook of the Economic Commission for Europe* (United Nations publication, Sales No. E.97.II.E.5).

^a Public expenditure only.

^b Preliminary data.

TABLE 3
Annual change in total investment in selected countries in transition

	1992	1993	1994	1995
Bulgaria	-11.0%	-20.2%	-10.1%	64.7%
Czech Republic	-17.6%	-2.2%	22.1%	38.4%
Hungary	-21.7%	32.3%	19.8%	6.3%
Poland	-13.0%	14.9%	9.0%	27.6%

Source: Economic Commission for Europe, *Economic Survey of Europe in 1996-1997* (United Nations publication, Sales No. E. 97.II.E.1).

construction market is directly linked to key investment programmes in the area of energy, infrastructure and construction. Already more than half a dozen major industrial and manufacturing plant projects have been announced involving more than US\$ 1 billion of new investments.

Change in the ownership structure

Before 1989, the Polish Constitution divided real property ownership into three types: (a) social ownership; (b) personal property; and (c) individual or private property. By the amendment of 28 July 1990 to the Civil Code of 1964, the differences in the legal protection of State and private ownership were abolished in civil and commercial law. Together with the re-establishment of local governments (Act on Local Governments of 1990), new regulations assigned revenue rights and land use to the local authorities. Regulations on privatization are specified in the following three major legislative acts: (a) the Privatization of State Enterprises Act of July 1990; (b) the Management of Agricultural Property of the State Treasury and Amendments to Certain Laws Act of 1990; and (c) the National Investment Funds and the Privatization Act of 30 April 1993.

One of the most important developments in the Polish economy is the dynamic growth in the number of private companies with domestic and foreign private capital, and in small businesses. Between 1989 and 1995, the number of private companies' domestic capital participation increased from 10,420 to 87,570, while the number of companies with foreign capital participation rose from 396 to 22,940 during the same period.² This growth in the number of private companies pushed up the number of people engaged in this sector from 5,848,600 (10.1 per cent of total employment, without the agricultural sector) in 1989 to 9,045,600 (35 per cent of total employment, without the agricultural sector) in 1994. In 1996, 52 per cent of GDP was produced by the private sector, which accounted for 63 per cent of total employment.

Within the privatization programme for agricultural property, 1,651 State-owned farms had been liquidated by June 1995 and their assets were transferred to the State Treasury Agricultural Property Agency. This

Agency also acquired 327,000 apartments, of which 148,000 were sold. The liquidated State farms formerly employed 192,600 persons, of whom 59,600 were re-employed by the newly established farms. The changes in the ownership structure of the agricultural sector resulted also in a considerable increase in fallow land, from around 0.7 per cent of the total arable land in 1989 to 10.6 per cent in 1994. This development caused deep social and economic recession in northern Poland, which was traditionally an agricultural region based on collective farming.

D. Real estate and land administration

Poland, like the other countries in transition, is moving from a poorly differentiated set of State property rights to a highly differentiated set of rights associated with ownership in a market economy: the right to derive income from productive assets; the right to negotiate the sales price of output in private transactions; the right to make decisions about their use; and the right to dispose of property through sale, transfer, or inheritance.

The Polish Civil Code contains general definitions of real estate. Real estate consists of land and buildings permanently attached to the land or parts thereof. Real estate in Poland may either be owned, leased by means of "perpetual usufruct" (in this case the buildings are the property of the leaseholder) or rented by contract. Certain acquisitions or real-estate transactions involving foreigners require government approval.

While there is a registry system for recording transfers of land and mortgages, it is still manual, and it often takes many months for information on transactions to be updated. Lands that were once in private ownership may be claimed by the former owner. Because of high interest rates, few Polish citizens can afford mortgage financing of real property. It is expected that, as inflation comes down, mortgage funds will become available to the majority of the population, which will boost demand for housing.

The rules that regulate the activities by municipalities on the real-estate market are specified in the Land Management and Expropriation of Property Act of 29 April 1985. This Act defines the principles of management of built-up land in the development plan (land-use plan) for building purposes as well as of expropriation of real estate. The principles defined in the Act do not relate to built-up land which is part of farmsteads or State forestry units and which is located in areas destined for farming and forestry use in physical planning programmes. Land belonging to the municipality or the State can be purchased by individuals or entities only through auction or tender. A municipality has the right not to announce a tender if a potential buyer wishes to establish an activity in the fields of charity, care, culture, health, education and training, sports or tourism. In such cases the land may be sold at a reduced price or offered on a freehold or leasehold basis, with the specification that the purpose for which the property is purchased is not of a commercial nature. Although the State or municipality is still the owner of the land, the perpetual

² Office of the Council of Ministers, *Regional Development in Poland 1990-1995* (Warsaw, 1996).

usufructuary guarantees are similar to ownership rights (such as the right to transfer or inherit). The right of perpetual usufruct is normally valid for 99 years. The annual fee for the perpetual usufruct varies between 1 per cent and 3 per cent of the land value estimated by experts appointed by the *voivod* (the head of a province), and depends on type of land use. The above Act of 1985 will soon be replaced by a new one. The final legislative procedure is under way in the Polish Parliament.

Leasing of land or other real estate by companies or individuals is generally not subject to any restrictions. In some cases, however, leasing from a State enterprise may require a permit. Land, buildings, parts of buildings and flats that are separately owned or mortgaged are liable to real-property tax. Municipal authorities determine the applicable rate, subject to certain limits.

According to the present legislation, a foreign investor wishing to take possession of real estate through ownership or perpetual usufruct rights requires a permit from the Ministry of Internal Affairs and Administration. In the case of a company established in Poland with foreign participation, a permit is required if 50 per cent of its shares or more belong to a foreign shareholder. To obtain this permit, the foreign investor must apply to the Social-Administrative Department of the Ministry. A reply is normally given within two months.

The amendments introduced in the civil laws by the Act of 29 December 1989 on amending the Constitution had an enormous impact on the Polish real-estate market and the nature of ownership. The constitutional principle of the State guaranteeing and protecting citizens' property, introduced the State's duty to manage land and building registers in the form of a real-estate cadastre.

The existing land and building registry system in Poland is similar to that in the majority of European countries. It contains official records and descriptions of national land resources for use in economic planning; regional development; taxation; real-estate business; national statistics and land management. Historically registration of real estate and property rights was carried out in two forms: a land cadastre (land and building register) and a land registry (land and mortgage register). The land cadastre has traditionally been maintained by the State's administrative bodies and served initially as the basis for calculating taxes. Cadastre data specify not only the boundaries of the real estate but also the type of land, and its owner or holder. The land registry, maintained by the courts, has also been a traditional register of official records of property rights and other rights related to the real estate, as well as any easements on them. The main function of the land registry is to create a reliable legal basis guaranteeing the certainty of real-estate transactions and a reliable basis for contracting long-term mortgage credit.

However, the existing system of land administration is not efficient because of: (a) its failure to respond to emerging needs as a result of socio-economic transition; (b) the lack of financial resources to modernize it. The ongoing modernization of cadastre and land registration intends to include: data about buildings; data on land

and mortgage registers; data on infrastructure; and data on real-property values. The present legislation on land registration (legal aspect) and land and building register (cadastre—geometrical description of property) consists of:

(a) Land title registration:

- Act of 6 July 1982 on land and mortgage registers;
- Order of the Minister of Justice of 18 March 1992 regarding the application of regulations concerning the Act on land and mortgage registers;

(b) Cadastre (land and building register):

- Ordinance of the Council of Ministers of 9 June 1956 regarding land classification;
- Act of 17 May 1989—Geodetic and Cartographic Land;
- Ordinance of the Ministers for Physical Planning and Construction and Agriculture and Food of 17 December 1996 regarding the land and building registry;
- Act of 19 October 1991 on the administration of the State Treasury's agricultural property;
- Ordinance of 1 March 1995 on detailed principles of real-estate valuation;
- Ordinance of the Ministers for Physical Planning and Construction and Agriculture and Food of 5 August 1996 on the demarcation of real estate.

Following the recent restructuring of Poland's central administration, the Head Office of Geodesy and Cartography was set up on 1 January 1997 with responsibilities in geodesy, cartography and cadastre. The Office is headed by the Surveyor-General of Poland, who is responsible for policy, legal, financial and management matters with regard to the national geodetic and cartographical service.

E. Environmental aspects

Poland suffers from a high level of environmental degradation. This is the result of past industrialization and urbanization processes which for many years treated natural resources as free goods and disregarded the cost of land. This led to the emergence of ecological problem areas, which cover 11 per cent of the country's territory and are inhabited by 35 per cent of the population. Particularly high is the level of air pollution, especially of airborne particles and sulphur dioxide. The economy is characterized by a high level of energy use per unit of gross national product. Moreover, power generation relies mainly on coal. As a result Poland is responsible for a share of the global emissions of sulphur and carbon dioxide. Counteracting environmental degradation still focuses on limiting emissions from stationary, mainly industrial, sources. However, the expansion of district heating and hot water supply systems, the extension of sewerage systems, the development of sewage treatment plants, and the modernization of the housing stock could

decrease the volume of pollution related in particular to the household sector. Poland's housing sector is confronted with, and is responsible for, many environmental problems. Dwellings heated with individual and district coal-fuelled units, and urban transport are a major source of *atmospheric pollution* in many cities and villages. The dwelling stock needs to be modernized to reduce energy consumption. Local air quality remains poor in many urban centres. Although emissions from power plants and industry have decreased during the transition period, those from district heating plants and residential coal combustion have not fallen off.

Water consumption in cities stood at 7.6 km³ in 1993. The *quality of water* from communal water supply systems is estimated to be satisfactory in 90 per cent of them. However, in rural areas, only 24 per cent of inhabitants have access to such systems. The rest consumes water from wells, whose quality is satisfactory only in 50 per cent of cases. In 1993, about 90 per cent of municipalities had sewage systems. However, only 69 per cent of these municipalities also had sewage treatment facilities. *Waste management* is the respon-

sibility of local authorities, but their limited financial resources hinder the environmentally sound disposal of solid wastes. On average, 43-46 million m³ of solid waste and 16-22 million m³ of liquid waste are produced annually.³ Only 55 per cent of the population enjoys waste collection services. There is opposition to the installation of waste disposal facilities, because of concern that local land prices will dwindle.

During the transition, there has been a significant reduction in the levels of most pollutants. This could be attributed to the contraction of economic activity, but also to the structural changes in the economy, the effectiveness of environmental measures, and the successful mobilization of financial resources for environmental investment. The positive developments are also a result of the implementation of the National Environmental Policy, which was approved in 1991 and which declares sustainable development to be the foundation for national environmental policy.

³Organisation for Economic Co-operation and Development, *Environmental performance reviews: Poland* (Paris, 1995).