



PLANNING AND DEVELOPMENT COLLABORATIVE INTERNATIONAL, INC.

# **FINAL REPORT**

**PRIVATE SECTOR DEVELOPMENT OF HOUSING  
EASTERN EUROPE**

# **PROPOSED STRATEGY FOR TECHNICAL ASSISTANCE AND TRAINING IN POLAND**

**Prepared for**

**United States Agency for International Development  
Bureau for Private Enterprise  
Office of Housing and Urban Programs**

**November 1992**

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**United States Agency for International Development  
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Washington, DC**

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# **PRIVATE SECTOR DEVELOPMENT OF HOUSING EASTERN EUROPE**

## **PROPOSED STRATEGY FOR TECHNICAL ASSISTANCE AND TRAINING IN POLAND**

### **EXECUTIVE SUMMARY**

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#### **1 REGIONAL OVERVIEW**

The goal of this contract is to assist the countries of Eastern Europe achieve an efficient transition from their state-dominated housing delivery systems to market oriented, private sector-dominated systems. While there are similar ongoing A.I.D., Office of Housing technical assistance programs in each country, there are important differences in approach, scope and substance. These differences reflect not only the unique conditions in each country but also the way in which the technical assistance (TA) and training programs are being designed and delivered.

A number of factors should be taken into account in the development of a technical assistance program: acceptability of foreign assistance, potential access to decision makers, the delivery "vehicle" for training and TA, the sheer complexity of many issues and several others. The complexity of some issues, for example, requires legal, financial, technical and managerial input for comprehensive solutions to be developed.

#### **2 STRATEGY FOR POLAND**

The A.I.D. Office of Housing and Urban Programs has been involved in Poland since late 1990, initially, in support of a proposed World Bank housing finance project and, beginning in early 1992, in support of a proposed A.I.D. Housing Guaranty Program. The World Bank Loan Agreement and the Housing Guaranty Program Agreement have been negotiated and are expected to be signed in the coming weeks.

The goals and objectives of the Private Sector Development of Housing Contract can be expressed by the single phrase "to get housing built". This infers a focus on the production of housing, i.e., contractors and developers, but it does not mean the other factors that affect the private sector's ability to deliver housing should be ignored. Indeed the overall legal, regulatory, financial, economic and market environment within which the private producers of housing work is of critical importance to their success.

The Technical and Training Strategy for Poland has been developed to embrace the broad environment within which the private sector housing producers must operate. The following are the key elements that form the framework for the Strategy:

- Land
- Infrastructure
- Building Materials/Manufacturers
- Construction/Contractors
- Development/Developers
- Regulations/Regulators
- Finance/Bankers
- Markets/Consumers

For each element there are key issues that impact the delivery of housing that need to be addressed. Some of these issues can and should be addressed under this contract while others should be addressed under parallel contracts or by the Government of Poland (GOP).

The responsibility for delivery of technical assistance (i.e., PADCO, ICMA, GEMINI, NAHB, GOP, etc.) and the likely mode of delivery (i.e., long term advisors, training, short term advisors, demonstration projects, etc.) are key components of the Strategy. The Strategy encourages collaboration between all the contractors involved in the sector. AID must decide how collaboration is to be fostered and how coordination between contractors (and donors) is to be achieved.

This Strategy report contains an overall strategy paper with supporting annexes. The Consultant also utilized a large number of reports and policy papers produced over the last two years by the GOP, Polish institutions, PADCO and other consultants. The proposed Strategy is summarized in the Chart contained on the following pages.

**PRIVATE SECTOR DEVELOPMENT OF HOUSING IN POLAND  
PROPOSED STRATEGY — KEY ELEMENTS AND ISSUES**

**1**

Key Elements	Key Issues	Current/ Committed Assistance	Proposed Responsibility	Priorities for Assistance	Modes of Assistance	Indicators
<b>Land</b>						
<ul style="list-style-type: none"> <li>■ availability</li> </ul>	<ul style="list-style-type: none"> <li>■ limited, controlled by Gminas &amp; coops</li> </ul>	<ul style="list-style-type: none"> <li>■ none</li> </ul>	<ul style="list-style-type: none"> <li>■ ICMA-Gminas</li> <li>■ PADCO-coops</li> </ul>	<ul style="list-style-type: none"> <li>■ land inventories</li> </ul>	<ul style="list-style-type: none"> <li>■ long &amp; short term TA to Gminas &amp; MoSEC</li> </ul>	<ul style="list-style-type: none"> <li>■ policy actions, land inventories</li> </ul>
<ul style="list-style-type: none"> <li>■ title</li> </ul>	<ul style="list-style-type: none"> <li>■ clear title difficult to obtain in some cities, particularly Warsaw</li> </ul>	<ul style="list-style-type: none"> <li>■ none</li> </ul>	<ul style="list-style-type: none"> <li>■ PADCO</li> </ul>	<ul style="list-style-type: none"> <li>■ cadastral mapping/GIS</li> </ul>	<ul style="list-style-type: none"> <li>■ long term TA, pilot program, demonstration</li> </ul>	<ul style="list-style-type: none"> <li>■ cadastral/GIS maps</li> </ul>
<ul style="list-style-type: none"> <li>■ cost</li> </ul>	<ul style="list-style-type: none"> <li>■ high due to limited availability and difficulty in obtaining parcels with clear titles</li> </ul>	<ul style="list-style-type: none"> <li>■ none</li> </ul>	<ul style="list-style-type: none"> <li>■ N/N</li> </ul>	<ul style="list-style-type: none"> <li>—</li> </ul>	<ul style="list-style-type: none"> <li>—</li> </ul>	<ul style="list-style-type: none"> <li>—</li> </ul>
<b>Infrastructure</b>						
<ul style="list-style-type: none"> <li>■ availability</li> </ul>	<ul style="list-style-type: none"> <li>■ limited capacity within urban areas; limited or non-existent facilities on urban periphery</li> </ul>	<ul style="list-style-type: none"> <li>■ none</li> </ul>	<ul style="list-style-type: none"> <li>■ ICMA</li> </ul>	<ul style="list-style-type: none"> <li>■ infrastructure upgrading and expansion</li> </ul>	<ul style="list-style-type: none"> <li>■ long term TA at local levels</li> </ul>	<ul style="list-style-type: none"> <li>■ projects for expansion or improvement in infrastructure</li> </ul>
<ul style="list-style-type: none"> <li>■ financing</li> </ul>	<ul style="list-style-type: none"> <li>■ Gminas and voivodas have no means to finance</li> </ul>	<ul style="list-style-type: none"> <li>■ none</li> </ul>	<ul style="list-style-type: none"> <li>■ ICMA</li> </ul>	<ul style="list-style-type: none"> <li>■ sources of finance</li> </ul>	<ul style="list-style-type: none"> <li>■ long term TA at local and national levels</li> </ul>	<ul style="list-style-type: none"> <li>■ enactment of national and local policies</li> </ul>
<ul style="list-style-type: none"> <li>■ cost recovery</li> </ul>	<ul style="list-style-type: none"> <li>■ no tax assessments or collection—systems in place</li> </ul>	<ul style="list-style-type: none"> <li>■ ICMA (Krakow)</li> </ul>	<ul style="list-style-type: none"> <li>■ ICMA</li> </ul>	<ul style="list-style-type: none"> <li>■ methods of recovery</li> </ul>	<ul style="list-style-type: none"> <li>■ long term TA at local and national levels</li> </ul>	<ul style="list-style-type: none"> <li>■ enactment of national and local policies</li> </ul>
<b>Building Materials/ Manufacturers</b>						
<ul style="list-style-type: none"> <li>■ quality</li> </ul>	<ul style="list-style-type: none"> <li>■ domestic products generally inferior to imports; limited range, need better standards</li> </ul>	<ul style="list-style-type: none"> <li>■ none</li> </ul>	<ul style="list-style-type: none"> <li>■ PADCO</li> </ul>	<ul style="list-style-type: none"> <li>■ methodology for norms &amp; standards development</li> </ul>	<ul style="list-style-type: none"> <li>■ long term TA to MoSEC</li> </ul>	<ul style="list-style-type: none"> <li>■ program for developing, adopting and implementing new norms &amp; standards</li> </ul>
<ul style="list-style-type: none"> <li>■ cost</li> </ul>	<ul style="list-style-type: none"> <li>■ high due to lack of competition; domestic prices similar to imports</li> </ul>	<ul style="list-style-type: none"> <li>■ none</li> </ul>	<ul style="list-style-type: none"> <li>■ n/n</li> </ul>	<ul style="list-style-type: none"> <li>—</li> </ul>	<ul style="list-style-type: none"> <li>—</li> </ul>	<ul style="list-style-type: none"> <li>—</li> </ul>
<ul style="list-style-type: none"> <li>■ technology</li> </ul>	<ul style="list-style-type: none"> <li>■ introduction of new building products slow</li> </ul>	<ul style="list-style-type: none"> <li>■ none</li> </ul>	<ul style="list-style-type: none"> <li>■ NAHB/PADCO</li> </ul>	<ul style="list-style-type: none"> <li>■ new products for domestic production</li> </ul>	<ul style="list-style-type: none"> <li>■ NAHB product centers; market information</li> </ul>	<ul style="list-style-type: none"> <li>■ numbers of new products produced in Poland</li> </ul>

**PRIVATE SECTOR DEVELOPMENT OF HOUSING IN POLAND  
PROPOSED STRATEGY — KEY ELEMENTS AND ISSUES**

**2**

Key Elements	Key Issues	Current/ Committed Assistance	Proposed Responsibility	Priorities for Assistance	Modes of Assistance	Indicators
<i>Construction/ Contractors</i>						
■ management skills	■ limited knowledge of business, finance, marketing	■ none	■ PADCO/NAHB	■ business planning and finance	■ long term training- various institutions short term training NAHB; TA PADCO	■ institutionalization of training
■ technical skills	■ limited to traditional methods & materials	■ limited to PADCO	■ NAHB/PADCO	■ Valve engineering, construction management	■ TA to firms-PADCO/HFPO; short term training-various institutions, NAHB	■ institutionalization of training
■ privatization	■ process is very slow, impacts competition	■ none	■ PADCO	■ monitor privatization progress, competition	■ long term TA to MoSEC	■ fair and open competition
■ cost	■ traditional methods, slow execution, lead to high cost	■ limited, PADCO	■ PADCO/NAHB	■ cost and time reduction	■ TA to firms, PADCO/HFDB; Training-PADCO/NAHB	■ projects assisted
<i>Development/ Developers</i>						
■ cooperatives	■ future role in housing development	■ none	■ PADCO	■ conversion of coops to developers	■ long term TA through MoSEC	■ national enabling policy; coops converted to market developers
■ financing	■ lack understanding of requirements and skills	■ limited-PADCO	■ PADCO	■ construction financing; techniques, applications	■ long term, short term training/TA-PADCO/HFPO; training through various institutions	■ developers assisted
■ management/ technical skills	■ limited knowledge of business, finance, marketing and the development process	■ none	■ PADCO	■ business planning, management, the development process	■ TA to firms-PADCO/HFPO; training through various institutions	■ developers assisted
■ investment	■ current risks/rewards unattractive to most investors	■ limited-Gemini	■ PADCO/Gemini	■ legal, financial investment climate	■ long term TA through MoSEC, collaboration with Gemini, IRIS and MIT	■ legal, tax policies that promote investment in housing

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**PRIVATE SECTOR DEVELOPMENT OF HOUSING IN POLAND  
PROPOSED STRATEGY — KEY ELEMENTS AND ISSUES**

**3**

Key Elements	Key Issues	Current/ Committed Assistance	Proposed Responsibility	Priorities for Assistance	Modes of Assistance	Indicators
<b>Regulation/ Regulators</b>						
<ul style="list-style-type: none"> <li>development controls</li> </ul>	<ul style="list-style-type: none"> <li>process is lengthy and unpredictable</li> </ul>	<ul style="list-style-type: none"> <li>none</li> </ul>	<ul style="list-style-type: none"> <li>ICMA</li> </ul>	<ul style="list-style-type: none"> <li>Clarify process for private developers</li> </ul>	<ul style="list-style-type: none"> <li>TA &amp; training for Gminas</li> </ul>	<ul style="list-style-type: none"> <li>Gminas trained</li> </ul>
<ul style="list-style-type: none"> <li>bonding/warranties, guarantees</li> </ul>	<ul style="list-style-type: none"> <li>not available or enforceable</li> </ul>	<ul style="list-style-type: none"> <li>none</li> </ul>	<ul style="list-style-type: none"> <li>PADCO</li> </ul>	<ul style="list-style-type: none"> <li>introduction of standard requirements</li> </ul>	<ul style="list-style-type: none"> <li>long term TA through MoSEC</li> </ul>	<ul style="list-style-type: none"> <li>policy or rules &amp; regulations introduced</li> </ul>
<ul style="list-style-type: none"> <li>codes and standards</li> </ul>	<ul style="list-style-type: none"> <li>lack of performance based, EC consistant codes</li> </ul>	<ul style="list-style-type: none"> <li>none</li> </ul>	<ul style="list-style-type: none"> <li>PADCO</li> </ul>	<ul style="list-style-type: none"> <li>methodology (see materials) for developing, adopting, implementing</li> </ul>	<ul style="list-style-type: none"> <li>long term TA through MoSEC</li> </ul>	<ul style="list-style-type: none"> <li>methodology produced</li> </ul>
<b>Finance/Bankers</b>						
<ul style="list-style-type: none"> <li>construction loans</li> </ul>	<ul style="list-style-type: none"> <li>untested procedure for developers to apply</li> </ul>	<ul style="list-style-type: none"> <li>limited, UI</li> </ul>	<ul style="list-style-type: none"> <li>UI/PADCO</li> </ul>	<ul style="list-style-type: none"> <li>application preparation</li> </ul>	<ul style="list-style-type: none"> <li>training &amp; TA through PADCO/HFPO</li> </ul>	<ul style="list-style-type: none"> <li>construction loan approvals</li> </ul>
<ul style="list-style-type: none"> <li>mortgage loans</li> </ul>	<ul style="list-style-type: none"> <li>prequalification of buyers</li> </ul>	<ul style="list-style-type: none"> <li>limited, UI</li> </ul>	<ul style="list-style-type: none"> <li>UI/NAE</li> </ul>	<ul style="list-style-type: none"> <li>buyer application</li> </ul>	<ul style="list-style-type: none"> <li>TA through rental assoc.</li> </ul>	<ul style="list-style-type: none"> <li>buyer prequalifications</li> </ul>
<ul style="list-style-type: none"> <li>credits</li> </ul>	<ul style="list-style-type: none"> <li>business loans, supplier credits not available or only with high collateral</li> </ul>	<ul style="list-style-type: none"> <li>limited, Gemini</li> </ul>	<ul style="list-style-type: none"> <li>Gemini/PADCO/IRIS</li> </ul>	<ul style="list-style-type: none"> <li>collateral &amp; liens, laws</li> </ul>	<ul style="list-style-type: none"> <li>TA through IRIS, Gemini, MoSEC (PADCO)</li> </ul>	<ul style="list-style-type: none"> <li>banks lending for business operations</li> </ul>
<ul style="list-style-type: none"> <li>appraisals</li> </ul>	<ul style="list-style-type: none"> <li>market appraisals required</li> </ul>	<ul style="list-style-type: none"> <li>none</li> </ul>	<ul style="list-style-type: none"> <li>PADCO</li> </ul>	<ul style="list-style-type: none"> <li>establish a market appraisal industry</li> </ul>	<ul style="list-style-type: none"> <li>TA &amp; training to a private sector association of appraisers</li> </ul>	<ul style="list-style-type: none"> <li>curriculum, certification, licensing of appraisers</li> </ul>
<b>Market/ Consumers</b>						
<ul style="list-style-type: none"> <li>real estate agents</li> </ul>	<ul style="list-style-type: none"> <li>no formal network to gather and disseminate market information</li> </ul>	<ul style="list-style-type: none"> <li>none</li> </ul>	<ul style="list-style-type: none"> <li>NAR</li> </ul>	<ul style="list-style-type: none"> <li>real estate brokerage industry</li> </ul>	<ul style="list-style-type: none"> <li>long term TA and training through Krakow RE Institute and others</li> </ul>	<ul style="list-style-type: none"> <li>established curriculum certification, licensing and network</li> </ul>
<ul style="list-style-type: none"> <li>market studies</li> </ul>	<ul style="list-style-type: none"> <li>limited understanding of requirements, limited information</li> </ul>	<ul style="list-style-type: none"> <li>none</li> </ul>	<ul style="list-style-type: none"> <li>PADCO/NAR</li> </ul>	<ul style="list-style-type: none"> <li>preparation of market studies, analysing markets</li> </ul>	<ul style="list-style-type: none"> <li>short term training through Krakow RE Institute and others</li> </ul>	<ul style="list-style-type: none"> <li>market analysts trained</li> </ul>

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# 1 REGIONAL OVERVIEW

## 1.1 Goals and Objectives

The goal of this contract is to assist the countries of Eastern Europe achieve an efficient transition from their state-dominated housing delivery systems to market oriented, private-sector dominated systems. The objectives to be achieved are the following:

1. Introduce policy reform to stimulate private sector housing production;
2. Activate/access new housing finance systems;
3. Privatize housing production (eg, materials, construction and development);
4. Establish formal housing markets;
5. Rationalize the role of local governments in housing production; and
6. Achieve sector-wide (eg, the three AID contracts) coordination for optimum impact.

## 1.2 Approach

Under Request for Services (RFS) Number Three PADCO was to "carry out a brief reconnaissance of current Office of Housing activities underway in the region which relate to private sector development of housing". Priority initiatives were to be recommended for each country and an initial work program developed for review with PRE/H. Once initial elements of a work program were agreed with A.I.D. for a particular country, an overall country strategy would be developed under a separate RFS. The strategy would address not only what areas, issues or problems would be targeted but also how the assistance would be delivered (i.e., training, technical advisors, demonstration projects, exchange programs, etc.).

## 1.3 Status

While there are similar ongoing A.I.D. Office of Housing programs in each country, there are differences in approach, scope and substance in these programs. These differences reflect not only the different country situations but also the way in which the technical assistance (TA) and training programs are being designed and delivered.

The overall objectives to be achieved through this contract are being used to review current and possible future activities related to private sector housing development in each of the countries in the Region. The following general criteria were identified to guide the development of a strategy for each country:

1. The stated goal and objectives of this contract should be used to formulate future programs of assistance in each country (in each republic in the case of Czechoslovakia);
2. Country programs should be clearly customized to the current needs and evolving context in each country;

3. Lessons learned, not necessarily the same approaches, should be employed across the Region;
4. To achieve the goal of supporting the evolution of a private sector housing delivery system, all of the issues or problems associated with each of the key elements of the system should be considered and, if requested by the respective country officials and agreed to by AID, assistance should be provided to address them;
5. Programs should be designed to achieve a "technology transfer" or to demonstrate "how to" and should have a clearly identifiable impact; and
6. Finally, a strong preference has been expressed for the involvement of fellow practitioners as opposed to theorists and academics in delivering TA.

#### **1.4 Constraints and Opportunities**

A number of constraints exist to the development of the type of program characterized above: acceptability of foreign assistance, access to decision makers, the delivery process for training and TA, the sheer complexity of many issues, and several others. In some cases foreign training or TA is not seen as a priority or is unwanted for political or other reasons. Access to both the operational and decision making levels in the public sector is crucial but not always possible. Delivery of TA to small entrepreneurs (i.e., contractors and developers) requires a rational outreach program. The complexity of some issues requires legal, financial, technical and managerial input for comprehensive solutions to be developed.

To a certain extent programs should be opportunistic. They should take advantage of demonstrated strong interest on the part of a current or proposed TA recipient to make a major in-depth contribution to the transformation of the sector. This also applies to different levels of government and institutions. Where the opportunity may exist to work at the national and local levels on the same issues or at the decision making and operational level in public and private institutions, the opportunity should be taken. The opportunity also should be taken to continue to build on in-country knowledge and contacts as well as to take advantage of other AID and US government programs that are available. Lastly, collaboration with the other Office of Housing contractors in designing more comprehensive, cohesive packages of training and TA (i.e., the legal, financial, technical and management issues related to housing rehabilitation) should be seen as an opportunity. However, being opportunistic does not mean undertaking work without having an actual client as has been the case in some instances.

## **2 STRATEGY FOR POLAND**

### **2.1 Background**

The A.I.D. Office of Housing and Urban Programs has been involved in Poland since late 1990, initially in support of a proposed World Bank housing finance project and, beginning in early 1992, in support of a proposed A.I.D. Housing Guaranty Program. Significant effort has been directed toward the identification of prospective housing projects, especially those to be developed and constructed by the emerging private sector. The primary entity for receiving assistance has been the Housing Finance Project Office (HFPO), an ex-officio institution attached to the Ministry of Spatial Economy and Construction. However other efforts in the private development sphere have included training for developers and bankers in the housing development and financing process, a broad assessment of the Polish housing construction industry, a major conference on real estate and the Gemini Program study of small and medium size construction enterprises.

The World Bank Loan Agreement and the Housing Guaranty Program Agreement have been negotiated and are expected to be signed in the coming weeks. The institutional arrangements and implementation plans for both programs are expected to be put into place shortly thereafter. Hence, now is an appropriate time to reassess the needs and develop a strategy for technical assistance and training to facilitate the private sector development of housing in Poland.

### **2.2 General Approach**

#### **2.2.1 Key Elements**

The goals and objectives of the Private Sector Development of Housing Contract can be expressed by the single phrase "to get housing built". This infers a focus on the production of housing, i.e., contractors and developers, but it does not mean the other factors that affect the private sector's ability to deliver housing should be ignored. Indeed the overall legal, regulatory, financial, economic and market environment within which the private producers of housing work is of critical importance to their success. In fact to a large extent this overall environment will determine the participation of private investors and entrepreneurs in the housing sector. Hence the Strategy for technical assistance and training has been developed to encompass all the aspects that impact the role and success of the private sector in the production of housing.

The following are the key elements that have been taken into account<sup>1</sup>:

<sup>1</sup>It is interesting to note that the list of elements are very similar to those listed by Prof. Hajduk of the Housing Research Institute in his proposals for the reform of the housing sector and by the Krakow Real Estate Institute as being essential for a fully functional private sector housing development industry in Poland.

- Land
- Infrastructure
- Building Materials/Manufacturers
- Construction/Contractors
- Development/Developers
- Regulations/Regulators
- Finance/Bankers
- Markets/Consumers

It is the consultants' view that across-the-board intervention in the sector will be required to effectively transform what was a centrally planned housing production system to a truly market-oriented system. The "order takers" must be replaced by developers who are prepared to take risks.

### **2.2.2 Identification of Key Issues**

For each element there are key issues that impact the delivery of housing that need to be addressed. Some of these issues can and should be addressed under this contract while others should be addressed under parallel contracts or by the Government of Poland (GOP).

The proposed Strategy for the private sector contract evolves from an identification and analysis of these issues. The consultants utilized the products of RFS 8, which are attached as annexes, as well as previous work in the sector by PADCO and others, to complete this analysis.

### **2.2.3 Responsibilities and Delivery**

The responsibility for delivery of technical assistance (i.e., PADCO, ICMA, GEMINI, NAHB, GOP, etc.) and the likely mode of delivery (i.e., long term advisors, training, short term advisors, demonstration projects, etc.) are key components of the Strategy. The consultants have discussed these issues with GOP officials, representatives of Polish public and private institutions and other consultants in an effort to determine the appropriate solution. It is clear that the overall effort will be shared by a number of public and private entities, that collaboration is desirable and that coordination is essential.

### **2.2.4 Collaboration and Coordination**

AID must decide how collaboration is to be fostered and how coordination between contractors (and donors) is to be achieved. Both AID and the consultants should be increasingly sensitive to the complaints by some GOP officials that they are not fully informed about donor assistance activities and that the country's capacity to absorb technical assistance is being tested by the "Marriot Brigades". The Housing sector is no

exception. The large number of public and private assistance programs, the potential overlap in scope and the limited information available about what is ongoing and what is proposed are obvious problems. The Strategy detailed in the following sections seeks to overcome these problems by utilizing the PADCO contract as the "umbrella" contract allocating responsibilities among other contractors and institutions in accordance with their scope of work or areas of interest.

## **2.3 Land**

### **2.3.1 Status**

Virtually all urban land in Poland was nationalized after the war. Decentralization policies have resulted in the redistribution of these land (and building) assets to the local (gminas) and regional (voivodas) governments. In most cases the gminas and the voivodas have not completed an inventory of these land assets. Significant land areas also remain in the hands of State-owned-enterprises (SOEs) and housing cooperatives.

Land ownership is complicated in many Polish cities, particularly Warsaw, by the lack of up-to-date land records. Further, proposed legislation for the return of privately held land that was nationalized (reprivatization law) has been stalled leaving uncertainty as to who will ultimately be declared the owner of many inner city land parcels.

### **2.3.2 Key Issues**

The development of housing by the private sector, the sale of this housing and its financing each in turn depends on the availability of land with clear title. From the perspective of the private developer of housing and other real estate, the key issues that should be addressed with regard to land are the following:

- a. **Availability.** The control of the majority of the vacant land by gminas and coops is currently constraining its supply.
- b. **Title.** Clear title is only available in cases where land was not nationalized or has been restituted to the original private owners.
- c. **Cost.** The price of well located serviced land, with clear title is very high forcing most private developers to the periphery of urban areas.

### **2.3.3 Priorities**

The first priority should be to address the issue of land titling since without up-to-date land records housing can neither be developed, sold or financed. The passage of a reprivatization law is necessary and revised cadastral maps and reconstruction of title records is essential.

Another top priority is land availability. The gminas and the voivodas need to prepare land inventories and develop mechanisms for the release of land for the private sector development of housing. Similarly the future role of the coops as housing producers

needs resolution so that the land they presently control can be utilized, either by them or by others.

Resolution of the title and availability issues will in large part resolve the cost issue by creating a competitive land market.

#### **2.3.4 Responsibilities**

The major issues effecting land should be dealt with at the gmina and voivoda level through the Local Government contract (ICMA). The use of GIS/cadastral mapping technology could be directly accessed through the Private Sector contract (PADCO). The role of the Coops as either non-profit or for-profit developers should be addressed by PADCO.

#### **2.3.5 Mode of Delivery**

The delivery of technical assistance is dependent upon having a willing client and a defined objective. Several major cities as well as Warsaw are searching for assistance in producing a new cadastral system. Lodz and Krakow have already begun to develop their own digitized cadastral maps. Lublin, Gdansk, Wroclaw, Warsaw and perhaps other cities have expressed strong interest in receiving assistance. It is recommended that AID sponsor pilot cadastral/GIS programs in two cities to demonstrate the broad utility of state-of-the-art technology. Technical assistance can be provided through local firms under sub contract to PADCO. Short and long term advisors to the municipalities, provided under the ICMA contract, should be used to assist the municipalities develop land inventories and strategies for releasing their land to the private sector for housing production.

The role of the cooperatives should be addressed through the Ministry of Construction (MoSEC). A long term senior advisor, with a broad knowledge of housing construction and the development process should be placed in the MoSEC as they have requested. This advisor would address several other priority issues identified in this Strategy.

#### **2.3.6 Performance Indicators**

The measure of performance with regard to cadastral/GIS mapping is the completion of a set of maps that can then be used to implement a property tax assessment and collection system and to plan and invest in municipal infrastructure services. The performance of the senior advisor in the MoSEC would be measured by the number of clear policies that emerge.

## **2.4 Infrastructure**

### **2.4.1 Status**

The status of infrastructure services in major Polish cities has been reviewed by PADCO in 1991 and recently by ICMA during their scoping and strategy work. The responsibilities for infrastructure are split between the gminas and the voivodas with the majority of the services under the control of the local governments. Investment in roads, sewerage, water supply, drainage and district heating has generally not kept pace with the needs of the cities over the last ten years resulting in inadequate distribution and capacity. The most serious problem is the lack of public sector financial resources to expand or upgrade infrastructure. This places severe restrictions on the development of large tracts of unserviced land as developers can not afford to finance trunk infrastructure, especially in the current economic climate.

### **2.4.2 Key Issues**

Although infrastructure is clearly a responsibility of the Local Government contractor (ICMA), from the perspective of the private sector, it is important that the following key issues be addressed if housing development is to occur:

- a. **Availability.** Limited capacity within existing service areas and limited or non-existent distribution on the periphery of urban areas further reduces the available land for housing development.
- b. **Financing.** Gminas and voivodas currently have no means to finance infrastructure that would open up land for development.
- c. **Cost recovery.** Without updated land records and a property tax assessment system local government's only recourse would be to recover costs from developers or through special assessments.

### **2.4.3 Priorities**

Priority should be given to developing alternative means of infrastructure financing so that serviced land can be made available for housing development.

### **2.4.4 Responsibilities**

The local government contractor (ICMA) should have responsibility for this work.

### **2.4.5 Mode of Delivery**

Financing of infrastructure will require national and local government policy decisions. Technical assistance in the form of long term advisors at both levels of government should be provided through the ICMA contract.



#### **2.4.6 Performance Indicators**

The measure of performance should be the enactment of national and local policies that make it possible to finance infrastructure and increase the availability of serviced land.

### **2.5 Building Materials/Manufacturers**

#### **2.5.1 Status**

The precipitous drop in housing production from 217,000 units in 1980 to 130,000 units in 1990 has led to an oversupply of basic building materials. Distribution remains poor and regionally based due to the continued domination of the building materials industry by regionally based SOEs. Transportation costs are high and timely delivery has been a traditional problem. Quality is generally poor, prices remain high. Equivalent imported materials are similar in price despite the import taxes. The introduction of new materials and building products remains slow, at least in terms of local production. The use of large concrete panel technology as the principal housing construction technique is ending with no apparent new technologies to replace it.

#### **2.5.2 Key Issues**

From the perspective of the private contractor, the apparent demise of the large concrete panel systems and the return to traditional construction techniques is a welcome event. Traditional construction and other more labor intensive construction techniques allow smaller builders to compete. Several key issues need to be addressed, however:

- a. **Quality.** Access to better quality materials, domestically produced, requires an upgrading of standards and a better distribution network that fosters competition.
- b. **Cost.** Lack of competition seems to account for the relatively high price of construction materials.
- c. **Technology.** The introduction of new building products and materials is needed to reduce construction time and to improve quality.

#### **2.5.3 Priorities**

Priority should be given to the development of new norms and standards based on performance. Quality and cost will then improve with competition. Priority should also be given to the introduction of new high quality, energy efficient and economical building products that can be domestically produced.

#### **2.5.4 Responsibilities**

PADCO should address the issue of revised norms and standards and collaborate with the Polish American Home Builders (NAHB) to increase Polish contractor's awareness of new building materials and products.

### **2.5.5 Mode of Delivery**

The senior advisor(s) to the MoSEC should be responsible for providing advice on a methodology to develop performance norms and standards. Training programs for contractors, organized by PADCO and NAHB, and the displays and information provided through the NAHB Center in Gdansk should seek to accelerate the introduction of new materials and products.

### **2.5.6 Performance Indicators**

The measure of performance with regard to standards should be the establishment of a Polish government program to develop, adopt and introduce the new norms.

## **2.6 Construction/Contractors**

### **2.6.1 Status**

The private construction industry in Poland is currently estimated to include over 14,000 "trading companies" and over 140,000 "sole proprietorships". These numbers have doubled in the last two years as Poland has embarked on a "crash" program to create a market based economy. "Trading companies" include contractors, design firms, building material producers and distribution companies. These same statistics also indicate that the majority (76%) of these "trading companies" employ fewer than 50 persons. While only 36% of construction value in 1990 was in housing, 55% of the housing construction volume was undertaken by the private sector including sole proprietorships or self-builders. The private sector construction volume has probably increased significantly since 1990. However, no comparable statistics were available.

The privatization of the industry has been aided by the general economic conditions and the cut-off of subsidized financing for housing. This has forced many large vertically integrated firms (kombinats) and smaller SOEs to restructure into smaller more competitive units or face bankruptcy and liquidation. However the privatization process has been complicated by the fact that of the 1400 SOEs involved in the construction industry, only about 250 are controlled by the MoSEC with the vast majority of the remainder controlled by the voivodas. Thirty of the Kombinats that have been restructured into joint stock companies have approached the Ministry of Privatization for assistance in privatization. The majority of the SOEs established by the MoSEC, according to Minister Herbst, have been restructured and are in the process of privatization. Neither the MoSEC nor the Ministry of Privatization has monitored the construction industry privatization process.

The growth of the private sector housing construction industry is currently constrained by the overall economic environment, legal and financial impediments and the lack of effective demand (affordability).

### 2.6.2 Key Issues

The emergence of a private sector housing construction industry in Poland, an industry dominated by small, medium and large scale enterprises as opposed to sole proprietorships, is essential to the rebuilding of the country's housing production capacity. While the process is underway, these newly formed firms are struggling with a myriad of problems in order just to survive. The key issues that need to be addressed are the following:

- a. **Management Skills.** Business planning and management skills are in need of upgrading. Financial management and marketing also need to be addressed.
- b. **Technical Skills.** Contractors need assistance in value engineering, construction management (cost estimating and control, scheduling and coordination) and the upgrading of trade skills.
- c. **Privatization.** Growth and fair and open competition in the industry are dependent upon the success of the privatization process which suggests the process should be monitored.
- d. **Cost.** Construction costs have generally risen with inflation while wages have generally not kept pace. Opportunities to cut construction costs should be explored.

### 2.6.3 Priorities

The argument that technical assistance should not be provided to contractors until there is effective demand for housing and a working housing finance system is shortsighted. On the contrary it is an opportune time to provide contractors with the management and technical skills to more effectively respond to the housing crisis in Poland. Priority should be given to the development of these skills.

Monitoring of the privatization process and construction cost reduction are of lesser priority but important.

### 2.6.4 Mode of Delivery

Assistance should be provided through the HFPO as well as to the housing construction industry in general through the PADCO contract as described in the respective Strategy and Action Plans (see Annexes A and B). A combination of short, medium and long term training along with project related technical assistance using long term HFPO advisors is proposed. Long term advisor(s) attached to MoSEC should also be provided to deal with housing construction subsector issues and policy.

### 2.6.5 Performance Indicators

Initially performance in this area should be measured by the success in institutionalizing training and educational programs that will assist the industry in obtaining state-of-the-art management and technical skills. Ultimately performance should be measured in the number of housing units that are produced by private sector firms that have benefited from this training.

## **2.7 Development/Developers**

### **2.7.1 Status**

Poland's emerging private development industry is struggling to get moving in an environment where the combination of a low wage structure and escalating housing costs has limited effective demand for housing to only the wealthiest of Polish society. The absence of housing construction finance for private developers and the unattractiveness of market rate mortgages, has led most developers and their buyers to operate on an all cash-installment payment basis to finance housing development. The current high interest rates for construction and mortgage financing, a function of the overall economic environment, together with the broadening gap between wages and housing costs, constitute an overwhelming constraint on the growth of the Polish housing development industry.

Nevertheless, there are examples of true, market oriented, private developers, mostly focused on the high-end of the market, that are actually undertaking projects. Cooperatives, historically the major housing producers, have been winding down their activities in most cases since subsidized State financing is no longer available. Their future role in housing development, if any, needs to be resolved.

Finally the relatively unattractive risk/reward ratio of housing investment versus other investment opportunities does not bode well for attracting investors into housing development in the near term.

### **2.7.2 Key Issues**

Poland's housing shortfall was estimated at 1.3–1.9 million dwellings in 1990, increasing to 3.0 million dwellings by the year 2000.<sup>2</sup> The State command economy produced some 130,000 units in 1990, of which approximately 65% were produced by the SOEs for coops, according to the Housing Research Institute. This command system (kombinats and coops) will produce only 40,000 units in 1992 and is in the process of being dismantled. Given the magnitude of housing production that is required, Poland can not rely on sole proprietorships and small builders to produce the volumes required, especially when financing becomes available and economic conditions improve. Private investors and a real estate development industry will be required.

The following key issues should be addressed with regard to the real estate development industry:

- a. Cooperatives.** Cooperatives could revert to housing management companies or could be transformed into market oriented non-profit or for-profit developers.

<sup>2</sup>Shortfall in 1990 is estimated at 1.3 million by the World Bank and 1.9 million by the Bureau of Statistics. Projections for 2000 include replacement of 200,000–700,000 units.

Given their experience and assets, their future role in housing production should be resolved.

- b. **Financing.** Private developers have no experience in financing construction through bank loans and banks have no experience lending to private developers. Further, the pre-sale requirements under the HG and the WBHFP will create an extremely complicated process, especially as both borrower and lender move up the "learning curve".
- c. **Management/technical skills.** Poland's private developers, whether they were previously large or small contractors, investors or entrepreneurs, are not fully conversant with the development process and need training/education in a number of areas.
- d. **Investment.** Private housing developers will not emerge unless investment in housing becomes less of a risk and/or provides better returns. Legal, tax or financial incentives may be necessary to attract private investment, especially to produce more moderately priced housing.

### 2.7.3 Priorities

As stated earlier, the biggest constraint to housing development is the lack of effective demand. Given effective demand and access to land and financing, the private housing development industry will thrive. At this stage priority should be given to providing developers with the tools to properly prepare and to obtain financing for their projects. The other issues relate to government policy and are also important. They should be pursued through MoSEC.

### 2.7.4 Mode of Delivery

Providing Poland's private developers the skills necessary to prepare, finance and implement projects will be a complex process involving a variety of training and educational programs. (footnote) However in order to provide immediate impact, a few selected projects should be targeted for intensive "hands on" TA to move them through the development process, especially the construction and mortgage financing stages, to have a demonstration effect. These projects could also be used as case studies in the training programs to further this demonstration effect. This TA would be provided through the HFPO by PADCO.

The role of and possible retraining of coops as developers and the issue of investment incentives for housing developers should be addressed through the proposed senior advisor(s) attached to the MoSEC under the PADCO contract. Investment incentives should be coordinated with the activities of the Gemini Program and the Ministry of Industry and Trade.

### **2.7.5 Performance Indicators**

The measure of success will be in the number of developers that avail of the training/educational programs and the number, through TA, actually implement projects successfully.

## **2.8 Regulations/Regulators**

### **2.8.1 Status**

The regulation of development and construction is the responsibility of the local governments (gminas). Some infrastructure related approvals remain the responsibility of the voivodas. While the approval process is complex and lengthy, it is probably less so than that experienced in the U.S. or Western Europe. The problem is the lack of consistency in the application of the rules and procedures caused primarily by the continually changing legal framework. Further, information is often difficult to obtain from the gminas, development policies have not been prepared and corruption is well known.

The other aspect of regulation concerns the construction industry itself. Standard forms of contract, bonding and insurance requirements and construction warranties or guarantees are all required for a private sector construction industry to function efficiently and responsibly.

The third aspect of regulation that effects the private sector is building and building material codes and standards. Polish codes and standards are outdated and not performance based. This tends to retard the introduction of new materials and technologies and perpetuate inefficient design and construction techniques, thereby making cost reductions more difficult to achieve.

### **2.8.2 Key Issues**

The key issues that should be addressed under regulations include the following:

- a. Development Controls.** The development approval process needs to be systematic and predictable. Gminas need to have a clear development policy which the regulations should be used to support.
- b. Bonding and Warranties.** Standard contracts, bid and performance bonding, liability insurance and warranties on construction, construction materials, and equipment should be introduced to ensure fair competition and to protect owners and contractors.
- c. Codes and Standards.** Performance based codes and standards, consistent with EC norms, need to be prepared.

### **2.8.3 Priorities**

Direct assistance to the private sector can best be achieved by giving priority to contracting procedures, bonding and warranties. Codes and standards are also important in the effort to introduce new technologies and to reduce costs.

### **2.8.4 Mode of Delivery**

Technical assistance in these two areas would be best delivered through the long term advisor(s) to the MoSEC supported by short term specialists provided through the PADCO contract. Assistance for development controls should be provided by long-term advisors to the gminas.

### **2.8.5 Performance Indicators**

The introduction and passage of legislation or implementing rules and regulations would be an appropriate measure.

## **2.9 Finance/Bankers**

### **2.9.1 Status**

Poland is the only country in Eastern Europe where a housing finance program is about to become operational. The WBHFP and the HG are expected to receive final approval and the agreements are expected to be signed by December. The PKO has trained some of its staff and has begun making mortgage loans using the new dual-index-mortgage instrument. Over 900 mortgage loans had been made as of October 1, 1992.

The PKO remains the only participating bank under the WBHFP and the HG for the time being. The majority of the 900 loans made to-date were for single family housing, substantially self-built, that had outstanding construction loans from PKO. The average loan amount was for 120,000 zlotys, approximately 25% of the construction value of the house. No loan "window" appears to have been opened for developers to apply for construction loans for projects as a whole (footnote, GFO) and no system for preparing market appraisals has been developed.

Business loans and credits for purchases of equipment are not normally available due to inadequate collateral laws and bonds and insurance are not available to local contractors.

### **2.9.2 Key Issues**

The key issues that should be addressed in this area are the following:

- a. **Construction Loans.** Developers and contractors who wish to finance their own construction will need help in preparing applications for construction financing and to pre-qualify their buyers for mortgage loans. Similarly the bankers will need

training in dealing with developers as well as reviewing their applications and doing the underwriting of their loans.

- b. **Mortgage Loans.** Mortgage loan underwriting will be a key factor in deciding whether housing projects can be financed. Extensive bank training will be required. If the current PKO record is any indication, the average loan to value ratio may be so low that willing buyers will not be able to qualify for the size of the mortgages they need.
- c. **Credit.** Credit must be available to the construction industry if it is to expand, function efficiently, purchase necessary equipment and pay suppliers regularly.
- d. **Appraisals.** Market appraisals will need to be performed in order for the banking industry to perform their loan underwriting function.

### **2.9.3 Priorities**

Evidence to date suggests that the combination of the cost of financing together with the complexity of obtaining it may cause many developers to revert to the all-cash financing that is currently being used. Priority should be given to training the construction and mortgage loan originators and underwriters at the participating bank branch office level (as well as developers).

### **2.9.4 Mode of Delivery**

Initial and probably periodic training will be required for participating banks. Training should also include the use of real life case studies which initially might be the demonstration projects recommended as part of this Strategy. The UI contract should be used for this purpose.

### **2.9.5 Performance Indicators**

The measure of performance should be the number of construction and mortgage loans made and the type of housing financed.

## **2.10 Market/Consumers**

### **2.10.1 Status**

The current market for housing is constrained by the lack of effective demand. The gap between affordability and housing costs has widened as wages have not kept pace with inflation. Only a small portion of the population, estimated to be in the 10-20% range, will be able to enter the new housing market.

There are few real estate agents and no common listings of properties on the market nor is there information on completed property transactions. Housing finance will only be available for newly built or perhaps newly rehabilitated and newly occupied housing. Marketing studies are being performed by private firms and institutions for developers but the utility of this information appears limited.



### **2.10.2 Key Issues**

In order for a real estate market to function information is required by the developer, the banker and the consumer. Information about the demand for housing, the supply and the prices at which transactions are taking place are essential. Hence the following are the key issues:

- a. **Real Estate Agents.** A real estate brokerage industry will be necessary to collect and provide information to buyers and sellers as well as appraisers, lenders and market analysts.
- b. **Market Studies.** Training in the conduct of different types of market studies will be necessary for developers as well as bankers to understand the markets in which they are operating/lending.

### **2.10.3 Priorities**

Both of these key issues deserve priority.

### **2.10.4 Mode of Delivery**

The establishment of a real estate brokerage industry can be achieved through a pilot or model regional program that is assisted by TA and training through the NAR contract. Training in market studies would be undertaken as part of developer or banker training through the PADCO and the UI contracts.

### **2.10.5 Performance Indicators**

The successful establishment of a brokerage industry in one region and the completion of training programs in market analysis would be the measure of performance.

## **3 IMPLEMENTATION**

The TA and Training program for the Private sector in Poland should be implemented through the MoSEC, the HFPO and several training or educational institutions.

### **3.1 MoSEC**

It is recommended that an Advisory Unit be established in MoSEC, staffed by two long term advisors, to provide policy advice in the following areas related to housing, construction and development:

- a. Role of cooperatives in housing production;
- b. Methodology for developing and implementing new norms and standards;
- c. Policies on contract forms, bonding, insurance and warranties; and
- d. Pilot programs for housing rehabilitation and roof top additions.

These advisors would be supported by foreign and local specialists on a short term basis as needed. Initial actions should focus on (a) and (d).

### **3.2 HFPO**

The restaffing of the HFPO should be the highest priority along with the identification of most promising projects. TA should then be focused on early "winners" to provide a demonstration effect. At least some of the long term advisors recommended for the HFPO should be provided on an interim basis if the long term contract is delayed to ensure that the program "gets off on the right track".

### **3.3 Institutions for Training and Education**

The short list of institutions to be considered as training and educational vehicles for the private construction industry has been developed. The initial action should be to select the institutions and commence developing the curriculum(s) with them. A similar approach should be taken with the developer training and educational programs. For developers, priority should be given to the training in the financial application process that is to be run through the HFPO.

### **3.4 Coordination and Collaboration**

Coordination of AID contractors should be the responsibility of the AID RHUDO in Warsaw, assisted by the "umbrella" contractor, PADCO, in the case of the private sector. The strategy seeks to achieve not only coordination but collaboration between the contractors (NAHB, NAR and PADCO) involved directly with the private sector. In addition coordination and collaboration should be sought with the AID, RHUDO and non-RHUDO contractors (ICMA, UI, Gemini, IRIS, Privatization).

The strategy should also seek to achieve coordination with non-AID U.S. contractors and programs (U.S. Treasury Bank Training, PAEF, etc.) as well as European initiatives (i.e., PHARE).

### **3.5 Monitoring of the Sector and Amendment of the Strategy**

The continual changes in political and economic policy in Poland have had and will continue to have far reaching implications for the housing sector. At the same time the sector itself, despite these changes and the adverse economic environment, is undergoing a rapid transformation to an open market, private sector dominated industry. The proposed strategy for assistance is meant to be flexible and adaptable to changing national or sectoral policy and should be reviewed and amended annually.

## ANNEX A

### Strategy and Action Plan for Technical Assistance and Training to the Housing Finance Project Office (HFPO)

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#### 1 HFPO Mission

The Housing Finance Project Office (HFPO) is an ex-officio institution attached to the Ministry of Spatial Economy and Construction (MoSEC). The HFPO will be responsible for the design, management and implementation of the technical assistance component of the USAID Housing Guaranty Program (HG) and the World Bank Housing Finance Project (WBHFP). HFPO will consult with the BUD Bank and the MoSEC, both of whom will also be recipients of technical assistance through this component. Simply stated, HFPO is providing the technical assistance to promote and demonstrate a housing finance system which has not previously existed in Poland. The HFPO is managed by a Program manager appointed by the MoSEC. Its advisory and training activities will be undertaken within the framework of the MoSEC's strategy for reform and development in the housing sector.

The HFPO has assisted in the preparation of the HG Program and will continue to serve as a principal source of technical assistance and training to project proponents (private developers, cooperatives, local governments and joint ventures) during the implementation phase. The consultants met with the HFPO Program Manager, Irina Stocka, and several members of her staff on two occasions. Although there is frustration because the programs have not yet started, Ms. Stocka believes that the HFPO mission remains unchanged. Specifically, the HFPO will:

- Design, manage and coordinate technical assistance for the HG and WBHFP under the direction of MoSEC and in close coordination with BUD Bank;
- Serve as the marketing and promotional mechanism for the HG and WBHFP through training, technical assistance to project proponents and consumer information activities;
- Develop a Management Information System (MIS) for the HG and WBHFP, operate a monitoring system and prepare status reports on the Program's operations in coordination with BUD Bank; and
- Provide technical assistance to and organize and conduct training for private developers, cooperatives acting as developers and municipalities in joint venture with developers in all aspects of real estate development, housing design and construction.

#### 2 HFPO Organization

To perform the functions mentioned above the HFPO will be staffed by Polish specialists assisted by long-term foreign advisors and will draw upon the services of local and foreign short-term consultants on an as-needed basis. The HFPO has lost several of

its Polish specialists and will need to restaff quickly as soon as the HG and WBHFP agreements are signed. In addition, the HFPO will require support for its training activities and purchase of equipment. Over a two-year period it is anticipated that the responsibilities of the foreign advisors will be transferred to their Polish counterparts.

The HFPO Program Manager will manage the office which will include various Polish specialists. The following is a list of the key Polish specialists required in the HFPO and a brief description of their tasks:

Project Finance Analyst	Provides technical assistance to developers on such issues as marketing, affordability, pricing, cost recovery, preparation of applications and documentation for construction credits and providing guidance to potential buyers in pre-qualifying for mortgage credits
Design and Construction Analyst	Provides technical assistance to developers and their architects and engineers on design, materials, building technology and construction, management issues utilizing the HFPO's technical guidelines and standards
Legal Expert	Prepares legal documents, reviews the HFPO procedures for compliance with newly introduced Polish laws and reviews legal issues raised by project developers
MIS Specialist	Assists a short-term MIS advisor in developing a computer-based MIS system for the HG Program and the World Bank Program monitoring and reporting requirements in collaboration with the BUD Bank and operates, maintains and updates the system as required
Technical Assistance/ Training Specialist	Coordinates the provision of short-term and Training technical assistance to the HFPO, assists short-term training consultants, prepares training programs and assists the Technical Assistance and Training Coordinator in coordinating technical assistance provided by the municipal advisors and the HFPO throughout the country
Public Relations and Information Specialist	Maintains and updates information on the HFPO's programs, prepares and distributes public information materials, translates project documents and provides in-house interpretation at official meetings

### **3 HFPO Start UP Activities**

When the U.S.A.I.D Housing Guaranty and World Bank loan agreement are signed by MoSEC, the HFPO will staff up as described above. With the assistance of USAID long term advisors, the staff should begin to provide the following technical assistance:

- A. Review of the eighteen (18) preliminary project submissions to the HG program to determine their feasibility and confirm the intentions of the applicants to participate in the program. Contact the proponents of the more than ninety (90) projects that previously applied under the WBHFP and confirm their interest in the program.
- B. Request new applications for financing under both programs by advertising once the BUD Bank and participating lending institutions are ready to receive applications.
- C. Conduct training programs for potential applicants to explain the programs and "how to fill out an application".
- D. Provide direct assistance to new applicants for both programs in preparing projects and completing applications to participating banks.
- E. Choose three or four projects with good prospects for success to receive intensive technical assistance. By pushing these likely "winners" through the approval process, the HFPO will create models to be followed by other projects and clear some of the barriers that may not be originally anticipated in the programs. Two possible candidates for this intensive assistance are a GEO project in Cracow and the Solidarity project in Katowice. Descriptions of these projects are attached to this annex.

### **4 Recommended USAID Technical Advisors and Training for HFPO**

After the discussions with Ms. Stocka and her present HFPO staff, the consultants confirmed that the assistance should be provided through a combination of long-term advisors, short-term advisors and training. These advisors will require Polish counterparts to be in place in the HFPO along with a number of other Polish specialists. The consultants recommend, however, that the technical advisors in HFPO primarily restrict their activities to those directly supporting participants in the HG and WBHFP programs. More general technical assistance and training should be directed from MoSEC as outlined in Annex B and F.

#### 4.1 Long Term Foreign Advisors

The following is a list of the four foreign advisors required and a brief description of their tasks:

Program Management Advisor	Advises the Program Manager, coordinates the work of the foreign advisors in the BUD Bank and the HFPO and provides management and technical support to the HFPO Program Manager. This advisor should also interface with those in MoSEC concerned with housing development and construction and any advisors in MoSEC supporting those functions.
Housing (Real Estate) Development Advisor	Provides technical assistance to project developers in project conception, market identification, design, pricing, financial analysis, financing, marketing and project management.
Construction Technology and Construction Management Advisor	Provides technical assistance to project developers and their architects and engineers in design, building materials and system technologies, construction technologies, construction cost estimating and scheduling, value engineering and cost reduction, bid solicitation and evaluation and construction management.
Technical Assistance and Training Coordinator	Coordinates the provision of technical support to project developers and municipalities that is requested directly or through the municipal advisors, coordinates HFPO support to short term consultants and assists the HFPO in organizing and scheduling training programs and workshops for developers and municipalities.

#### 4.2 Short-Term Foreign Consultants

In addition to the long term foreign advisors, a number of short-term foreign consultants will be required during the course of the HG/World Bank program implementation to address specific technical or policy issues or to prepare and, in some cases, undertake training programs. Provision should be made for the HFPO to have access to expertise in the following areas:

- Management Information Systems (MIS);
- Building materials technology;
- Building systems technology;
- Construction management systems;
- Project management systems; and

- Training program development.

### 4.3 Training

Both USAID long term foreign advisors and short term foreign consultants, will supply training for developers participating in the Housing Guaranty and World Bank programs. When the training applies to the more general housing development and construction areas, the consultants recommend that the HFPO staff and USAID advisors coordinate the training through MoSEC, as described in Annex B and F.

#### Possible Projects for Intensive Technical Assistance

Project Name:	GEO, multifamily housing
Developer:	GEO, Krakow
Location:	Developer has 11 partnerships of which 4 have land in Krakow area and are "ready to go"
Description:	The projects are all multifamily up to five stories with varying types and numbers of buildings on each site. The consultants advised the developer to pick one project to submit immediately to PKO or put in the initial applications to the HG/World Bank loan programs when these are started.

Project Name:	Katowice Townhomes
Developer:	Masonry Industry Ventures/Solidarity
Architect:	J.R. Heyda
Location:	Katowice
Description:	100 townhomes, 94 sq. meters, 6 room (3 bedroom/ 1 1/2 bath); developer is trying to obtain financing through the Polish-American Mortgage Bank and equity from the Polish-American Enterprise Fund. If this source of financing is not suitable, the developer will apply to the HG/World Bank loan programs when these are started.

## ANNEX B

### Strategy and Action Plan for Private Construction Industry Technical Assistance and Training

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#### 1 Industry Status

The private construction industry in Poland is currently estimated to include over 14,000 "trading companies" and over 140,000 "sole proprietorships". These numbers have more than doubled in the last two years.<sup>3</sup> The "trading companies" include private builders, design offices, building materials producers and distribution companies. Gemini also reports that the vast majority (76%) of these construction "trading companies" are small firms employing 50 or fewer employees. In 1990, 36% of construction value was in housing and the private sector represented 55% of the housing construction volume.<sup>4</sup>

More important than the absolute numbers of private construction firms are the forces influencing the growth of the industry. Many small construction business failures have occurred for the same reasons other small businesses are failing: lack of credit, rising material costs, imperfect market information, declining government expenditures, and bureaucratic requirements.<sup>5</sup> On the other hand the Polish government is actively promoting the "privatization" of the over 1400 state owned construction companies.<sup>6</sup>

This privatization, along with new business formations, will contribute to the growth of the private construction industry. Professor Henryk Hajduk of the Housing Research Institute (HRI) predicts that: "The market share of the private sector should significantly expand. The size of the firm in the private sector should increase from an average of about 2 persons to 20 or more".<sup>7</sup>

Within this overall framework, the consultants will describe the technical assistance and training needs of the private construction industry. The consultants will then

<sup>3</sup>Small and Medium Enterprise Development in Poland (Phase 1 Report - Draft) prepared by GEMINI Project dated Sept. 1992; Gemini is a collaborative venture between the Ministry of Industry and Trade (MIT), USAID and Development Alternatives, Inc. (DAI). The report cautions that the estimates of the numbers of sole proprietorships are to be regarded as approximate due to the methods of reporting to the Central Statistics office (GUS).

<sup>4</sup>Henryk Hajduk, Housing Research Institute, *Housing in Poland in Early Stage of Transition Period (1990-1991)*, published in 1992, pg. 40.

<sup>5</sup>Gemini Report, see above, pg. 6.

<sup>6</sup>Terms of Reference, Polish Construction Industry, July 7, 1992 issued by the Ministry of Privatization, pg.2.

<sup>7</sup>Henryk Hajduk, see above, pg 10.

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recommend the "vehicles" which could be employed by USAID and the Government of Poland (GOP) to address these needs.

## 2 Training Needs

### 2.1 Business Management

The private construction industry is dominated by newly organized small and medium size enterprises. Other enterprises are large firms which were formerly state owned companies.<sup>8</sup> Personnel in both types of firms will require a full range of business management training to meet the challenges of operating a private business in a market economy.<sup>9</sup> This includes business planning, financial management of the business, knowledge of laws affecting development and construction, marketing, etc.

### 2.2 Construction Project Management

The consultants have been advised that many of the personnel in these positions hold a degree in engineering or architecture. Despite this, Budimex estimates that 80% of Polish engineers still need construction management training.<sup>10</sup> The need for construction management training was confirmed by several smaller construction companies.<sup>11</sup> These firms also confirmed that the training should be aimed at the engineer level, even though the principals in one firm were only graduates of vocational high schools.<sup>12</sup> The basic conclusion was that even engineers had not received training in many of the

<sup>8</sup>Ibid., pg. 42-43.

<sup>9</sup>Ibid, pg. 43; Prof. Hajduk advises that the housing industry requires a "rationalization and modernization of production and technological structures..."

<sup>10</sup>Budimex is a former state owned enterprise which was Poland's largest building trade company, operating only in foreign countries. They report that they presently have over 10,000 employees including 145 management personnel at their headquarters in Warsaw. They now consider themselves a private company with 53% of the ownership in "private hands." In the last three years, they have built in Poland as well as continuing to build abroad.

<sup>11</sup>Draczer, BETA, Warbit: Draczer, founded in 1989, has 10 construction managers and superintendents including the two owners. They are building 25% of the "Florida" project in Warsaw developed by T.W. Development, a 250 unit garden apartment with 32 small "European Palace style" buildings. BETA, founded in 1988, is a somewhat large construction firm that is also building 25% of the Florida project. BETA was founded by Mr. Jerzy Gladki, the former President of a state owned kombinat, Warsaw East. It employs 450 people including 14 engineers and 21 technicians. They primarily do industrial construction including gas pipelines. Warbit is a small construction company that organized and is building the MARS cooperative project, an 80 unit townhouse project.

<sup>12</sup>Draczer company owners Mr. Drabik and Mr. Czerwinski.

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construction management skills necessary to perform successfully as a construction manager in a market economy.

The areas in which there appears to be the greatest need include:

- 1) **Bidding, Negotiation and Contracts.** Henryk Hajduk of HRI sums up the need this way: "The use of various forms of contracting is unknown in the Polish building market because, in a centralized economy, a very simplified procedure of contracting was used."<sup>13</sup> This need was confirmed by the various contractors who met with the consultants.
- 2) **Value engineering of traditional methods, materials and designs versus new technologies.** The dominant technology for erecting multifamily housing has been the large panel precast concrete systems. The contractors all requested more information and education on new technologies. Mr. Kolodko of Ursynow coop reported that he only used concrete panels on some of the 800 units that he is currently building, because it was too expensive and time consuming to change the plans. He is using a new concrete, block and insulation system called "Heraklit" to build 300 of his units. He would like to have more information and training to make better decisions on which technologies to use on the 1500 units that he now has in design.<sup>14</sup> Draczer requested "cheap housing" technologies to build more affordable low rise multifamily and single family.<sup>15</sup> The need in this area is substantial. Contractors and developers also requested training in energy efficient designs as part of the training on new technologies.
- 3) **Construction project financial management.** Construction managers are running a small business on every project they do. All the contractors expressed a desire for training in this area. Draczer is computerizing their accounting system but it will not be tied into project financial management or estimating.
- 4) **Construction cost estimating.** Previously, cost estimates were done from a book and final costs were determined when the job was done. Contractors all expressed a need for training in cost estimating systems, particularly those that are computer based. They also will need to learn how to establish a "cost library" to use with their estimating system.
- 5) **Construction scheduling.** With high interest rates, there is even more pressure to run a fast, well coordinated project. In addition, T.W. Development reported that

<sup>13</sup>Hajduk, see above, pg. 13.

<sup>14</sup>Mr. Krzysztof Kolodko, President, Housing and Building Cooperative "Ursynow" in Warsaw.

<sup>15</sup>Draczer, private general contractor, see above.

on their Florida project, contractors were voluntarily working 12 or more hours per day under lights. Their chief motivation was the substantial use of cut-of-town labor for whom they pay room and board.<sup>16</sup> This is another consequence of the slow economy in some areas and the housing shortage throughout Poland.

### **2.3 Trade Contractor Training**

In addition to the business and construction project management training, many subcontractors need to receive training in new technologies. This must be coordinated with craft vocational training provided to their craftsman.

## **3 Technical Assistance Needs**

In addition to the technical assistance (TA) in support of the above mentioned training needs, TA is needed in several other areas.

### **3.1 Rooftop Additions**

Rooftop additions were discussed extensively in the Czarniecki and Kriss report<sup>17</sup> of July 1992. Vice Minister Herbst expressed interest in this method of housing production. There appears to be a need for a demonstration project and/or study to explore all the pros and cons for promoting rooftop additions as a major housing production policy. Any study should consider the broader subject of housing rehabilitation since it does not make much sense to put a rooftop addition on a deteriorated apartment building without doing other rehab work.

### **3.2 Housing Rehabilitation**

There appears to be substantial housing rehabilitation occurring but no large scale formal programs.<sup>18</sup> In the past, more than 80% of the total multifamily residential building was in precast concrete systems.<sup>19</sup> The high demand for housing led the state owned construction companies to prefer new construction to modernization and renovation work.<sup>20</sup> There is a need to evaluate the current state of these buildings along with many pre-war buildings. Methods of financing these renovations also need to be studied.

<sup>16</sup>Renata Carlson, Project Manager, T.W. Development, see above.

<sup>17</sup>Jan Czerniecki and William Kriss, PADCO, "Residential Developer Assistance for Poland - Phase IV Trip Report, April - June 1992.

<sup>18</sup>Gemini report, see above, pg. 6, Hajduk, see above, pg. 28.

<sup>19</sup>Hajduk, see above, pg. 12.

<sup>20</sup>Ibid, pg. 28.

### 3.3 Codes and Standards

Polish standards are currently closest to German standards. Gemini recommends "creation of new building codes which permit the use of all materials conforming to European Community (EC) standards. Building codes do not exist for many new materials and obtaining certificates approving their use is difficult".<sup>21</sup> The process of transforming Polish standards to EC standards is just beginning. There is a need to expedite this process and to insure that it is open to new technologies including U.S. technologies.

### 3.4 Construction Materials

Gemini reports that in the past most of the construction material producers were state owned.<sup>22</sup> These companies are being privatized but the rate of privatization is not clear. There appears to be a surplus of domestic construction materials due to the significant drop in demand.<sup>23</sup> However, there is also an increasing inflow of imported materials at the present time because of quality and delivery advantages. The quality of domestic materials is generally inferior to imported materials but the price is almost the same.<sup>24</sup> There is a need to introduce new products and encourage local production. This suggests studying the availability, cost and quality of construction materials. This should be done in conjunction with the training in new technologies and work on building standards mentioned above. A study on the status of the construction materials industry should also include the effect of tax policy on imports. According to Gemini, the turnover tax retards use of some new imported materials and conversely, some importers have been given tax holidays which discourage Polish production of these materials.

### 3.5 Warranty/Guarantees

The Polish Civil Code (Art. 876) provides for a three (3) year guarantee on construction work. The consultants were not able to obtain this Article, but there is an obvious need to study the provisions of this statute to determine whether it provides equitable protection for buyers, contractors, subcontractors and suppliers. Other related areas that should be studied include standard forms of contract, bid and performance bonds, surety bonds, and liability insurance. The Polish American Mortgage Bank is planning on requiring liability insurance on all projects which it finances.<sup>25</sup>

<sup>21</sup>Gemini, see above, pg. 22.

<sup>22</sup>Ibid., pg. 13.

<sup>23</sup>Hajduk, see above, pg. 41.

<sup>24</sup>Gemini, see above, pg. 13.

<sup>25</sup>Jan Czarniecki, Vice President, Polish American Mortgage Bank.

### **3.6 Construction Market Information**

USAID and the GOP have already started to address this need through the American Polish Home Builders Institute (APHBI) in Gdansk. There is a need to expand this builders trade group to link to other local groups and provide information to appropriate officials in the G.O.P. Gemini has also suggested that Polish Construction Market Information bulletins be produced to inform Polish and foreign investors about development opportunities.<sup>26</sup> This should include information on investment opportunities in construction and construction products firms.

## **4 Training "Vehicles"**

### **4.1 Construction Business and Financial Management Training**

The consultants recommend that this training be done in conjunction with developer training discussed in Annex F. A construction firm manager needs similar financial management skills as someone running a real estate development firm. By tying these together, the Poles will achieve a more efficient use of training resources.

The consultants further assume that, even if real estate development and construction training programs are initially developed in different cities, both types of courses will quickly be offered in all major cities. This will enable a construction manager to take business and financial management courses at one institution and specific construction management courses at another institution in the same city.

### **4.2 Construction Management Training**

The consultants recommend that this training be attached to a Polish Builders Institute or a Technical University. The American Polish Home Builders Institute (APHBI) could develop these courses in conjunction with a technical university in Gdansk.<sup>27</sup> Alternatively, APHBI could work with an institute located at Warsaw Polytechnic University called "ETOB", which is starting a construction management course in November 1992. ETOB is directed by Prof. Marek Grochowski. He has recruited professors from all over Poland and is offering a six month course every Friday and Saturday, six hours each day in Warsaw. The initial class will have about 30 students, who are engineers with 3-5 years experience.<sup>28</sup> The course is sponsored by a foundation set up

<sup>26</sup>Gemini, see above, pg. 32.

<sup>27</sup>Home Builders Institute, Scope of Work, Item B(9), Construction Management Training states that: "HBI, through APHBI, creates and licenses additional construction management training programs which respond to the requests of Polish builders..."

<sup>28</sup>Prof. Grochowski and Mr. Tomasz Jankowski, President, Budimex Development.

by Budimex, Exbud, Budokom and the Warsaw Rotary Club, among others.<sup>29</sup> A rough translation of the course outline is attached. The consultants also recommend that this program be supported with a grant of some \$2500 in books and \$8500 in software. A formal request for assistance from ETOB will be transmitted under separate cover.

This ETOB course is an example of a long term (250-300 hours) course that should be offered. All of the contractors with whom we spoke, were interested in short and medium term courses, even more than the longer, more comprehensive courses. Workshops of two to five days duration should also be offered.

- 1) **Bidding, Negotiation and Contracts.** A two or three day course would cover bid solicitation, instructions to bidders, scopes of work, subcontractor/contractor negotiation and selection, and contract forms.
- 2) **Value engineering of traditional methods, materials and designs.** This course could be from two to five days depending on how comprehensive a course was desired. A shorter course could look at structural systems such as concrete panel and traditional Polish bearing wall technology versus American bearing wall technology or wood frame in multifamily and single family construction. A more comprehensive course could look at the optimal use of land for a particular site for a market justified product, construction structural and mechanical systems and energy efficiency/life cycle costing, among many topics in this area.
- 3) **Computer based Estimating.** This could be a two or three day course covering U.S., U.K. or other estimating systems. Computers would be needed at the workshop site so participants could get "hands-on" experience. Contractors would also learn how to develop their own "cost library" from information collected on present or past projects. The interface between construction accounting, estimating and project financial management should also be explored in the longer course.
- 4) **Construction scheduling.** A one or two day course should cover CPM and/or PERT techniques, bar charts and manpower allocations. The differences in scheduling on multi-building sites versus one large midrise/high rise building should also be covered.

These courses could be given by foreign short term advisors after consultation and review by Polish construction professionals or professors. Alternatively, the foreign advisors could provide technical assistance to Polish trainers. Foreign advisors could also provide several days of direct technical assistance to interested private contractors following up on the workshop. This approach has been used successfully in Czechoslovakia.

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<sup>29</sup>Construction Managers Education Foundation, Articles of Incorporation.

The consultants recommend that a long term advisor be placed in MoSEC to coordinate the development of these construction management training programs with APHBI and the selected Polish institution(s). The training should be done primarily by Polish professors or building professionals assisted when required by short term advisors. This long term foreign advisor would also coordinate the technical assistance recommended below.

### **4.3 Trade Contractor Training**

The consultants are aware that the Polish/American Building Crafts Training Center in Praga has been providing craft training since 1991. A second center sponsored by this organization is opening in the near future in Gdansk.<sup>30</sup> The American Polish Home Builders Institute is working closely with the Building Craft Center to avoid duplication of effort and to optimize the effectiveness of both programs.<sup>31</sup> They should also be encouraged to coordinate with any other craft training being offered by donor agencies or the GOP. Vice Minister Herbst of MoSEC suggested that craft training and construction management training also be introduced into the Polish vocational high schools. The Craft Training Center in Praga reported, however, that the technical high schools now provide mostly theoretical training and have "old books." They need to provide more practical training using up-to-date systems, techniques and materials. The consultants recommend that technical assistance to the vocational high schools in this regard be accomplished as an extension of the work of APHBI and the Craft Training Center.

## **5 Technical Assistance Vehicles**

### **5.1 Roof Top Units**

The consultants recommend that a feasibility study be undertaken to support the building of one or more rooftop demonstration projects, if adequate financing can be found without USAID grants. The study should also cover such areas as the potential demand for these units, range of construction costs and schedules and all the possible means and methods for overcoming the legal and financial obstacles raised in earlier reports. It is recommended that a short term advisor assist MoSEC in undertaking a feasibility study for the demonstration project utilizing MoSEC staff and the resources of the HFPO. If a demonstration project cannot immediately be financed, site specific studies should still be performed in order to further advise the GOP whether roof top additions are feasible on a large scale.

<sup>30</sup>Agata Drozdz, Polish-American Building Craft Center, Praga.

<sup>31</sup>Steven W. Lewis, Executive Director, American Polish Home Builders Institute.

## **5.2 Housing Rehabilitation**

The consultants recommend that a statistical analysis of the present housing stock be undertaken in MoSEC to confirm the extent of the housing rehabilitation needs in Poland. The second phase of the analysis should consist of a detailed sample survey of recently executed projects to develop reasonable rehabilitation solutions and costs. The study should include recommendations for methods of financing and methods of dealing with related social problems such as tenant relocation. It is recommended that a short term advisor assist MoSEC in undertaking this study utilizing MoSEC staff and the resources of the HFPO.

## **5.3 Codes & Standards/Construction Materials**

The consultants recommend that the technical assistance in these two areas be provided through the long term advisor(s) to MoSEC supported by short-term specialists and/or APHBI. The GOP does not appear to have the resources to expedite the conversion of Polish codes and standards to EC standards. The long term advisors could assist the GOP in developing a methodology and program for development, adoption and implementation of new codes and standards. European donors or the EC could provide detailed assistance in developing the codes. At the same time, APHBI could represent U.S. interests to assure that U.S. manufacturers and builders understood these EC codes and standards. The recommended study on construction materials should be directed by the MoSEC advisor(s) supported by APHBI, if they are able to address these needs in the near future.<sup>32</sup> This study would assist the GOP in determining the status and current capacity of their construction materials industry. The effect of new technologies introduced through domestic or imported materials should also be included in this study. APHBI could also consider—perhaps in conjunction with other donors—helping the Poles set up a Building Research Institute. This work should be coordinated with the work initiated by the Gemini project in the Ministry of Industry and Trade.

## **5.4 Warranty/Guarantees**

The consultants recommend a short term advisor, attached to MoSEC, study Polish Civil Code Art. 876 and other relevant legislation to determine what changes in construction warranty requirements may be appropriate. The advisor would also make recommendations on standard forms of contract, bid and performance bonds, surety bonds and liability insurance.

<sup>32</sup>Home Builders Institute, Scope of Work, Item B (8) Assessment of Polish Labor and Material Availability.



## **5.5 Market Information**

The consultants recommend that the APHBI be encouraged to expedite their approach to compiling market information to other regions as well as the Gdansk area.<sup>33</sup> The system being designed for Gdansk should be provided to an appropriate Polish government or private agency so that a nationwide market information network can be developed.

<sup>33</sup>HBI, Scope of Work, Item B(3) Market Analysis.

## ANNEX C

### Effect of Privatization on the Development of the Private Sector Construction Industry

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The effect of privatization of state owned enterprises (SOEs) on the construction industry was extensively studied by Prof. Henryk Hajduk of the Housing Research Institute.<sup>34</sup> This document reports that there are some 550 SOEs involved in the housing construction industry.<sup>35</sup> The Ministry of Privatization (MOP) reports that there are over 1400 SOEs involved in the construction industry as a whole.<sup>36</sup> Minister Herbst of MoSEC told the consultants that 250 of these firms, established by MoSEC, have already been privatized or are in the process of privatization. The Ministry of Privatization (MOP) has issued a Terms of Reference—Polish Construction Industry, dated July 7, 1992—to retain consultants to rapidly identify the appropriate privatization paths for approximately 30 kombinats that have been restructured as joint-stock companies and are currently owned by the State Treasury.

When the consultants approached the Ministry of Privatization (MOP) to obtain further information regarding the pace of privatization, there was little additional information available.<sup>37</sup> There are approximately 250 SOEs controlled by the MOP, but few of these are involved in housing construction.<sup>38</sup> Some 1200 firms are controlled by the voivodas or cities<sup>39</sup> (presumably including most of the 550 kombinats involved in the housing industry). Several sources reported that one would have to visit each voivoda to obtain more information on the pace and output of the privatization process in the construction industry.<sup>40</sup>

The RFS asks whether the remaining SOEs in the construction sector are retarding the evolution of a private construction industry (through monopolies of equipment, manpower and markets). Due to the lack of statistical information, the consultants had

<sup>34</sup>Henryk Hajduk, *Housing in Poland in Early Stage of Transition Period (1990-1991)*, published 1992.

<sup>35</sup>Ibid, pg. 37.

<sup>36</sup>Terms of Reference, Polish Construction Industry, issued by the Ministry of Privatization, July 7, 1992.

<sup>37</sup>Mr. Jerzy Glowacki of the Ministry of Privatization furnished the consultants a list of some 21 kombinats in the voivodas that were given a "go ahead" by the Minister of Privatization to pursue their privatization strategy. This list was received after leaving Poland and gives the status as of October 16, 1992.

<sup>38</sup>Mr. Glowacki, MOP.

<sup>39</sup>Terms of Reference, see above, pg. 2.

<sup>40</sup>Mr. Glowacki, MOP; Vice Minister Herbst, MoSEC.

to base their conclusions on the written sources mentioned above and the meetings with the GOP and industry officials. Hajduk reports that:

As the market started to shrink, private companies showed a noticeable competitive edge over state companies in small and medium (size) projects where private companies were subcontractors. Private companies, which use workers and equipment that come from the state sector, are more flexible and cheaper, and therefore earn more and more bids, mainly as subcontractors. The participation of private companies in the total output of the housing industry is estimated to have reached 55 percent in 1990.<sup>41</sup>

These facts were supported in several meetings.<sup>42</sup> Minister Herbst felt that, since the cooperatives have ceased ordering large volumes of housing since the availability of subsidized financing ceased in 1992, the kombinats would either split into smaller, more efficient private firms or they would be forced into liquidation. The Warsaw Mayor's office of privatization confirmed Hajduk's assertion that some kombinats were surviving by leasing equipment to private contractors. A private contractor<sup>43</sup> echoed this and added that some kombinats were also selling land to raise revenues.

This is not to say that kombinats did not have some negative effect on the private construction sector through "monopolistic practices." Two private contractors<sup>44</sup> reported that the few coops that were still building did not give them a chance to bid against the Kombinat who had previous contracts with the coop. In one case, the Kombinat ironically hired one of the private contractors to do a large part of the work as a subcontractor.<sup>45</sup>

This leads the consultants to the following conclusions:

While the kombinats, using non-competitive practices may have retarded the growth of the private sector construction industry, their influence is declining rapidly. A few have truly privatized and become more efficient producers.<sup>46</sup> Many others have already

<sup>41</sup>Hajduk, see above, pg. 38.

<sup>42</sup>Budimex; Draczer, BETA, see Annex B above.

<sup>43</sup>BETA.

<sup>44</sup>BETA, Draczer.

<sup>45</sup>BETA.

<sup>46</sup>Budimex reported that Warsaw South was now operating as a subcontractor on some of their projects in East Germany. Coincidentally, BETA reported that they were now working as a subcontractor to Warsaw South on the Ursynow coop project. The consultants unfortunately did not have time to contact Warsaw South, but they certainly seem to be demonstrating a flexible market strategy.

collapsed while others will "fall of their own weight" and will be liquidated. This is especially true of those kombinats that remain dependent upon precast panel technology.

The consultants recommend that the only technical assistance in this area be directed at monitoring the overall privatization process as no overall understanding of the status of the construction industry currently exists. This monitoring should be accomplished with a long or short term advisor attached to MoSEC. The HFPO and the BUD Bank should try to ensure that there is competitive bidding for projects funded with HG or World Bank funds. This will help eliminate any anti-competitive influence the kombinats might exert. In conclusion, the best way to minimize the kombinats' anti-competitive influence is to promote the three objectives for restructuring the housing delivery system as cited by Dr. Hajduk:<sup>47</sup>

1. to increase the efficiency and effectiveness of production and delivery systems;
2. to create a competitive construction market;
3. to introduce new technology and increase the quality and comfort of housing.

<sup>47</sup>Hajduk, see above, pg. 43.

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## ANNEX D

### Impact of Cooperatives' Land Holdings on Availability of Land for Private Housing Development

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#### 1 Introduction

Housing cooperatives, together with kombinats, have been the heart of Poland's housing development industry since 1945. Cooperatives were responsible for about fifty percent of Poland's annual housing production from 1970 through 1989.<sup>48</sup> Their evolution from democratically controlled housing producers—"true" cooperatives—to bureaucratic extensions of Poland's communist government has been well-documented.<sup>49</sup>

This paper investigates the extent to which cooperatives' current land holdings constrain the development of housing by the private sector and suggests approaches for freeing up cooperative land where it is constraining private development. A separate assessment of the present capacity of the Polish housing development industry evaluates the housing cooperatives' prospects for becoming effective market-based developers.

#### 2 Extent of Cooperative Land Holdings

Cooperatives have historically received preferred access to land allocated by the state, and land was sometimes allocated to them at no cost.<sup>50</sup> This has resulted in the accumulation of considerable reserves of serviced vacant land by cooperatives.<sup>51</sup>

Although there are some gmina-level inventories of cooperative land, there is no central inventory of the amount of vacant land currently owned by cooperatives,<sup>52</sup> and there are diverse opinions about the extent of their holdings. Irina Stocka at the HFPO commented that cooperatives' holdings are large in the Warsaw area, constituting a sizeable portion of the total land serviced and suitable for housing.<sup>53</sup> Warsaw's Deputy

<sup>48</sup>Hermanson, Judith A. *Cooperative Housing in Poland: Issues and Potential*. November 1990. Cooperative Housing Foundation. p. 28.

<sup>49</sup>Ibid.

<sup>50</sup>Ibid, p. 38. See also Hajduk, Henryk. *Housing in Poland in Early Stage of Transition Period (1990-1991)*. Housing Research Institute, Warsaw. 1992, p. 19.

<sup>51</sup>Prof. Witold Werner, Housing Research Institute.

<sup>52</sup>Idem.

<sup>53</sup>Irina Stocka, Housing Finance Project Office.

Mayor, whose staff has inventoried land available for housing development in Warsaw, asserts that cooperatives' holdings are not so large as to be a constraint on private development, citing the availability of non-cooperative serviced land in the city.

Several sources consulted agreed that, in cities other than Warsaw, cooperatives' land holdings constitute a smaller proportion of the total land that can be developed.<sup>54</sup> This may be a function of the size of vacant land holdings of gminas (municipalities) and voivodas rather than any lack of land by non-urban cooperatives. A 1992 Housing Research Institute study<sup>55</sup> of 75 cooperatives currently involved in developing new housing showed small-town cooperatives have more room to build new housing (relative to their units in place) than do those in larger cities. The study used the cooperatives' preliminary site plans to determine the development capacity of their vacant land. The Institute corroborated its results with interviews with gmina officials.

Outside Warsaw, gminas and voivodas own a substantial amount of vacant land—more than cooperatives, in the opinion of one observer<sup>56</sup>—and it is an important question, outside the scope of this report, whether they are prepared to make it available for private housing development. A senior government official charged with promoting entrepreneurship in Poland, judged the gminas to be good candidates for instigating housing development, citing their ability to negotiate deals on their land.<sup>57</sup> Voivodas were said to have even more latitude to dispose of their land as they see fit.<sup>58</sup> Another potential source of land to be developed is the kombinats, some of whom provided enterprise housing to attract workers.<sup>59</sup>

### 3 Forms of Cooperatives' Land Possession

Uncertainty about the importance of cooperative land holdings as a constraint on private development is compounded by the variety of forms of ownership and assignment under which their land is held. Much of this uncertainty results from the fact that under the socialist government, all land ultimately belonged to the state, and transfers from the state to a branch of the state, a cooperative, were not handled with the precision of private property transfers. An outline of the various forms of possession follows.

<sup>54</sup>Idem, and Jan Czarniecki, Polish-American Mortgage Bank.

<sup>55</sup>Untranslated 1992 study by Dr. Witwold Werner, *Development Activities Undertaken by Cooperatives*, p.35.

<sup>56</sup>Jan Czarniecki, Polish-American Mortgage Bank.

<sup>57</sup>Mr. Andrzej Gerhardt, Director, Entrepreneurship Promotion, Government of Poland.

<sup>58</sup>Wladyslaw Brzeski, Cracow Real Estate Institute.

<sup>59</sup>Idem, and Arkadiusz Krezel, President, Industrial Development Agency.

### **3.1 Planning Permission**

Gminas sometimes granted "planning permission" to build housing on a site to a particular cooperative as part of their planning process, in a procedure called "administrative decision." This did not transfer ownership of the parcel. The consultants were told by a senior municipal official that the Land Planning Code stipulates that such planning permission, if granted before November 5, 1990, is still valid and enables the cooperative to lease the land formally from the gmina if it wishes.<sup>60</sup>

### **3.2 Perpetual Usufruct**

The right of perpetual usufruct is the right to use land, including the right to build housing on it—a ground lease. In the Polish system, rights of perpetual usufruct are usually granted for 99 years with an option to extend for another 40 to 99 years.<sup>61</sup> This right is basically the same as the leasehold right in the American system. Attorneys the consultants met with stated that the right of perpetual usufruct was and is a satisfactory basis for housing development in Poland.

### **3.3 Perpetual Usufruct Rights Conveyed to Cooperatives Free or at Below-Market Prices**

Yet another category of possession is perpetual usufruct that was granted to cooperatives or transferred "without regard to market pricing."<sup>62</sup> Henryk Hajduk, director of the Housing Research Institute, writes that such transfers can be "reallocated" by local governments under authority of a 1990 revision of the Polish law on land management and expropriation of real property. "The revised law simplifies the procedure for local governments to reallocate these excess lands (which are often already serviced with infrastructure) for development by private concerns," Hajduk writes.<sup>63</sup> This interpretation was confirmed by a Polish attorney as well.<sup>64</sup>

### **3.4 "Use or Lose" Provision on Perpetual Usufruct Right**

A cooperative's rights of perpetual usufruct acquired after the December 5, 1990 revisions to the Land Management and Property Expropriation Law can be reclaimed by

<sup>60</sup>Olgierd Dziekonski, Deputy Mayor of Warsaw.

<sup>61</sup>Hermauson, op. cit., p. 32.

<sup>62</sup>Hajduk, op. cit., pp. 19-20.

<sup>63</sup>Ibid, pp. 19-20.

<sup>64</sup>Mirosław Zielinski, GEMINI Program.

the gmina if construction does not begin within two years. Leaseholds executed before that time are not subject to rescission.<sup>65</sup>

The "use or lose" provision works against the possible hoarding of land by housing cooperatives, given that their ability to develop housing is now subject to many of the same serious constraints (financing and affordability) which would-be private developers face. Some land will probably become available for recapture by gminas owing to lack of development activity by the cooperatives.<sup>66</sup>

Whether this power will be exercised remains to be seen. Although gminas are in difficult financial straits and could certainly benefit from revenue-producing sales or joint ventures involving their land, not to mention the benefit of developing badly needed housing for gmina residents, the consultants were told that the informal relationships between cooperatives and gminas are very strong.<sup>67</sup> For the gmina to take back land designated for or leased by a cooperative could cause political repercussions.

#### **4 Opportunities for Developing Housing on Cooperative-Owned Land**

Where cooperatives do control prime land which would be suitable for private housing development, it should be possible to strike a deal based on the motivations of the cooperative. Cooperatives have legal personality in Poland, and they may also have the legal ability to engage in a variety of business activities, not necessarily directly tied to their members.<sup>68</sup> They may need cash to manage their existing projects. They might be receptive to participating in a mixed income development in which some units would be made available at reduced prices to their members, while others were sold at market rates. These and other possibilities must be based on at least a minimum of entrepreneurial thinking on the part of the cooperative's management, and this is rare. For a more complete discussion of the prospects for cooperatives to begin to function as market-based developers, see Annex E.

#### **5 Recommendations Regarding Cooperative-Owned Land**

While it is probably true that cooperatives own a large amount of serviced land, the consultants did not find any hard evidence or even any strongly held opinions that cooperative land holdings pose a constraint to private sector attempts to assemble land parcels for housing development. It may be that the legal changes outlined above are perceived to have mitigated any problem of cooperative land hoarding. Nevertheless, the

<sup>65</sup>Idem, and Roman Rewald, Weil, Gotshal, & Manges; Krzysztof Kolodko, Ursinov Cooperative.

<sup>66</sup>Prof. Witold Werner, Housing Research Institute.

<sup>67</sup>Krzysztof Kolodko, Ursinov Cooperative.

<sup>68</sup>Andrzej Kawecki, Soltysinski Kawecki & Szajkowski.



following recommendations are made in recognition of the softness of available data on exactly what land is held, and of the fact that cooperatives must be dealt with thoroughly as a formidable presence on Poland's housing scene.

- 1) Housing cooperatives' role in a market-based housing production system needs to be defined, and policies and incentives should be structured accordingly. A long-term advisor in the Ministry of Construction should advocate for a decision on whether this role should include housing development in the future.
- 2) An inventory should be developed of cooperative land owned, leased, or with planning permission. The inventory should include information on infrastructure available to the sites. This would enable developers to approach the cooperatives with development proposals, purchase offers, or joint venture proposals. This information would serve to "ventilate" the cooperative system by opening it to the market. It would also help policy-makers understand the situation more clearly and respond.
- 3) Although work with gminas is the focus of the ICMA contract, the consultants emphasize that gminas with vacant developable land should become active participants in the promotion of a private housing development industry. Gmina land inventories should be collected to identify opportunities. The possibility for the gminas to repossess certain undeveloped cooperative land reinforces the gminas' important position vis-a-vis the emerging private development industry.
- 4) Demonstration projects involving cooperative-owned land should be developed, including joint ventures between cooperatives and private developers and cooperatives acting as market-oriented developers.
- 5) If it is decided that cooperatives should become for-profit or non-profit developers, developer training and education should be formulated specifically for cooperatives. (See Annex F.)

## ANNEX E

### Constraints on Increasing the Capacity of the Housing Development Industry in Poland

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#### 1 Status of the Industry

Poland's new private housing development industry is struggling to get going in an environment of extremely low effective demand due to low wages, a twelve percent unemployment rate,<sup>69</sup> high construction costs, and high interest rates. Most of the country's housing development expertise and experience is in the state's declining production system, the housing cooperatives and the state-run kombinat construction companies. The cooperatives are just finishing the last of the subsidized apartment blocks that were begun under the terminated subsidized financing system,<sup>70</sup> and kombinats are privatizing, albeit slowly. The transformation of the existing cooperatives into market-oriented developers is an uncertain prospect, given their unwieldy size, outmoded organizational cultures, rigid management, and their generally state-oriented outlook. This assessment describes some isolated examples of how the old forms of housing production are adapting, and these suggest ways that the "ocean liner" of the cooperative/kombinat system might gradually be turned in the direction of the market.

Meanwhile, a few examples of true, market-driven housing development are springing up. Most of these developers are focusing on the high end of the market, where the individual wealth of buyers and sometimes of developers can overcome most of the difficulties of the system. A few are trying to serve middle-income customers, but are having trouble getting to market because they must rely on bank financing which doesn't yet exist.

#### 2 Purpose and Organization of this Study

The consultants do not foresee anything that could be called a "boom" in the private housing development industry until the country's overall economic situation—especially the relationship between incomes, construction costs, and financing costs—improves substantially. The current economic situation is the overwhelming constraint on the growth of a Polish housing development industry. Nevertheless, the development of a strategy and an action plan to deal with other constraints on the growth of the development industry is timely. When effective demand does increase in Poland, it is critical that

<sup>69</sup>Irina Herbst, Deputy Minister, MOSEC.

<sup>70</sup>Subsidized financing ended on January 1, 1990. Interest rates then rose to market levels, which have ranged from 45 to 55 percent.

consumers not find a housing development industry whose capacity is outmoded or wholly inadequate to meet the demand.

This study investigates:

- the status of housing cooperatives as housing producers;
- key issues regarding cooperatives' future role;
- key issues constraining the growth of private sector housing development; and
- a strategy and action plan for addressing these key issues.

### 3 Future Role of Cooperatives

#### 3.1 Current Status

Cooperatives were state-sponsored "developers" in that they accumulated land, designed apartments, arranged financing, "marketed" to long lists of buyers, i.e., cooperative members, and managed projects. Moreover, as another annex to this report describes, they control significant inventories of serviced land. The cooperative has legal personality in Poland, and is, in theory, a workable organizational form for housing development under current law.<sup>71</sup>

There are some examples of cooperatives beginning to adapt to the demands of the market. Warsaw's Ursinov, one of the largest with 22,000 apartments and 100,000 inhabitants, split into a number of smaller cooperatives and created one which is responsible solely for new housing development. This "building cooperative," as it is called, is looking into new technologies. Its engineer president favors three and four-story walkups over high-rises, and dismisses large concrete plate technology as a "remnant from the past." He would consider participating in a commercial joint venture if it would benefit his members. Ursinov is about to survey all 2600 families on the cooperative's waiting list to determine their ability to qualify for the PKO's market rate dual-index mortgage (DIM) financing. However, 500 of the cooperative's units under construction (begun with subsidized financing) are being built under long-term contract with a kombinat, using the old technology. Ursinov cites difficulties finding private contractors who can perform reliably. Although Ursinov would like to build 1500 low-rise units, affordability is a major obstacle given the cost of construction and permanent financing.<sup>72</sup>

<sup>71</sup>Andrzej Kawecki, Soltysinski Kawecki & Szajkowski.

<sup>72</sup>Krzysztof Kolodko, Ursinov Cooperative.

MARS Cooperative is using the established, familiar cooperative structure as the basis for an entrepreneurial development operation.<sup>73</sup> The Warsaw cooperative is building 200 square-meter wood-frame homes for a target market earning 20 million zlotys per month. The cooperative form, says its president, who also has a construction company which is building the homes, provides credibility with buyers and access to PKO construction financing. However, this financing must be secured one borrower at a time. The project was conceived with the help of a market study in which questionnaires were sent to people on waiting lists of cooperatives. Real estate agencies were also consulted to get a feel for the market. MARS Cooperative is considering moving into the affordable housing market, but has yet to secure construction financing for buyers of 50 to 110 square meter units who earn substantially less than 20 million zlotys.<sup>74</sup>

Cooperatives have one advantage in adapting to the market: they are recognized as having low- and moderate-income housing as their charter in a market with a very large low- and moderate-income population. In fact, the cooperatives' long waiting lists (so long—a total of 1,649,300 as of June 1992<sup>75</sup>—that they have earned the nickname "the freezer") are a marketing asset when viewed from a private sector perspective. Cooperatives are in large measure the only organizations capable of large-scale multi-family production in the country.<sup>76</sup> On the other hand, several observers commented that the cooperatives lack credibility because they have created undesirable housing in insufficient quantity.<sup>77</sup>

## 3.2 Cooperatives as Developers: Key Issues

### 3.2.1 Define a Role for Cooperatives.

First of all, there must be a policy-level decision on the future role of cooperatives. If it is desired that they evolve into non-profit or for-profit market-oriented housing developers, then incentives to promote this can be designed, and technical assistance can support the policy. This issue can be effectively addressed by a long-term advisor within MoSEC.

The remaining points in this section will become relevant if a policy decision is made to encourage market-based development by cooperatives.

<sup>73</sup>The MARS project is a HG "pipeline" project.

<sup>74</sup>Mr. Ryszard Koc, MARS Cooperative.

<sup>75</sup>Czarniecki, Jan. *Assistance to Residential Developers in Poland. Monthly Progress Report, June/July 1992.* p. 22.

<sup>76</sup>Ibid.

<sup>77</sup>Wladyslaw Brzeski, Cracow Real Estate Institute; and Andrzej Kawecki, Soltysinski Kawecki & Szajkowski.

### **3.2.2 Reorganize for Development**

If it is determined that cooperatives should move into a development role, the question of how to organize for the task should be addressed. The new environment calls for change in the structure of the cooperative. Joint ventures with other partners, newly formed cooperatives like MARS, or, at a minimum, specialized cooperatives like Ursinov's building unit, hold more promise than the original cooperative form trying to act alone.

### **3.2.3 Define Legal Capabilities**

Preliminary legal analysis has shown that cooperatives are probably able to develop housing for non-members, and can also engage in development activities other than housing.<sup>78</sup> If confirmed, this could mean that cooperatives can use their land resources to attract equity investments and/or generate revenues which would reduce the cost of housing and increase their members' ability to purchase apartments.

### **3.2.4 Address "Organizational Culture"**

A major constraint on the evolution of cooperatives into private market-oriented developers in the opinion of observers<sup>79</sup> is their state-oriented organizational culture which is not consistent with a market-oriented approach to housing development. "They are managers, not investors," was a typical comment heard by the consultants.<sup>80</sup>

### **3.2.5 Develop Technical/Management Skills**

Another team of consultants which looked at a wide range of cooperative projects in 1992 found that the cooperatives had very limited skills in marketing, financing, bidding, and contracting in a market environment.<sup>81</sup> Another problem is the chaotic state of internal accounting in some cooperatives.<sup>82</sup> Targeted training would address these issues, as discussed in Annex F.

<sup>78</sup>Andrzej Kawecki, Soltysinski Kawecki & Szajkowski.

<sup>79</sup>Wladyslaw Brzeski, Cracow Real Estate Institute.

<sup>80</sup>Idem.

<sup>81</sup>Czarniecki and Kriss, PADCO Phase IV Trip Report, July 1992, pp. 1-3.

<sup>82</sup>Andrzej Kawecki, Soltysinski Kawecki & Szajkowski.

### 3.2.6 Status of Land Holdings

The possible recapture of cooperative land by gminas, now permitted by law,<sup>83</sup> should be monitored by cooperatives wishing to take an active approach to maximizing their resources, although it is doubtful whether a gmina would compete for land with a cooperative attempting to develop on its own.<sup>84</sup>

## 4 Key Issues Constraining the Emerging Private Development Industry

The private sector is developing the capacity to replace the declining cooperative system very slowly, and with considerable difficulty. There are a number of important constraints which need to be addressed.

### 4.1 Finance

As discussed above, the cost of financing is the single biggest constraint on housing development in the country. However, there are a number of technical and structural problems in housing finance unrelated to finance costs *per se*. Following are some of the specific financial issues.

Banks have no experience with private sector construction financing. The only private, i.e., non-cooperative, housing construction financing that has been done in the country has been financing for homeowners who served as their own general contractors.<sup>85</sup> Banks are unfamiliar with limited liability companies (corporations) as borrowers, and therefore PKO is not yet providing construction financing to developers.<sup>86</sup> Not surprisingly, there is no financing for land acquisition and development costs, and banks in Poland are not interested in financing any projects on speculation.<sup>87</sup>

Two legal problems affect the proposed housing finance system. Existing collateral law makes it very difficult for lenders to secure commercial loans (for example, loans to building material suppliers) with the assets being financed.<sup>88</sup> The US AID-funded IRIS program is working with the Commission To Reform the Civil Code to address this problem. The second issue concerns the priority of liens. Bank liens in Poland have superiori-

<sup>83</sup>April 29, 1985, Land Management and Real Property Expropriation Act as revised December 5, 1990.

<sup>84</sup>Krzysztof Kolodko, Ursinov Cooperative.

<sup>85</sup>Of 894 long-term loans originated by PKO's DIM program as of September, 1992, most were of this type, according to PKO.

<sup>86</sup>Adam Zaremba-Smietanski, Zaklady Produkcyjno-Uslogowe "GEO."

<sup>87</sup>Ryszard Koc, MARS Cooperative.

<sup>88</sup>Ronald Dwight, IRIS Project.

ty over any other liens. However, if two different banks file liens on the same property, they have equal standing regardless of which bank filed first.<sup>89</sup>

Some issues in underwriting long-term loans are very important for developers. PKO officials told the consultants that documentation of income will continue to be an obstacle to their financing programs. It is hoped that the requirement to file income tax returns for the first time in 1993 will begin to provide a baseline. Documenting credit history is another difficulty the banks will face since there is no central credit information source.<sup>90</sup> These problems will directly affect developers attempting to prequalify purchasers for mortgages as the developers seek construction financing when it becomes available. The problems could make the financing process so cumbersome and time-consuming that some developers may decline to participate.

## 4.2 Appraisals

A reliable appraisal of a site's market value is an important part of a firm's construction loan proposal. The appraisal industry's current capacity is very limited. Banks do not require licensed appraisers.

## 4.3 Lack of Market Information

There is little data available on how much Polish buyers can afford, what they want to buy, and where they would buy it. There are a few fledgling market research firms in Poland, but the quality of their data is not high.<sup>91</sup> Almost without exception, developers believe that Poles will not accept anything but housing built of masonry construction, the rationale being that "Poles view their homes as permanent and want them to be substantial." No research has tested that proposition in light of possible cost-savings from alternative construction techniques.

The absence of an effective real estate brokerage industry contributes to the lack of information about market demand.

## 4.4 Lack of Information about Land for Development

There is no central inventory of publicly owned land, nor of land owned by cooperatives. There are few real estate agents making a market in developable land. There is some indication that local zoning maps may not be readily available, making it difficult to shop for land.<sup>92</sup>

<sup>89</sup>Roman Rewald, Weil, Gotshal, & Manges.

<sup>90</sup>Leszek Trojnar, PKO.

<sup>91</sup>Irina Stocka, Housing Finance Project Office.

<sup>92</sup>Adam Zaremba-Smietanski, Zaklady Produkcyjno-Usługowe "GEO."

## 4.5 Land Title

In some parts of the country, such as the Warsaw area, obtaining clear title is very difficult. In others, like Krakow, it does not appear to be such a serious problem. The differences are based on the quality and survival of recordkeeping and the particular history of each region, i.e., whether other nations had sovereignty at one time. The most serious problem affecting land title is the fact that Poland has not yet passed a law to reprivatize land and buildings which were nationalized under the old regime.

For potential housing developers, this is a major constraint. Financing depends on clear title, and developers cannot even obtain a building permit without clear title.<sup>93</sup> Recognizing the importance of this problem for all business activity, the U.S. Trade Development Center has informally supported legal means of structuring ownership transfers that would allow for the possibility of later ownership claim settlements.

## 4.6 Difficulty in Attracting Investment Capital

The very small size of the private development industry makes it self-evident that capital is not flowing to housing development. George Metcalfe of the GEMINI project commented that there is no established "investor class" in Poland, meaning that there is a scarcity of successful professionals or merchants who are willing and able to invest in activities like real estate development.<sup>94</sup> While there are some high-end development projects underway with foreign participation,<sup>95</sup> one developer who had solicited foreign investors for a more modest project had been told that margins were too thin.

The shortage of investment capital for housing is symptomatic of a very basic constraint on the industry: most potential investors calculate that the risks of housing development presently outweigh the rewards.

## 4.7 Lack of Condominium Law

A law has been drafted, but at present there is no condominium form of ownership. Developers or cooperatives who wish to simulate a condominium must design one by contract.<sup>96</sup>

<sup>93</sup>Irina Stocka, Housing Finance Project Office.

<sup>94</sup>George Metcalfe, Gemini Project.

<sup>95</sup>Tomasz Jankowski, Budimex Development; and Bradley C. Davis, President, Curtis-Davis Ltd.

<sup>96</sup>Renata Carlson, TW Development.



## **5 Strategy**

The recommended strategy for addressing the constraints on the private housing development industry is to identify the most important constraints, then select projects with a high probability of success, and address the constraints through the projects to demonstrate how to overcome them.

For housing cooperatives, the recommended strategy is for the long term senior advisor in the Ministry of Construction to address the future role of housing cooperatives. HFPO staff and advisors could address the key issues outlined in Section 3.2 of this study with selected cooperative projects if a development role for cooperatives is to be encouraged.

## **6 Action Plan for Relieving Constraints on Private Housing Development**

### **6.1 Address Finance Issues**

The key issues involving project finance are of the highest priority. Developers and bankers need training in preparing and analyzing proposals for construction financing. (See Annex F.)

In addition to training, it is recommended that HFPO advisors and staff translate PKO construction and permanent financing guidelines into developer loan proposal and home buyer prequalification "kits."

It is also important to ensure that "feedback loops" are created so that PKO and others in the new housing finance system get accurate feedback about how programs are working for developers and their customers.

Communication should be maintained with the IRIS program to track collateral law evolution and understand the problems material suppliers experience in securing financing.

### **6.2 Promote Development and Dissemination of Market Information**

It is recommended that HFPO staff and foreign advisors provide training to new market research firms in how to create market studies useable by housing developers and their lenders. (See Annex F.) Once trained, these firms would become resources for projects to be financed through the HG and WBHFP.

It is recommended that the MoSEC advisor promote better statistical and demographic data collection at all levels of government. To demonstrate the goal, two or three targets of opportunity at the national and gmina level could be identified, and some model reporting systems on housing starts, income levels, unemployment data, etc. could

be created. Banks may be enlisted for political or financial support to accomplish this recommendation, as they will need the same information to achieve their goals.

Once collected, the information should be disseminated to developers, municipalities, and lenders.

Information on land available for development should be organized and disseminated by private real estate brokers. The National Association of Realtors contract can provide training to help achieve establishment of a real estate brokerage industry in a pilot program in one region of the country.

In the interim, it is recommended that existing inventories of land held by gminas, voivcdas, state-owned enterprises and cooperatives be collected and published. Some gminas may be interested in supplying their land for housing development in partnership with private firms.<sup>97</sup>

### **6.3 Clarify Land Title Issues**

Land records must be brought up-to-date by revising cadastral maps and reconstructing title records. Pilot programs in selected cities could demonstrate the use of GIS/ cadastral mapping technology. Passage of a reprivatization law is necessary and should be monitored/advocated by the MoSEC advisor.

In addition, HFPO staff and foreign advisors should pursue the following items:

1. Develop an overview of land title issues in Poland to define geographic areas of greater and lesser land title confusion. This information may help the situation in the short term by steering new developers to areas where the problem is most workable. This overview would also be useful to lawmakers.

2. Investigate status of the U.S. Commerce Department's research on alternative ownership transfer techniques which could minimize title problems and any similar models elsewhere in Eastern Europe.

### **6.4 Attract Investment Capital to Housing Development**

The MoSEC advisor should devote attention to structural issues such as income taxes, property taxes, turnover taxes, national land use law, foreign property ownership law, and the draft condominium law which bear on the overall attractiveness of housing investments in Poland.

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<sup>97</sup>Olgierd Dziekonski, Deputy Mayor of Warsaw.

## **6.5 Build Appraisal Capacity**

The development of the appraisal profession and training in the performance of standardized market appraisals is critical to facilitate the delivery of construction and permanent financing. Developers and related parties such as municipalities, contractors, architects, planners, etc. should receive basic training in the principles of market-based property valuation. (See Annex F.)

## ANNEX F

### Training and Education to Support the Evolution of Poland's Private Housing Development Industry

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#### 1 Overview of Developer Training Needs

As Annex E describes, the Polish private development industry is in its very early stages. The Housing Finance Project Office continues to receive many calls from developers, even though the financing program is not yet in place, and the office's director estimates that about two-thirds of the would-be developers have little concept of how to begin. "They are imagining, not counting," she told the consultants. Some projects are moving ahead, but frequently with "classic" mistakes which basic training could help to avoid.

Given Poland's extremely high interest rates, low incomes, high unemployment, and a stalled housing market, the urgency of creating professional education in housing development in the country might appear slight. Education will not transform the housing economy. On the other hand, the current challenging economic conditions require unusually creative approaches to housing development. And when the economy does stabilize, it is important that a qualified, knowledgeable core of people be ready to act to fill the huge pent-up demand. The people who should receive training in real estate development include architects, bankers, municipal officials, contractors, and others who are part of the housing development process, in addition to developers themselves.

From the beginning, this training and education should be designed to become a lasting feature of Poland's overall structure for adult and professional education. Therefore, this strategy paper identifies candidate organizations which might have the capacity to deliver housing development training over time.

Housing development requires competence in a wide range of disciplines. Some of these disciplines are well understood in Poland, and others are not. Following is a review of training needs by subject as expressed to the consultants. Training needs related strictly to housing construction are discussed in Annex B.

#### 2 Key Training Needs

##### 2.1 Financing

Because financing (both construction and permanent) is the most serious obstacle to the growth of Poland's private housing industry, several of the developers expressed a strong need for assistance in preparing applications and negotiating with banks. Those

who did not, have tried to get around the problem, with uneven success, by targeting cash buyers. The need for training is compounded by the fact that inexperienced lenders are attempting to finance inexperienced developers, who in turn are selling homes to first-time buyers. None of the parties are really familiar with what the "rules of the game" should be, although programs are in process to prepare lending guidelines and train bankers in their use.<sup>98</sup> At present, the PKO, the nation's housing lender, has no construction loan program in place for private developers. The consultants met with one firm which had contacted 18 lenders in search of construction financing.<sup>99</sup> Training in how to prepare construction loan proposals, which are in effect comprehensive business plans for development projects, is a critical need.

Once Poland's construction finance system gets started, banks will in all likelihood require high presales as a condition of approving construction financing. Developers will need to learn how to "prequalify" buyers for the dual-index mortgage. Prequalification is a shortened version of the loan underwriting process. For a developer, it means taking the bank's perspective and documenting prospective buyers' capacities more or less as the bank eventually will. The consultants talked with two developers who were trying to develop projects around this mortgage instrument, and training in prequalification was clearly a need in both cases.<sup>100</sup>

A related training need is the ability to sell homes based on a thorough understanding of how the available financing programs work. Successful developers in Poland will need to be as expert in these programs as lenders will be, particularly since the real estate brokerage industry is so small. The burden will frequently be on the developer to demonstrate to the consumer that a home is affordable on reasonable financing terms.

## 2.2 Financial Project Management

Some disciplines which are already well-understood on a technical level in Poland must be re-learned in light of the demands of the marketplace. Developing a project without regard for financing costs, possible changes in market demand, or emergence of new competition results in a development approach very different from that employed in market economies. For example, two of the developers whom the consultants met were planning to build (or were in the process of building) all of the units in their project at

<sup>98</sup>PKO and Bud Bank are set to introduce construction financing and permanent financing programs with technical support from the Housing Finance Project Office. Although the program has been delayed, current expectations are for the loans to begin in Spring 1993.

<sup>99</sup>Adam Zaremba-Smietanski, Zaklady Produkcyjno-Usługowe "GEO."

<sup>100</sup>Idem, and Mr. Ryszard Koc, MARS Cooperative.

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once <sup>101</sup> In market-based development, the practice of phasing a project, i.e., building and selling one section before investing in the infrastructure, roads, and construction costs of the next, reduces construction loan interest expense and provides the developer some protection against sudden declines or changes in market demand.

## 2.3 Marketing

Marketing and market research are new on the Polish scene. The developer must understand what the market wants in terms of location, size, amenities, construction type, and price. He or she must be able to analyze the depth of the market for a given project, that is, how many qualified buyers will want to buy different types of housing.

Most of the developers interviewed had done some form of market research and knew who their target market was. Budimex, a large international construction firm recently privatized, has created a housing development subsidiary and conducted a formal housing market study analyzing income levels, joblessness, and other variables.<sup>102</sup> However, most market research was informal. One cooperative had mailed questionnaires to its waiting list to determine who was interested in a new unit, what kind they wanted, and how much they could pay.<sup>103</sup> A private, high-end developer advertised its preliminary project plan in the newspaper, received 2,000 responses, and surveyed the respondents to refine their project plan.<sup>104</sup> Another developer targeting the same up-scale market acknowledged a marketing error in using vinyl exterior siding (and timber construction) without having checked the market acceptance.

The informality of market research is partly attributable to the lack of experienced firms in the business of collecting market information, as well as a reflection of the lack of reliable information about incomes (1993 is the first year when income tax returns will be filed).<sup>105</sup> The developers were quite interested in systematic reliable methods for gauging market demand.

<sup>101</sup>Adam Zaremba-Smietauski, Zaklady Produkcyjno-Uslogowe "GEO," and Renata Carlson, TW Development

<sup>102</sup>Tomasz Jankowski, Budimex Development.

<sup>103</sup>Krzysztof Kolodko, Ursinov Cooperative.

<sup>104</sup>Renata Carlson, TW Development.

<sup>105</sup>Irina Stocka, HFPO. Mrs. Stocka estimates the proportion of gross domestic product which is unreported to be as high as 30 percent.

## 2.4 Business Management

Accounting, cash flow analysis, and bookkeeping are basic business skills which need to be included in the developer training curriculum. One developer expressed a particular need for training in the use of computer software, including spreadsheets.<sup>106</sup>

## 2.5 Feasibility Analysis; Optimizing a Site

The consultants were told of the need for training in how to analyze the suitability of a site for housing.<sup>107</sup> This is particularly challenging in an environment where there are few comparable projects by which to gauge market appeal and price. Part of site analysis is an understanding of land use regulations, topography, drainage, soils and housing design options which form some of the constraints within which the developer optimizes the site. While some developers will hire specialists to handle these subjects, there remains the need for the developer as project coordinator to be conversant with each of them.

## 2.6 Legal Issues

Basic understanding of the legal environment for housing development is particularly important since the environment is changing quickly. Difficulties with land title were mentioned by practically all the developers whom the consultants met as a serious constraint on development. Other legal issues which were mentioned included forms of ownership, joint ventures, foreign investment, contract law, cooperative law, performance guarantees, and the possibility of seller financing through a contract-for-deed.<sup>108</sup>

## 3 Target Audiences for Training

While the primary target audience for training will be practicing developers, a number of other groups should also be targeted because they have important roles in the development process. Private sector housing development is new to all of these groups, and they need basic information about the process in order to support the growth of the industry.

Other target audiences include:

- Municipal and voivoda officials, including planners, involved in approving projects.
- Cooperatives, if they are to play a role in housing development, will need specially focused training to "reinvent" themselves. They will need to update their strategic mission, organizational forms, and operating techniques.

<sup>106</sup>Mr. Ryszard Koc, MARS Cooperative.

<sup>107</sup>Idem.

<sup>108</sup>Bradley C. Davis, President, Curtis-Davis Ltd.

- Contractors.
- Bankers. The Housing Finance Project Office pointed out that above and beyond underwriting, construction inspections, drawdowns, and so forth, lenders need training in how to cooperate with developers.<sup>109</sup> Lenders need to understand local land use and permitting processes, the implications of phasing a project, and how to analyze a market survey. Banks should be introduced to the idea of helping the developer structure the project as partners, not adversaries.
- Architects.
- Government enterprises with land and/or employee housing stock will need to learn about private development to become effective joint venture partners.
- Real estate brokers and appraisers could benefit from general training in the development process since they will be intimately involved in it.
- Academics and Researchers.
- Business students, including post-graduates.

#### **4 Institutions Recommended to Deliver Training**

The strategy recommended is to introduce developer education within a Polish institution which has the capacity to continue it for the long term. The consultants met with and contacted several possible candidates for this role.

##### **4.1 Warsaw School of Economics**

The school has a very successful business program in progress with over 2,000 paying students enrolled. Engineering education, long the favored discipline, is on the wane, and business has taken its place. There are "economic academies" like the Warsaw school in five other cities in Poland, all with management programs. Altogether, three of the programs have a foreign orientation (Gdansk, Poznan, Warsaw).

Adult education (evenings and weekends) is currently being explored to meet demand and as a profit-making opportunity for the school; faculty members have recently been asked to propose classes which they feel would appeal to this market.

The consultants spoke with two professors involved in the business education program<sup>110</sup>, including Prof. Bogdan Radomski, who teaches in the Polish-American Economics and Management program, a ten-month USAID/University of Minnesota program to train Polish faculty members in western business education. These professors

<sup>109</sup>Irina Stocka, HFPO.

<sup>110</sup>Prof. Bogdan Radomski, US AID/University of Minnesota Business Faculty Training Program, Warsaw School of Economics and Prof. Marcin K. Nowakowski, Polish Director, Polish-Canadian Program at Warsaw School of Economics.



told the consultants that the proposed real estate development education could fit well in their new adult/professional education curriculum.

#### **4.2 Krakow Real Estate Institute**

The Institute was founded by the Krakow University of Technology and the Krakow Academy of Economics. It assembles experts in various real-estate disciplines, including architecture, appraisal, and finance, with the goal of promoting better cooperation between academics and practitioners. The Institute sponsored a seminar on housing development and marketing in June, 1992 with support from US AID, the National Association of Realtors, and others.

#### **4.3 Housing Finance Program Project Office**

HFPO, a unit within the Bud Bank, is well-positioned to provide highly targeted training about the process of preparing financing proposals.

### **5 Recommended Training Formats**

#### **5.1 One-Two Day Seminars**

The HFPO should offer one and two-day seminars with an overview of the development process, and detailed instruction in preparation of proposals for financing under the new Housing Guaranty Program. Pre-qualification of buyers should be part of this training. These seminars should be offered around the country to reach the target audience effectively. Group presentations should be paired with individual consultations for development firms structuring projects.

While these courses would be targeted to practicing developers, they would also serve the purpose of acquainting many of the other targeted audiences with the basics of housing development and project finance.

As a lower priority, more specialized seminars for architects, municipal officials, planners, etc., should be designed in collaboration with HFPO, the Real Estate Institute, and university faculty members.

#### **5.2 One-Week Courses**

These would be intended to provide in-depth training in one of the key areas outlined in Section 2 above, primarily for practicing developers. The developers with whom the consultants met expressed a desire for short, focused education that would not require too much time away from their business.

Course materials should be jointly developed by foreign advisors with Polish faculty at the recommended institutions, and the first few sessions could be taught jointly. The courses should then be turned over entirely to the Poles.

### **5.3 Longer-Term Courses**

Courses lasting up to one semester or more should be offered for both practitioners (using night/weekend schedules) and full-time students after the one-week courses have become well-established. These would provide a certification in real estate development, and would be appropriately offered by the universities. The courses would provide in-depth training in all of the key areas outlined in Section 2. Target groups for these courses would include business students, academics, researchers, and senior practitioners in the real estate industry.

**Annex G**  
**Organizational Diagrams**

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## MOSEC Organizational Structure

Ministry of Spatial Economy and Construction does not have an easily available organizational chart. The following is a list of Ministry Departments:

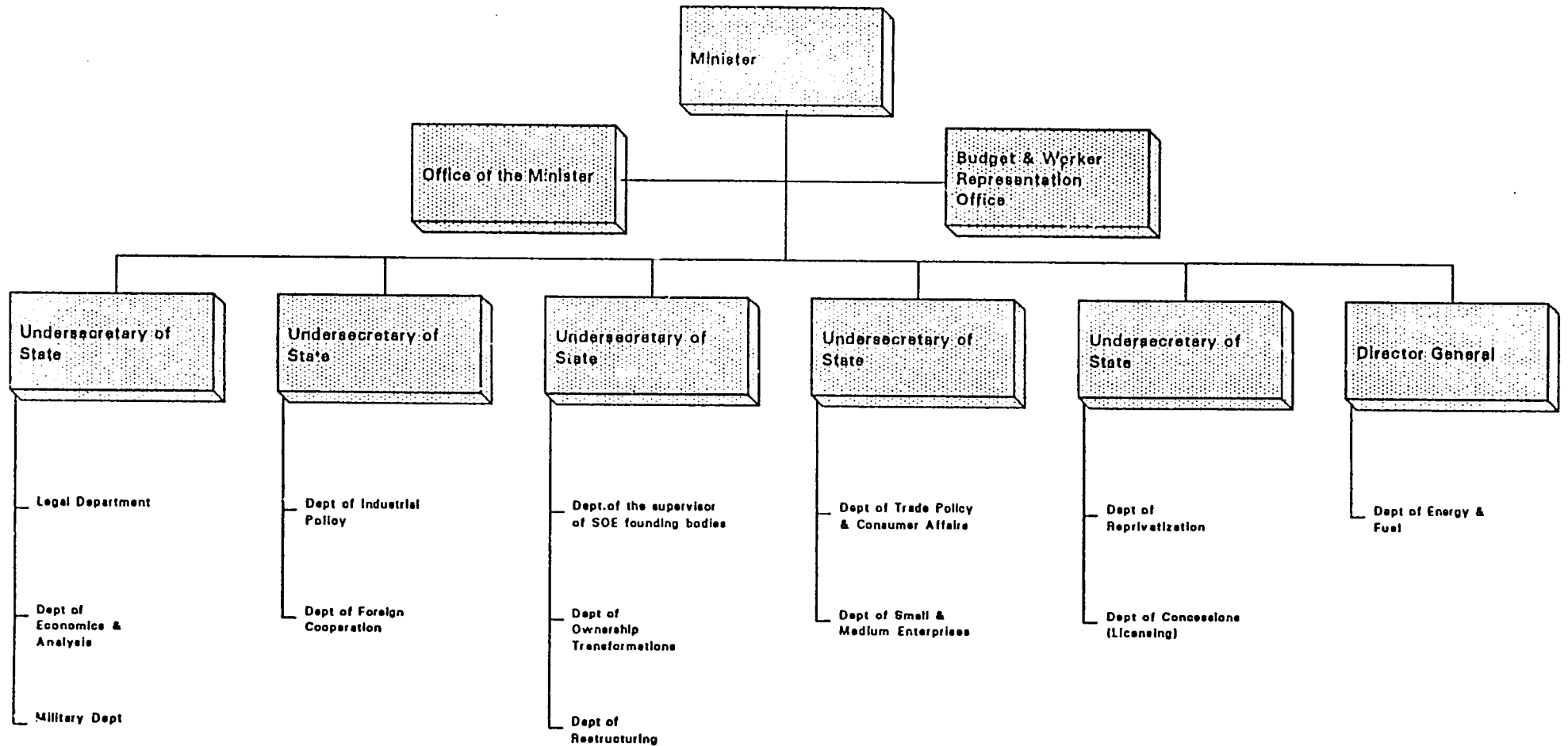
- a/ Minister's office
- b/ Legal Department
- c/ Foreign Relations Dept.
- d/ Department of Research, Prognosis and Construction Policy
- e/ Department of Urban Development, Architecture and Construction Supervision
- f/ Department of Housing Policy and Urban Economy
- g/ Department of Geodesy, Cartography and Land Management
- h/ Privatization and Restructuring Department
- i/ Defence Department
- k/ Budget Department
- l/ Administrative Dept.
- m/ Metro Construction Dept.

Minister of Construction has 4 permanent advisory bodies such as:

- a/ Ministry Collegium which includes Secretary of State, Undersecretaries of State, General Director and General Surveyor.
- b/ Scientific Council
- c/ Central Commission on Architecture and Urban Development (created by the law on Spatial Planning, staffed by Dept e)
- d/ Geodesy and Cartography State Council (created under the law on Geodesy and Cartography, staffed by Dept g).

# Ministry of Industry and Trade

## Proposed Organization



## **DEPARTMENT OF SMALL AND MEDIUM ENTERPRISES**

### **SCOPE OF WORK**

1. Implementating the principles of government policy (government program) in the area of enterprise promotion in the process of restructuring the Polish economy through the creation of new and restructuring of existing state enterprises into small and medium economic subjects.
2. Elaborating the foundations of SME development without respect to the form of ownership based on the principles of industrial policy outlines and state restructuring.
3. Elaborating on programs for economic transformation of regions through activization and development of SMEs as well as individual entrepreneurs.
4. Propagating modern forms and technologies of economic activity (franchising, leasing, creation of holding companies) among SMEs.
5. Initiating new economic undertakings on the basis of liquidated and restructured state enterprises.
6. Organizing, for the implementation of industrial policy, the monitoring system of the activities of SMEs, SOEs and cooperatives
7. Propagating, among the staff of enterprises undergoing restructuring, the ethos and ideas of entrepreneurship and forms of privatization.
8. Implementation of the tasks of Ministry of Industry and Trade according to the commercial Code, including:
  - maintaining a registry of companies founded according to the regulations of Commercial Code:
  - assembling forecasts of documents as stipulated in the Commercial Code; and
  - analysis of situation of companies founded according to the Commercial Code.

9. Analysis of influence and effectiveness of Ministry's industrial policy as it relates to SMEs.

10. Essential organization of supervision over SMEs arising from the restructuring of SOEs and turning them into worker-owned companies:

Article 37, pt. 1, sub-pt. 3  
Laws on Privatization of SOEs

11. Undertaking and supporting initiatives for the creation of a national system of economic information, construction of a system of industrial cooperation as well as participation of Polish firms in a system of national and international tender exchanges (among others EEC and Central European Commonwealth). Supporting technology transfer, technical standards, markets and exhibitions.

12. Adjusting Ministry policy on training according to the needs of industrial regions.

13. Inspiring professional reorientation of the unemployed in cooperation with the Ministry of Labor and Social Policy and MEN.

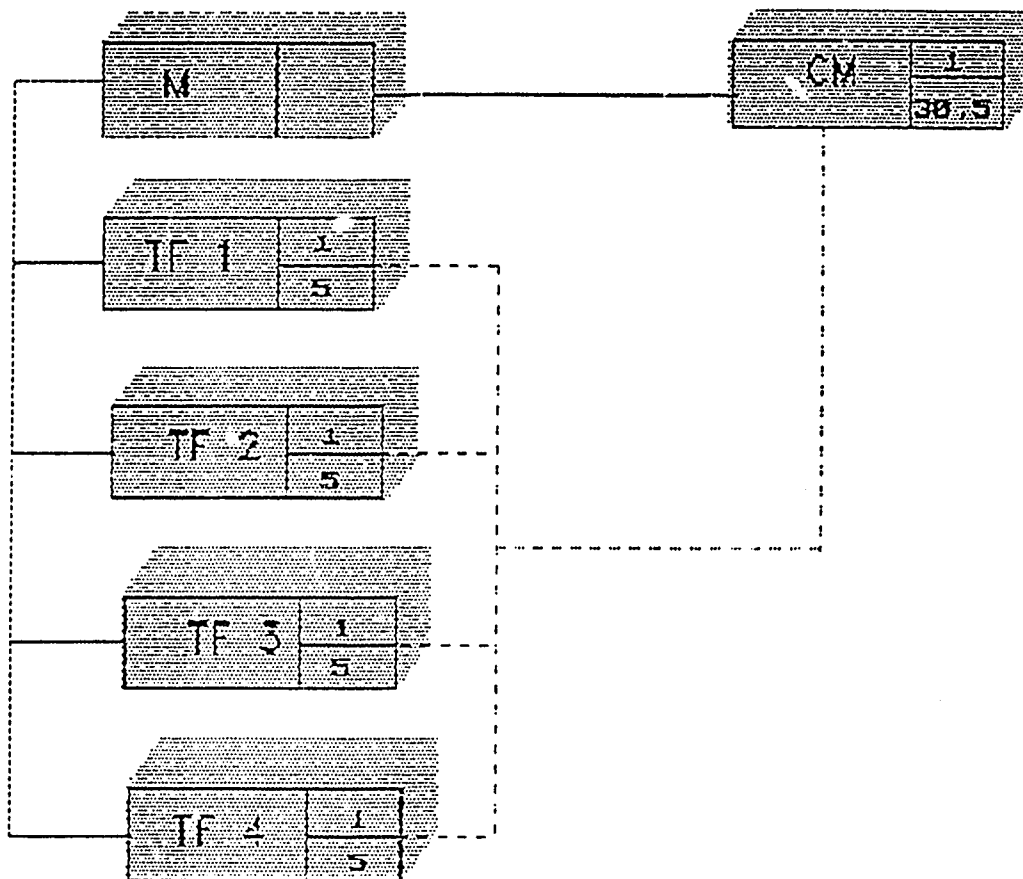
14. Coordinating activities connected to the training of professional staff for industry and trade including the cooperation with foreign partners. Organizing an advanced system for qualifying for scholarships, stipends and foreign training, maintaining documentation in this area.

15. Organizing and coordinating training and professional improvement of the Ministry's employees and supervising meritorious activities of offices as sources for the advancement of professionals.

16. Organizing, coordinating and supervising the implementation of training activities, according to particular legal regulations guiding Ministries, whose obligation is to conduct such training and training courses based upon priorities and directions of Ministry policy. Guiding affairs relating to the professional specialization of engineers.

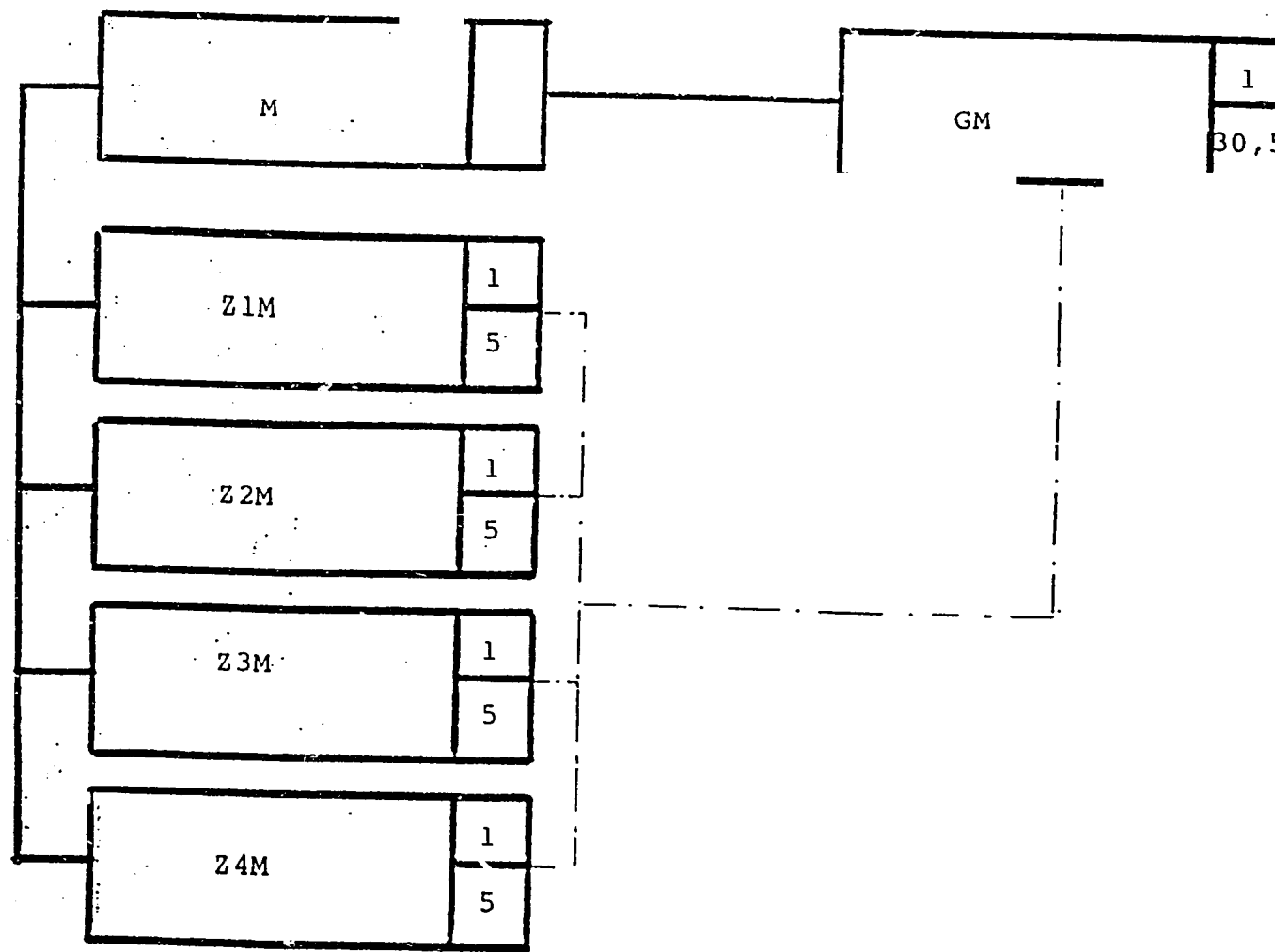
17. Coordinating and supervising the implementation of tasks connected to professional training.

## Currently Proposed Structure and Functions for Minister Eysmont's Office in the Council of Ministers



- M** - Minister, Member of the Council of Ministers
- CM** - Cabinet of The Minister, Member of the Council of Ministers
- TF1** - Task Force for Creating and Organizing a Government Small Business Promotion Agency
- TF2** - Task Force for Creating and Organizing a Loan Guaranty Facility
- TF3** - Task Force for Preparing a draft Small Business Act
- TF4** - Task Force for Creation and Organization of a Polish Tourism Development Agency
- 1** - Denotes the Task Force Director
- 5** - Denotes key persons from other Ministries
- 30,5** - Denotes total staff for Minister Eysmont's Office.





- M - Minister-Członek Rady Ministrów  
 GM - Gabinet Ministra-Członka Rady Ministrów  
 1M - Zespół d/s powołania i zorganizowania Państwowej Agencji Promocji Przedsiębiorczości  
 2M - Zespół d/s powołania i zorganizowania Funduszu Gwarancji Kredytowych  
 3M - Zespół d/s opracowania projektu ustawy o działalności małych i średnich przedsiębiorstw  
 4M - Zespół d/s powołania i zorganizowania Polskiej Agencji Turystyki

## ANNEX H

### PADCO—List of Meetings in Poland, September 28, 1992—October 16, 1992

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#### Monday 9/28/92

Ms. Irina Stocka, Housing Finance Project Office (HFPO), re: status of office and programs

Mr. George Metcalf, Development Alternatives, Inc., Gemini Small Business Project, re: Gemini Construction Sector Study

#### Tuesday 9/29/92

Ms. Sonia Hammam, USAID RHUDO, re: initial housing/construction industry status and direction for RFS

Mr. Tomasz Jankowski, Budimex, re: views of private construction and development industry; construction management training

Mr. Jan Czarnecki, Polish-American Mortgage Bank, re: views on status of private mortgage finance, housing and construction industry

#### Wednesday 9/30/92

Ms. Sonia Hammam, USAID RHUDO, Mr. Daniel Hogan, DAI, Mr. Tom Larsen, Deloitte & Touche, re: enterprise housing and effect on privatization

#### Thursday 10/1/92

Prof. Grochowski, Warsaw Polytechnic (ETOB), Mr. Wojciech Ciurzynski & Mr. Tomasz Jankowski, Budimex, re: construction management training

Mr. Leszek Trojnar, Bank PKO, re: Dual Index Mortgage (DIM) and status of housing industry

#### Friday 10/2/92

Mr. George Metcalfe, Gemini, re: follow-up questions on Gemini construction sector report and status of construction industry

#### Saturday 10/3/92

Mr. George Guess, Ms. Renata Frenzen, ICMA and Dr. Mona Serageldin, MIT, re: status of local governments' infrastructure, gmina land

#### Sunday 10/4/92

Mr. Steve Lewis, American Polish Home Builders Institute, Gdansk, re: training for contractors and developers

## H-2

### **Monday 10/5/92**

- Mr. Jan Czarniecki, Polish-American Mortgage Bank, re: coops
- Ms. Sonia Hammam, USAID RHUDO, re: interim progress report
- Ms. Renata Carlson, TW Development, re: private development project
- Mr. Kazimierz Kirejczyk, HFPO, re: HFPO project file review
- Ms. Irina Stocka, HFPO, re: coops and training

### **Tuesday 10/6/92**

- Mr. Andrzej Kawecki, Attorney, re: coop law, present and future
- Ms. Renata Carlson, TW Development, re: "Florida" project, visit to construction site
- Ms. Joan Edwards, Director, US Trade Development Center, re: U.S. investment in construction and real estate
- Mr. Ron Dwight, IRIS project, re: legislation, collateral law
- Mr. Jay Madigan, Mr. Michael Ryan, Ministry of Privatization, re: Construction sector privatization

### **Wednesday 10/7/92**

- Dr. Irina Herbst, Deputy Minister, MoSEC, re: new government housing policy, privatization of Kombinats, training and technical assistance needs

### **Thursday 10/8/92**

- Mr. Roman Rewald, Attorney, re: Proposed condo law
- Dr. Henryk Hajduk, IGM (Housing Research Institute), re: Status of housing and construction industry, training needs
- Dr. Marcu Nowakowski, Warsaw School of Economics, re: business training
- Mr. Lech Nowagrodzka, Neokart, re: GIS, land titling
- Ms. Danuta Piontek, Convention of Entrepreneurs, re: Coop developers & joint ventures
- Mr. Jan Brzeski, Real Estate Institute, Krakow, re: Training of developers

### **Monday 10/12/92**

### H-3

Mr. Krzysztof Koldoko, President, Housing and Building Cooperative "Ursynow", re: Coops as private developers

Mr. Ryszard Koc, Warbit S.A., MARS Cooperative, re: New coops as private developers; construction contractor training needs

#### Tuesday 10/13/92

Ms. Sonia Hammam, USAID RHUDO, re: Progress report

Mr. Jan Czarniecki, Polish-American Mortgage Bank, re: Coops and land

Mr. Tadevsz Drabik, Draczer , re: Contractor training & Kornbinats

#### Wednesday 10/14/92

Prof. Witold Werner, Housing Research Institute, re: Coop land

Prof. Grochowski, ETOB, re: Construction management training

Mr. Jozef Glowacki, Ministry of Privatization, re: Kombinant privatization

Prof. Bogdan Radomski, USAID/University of Minnesota Business Faculty Training Program, Warsaw School of Economics, re: developer training (telcon)

Mr. Jerzy Gladki, BETA, re: contractor training, Kombinats

#### Thursday 10/15/92

Mr. Bradley C. Davis, President, Curtis-Davis Ltd. Housing Division, re: private developer, contractors

Mr. George Metcalfe, Gemini Project, re: Ministry background information

Mr. Arkadiusz Krezel, President, , Industrial Development Agency, re: views on construction industry; housing

Mr. Andrezej Gehardt, Director, Cabinet of the Minister for Small Business Promotion, re: private development and construction industry

Mr. Steve Lewis, APHBI, re: training

Mr. Mirosław Zielinski, Attorney, Gemini Project, re: cooperative land

Mr. Olgierd Dziekonski, Deputy Mayor of Warsaw, re: gmina land, privatization, gmina housing project

H-4

Ms. Krystyne Grunwald, Warsaw gmina staff, re: privatization of Warsaw-owned construction firms

**Friday 10/16/92**

Mr. Tadevsz Wionczek, T.W. Developement, re: private developers

Ms. Agata Drozd, Building Craft Training Center, re: craft training

Ms. Sonia Hammam, Mr. David Olinger, USAID RHUDO, re: wrap-up report

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