Ukraine: Rebuilding a Place to Call Home – an ongoing process of reform for recovery

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Who we are and why we are here

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Outline of presentation

• Housing - context and challenges
• Response to date
• Opportunities to accelerate reform for recovery
Housing context and challenges
Destruction and displacement

1,500,000 damaged residential units, one third is destroyed

60% IDPs in private rental sector

40% struggling with paying rent/exhausted savings
The most damaged sector needed reforms for years already

'Society of homeowners' with low incomes resulting from privatization (up to 93%)

Unfinished housing management reform resulting in just ~20% of buildings with homeowners associations (~2000 per year)

Rising utility subsidies from the state (40 bil. UAH y 2021)

40% of households were living in housing with no major repairs
Scale of need is significant, varies spatially
Response to date
Social housing undeveloped and inadequate

Lack of clear and streamlined framework for social housing and hromadas are lacking guidance

Just over 1,000 social housing units nationwide!

While the private rental sector is growing it is poorly regulated and unaffordable

Rental housing is unaffordable and insecure leading to discrimination and evictions
Social housing model in Ukraine is highly problematic

Multiple queues exist and none are efficient, data sharing and management is poor

Social housing stock is heavily subsidized and dependent on municipal fiscal capacity

Narrow focus on ‘poor citizens’, rationed provision and allocation

Despite millions displaced, only 1564 persons provided with 928 units since 2022

Central government fails to support transferred role of municipalities for social housing

Model is financially unsustainable making it impossible to attract loans

Policy development, including needs data is partial and deficient. There are multiple queues for many different categories of need and little chance of allocation. The tenancy is dependent on ongoing compliance.

Overall, there has been a failure of central government to support and develop the transferred role of municipalities for social housing, which has focused only on ownership.

Reform is urgently required to ensure adequate housing options are delivered at scale, where needed and effectively.
Unbalanced approach currently proposed

- So far, primarily deep demand side support has been given to banks offering home loans to mainly security personnel in safe areas. Allocation of 3-7% loans funded by the Ministry of Finance. This could pose a major risk to public finances.

- Vouchers offered to war-impacted homeowners for repair can be applied for via the Diia app, and cashed in via preferred suppliers. Funding relies on the expenditure of frozen Russian assets.

- Assistance for 30,000 hosts of displaced families Prykhystok. This is donor funded and temporary without any strategy.

- **No reforms to the rental market** (e.g. increase in legal contracts, improving standards, preventing rent hikes, discrimination or evictions). Such reforms would cost little to the budget.

- **No active policy to support responsible landlords or tenants**, that could reduce risks to households, provide flexibility, and promote easier access to quality housing.
Ministry of Finance of Ukraine, the Ministry of Digital Transformation and PrJSC established "Ukrfinzhithlo" in 2020 to offer reduced interest on home loans

- Public subsidy is paid via the Ministry of Finance to participating banks via private entity.
  - Generous program, offers 3-7% interest on loans, supported by 20% deposit for 20 y.
  - Based on current 10-year government bond yield up to 22%
  - Only lends for projects completed by approved developers, less than 3 y.o.

- So far 1,200 loans issued
  - A fraction of the 136,159 applications approved since November 2022.
  - Eligible are war veterans and their family members; participants in hostilities, persons with disabilities as a result of the war, families of deceased war veterans, as well as families of deceased Defenders of Ukraine; as well as internally displaced persons
  - Almost no chance for low and moderate-income households in war-affected areas to obtain this support due to a lack of collateral or predictable income
  - Thus, the program does not expand adequate choices for prioritised needs – and is contrary to the state’s role in realising the Human Right to Adequate Housing.
  - Expansion of this program could pose a deep cost to the public purse, and waste international resources.
Derzhmolodzhytlo Youth Housing Fund was originally established for the purposes of supporting co-operatives for young households, in recent years funds have been directed towards mortgages.

• This agency is responsible for the implementation of housing programmes, and even has regional offices (55 local programs in 13 oblasts but they have not created many housing apartments (Shnaider, 2023).

• However, donor funds are exhausted. National programs of funding have not been approved.

What is the capacity to address these needs?

Department of housing policy (Ministry)

• Considerable policy action and strategy investment required, but vision, administrative capacity, dedication of funds and transparency lacking

• draft Recovery Plan gives some direction, some attention to the nonprofit rental housing law and developing municipal capacity in housing

• Yet so far efforts skewed towards mortgage ownership, and no reforms or increase in allocation of funds for affordable or social rental housing
Overarching rationale for housing sector reforms

- **Need for a strategic vision** confronts the scale and breadth of housing challenges across the housing system.

- **Huge management gap** in existing housing stock blocking the Energy Efficiency programs and net-zero targets, draining the public budget.

- Policy refocus is required that works to offer adequate options and **realise the Human Right to Adequate Housing**.

- To date an **over-riding focus on subsidising** existing residential developers and expanding mortgage market.

- **No reforms or supply outcomes for renters**, low-income households or vulnerable households.

- **Social housing** responsibility shifted to municipalities and **un-funded by central agencies**.
Opportunities to accelerate reform for recovery
Emerging opportunities

• **Conditionality of EU accession** and international support and strategic technical assistance could mobilise housing policy progress and facilitate reform at national and municipal level.

• **Good design of a program of public investment** and conditional subsidies can support adequate housing, also removing the threat of profiteering and privatisation.

• For example, legal clarification of housing strategy, clearer allocation of roles, as well as principles for funding, support for establishing system of registered providers of subsidised housing, allocation targets, and reporting on performance.

• A more **purposeful and capable housing recovery** addressing needs would strengthen trust and social solidarity.
Symposium: Ukraine’s housing recovery forum
- Rebuilding a Place to Call Home

- Major international discussion in the Hague
- Followed up by a detailed report
- Launched in Kyiv May 2023
- Well received by key stakeholders
Ukrainian Housing recovery challenges

Ukraine has suffered immense damage: over 817,000 homes damaged, affecting 2m residents with a cost of over EUR 40 billion. However, core housing problems were present long before the war.

Conditions before the war
- Weak role of the state institutions, lack of framework and no social housing stock
- Legislation for social and non-profit housing is not performing
- Disinvestment and failed housing stock management reform, huge EE subsidies
- Spatial planning disregards social housing, role of municipalities is minimal

Risks during and after the war
- White elephants and misguided investment
- Investments stuck or not reaching vulnerable groups
- Perpetuated and conserved problems of management
- Ad hoc spatial planning and poor accessibility of new areas

Lessons from Europe

After World War II, Europe rebuilt itself, producing some of world’s most livable cities. Land policy and purposeful circuits of investment were key to recovery efforts.

Denmark
National housing fund and closed financial circuit for social housing
LBF was established in 1967 and is funded by tenant rents from social and affordable housing provided by non-profit housing organisations.

the Netherlands
Purposeful local land policy for social housing and diverse neighborhoods
For decades after WWII, the supply of much needed housing was accelerated via local public land assembly and central government subsidies to non-profit housing associations.

Austria
Strong national low-profit housing legislation
In Austria, 24% of housing is provided by Municipal Housing Companies, Limited-Profit Housing Associations (LPHAs).

Finland
Purposeful national housing agency funding social housing
Out 66,000 new dwellings planned for construction between 2020 and 2023 in Helsinki, ARA Finland works to co-finance 18,200 as social housing.

Vienna
Municipal housing company and land bank to assure long-term affordable housing provision
Since its inception in 1984 Wohnfonds Wien has provided more than 3.7 million square metres of land for more than 51,400 subsidised apartments.

System of recommendations for housing recovery

Locally-informed systemic efforts in building institutions, legislation and capacity would support a comprehensive and place-based housing recovery in a short- and long-term perspective.

Building blocks for affordable and sustainable housing embedded in the livable context of the neighbourhoods:

- National framework
- Strategic land-use planning
- Housing stock management reform
- National governance and funding
- Municipal mandate and capacity
- Upgrade of tenancy rights

Underpinned by a Technical assistance expert platform for housing in Ukraine led by the EU and local experts

What would a coherent approach to implementation require?

**Affordable Social Housing**
Model defined clearly in legislation, based on European best practice
Governing board has relevant mission, expertise. Includes local community stakeholders and has a strong resident voice.
• Cost recovery model
• Long term asset management
• Mandate to respond to needs, supply housing
• Non-profit, revolves surpluses, no shareholder dividends
Regulatory and registration system provides for transparency in use of funds, quality assurance and resident voice

**Housing Agency with Housing Fund**
A national body and fund that supports the development of affordable rental housing via provision of conditional grants, loans and guarantees
Strong links to Environment, Finance and Recovery Ministries
Has a research, development and innovation function, building capacity in EE construction, good governance and building management
Ensures compliance with non-profit housing law with regards to mission, needs based allocation, cost rents, efficient operations, dedication of surpluses, use of revolving funds.

**Municipalities mobilised to act**
Engages the community in urban plans for future residents
Informed by needs based housing targets, integrates housing needs in land use plan, identifies suitable sites
Uses land policy instruments such as land banking and conditional leasing to achieve these targets
Establishes a municipal housing company (also with other municipalities) and enables other entities such as co-operatives to establish too

**Just recovery for households**
Inclusive allocation prioritises local needs and ensures social inclusion.
Residents pay cost recovery rents and contribute maintenance fees (compulsory), surpluses revolved for common good housing purposes.
Residents have a say in the management of the building (optional)
Tenant unions and housing ombudsman, advocacy for vulnerable households.
How would it be organised?

Reformed housing law
- passed by parliament
- Supported by stakeholders
- Implemented by responsible Minister, Housing Agency, municipalities and registered providers

Dedicated Housing Agency
Possibly part of Reconstruction and Development
- Inform/implements affordable housing strategy
- Evidence basis for local needs-based capital investments
  - Sets grant conditions & procurement standards
  - Regulates, monitors, evaluates and reports to Minister and Parliament

Affordable Housing Fund Board
No own staff – operated by Agency
- Invests in Affordable and Social Housing (ASH)
  - Source of grants (per policy)
  - Source of guarantees loans (approved financing for approved projects)

Development banks and other banks
- credit assessment
- administer co-financing loans (with conditional guarantee)

Municipalities
- integrate affordable housing in plans
- lease public land for ASH
- can establish own registered providers of ASH

Registered providers of ASH
- mission-focused
- can receive subsidies
- defined operating model
- audited
Overall model comparison

Proposed model of subsidies:
- Subsidies for mortgages
- Price inflation by developers
- Value extraction by landowners
- Household instability and indebtedness

Sustainable housing provision:
- Loans to controlled entities
- Public land control and value increase
- Cost-efficient construction
- Affordability and security of tenancy
IOM Pilot – potential and insights
Building on Ukraine’s Lugano plan…

*Researchers have a role informing accelerated reforms.*
Ukraine has drafted its own *National Recovery Plan*:

- **Constituent meetings in subgroups (mid May 2022)**
- **Basic approach, goal, key challenges, key opportunities, key constraints, goals by stages**
- **Main tasks, measures in stages, expected results**
- **Tasks, measures, lists of NPAs, proposals for national restoration projects have been developed**
- **Coordination with other WGs**
- **Final version of the Working Group's proposals**
- **Integration of developments into a single WG document, coordination between subgroups**

**Draft National Recovery Plan** (19 June 2022 presented in Lugano)
Good European practices in affordable, inclusive and climate neutral housing and urban development

Many areas of potential knowledge exchange, catalysing policy development, capacity building and peer to peer technical assistance:

- Governing frameworks – National Housing Strategy, multi-level governance and sustainable development
- Housing needs assessment and reporting, budgeting and investment
- Sustainable and inclusive social housing systems
- Public interest land development promotion
- Sustainable investment in needed housing
- Housing standards, quality, affordability access and energy efficiency
- Tenancy regulation
- Resident involvement and advocacy

UNECE/Housing Europe/UN Habitat initiative #Housing2030 involvement in drafting Ukraine’s Recovery Plan - member of WG on Housing Policy, participation in presentations and public discussions etc
Proposed EU facility for Ukraine

Pillar 1
- Grants
- Loans
- To fulfil Ukraine’s Recovery Plan and EU conditionalities

Pillar 2
- Ukraine investment framework
- Complementary measures to attract public and private investment
- e.g. Guarantees

Pillar 3
- Technical assistance
- Bilateral support
- Pre-accession measures
- Interest rates subsidies under pillar one.
EU facility accelerate could progress reform

Pillar 1
- National housing agency managed fund providing conditional grants for affordable, energy efficient housing - sliding grants depending on level of affordability required, as in Finland and Austria.
- Fund is capitalised by revolving loans and also dedicated tax revenues to provide long term revolving loans, loan repayments are ringfenced to replenish fund over time, as in Finland, Austria and Switzerland.
- Ensure that funding is channelled through a well regulated, purpose focused and accountable legal entity, such as limited profit housing entity, transparent and accountable to funders and regulators.
- Ensure that housing fulfils UN SDGs and EU NEB goals and well-integrated into communities and social infrastructure.
- Fulfils Ukraine’s Recovery Plan with regards to housing and EU conditionalities with regards to Social Charter, EE, NEB and social inclusion.

Pillar 2
- Ukraine investment framework – good governance, constructive guidance and conditional guarantees.
- Complementary measures to attract most cost efficient long term financing - support should not be given to inefficient, overly complex or costly models.
- Capacity building effort in affordable housing business operations, including legal guidance for compliance, project management and constructive regulatory framework, including training, peer to peer exchange.
- Specialist auditing and reporting to funders and regulators (including consumer advocates), Austria and Finland provide exemplars.
- Guarantees can be used to create a pipeline, and for financing find its way to the projects, they can also be reduced over time when suitable.

Pillar 3
- Establish agreement of national direction on adequate affordable and inclusive housing strategy confirming adoption of European best practices, building on program of Recovery Plan and drawing on the recommendations of the PBL report ‘Rebuilding a Place to Call Home’.
- Technical assistance establishes legal framework to support reform of current affordable housing model, towards cost recovery rent housing model both at central and local level.
- Bilateral support provided by countries with strong cost recovery models: Austria, Denmark and Finland to establish this model and regulatory framework.
- Housing stock management reforms, focusing on accountable legal entities that promote EE and life cycle approach and resident focused, such as limited profit housing entities.
- Technical assistance to strengthen institutional support for civil society rights with regards to adequate housing (tenancy reforms, legal advice and advocacy).
- To inform a needs-based capital investment strategy, establish data collection and evidence base in SSSU and capacity to inform needs based allocation.
- Capacity building strategy municipalities to support and establish responsible mission focused entities and integrated land use planning for housing.
Requires a needs-based approach to guide capital investment

- First attempt at modelling cost of a larger scale effort to respond to housing needs
- Builds on preliminary report on needs assessment
- Applies key IOM and Ukrainian data sources on household needs, unit needs, land, finance and construction costs
- Adapts Affordable Housing Assessment Tool (AHAT)

Paper be presented at second Rebuilding a Place to Call Home - Lviv, November 11, 2023
Ensure subsidised housing is mission focused and well governed

- Model Common Good Housing Law comprises the following elements:
  - Access to subsidies and tax exemptions based on defined obligations
  - Clear mission and regulatory framework
  - Registered to operate in situ
  - Economic capacity
  - Supervisory board
  - Freedom from conflicts of interest
  - Restrictions on beneficiaries
  - Limited business activities
  - Cost rent setting, indexed
  - Revolving funds
  - Reasonable and proportionate management costs
  - Auditing association is licensed by minister of Finance and reviews and confirms suitable entities, submits audit reports and promotes guidelines for registered entities

Paper to be presented for discussion in Brussels, Vienna House, 24 October, 2023
Yet much more research and development needed

What further research could inform building back 'better'?

- Many directions...
- Informed international efforts in long term housing responses
- Alignment of EU and sectoral policy goals: zero-net transition, e.g. energy efficiency and circularity, and also social inclusion: inequality and poverty
- Advanced and applied analysis urban planning, housing policy, municipal and provider capacity and supply chains
- Advanced legal understanding of the current property relations and circuits of investment affecting existing and new development
- Concrete examination of the capacities impeding and enabling reforms
- Organisational models and capacity building for relevant stakeholders in urban development and housing field
- Many more.....
Join and contribute to a research working group - for example at ENHR or AESOP

- This working group encourages European researchers and policy developers, from a range of disciplines and fields to share information, analyze and debate the process of crises, reform, and recovery
- Invitation for new papers for the Delft ENHR conference soon
- Conference held 26-30 August 2024
- Previous papers:
  - Challenges to the structure and functioning of social housing in Ukraine (Shnaider)
  - Ukraine’s Housing Recovery: path dependence and international influence (Lawson and Ruonavaara)
  - The role of solidarity housing in the accommodation of refugees in Germany (Sukhomud)
  - Common Good Housing: a systemic approach based on European best practices (Legal Framework) (Amann, Anisimov, Fedoriv and Lawson)
  - Rebuilding affordable housing requires (re) designing institutions: securing not for profit housing in an institutional void (Anisimov, Fedoriv, Tkachenko, Lawson and Buitelaar)

Crises, Conflict and Recovery
Support and partner with Ukrainian experts

- [https://cedos.org.ua/search/housing/](https://cedos.org.ua/search/housing/)
- [https://newhousingpolicy.com.ua/](https://newhousingpolicy.com.ua/)
- [https://ro3kvit.com/](https://ro3kvit.com/)
- And many more experts in universities, NGOs and civil society

Social cohesion and public participation: the key to the democratic recovery of Ukraine
Engage in knowledge exchange and capacity building – some examples

**Tools for Post Conflict Urban Recovery – Understanding how to build back better**
(*postconflictrecovery.org*)

All sessions available online, including presentations.

**NEB Capacity-building Programme - Initiative Bauhaus**
(*initiative-bauhaus.at*)
Conclusion
Outcomes of a well-organized housing recovery

- Ensuring a place to return to for refugees and IDP
- Zero-net transition in line with the Green Deal
- Affordability of housing for wide population groups
- Purposeful and transparent use of public investment
- Housing integral to Ukraine’s recovery and should be part of EU efforts ensuring macrofinancial stability, social inclusion and just transition.
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Thank you!