



Project „Participative Housing Reforms – increasing citizens’ participation in local housing reforms’ implementation through strengthening their capacities, improving access to information and facilitating dialogue with local authorities”

Analysis of the Housing Market in Belarus: Stakeholders’ Role and Concerns

Prepared within the framework of the Analytical Project Phase by the International Foundation “Living Partnership” with contribution of all project partners

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1. Relevance of the study of actors' roles and concerns in housing and utility relationships

Studying of the roles and concerns of the housing market actors (with respect to its operation and development) is essential for creating of appropriate organizational and legal environment that would secure conditions for effective development of the housing and utility spheres both at the national level and in its individual regions or smaller local communities.

The analysis of participants in housing and utility relationships enables to reveal increase points of progressive initiatives, occurrence and conditions for initiative mechanism in housing maintenance and utilities. At the same time, it is important to identify the keenest problems hampering development of balanced relationships among market actors. This information can be used for a strategy and technique elaboration to solve current problems, identifying consequence and specific forms of actions for this purpose.

This issue is insufficiently researched in the Republic of Belarus nowadays. The analysis is mainly limited to interpretation of some statistics (for instance, quantity and structure of the housing stock). The reviews of the state and development dynamics of various forms of housing and maintenance companies and organizations are the closest ones to the subject considered. Researchers paid attention also to institutional (legal and organizational) as well as to financial and economic aspects of this problem to some extent.

However, social and behavioural aspects of the problem remained out of researchers' sight namely such important analysis aspects as how housing market actors perceive the situation existing, and, consequently, their benchmarks to the choice of preferable development scenarios and solutions for problems occurring. This circumstance did not allow taking into account in full a number of important conditions playing an essential role in such an "ideologized" sphere as housing maintenance and utilities. Thus, promotion of participation, development of a dialogue and partnership based on the principles of transparency and awareness of the partners' positions revealing of which is a constituent element of this analysis.

2. Methodology of the analysis

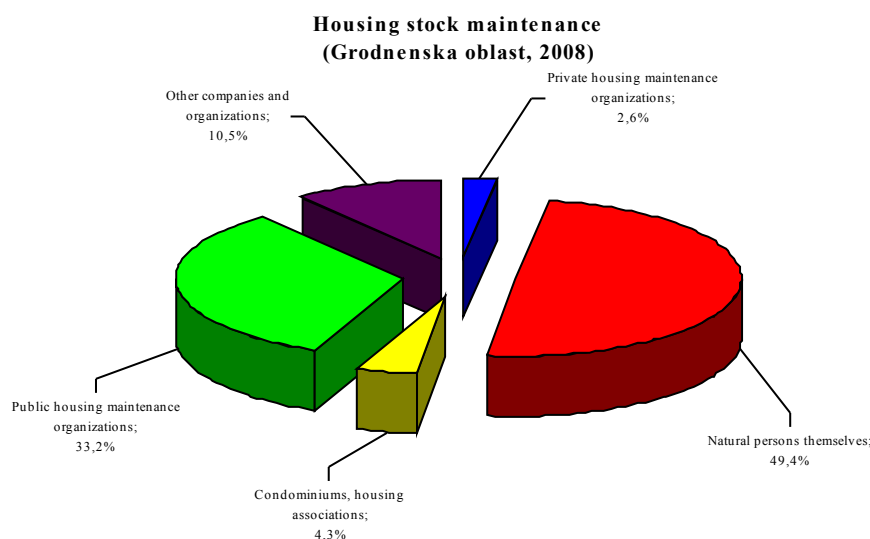
The conditions mentioned above have defined the choice of such tools for this analysis as expert poll, brainstorming and SWOT analysis¹ that proved to be efficient in studying of local communities' development. The poll and SWOT analysis involved representatives of public and private organizations, co-operatives, condominiums. When the summary SWOT analysis document was elaborated the process involved 20 experts. The questionnaire form submitted by respondents is presented bellow.

¹ **SWOT analysis** is an analysis method applied as a rule in the form of group work or uniting the results of individual work into one summary document. The SWOT abbreviation owes its name to four English words: strength, weakness, opportunities and threats. These very attributes of the subject or phenomenon analyzed are fixed and evaluated in the process of the SWOT analysis.

SWOT analysis of the housing market actors (the table is to be filled in by the project participants, experts as well as other representatives of local community – as far as possible, expert level)	
Strengths	Weaknesses
Opportunities	Threats
<p><i>Note: the table is to be filled in separately for the following types of companies and organizations:</i></p> <ol style="list-style-type: none"> 1. Public housing maintenance and utility companies 2. Private housing maintenance and utility companies 3. Condominiums 	

3. Description of the subject under analysis

The present structure of subjects serving housing stock is characterized by the following data in Belarus (see the diagram). At the same time, there are differences between the regions and the city of Minsk; however, they are not so important for the purpose of this analysis. It is typical that about 50% housing stock is maintained by individuals themselves (they are, as a rule, owners of single-family houses) and over 30% housing stock is maintained by public housing maintenance and utility organizations.



About 10% housing is the so called service housing stock and only 7% housing is maintained by non-state organizations, including condominiums, housing associations and private housing maintenance organizations.

Such picture shows substantial growth potential of the housing segment maintained by non-governmental organizations of different types. Such growth is caused by reduce of the housing share maintained by public organizations and natural persons themselves. Taking into account this tendency relevant for the most countries of the world economically developed is important to define state policy in this sphere. Thus, it is possible to avoid unreasonable state costs in this sphere.

4. Results of the SWOT analysis

**Table 1 SWOT analysis
Public housing maintenance organizations**

	Strengths	Number of matches within responses
1.	State support (subsidies and grants), support within enforcement proceedings. Prompt problem solving due to the line of command and applying of administrative methods	6
2.	Availability of emergency repair reserve (+ expensive equipment)	2
3.	Loyalty of authorities and their interest in good image	
4.	Controllability	
5.	Lack of real competition from the part of private maintenance companies	
6.	Ability to centrally allocate substantial financial funds for improvements, construction of playgrounds, capital repairs	
7.	Availability of sufficient skilled staff	
8.	Big company can serve more clients	
9.	Low payment level for technical maintenance	
10.	Payment centres of housing maintenance department	
11.	Consumers of the housing maintenance and utility department do not associate their operation with any person, and if there is a conflict it occurs at the level of consumer – housing maintenance service and not at the level – chief of the housing maintenance service	
12.	Psychological dependence of the majority of population	

	Weaknesses	Number of matches within responses
1.	Complicated activity planning and decision making system (administration bureaucracy)	4
2.	Lack of motivation in solving of inhabitants' problems, improving of service quality and volumes	2
3.	Lack of personal responsibility before inhabitants	2
	Inability of flexible responding to changes within market trends	
4.	Inability to plan activities responding to opportunities as well as demand and proposition available	
5.	Double subordination of housing ministry and local administration	
6.	Necessity to supply public utilities and other services for significant social facilities unable to pay for these services	
7.	Obsolete housing stock	
8.	Dependence on budget subsidies against their axe	
9.	Lack of information for flat owners and inhabitants – financial (annual accounts and plans), technical (dilapidation and energy consumption of each individual house)	
10.	Transfer of payments to a single fund and not to each of ledger accounts, lack of incentives for homeowners to accumulate such payments, making repairs when funds are collected from population and allocations from the state budget and not according to normative periods leads to unsatisfactory state of the housing stock and public utility infrastructure	
11.	An average rate of technical service and capital repairs of one square meter of total area excluding individual characteristics of housing and real rate of depreciation	
12.	Imposing functions on companies that are not relevant, as for instance to execute a scrap paper and metal collecting plan, and chargeable domestic services	
13.	Everything is based on subcontracts with thirds parties	
14.	Salaries of the administration do not depend on quality of services provided	
15.	Lack of initiatives from the part of inhabitants. They have leading-strings mentality: «Make us good and preferably free of charge»	

	Opportunities	Number of matches within responses
1.	Interaction with public authorities and structures of all ownership forms	2
2.	Establishing of all rules and conditions of services supply	
3.	Provision of a wide range of services and ability to serve a quantity of apartment houses	
4.	Using of the available material and technical resources	
5.	Extra financing from rent of non-residential premises without consent of the members of inhabitantry in common (basins and etc.)	
6.	Control over fulfillment of obligations by the company	
7.	Great opportunities are contained in the charter of such an organization	
8.	The best experts work in building companies that pay them more	
9.	Due to the lack of by house accounting of funds they may reallocate accumulations directing funds to a specific project	

	Threats	Number of matches within responses
1.	Physical and moral wear of the housing stock, increase of buildings number operated after termination of the depreciation period, deterioration in reliability, economy and safety of their operation + unwillingness to change the situation	2
2.	The existing finances and accounting system do not prevent from actual plundering of consumers' funds	2
3.	Delays in payments for public utilities leads to increase of companies' loss ratio	1
4.	Availability of large work volumes exceeding available resources leads to reduce in quality of services supplied	
5.	Incompleteness of repairs	
6.	Inefficient management due to replacement impossibility at the initiative of flat owners (management monopoly).	
7.	Debts of the state for capital repairs to homeowners do not allow to maintain effectively the houses	
8.	They are actually bankrupts that can become a legal fact	

**Table 2 SWOT analysis
Private housing maintenance companies**

	Strengths	Number of matches within responses
1.	High quality of housing maintenance (focused on inhabitants' needs) + more skilled staff (motivated to work)	4
2.	Independence from the state budget and in decision making	3
3.	Close contact with consumers as well as high quality dialogue with them and active partnership	2
4.	Direct control over service quality	
5.	No departmental affiliation	
6.	Working flexibility, responding ability over changes in market situation	
7.	Entitled to take part in a tender for any collective homeownership management	

	Weaknesses	Number of matches within responses
1.	Lack of adequate laws + no state support	3
2.	Low buying capacity of expensive equipment (lack of profitability)	2
3.	Pure commercial interest	
4.	Poor experience exchange due to immaturity of such a homeownership management form	
5.	Isolation of such structures due to commercial interests	
6.	Have no right to cut off electricity, water, heating when there are defaulters in a house	
7.	Funds paid by inhabitants for maintenance and repairs, public utilities are accumulated on the settlement account of the company, thus it is complicated for inhabitants to control the costs.	
8.	High staff costs and expensive skilled experts	
9.	Inability to provide a wide range of services and to maintain many houses	
10.	Dependence on the number of condominiums and housing association that are customers of the private housing management companies	

	Opportunities	Number of matches within responses
1.	Good material and technical resources enable to provide high quality services to houses, to high skilled management and maintenance staff	2
2.	They are willing to make themselves over to consumers in the issues of service provision, availability of consumable products and etc. (planning of volumes)	2
3.	Constant striving for service quality improving and search of new domains. Willing to develop a sphere that seems to be perspective	2
4.	Establishing of an effective association (trust and others)	
5.	Foreign partners interested in development	
6.	Control over fulfillment of commitments by the company	
7.	Activity matching depending on the demand and proposition	
8.	Efficiency	
9.	Prompt development in case the cross subsidizing is cancelled	

	Threats	Number of matches within responses
1.	Competition with public companies. «Administrative right» of the public authority to assign management functions to public maintenance companies, i.e. «Housing maintenance departments»	3
2.	Not secured from bankruptcy (work with rates lower than the cost value may lead to losses; work with market rates leads to demand decrease) and thus, population is not protected from the consequences of this	2
3.	Shortcoming and incompetence of the management staff. Dishonesty of management	
4.	Under subsidy conditions unwilling to invest much funds	
5.	Transfer of housing maintenance councils' working methods by the staff hired	
6.	Public authorities will force up solving of non-commercial problems and issues (social, public)	

**Table 3 SWOT-analysis
Condominiums**

	Strengths	Number of matches within responses
1.	Internal management (independent in decision making: decisions are made on the basis of the general homeowners meeting, condominiums plan repair works and their sequence themselves)	5
2.	Independence from the state budget	3
3.	High quality of housing maintenance	3
4.	Does not pay VAT, estate tax, profit tax. Concession tax treatment and privileged regime of deductions to the social fund	2
5.	May found commercial structural departments	2
6.	Finances transparency. Every condominium member may exercise control over expenditures	2
7.	Conditions were created for attitude of care to common property, common use of premises, economically motivated willingness to preserve common property	2
8.	Are aware of homeownership problems	
9.	Relieve the state from solving of many social problems	
10.	Applying capacities of individual condominium members for common goals	
11.	Inhabitants are interested	

	Weaknesses	Number of matches within responses
1.	Limited support from the part of the state, deficient legal basis, complicated registration procedures, for instance in the old houses	4
2.	Lack of relevant number of skilled managers and conscionable specialist in repairs	4
3.	Lack of information on book keeping, lack of investigated accounting specifics, complications with setting of obligatory payment rates	3
4.	Lack of premises to accommodate staff	2
5.	Public utilities not always perceive condominiums as an individual legal entity	
6.	Low financial, material and technical capacities	
7.	High staff costs	
8.	Weak competition system of maintenance organization leads to problems in contract conclusions and timely provision of services of problems solving	
9.	Lack of capital repairs arranging experience	
10.	Lack of private maintenance companies in the most of Belarus cities and consequent need to form own management and operational staff in each condominium, high administrative costs in condominiums with smaller area	
11.	The most members of condominiums lack positive experience of living in other condominiums (i.e. as a rule, 98% homeowners have no “background”, it is their first experience)	
12.	Are not entitled to take part in the tenders of other collective homeownership management	
13.	Lack of interest in maintenance of their share within common property of the major part of inhabitants	

	Opportunities	Number of matches within responses
1.	Willing and able to maximally involve inhabitants into solving of common problems with minimum costs	3
2.	To have extra income from lease out of non-residential premises	2
3.	To accumulate gradually finances for capital repairs as well as to plan and allocate jointly funds collected for repairs and improvements	2
4.	Able to create a safety zone around homeownership	
5.	May take an active part in local self-governance	
6.	May initiate the process of local summon 21 as the most interested ones in this	
7.	To use efficiently the land lot	
8.	Choice of management and maintenance company	
9.	Joint planning of common use premises and yard area	
10.	Setting up of joint companies, entry into unions and associations, international non-governmental organizations	
11.	Establishing of own mass media and communication tools, data transfer networks, homepages, part in social life of civil society without approval of departmental organization	
12.	Potentially the condominium must take upon itself management, finances, order and improving, and housing operation department – special engineering maintenance.	

	Threats	Number of matches within responses
1.	As any new form it is strange for majority inhabitants (lack of guarantees)	2
2.	Opposition of certain condominium members (manifold social composition of owners – condominium members hinders consolidated decision making)	2
3.	Lack of support from the part of public authorities (public authorities having high capacity potential may destruct activity of such a structure from inside)	
4.	Lack of motivation of a manager may result in diseconomy	
5.	Money can be lost if a manager is dishonest	
6.	In case of indebtedness all inhabitants must pay	
7.	Tax authorities perceive condominiums as commercial organizations	
8.	Deficient organization of funds collection from owners can lead to shortage of funds for housing repair and maintenance	
9.	Lack of private management companies and ability to choose, replace them that does not motivate homeowners to found condominiums in old houses	
10.	It is necessary to oblige legally to observe rights of others including condominiums management	

5. Summary of the SWOT analysis and expert reviews

The analysis of data in the tables above shows that information gathered covers institutional (legal and organizational) as well as financial, economic, social and behaviour aspects of the activity of the main stakeholders of the market of multiple dwelling. This enables us to have a general picture of priorities both as to the problems and possible development trends as a system of housing market in general as its individual components. The Leipzig chart of sustainable European city (2007) states that «cities will manage to fulfill their functions of public progress bearers ... only in case of preserving of social balance inside the cities and among them, securing of their cultural variety and achieving of high creative, building and environmental quality». This statement fully refers to the system of multiple housing. The general conclusions stated bellow have been drawn on the basis of the SWOT analysis carried out taking into account extra interviews with project partners involved, public administration representatives, informal leaders of civil society, experts:

While assessing strengths of public and private housing maintenance organizations as well as condominiums substantial distinctions were revealed among these organizations. Thus, strengths of public housing maintenance organizations are based on their support (financial and administrative) of the state under absence of real competition from the part of private maintenance organizations and at “habitualness” of such housing management form for population. The main strengths of private housing maintenance organizations and condominiums are high quality of services provided, independence, self-sufficiency and flexibility in decision making and management. While when analyzing private housing maintenance organizations and condominiums new strengths sources are revealed as contacts with consumers (inhabitants) and the dialogue with them as well as to create conditions for efficient utilization of resources.

Main weaknesses of public housing maintenance organizations are related to management bureaucracy, weak motivation for service quality improving, old housing stock. Weaknesses of private housing maintenance organizations and condominiums are different. They are – underdeveloped legislation, lack of state support, shortage of skilled staff and isolation of similar non-governmental structures.

1. Development opportunities for public housing maintenance companies lie in economic liberalization and interaction with non-governmental organizations. Development reserves of private housing maintenance companies are referred to expanding and

improving of service quality as well as improving their material and technical resources. Condominiums see (from the experts' points of view) their opportunities in development of partnerships with dwellers, investigation of extra earning opportunities as well as (completely new vision not typical for public housing maintenance companies!) in spreading their impact beyond the limits of house areas through participation in local self-governance, elaboration of territory development strategies (local agenda – 21), establishment of non-governmental organizations.

2. the main threat for public housing maintenance organizations is ageing of the housing stock and inefficient finance schemes. Activities of the private housing maintenance organization threatened by stiffening of administrative methods of state influence and preference to similar public companies. But condominiums are the mostly threatened in a different thing – lack of condominium members' solidarity, weak understanding of common homeownership system essence by the members and population, as well as financial risks.
3. passivity of inhabitants – flat owners in multiple dwelling, their unwillingness to take part in real estate management of common homeownership is also one of the reasons for low tempos of condominiums establishment in Belarus. As one of the reasons for such a situation experts consider lack of information and explanatory activities on condominiums advantages with demonstration of successful examples of the existing condominiums.
4. Population has no economic incentives to pass to new housing stock management system, as experts consider, due to non-transparency of the payment collection system for public utilities (when people do not know what they pay for), as well as due to existing subsidizing practice to public organizations supplying housing maintenance and public utilities. Often this subsidizing is hidden and covert and is realized, for instance, through rent system for the state premises provided. Under such conditions population has impression that transfer to self-dependent management of housing maintenance is unfavourable for them.
5. At the same time, public authorities in many cities and districts, as experts suppose, have not realized economic and social advantages of housing stock management diversification, establishing of condominiums and private maintenance companies. Thereby, they (local authorities) do not show interest towards participation of population in housing management (an in more general context – in town, village and quarter administration) in their local housing policy, and sometimes even hinder initiatives in this sphere.

6. Conclusions and suggestions

The regularities revealed enable to identify the following (weakly utilized by now) trends of housing and public utility sphere development in the Republic of Belarus:

1. to intensify state support to condominiums and private housing maintenance companies, firstly, via creating of sustainable legislative frameworks and organizational environment for their development;
2. to encourage cooperation of non-governmental stakeholders of housing and maintenance sector, creating of net models for their interaction in order to increase efficiency of their concerns advocacy and lobbying of decisions needed, experience exchange;
3. to arrange awareness raising campaign in mass media in order to consolidate positive image of condominiums and private housing maintenance companies, demonstration of their achievements;
4. to expand awareness raising and educational work with public on the issues of participation in housing management, including common homeownership. According to experts (A.D. Sidorenko) it is necessary to raise the issue of up-to-date housing culture forming designed to change the existing owners' behaviour stereotype orienting them to active participation in multiple dwelling management and assuming of responsibility for their state. It is suggested to solve this problem on programme basis at state level.
5. to create a system of training and professional development of staff for condominiums, first of all, managers and accountants;
6. to favour risks insurance system development in common homeownership, spreading of not expensive reliable sources of borrowed funds for condominiums;
7. to render targeted support (consultancy, legal, organizational, resource) to local executive bodies and inhabitants' associations (condominiums, committees of public self-governance), towns, quarters and yards heading for expansion of public participation in housing stock management. To form pilot model sites and territories demonstrating advantages and achieving of housing stock management forms with public involvement. To envisage creating of resource (information) centres as an infrastructural component of such sites dedicated to the topic of housing stock maintenance and sustainable development of local communities.
8. to carry out in-depth scientific researches of market stakeholders of multiple dwelling with extension of analytical work sphere by including of building companies, banks and educational institutions, local authorities, new public structures (condominiums associations, committees of territorial public self-government, local development funds, "Local agenda – 21" offices and others). To run scientific and research work of such kind by staff members including representatives of different scientific disciplines: building science and architecture, economy, law, psychology, ecology and etc.) in order to secure complex approach to the problem. An international project development is possible on this subject.

Again from the Leipzig chart (2007): «We need more integral strategies and concerted actions of all entities and institutions involved in the process of urban development»; «in order to find optimal solutions for each quarter of the city active public involvement is necessary as well as expanding of a dialogue between representatives of policy, economy and inhabitants ».