

The housing management system in East Germany

By Martin Kornek

SOCIETY in the German Democratic Republic (GDR) is currently undergoing radical change: dictatorial government by a one-party system and the concomitant command economy is being replaced by a democratic state with a market economy based on social and ecological needs. This change has become possible thanks to the policy of Perestroika in the East and the process of European unification. For the GDR relations with the Federal Republic of Germany are of particular importance, and the process of rapprochement is facilitated by the currency, economic and social union the two countries are seeking to establish.

It is only natural that when a new political and economic system evolves, housing management and related financing schemes also change. The entire system of housing management, which had traditionally been organised from a political point of view with the key accent on social aspects, must now be adapted to the conditions prevailing on the capital and money markets, with social aspects still being taken into consideration.

Within the overall political framework of the currency, economic and social union established between the Federal Republic of Germany (FRG) and the German Democratic Republic on 1 July 1990 and the GDR's accession to the FRG, housing management and financing on the territory of today's GDR will presumably be adapted to conditions prevailing in the FRG. This must, and will, be a long-term process.

Over the last few decades housing policies in the GDR were governed by the political aim of solving the

issue of housing as a problem of social relevance. The GDR's constitution guarantees every citizen the right to a home: Article 37 para II, says "Every citizen of the German Democratic Republic has the right to dwelling space for himself and his family in accordance with economic possibilities and local conditions. The state is obligated to implement this right by promoting the construction of housing, the maintenance of existing housing, and public control of the just distribution of dwelling space."

To meet this demand, both in qualitative and quantitative terms, more than three million flats were built or modernised between 1971 and 1989 under the GDR's housing programme. During this period, housing conditions improved for over two thirds of the people.

There are now nearly seven million dwellings for a total of 6.6 million households. In 1988 the average dwelling space per capita was 27 sq m. The state of repair and the quality of flats and other housing stock improved considerably. At present 79% of all flats have a bath or a shower, 72% have indoor toilets, and 50% are equipped with a modern heating system.

Housing management and planning in the GDR takes place both at a central and at local levels. It is the task of the central organs such as the State Planning Commission, the Ministry of Construction and the Ministry of Finance to integrate housing management into the GDR's economy as a whole.

Direct responsibility for the management and planning of housing as a branch of the economy with all its aspects lies with the competent local

authorities. The Departments of Housing Policy and Finance at the district councils plan and organise the maintenance of existing dwellings and the development of new housing stock for all types of ownership. These departments co-operate closely with locally elected assemblies and district and county councils. The task of these local authorities was to organise housing construction, including the required infrastructure, throughout the country, the distribution and allocation of dwelling space, the rational use, administration and management of housing stocks, the reconstruction of residential areas and city centres, and the modernisation, renovation and maintenance of the existing housing stock.

The management of state or co-operative housing stocks in the GDR is the responsibility of housing administrations; 1,147 such state-run and co-operative administrations take care of a total stock of 2,540,874 dwellings in the GDR (as at June 1987).

The housing administrations are either the owners or act as trustees of the dwellings concerned. State companies such as VEB Kommunale Wohnungsverwaltung (KVV) and VEB Gebäudewirtschaft (GW) are the legal entities responsible for the administration of state-owned housing stocks. Workers' housing co-operatives (AWG) and non-profit housing co-operatives (GWG) are the owners of co-operative housing stocks. Housing co-operatives are responsible for the administration of approximately one million flats.

The members of housing co-operatives who are at the same time owners of the co-operative property

enter into usufructuary contracts with the co-operatives. In the case of state-owned flats tenancy agreements are concluded.

It is a characteristic feature of housing policy in the GDR that housing was not only materially but also financially supported by the state to a considerable extent. There was no funding through a capital or money market. Housing management was seen primarily as a social task. This produced consequences regarding the size, quality standards and the financing of flats.

The extensive housing programme initiated in 1971 was financed from the national budget (45%), by co-operatives (45%), and, to a lesser degree, by individuals (10%), the latter being spent on the construction of owner-occupied homes. The financing of state, co-operative and individual housing construction has been bridged by state low interest loans. These loans are granted on terms so as to ensure that the monthly financial obligations of co-operative members or house owners should not exceed the equivalent of the monthly rent to be paid by the tenants of comparable state-owned flats. The loans granted to co-operatives or to individuals usually run over a period of 41 years with the interest rate set at 4%. As far as loans granted for the construction of owner-occupied homes are concerned, about 50,000 marks of the total sum, depending on the size of the family, are interest-free.

At present the financial obligations arising for the state from these loans against the banks amount to a total of about 140 billion marks. This sum is almost as large as the total of the savings deposits of the people. A considerable percentage of this total results from a poor market with insufficient opportunities for consumers to spend their money. Thus it can be assumed that the housing programme was largely financed by the users of these homes themselves.

A specific feature of housing in the GDR was the fact that, within the

context of social welfare policies, rents, just like prices for food and a wide range of services, had practically remained unchanged since the mid-1950s. For example, the current (monthly?) rent for a 70 sq m flat with central heating is 63 marks. A four-person household spends about 2.2% of its total income on housing. This situation, i.e. practically free housing, has resulted in a wasteful use of dwelling space evidenced by the large number of under-occupied flats. On the other hand, with rents being that low, housing administrations are no longer able to finance the maintenance and the repair of flats on their own but have to depend increasingly on financial support from the state budget. State support for this purpose rose from 600 million marks in 1971 to 2,800 million marks in 1980 and reached 7,600 million marks in 1988. At the same time, state-run and co-operative administrations earned only 2,700 million marks from rents. Overall, the state allocated 16,000 million marks in 1988 to subsidise rents and finance the construction of new homes.

These enormous expenditures were, nevertheless, not sufficient to cover the costs of maintaining the housing stock to the extent economically required. In a large number of old residential areas the state of repair deteriorated.

Generally speaking, the previous system of financing housing helped to tackle the housing issue as a social problem. At the same time the rents which did not cover the costs for construction and current repair did not ensure the economical use and maintenance of the housing stock.

This conflict can be resolved only by a market-orientated reform in housing taking into account both the social interests of the tenants and to an increasing extent the capital interests of the owners. In this context the following issues are at present being discussed —

- (a) The housing stock in the GDR can, at a short notice, only be renewed and improved by public contracts of guarantee. Since the legal provisions regarding future ownership have not yet been established and the market value of the existing stock of some seven million flats has not yet been determined, bank loans cannot be granted as yet. Conflicting interests resulting from existing rights of ownership and usufruct can lead to extreme situations. It cannot be excluded, for instance, that three different parties put forward their claims on one and the same flat: the owner who had to surrender his flat in 1945, the owner who bought his flat from the state and had to leave the GDR for political reasons and the flat was therefore expropriated by the state, and the tenant using this flat and who assumes that his right of usufruct establishes a legal claim under which the state-owned flat would be privatised.
- (b) The government has prepared models regarding the gradual introduction of rents that would cover the maintenance costs of the flats concerned. The present rent of 63 marks for 70 sq m would be raised to 147, 224 and eventually 378 marks.
- (c) The housing administration should be reorganised as non-profit housing associations, joint stock companies or public limited companies. The two latter variants would enable other investors to become shareholders with the communities holding the majority of shares in these companies. ■

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