



**UNITED NATIONS
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WORKSHOP ON SOCIAL HOUSING

organized at the invitation of

**MINISTRY FOR REGIONAL DEVELOPMENT
OF THE CZECH REPUBLIC**

in cooperation with

**EUROPEAN LIAISON COMMITTEE FOR SOCIAL HOUSING
(CECODHAS)**

Prague, 19-20 May 2003

C O N T E N T S

▪ DISCUSSION PAPER

Social housing in the UN ECE region

Discussion paper prepared by the UNECE secretariat in cooperation with the European Liaison Committee for Social Housing (CECODHAS)

▪ OPENING ADDRESS

FRANTIŠEK VNOUČEK, **Deputy Minister**
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CECODHAS

▪ Topic I: THE ROLE AND DEFINITION OF SOCIAL HOUSING

The role of social housing in housing policies

MARTTI LUJANEN

Ministry of the Environment, Finland

Social housing in South Eastern Europe

The Council of Europe Development Bank perspective

MICHÈLE MEUNIER

Directorate General for Loans, Council of Europe Development Bank

▪ Social housing in Belarus

ALENA KASYANENKA

Institute for Regional and Urban Planning, Belarussian Habitat Center

▪ Overview of social housing in Armenia

IRINA GRIGORYAN

Ministry of Urban Development of Armenia - Housing and Communal Policy
Division

▪ Slovakia: An attempt to revitalize social rental housing

ELENA SZOLGAYOVÁ

Ministry of Construction and Regional Development of the Slovak Republic

Social housing definition - from European Union Criteria added value of social housing

LAURENT GHEKIERE

CECODHAS – France

- Social housing: Definition in the Russian Federation
ANDREY STAROVOYTOV
Russian Federation
- An outline of pilot project for social housing in canton Sarajevo
NERMINA DZEPAR-GANIBEGOVIC
Ministry for Human Rights and Refugees, Boshia and Herzegovina
- Expanding "true social" sector in Poland
Marek ZAWISLAK
State Office for Housing and Urban Development, Poland

- **Topic II: GOVERNANCE OF SOCIAL HOUSING**
 - Social housing developers and financing
ANDREW DENCH
The Housing Corporation, United Kingdom
 - TBS Urban renewal, structural funds and enlargement
ZDZISLAW SLABKOWICZ
TBS Chairman of the Board
 - Social housing financing: A comparative perspective
MARK STEPHENS
University of Glasgow, United Kingdom
 - Social housing policy in Hungary
JÓZSEF HEGEDÜS
Metropolitan Research Institute, Hungary
 - Transformation process of social housing from "East" to "West"
ALEX VIEHWEGER
CECODHAS, Germany
 - Social landlords and housing management
EKATERINA PETROVA
The Institute for Urban Economics, Moscow, The Russian Federation
 - Privatizing social housing in transition economies: Reform challenges in Latvia
SASHA TSENKOVA
University of Calgary, Canada
 - Riva plan for ciutat Vella, Valencia (Spain)
CESAR JIMÉNEZ ALCANÍZ
Regional Government, Valencia, Spain
 - Evaluation of services to tenants and management of social housing in England
STEPHEN DUCKWORTH
National Housing Federation, United Kingdom

- Institutional case study: Devolution and housing associations in Great Britain: Enhancing organisational accountability?
RICHARD M. WALKER
Cardif University, United Kingdom

Strategic partnerships in countries in transition

JEAN-YVES BARCELO

United Nations Human Settlements Programme (UN-HABITAT)

- Sustainable maintenance of condominium buildings in Sofia
GEORGE GEORGIEV
Bulgarian Housing Association, Bulgaria
- The IVVSA and The ELAIA plan, comunidad Valenciana
MILAGROS LOPEZ
The Instituto Valenciano de Vivienda, Spain
- Building partnerships
MAGNUS HAMMAR
International Union of Tenants (IUT)

▪ **Topic III: SUSTAINABLE DEVELOPMENT OF SOCIAL HOUSING**

Sustainable development of social housing: Financial sustainability

CLAUDE TAFFIN

CECODHAS – France

- The role of National Housing Fund in financing social rental housing
ALINA MUZIOL-WECLAWOWICZ
National Economy Bank, Warsaw, Poland
- Stock transfer – making UK social housing sustainable?
MALCOLM BOORER
United Kingdom
- Housing in Croatia – efforts and results
SPOMENKA MILOSEVIC
Ministry of Public Works, Reconstruction and Construction, Croatia

Social cohesion - general remarks drawing

BISSER HANTOV

Habitat for Everyone, Bulgaria

- Notes on the project for complete renovation and social integration in the Molino nuevo area of Almanjayar, Granada
RAFAEL PAVON CARLOS RODRIGUEZ
Ministry of Public Works and Transportation, Regional Government of Andalusia, Spain

- The process of promoting tenant democracy in a changing social housing environment
PHILIP ROBERTS
CECODHAS, United Kingdom
- The role of women in social housing
EMMY GALAMA-ROMMERTS
Permanent Representative of International Council of Women to UN-Habitat,
Nairobi

Sustainable urban solutions

PETRA NEUWIRTHOVA
SEVEn, Czech Republic

- Prerequisites for the formation of the concept for the construction of social housing in Ukraine - Architectural and Typological aspect
TATYANA ZASLAVETS
Kiev, Ukraine
- Piatra Neamt, Romania - an overview
MIHAELA AL-BASHTAWI
Ministry of Public Works, Transports and Housing, Romania
- A sustainable refurbishment: privatization of public spaces and re-qualification of the green spaces and immediate surroundings
FRANCIS DEPLACE
Association DELPHIS, France
- Financing of social housing in the Netherlands
ALLE ELBERS
PRC Bouwcentrum International
- Social housing in the Netherlands: The contribution by the housing association sector to robust and sustainable housing over the past decades and in the near future
The Ministry of Housing, Spatial Planning and the Environment, Netherlands
- Social housing in Slovenia
KATJA URSIC
Ministry of the Environment, Spatial Planning and Energy Saving, Slovenia
- Evaluation of housing estates and development of plans / projects for their regeneration: the case of Prague
KAREL MAIER
Czech Technical University in Prague

C REPORT OF THE WORKSHOP ON SOCIAL HOUSING

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- **LIST OF PARTICIPANTS**



**UNITED NATIONS ECONOMIC COMMISSION FOR EUROPE
COMMITTEE ON HUMAN SETTLEMENTS**

**Workshop on Social Housing
Prague 19-20 May 2003**

SOCIAL HOUSING IN THE UNECE REGION

**Discussion paper prepared by the UNECE secretariat in cooperation
with the European Liaison Committee for Social Housing (CECODHAS)**

Background

1. Following the in-depth discussion on social and affordable housing at the sixty-third session of the Committee on Human Settlements, a workshop on social housing in the UNECE region will take place as a first step in the preparation of UNECE guidelines on social housing.
2. The objective of the workshop is to identify the key challenges in social housing facing the member States. The workshop will also attempt to formulate a comprehensive definition of social housing, which would constitute a basis for a common understanding and international comparison.
3. The present paper was prepared to serve as background for the discussion at the workshop. Participants are requested to consider the questions raised below and express their views and share the experience of their countries in order to formulate policy recommendations related to the social housing sector. The structure of the discussion paper reflects the structure of the workshop. Three main topics are proposed for discussion:
 - (a) Role and definition of social housing;
 - (b) Social housing governance;
 - (c) Sustainable development of social housing.

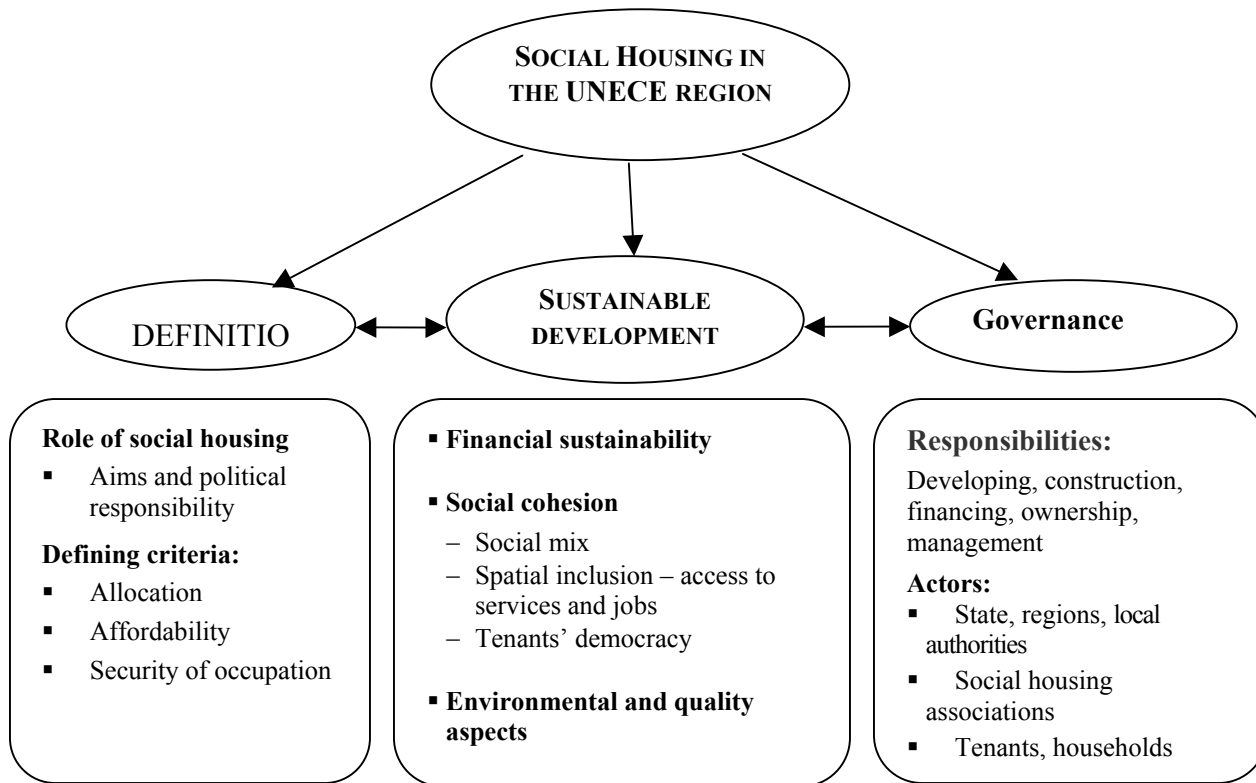
The outcome of the discussion and the case studies provided by the participants will be used in further work by a team of experts to develop guidelines on social housing for the UNECE region.

Introduction

4. To define the policy directions in social housing in the UNECE countries, it is necessary to examine the following three subject areas:
 - (a) The definition of social housing should be looked at with the aim of establishing criteria determining the dividing line between social housing and private housing. Social housing has developed in response to the inability of the housing market to respond to the general needs for housing. How is it nowadays? It is equally important to address the role of social housing in the context of political responsibility;

(b) Social housing governance and, in particular, the relations among its four main groups of actors: public authorities, social housing providers, households and the private sector. In the decentralization of competences in social housing policies and taking into account public participation and the need for public-private partnerships, governance is becoming a key issue in ensuring the sustainability and the effectiveness of the response to housing needs. The clear division of responsibilities among the actors including the financing, development, ownership and management of social housing estates is crucial;

(c) The development of a sustainable public policy framework in social housing should take into account financial sustainability, quality and standards of provided services and goods (including energy efficiency), the social and territorial mix and household participation in the efforts to include social housing inhabitants. The principles of sustainable development in the long-term perspective should be taken into account when formulating social housing policies. The emergence of social ghettos in certain neighbourhoods and the degradation of housing condominiums after privatization of the public housing stock to tenants in countries in transition, are just two examples of the need for new approaches to social housing which meet the objectives of sustainable development, social cohesion and inclusion of citizens / inhabitants.



I. ROLE AND DEFINITION OF SOCIAL HOUSING

5. Before attempting to define social housing it is important to spell out what the aims of social housing policies are in the broader policy context. What social and/or economic arguments call for political commitment to the social housing sector? Where is the dividing line between the market and social housing? Furthermore, where is the dividing line between social and affordable housing?

6. A commonly recognized and referred to definition of social housing is: “Social housing is housing where the access is controlled by the existence of allocation rules favouring households that have difficulties in finding accommodation in the market.”¹
7. However, this definition, being very general, leaves out the aspects of tenure and refers to target groups only in general terms. This may lead to inconsistencies in the way it is interpreted in different countries. Therefore, it does not constitute a sufficient basis for international comparison.
8. The following criteria should be taken into account in order to define social housing comprehensively:
 - (a) Allocation and access criteria (definition of target groups and allocation procedure and criteria set by the State or the regional or local authorities: income ceilings, priorities);
 - (b) Affordability criteria (low price or low rent giving low-income groups access to social housing);
 - (c) Security of tenure (secure and long-term lease in rental sector and securitization in social owner-occupation sector).
9. Although social housing is traditionally associated with rental housing, different tenure structures can nowadays be identified in the ECE region. All possible tenure structures should be reflected in the definition of social housing:
 - Social rental housing;
 - Cooperative housing;
 - Privately owned housing resulting from the privatization of the public housing stock in countries in transition (poor owners);
 - Privately owned housing – constructed with substantial public support for private ownership (affordable housing for middle-income groups);
 - Mixed tenure.
10. In establishing target groups eligible for social housing, demographic, economic, social and true housing situation criteria should be applied. The following vulnerable groups should be given particular consideration:
 - Single parents, particularly female-headed single households;
 - The unemployed, especially the long-term unemployed;
 - Pensioners and the elderly (particularly lone elderly);
 - Big or young families with dependent children;
 - Disabled people;
 - Migrants, refugees, asylum seekers;
 - Ethnic minorities;
 - Other displaced people.

¹ This definition of social housing was proposed by CECODHAS to the European Commission in 1998.

Questions for discussion

11. *After the privatization of the public housing stock in most countries in transition, a new kind of owner emerged: the poor owner. These new owners acquired their housing free of charge or at the symbolic price and often they cannot afford the expenses related to the maintenance and management of their homes. Is the housing occupied by the poor owners regarded as social housing in those countries? Why is it to be regarded as social? What are the measures to support those owners? What is the rationale for supporting poor owners?*
12. *What is the rationale behind the tendency to sell social housing units to tenants in Western Europe? What are the benefits and the disadvantages? Could it be compared to the privatization of the housing stock in the countries in transition? What are the lessons learned by countries in transition that could be relevant for West European countries in this respect?*
13. *Rental versus privately owned social housing – what are the advantages and disadvantages of these two forms of tenure? How are the social rents set? Do owners who obtained financial State support have a right to sell their property? If yes, what are the conditions? What is the mechanism for losing the status of social tenant or owner? Is it regulated?*
14. *Where is the line between housing built with public support that is categorized as social housing and that which is labelled “affordable” housing? How are the target groups defined? When income is used as a criterion, are middle-income groups also targeted? How are the income ceilings defined? How are the priorities set?*
15. *Are income ceilings used to define target groups? What are these ceilings? How different should the support of the State for the middle-income groups be from the support available to the low-income groups? What are the forms of support? How to promote a social mix and avoid the emergence of social ghettos when social housing provision is focused on very low-income groups and excluded people?*
16. *What are the criteria for establishing groups that can benefit from social housing? How are the waiting lists prioritized? How to guarantee objective allocation of housing and avoid abuse?*
17. *Should the target groups be defined by law or is this a matter for the local authorities? Are there examples?*
18. *How to make housing affordable to target groups? How are the rents and the prices of social housing set? What are the practices of calculating social rent?*
19. *How are individual social allowances combined with the other kinds of financial support? What kind of support is appropriate for low- and for middle-income groups?*

II. GOVERNANCE OF SOCIAL HOUSING

20. The issue of governance of social housing is raised in a number of countries, particularly in those with a long tradition of intervention and where there are consequently a number of social rental settlements. The issue is also discussed in countries in transition where new housing policies are being developed at national and local level.
21. Social housing governance can be defined by the existing interrelations among those taking part in formulating and implementing social housing policies. The clear division of

responsibilities for financing, development, construction, allocation and management of social housing estates is crucial. The major role is for the local authorities. They must be able to unite all those involved in the projects in order to ensure sustainability in social housing.

22. Creating long-term partnerships among the following four main categories of stakeholders in order to guarantee the effective functioning of the social housing system should be discussed:

(a) **Public sector/authorities.** What is the role of the State, the regions and local communities in the new context of decentralization of social housing policies. The development of local housing policies, although formulated and implemented at the level closest to the housing need, still requires the policy framework defined at the regional and national levels. It is particularly important to develop a national framework and to find ways to allocate social housing finance instruments such as housing allowances;

(b) **Social housing associations/providers,** traditionally directly dependent on the central or local authorities, are currently gaining more autonomy as local partnerships are being established. The change in relations between social housing providers and the public authorities raises the question of how to ensure the fulfilment of the obligations of the State in the social housing sector and what should be the forms of public control over the implementation of social housing projects particularly in respect to contractual arrangements;

(c) **Citizens, vulnerable groups.** The more need there is for social housing, the more public participation is required to ensure a stable and effective social housing policy. The participation of citizens in the executive boards of social housing organizations, in the decision-making processes of urban renewal projects and the redevelopment of neighbourhoods is also important. If this participation seems necessary, inhabitants should be given the possibility of strengthening their capacity and of participating in designing the ongoing projects. The participation requires new forms of project management and of acquisition of new responsibilities and skills by social housing providers and local authorities;

(d) **The private sector – developers, investors, private owners** - should also be familiar with the aims of local social housing policies, including the need for a social mix and the spatial inclusion of social housing projects. Public-private partnerships could be strengthened to overcome the financial constraints which might undermine the long-run success of the social housing projects.

Questions for discussion

23. *What should be the division of responsibilities between the State, the regions and local governments in the formulation and implementation of social housing policies?*

24. *Is the decentralization of social housing policy accompanied by a reinforcement of national mechanisms to guarantee territorial equality in regard to meeting the needs of vulnerable groups? How to avoid the fragmentation of urban governance and ensure the effective combination of social justice and economic efficiency.*

25. *How can social housing providers establish closer relations with needy populations (target groups)? What organizational form of social housing providers or social landlords would facilitate the participation of the target groups? What is the experience of housing cooperatives in this respect?*

26. *How should the relations between local authorities and social housing providers be regulated? At what stages of the projects should local governments control the social housing providers? Are there any criteria to measure and evaluate the effectiveness and efficiency of these projects?*
27. *How to strengthen public participation and people's ability to react and become aware and active actors in their neighbourhoods?*
28. *What are the barriers to social housing production? Is there a need to stimulate it and how should this be done?*
29. *How to involve the private sector in the implementation of the policies of public interest? Is it possible to create a public-private partnership to address the needs of vulnerable groups? How to attract private sector investment to social housing projects? Are there any examples of such partnerships? What are the lessons learned?*

III. SUSTAINABLE DEVELOPMENT OF SOCIAL HOUSING

30. Social housing projects could be seen as an opportunity to implement the principles of sustainable development at the neighbourhood level. In fact, it is recommended that the principles of sustainability and a long-term perspective should be taken into account in formulating and implementing social housing policies so as to address problems comprehensively and avoid contributing to the creation of future problems in the sector.
31. The integrated approach to social housing projects should include some of the following aspects relevant to sustainability:
 - Financial sustainability (finance system and subsidies);
 - Social mix – social cohesion, targeting low-income groups and excluded people;
 - Spatial inclusion – access to jobs and public services (and community development);
 - Tenants' democracy and capacity building;
 - Environmental and physical quality.

A. Financial sustainability (finance system, subsidies and allowances)

32. The sustainability of public financing for social housing, both to supply social housing and to support households directly, should be ensured within the context of ever-tightening budgets.
33. Public aid and financing should find new forms within the framework of decentralization of social housing policies and local policy development.

B. Social mix – facilitating social cohesion through mixed planning

34. Ensuring a social mix is as important as focusing on the most needy households. This implies the creation of mixed occupancy in buildings composed partially of social housing and partially of private housing. This would require a certain flexibility in the application of the allocation criteria.
35. Another way of ensuring a social mix can be seen in providing housing of different standards (number of rooms and floor space) and therefore responding to the housing need of different households. The current and future housing need in terms of size of the units should be assessed taking into account the changing patterns of household structure in the ECE region, due to the ageing of the population and the relationship breakdowns, resulting in an increasing number of single households and unconventional

families. On the other hand, it is also important to assess and appropriately respond to the special needs of single parents.

C. Spatial inclusion – access to jobs and public services (and community development)

36. Spatial segregation means limited access for a given community to goods and services. Limited access, in turn, may deepen social segregation. Preventing of spatial segregation and promoting social cohesion should be two of the main aims of social housing policy. The problem can be looked at from two levels: the neighbourhood and the city.
37. At the neighbourhood level, the provision of communal services and facilities, such as green spaces, playgrounds, grocery shops, hairdressing salons, laundrettes, day-care centres for children, as integral elements in the physical design of the neighbourhood reduces the distances to shopping, leisure or other facilities, and at the same time increases accessibility. Employment in these services could also provide some jobs to the members of the community.
38. At the same time compact neighbourhoods should not be perceived as separate, self-containing units. This would lead to segregation of the whole community from the urban structures. The location of social housing estates should ensure that they are well integrated in the urban structure and have appropriate access to transport networks and public services, including schools and hospitals.

D. Tenants' democracy and capacity building

39. One way of ensuring that the needs of different households are addressed is by actually including these groups in the decision-making process. Tenants' participation in the process of designing or redesigning the housing estate would influence the quality and standards of social housing (apartments and communal services). Involving the social housing tenants (and poor owners) in the decision-making as well as in the implementation of those decisions would ensure a greater sense of belonging to the community. Therefore, tenant participation should be understood not only as consultation, but also as active involvement.

E. Environmentally friendly (planning) strategies

40. Strategies leading to the creation of sustainable neighbourhoods and cities should be supported. The protection of the environment, the promotion of environmentally friendly behaviour, the use of innovative energy-saving solutions in design, and shortening the daily commuting distances would be cost-effective and would improve the quality of life in those neighbourhoods. It is equally important to try to strike the right balance between the principles of the compact city with raised densities and those of the green city.

Questions for discussion

41. *Grouping housing of various price levels could be seen as a way of preventing social segregation. Do social housing projects provide dwelling units of different sizes and at different prices to ensure a mix of tenants? Would that be recommended? How should the price or rent of housing of different sizes be calculated – which criteria should be taken into account – income per member of household, floor area?*
42. *What are the prerequisites for mixed tenure housing to be operational? What are the experiences with mixed tenure housing? How is it managed?*

43. *How many neighbourhoods are currently being built according to the principles of the compact city – where the access to services and leisure is at the neighbourhood level and commuting distances are reduced? How can the authorities promote such projects?*
44. *How are locations for social housing projects chosen? How can the authorities support the integration of social housing into the urban network? How can existing social housing communities be re-integrated into the urban network?*
45. *How is the social housing need assessed? How can the future need for social housing be estimated and what should the time frame be? Is the housing need objectively measurable? How can this information be obtained?*
46. *How to assess the current and future housing need and the preferences of different types of households, including the elderly, single-parent households and disabled, in terms of standards of the units, number of rooms as well as floor space design? Could such an assessment be included in population and household projections? What is the cost of providing flexible floor designs?*
47. *How to promote innovative environmental friendly solutions in a social housing project? Should providers be obliged to satisfy certain standards pertaining to energy efficiency, use of water, green spaces?*
48. *How to ensure the involvement of tenants? Which issues would be relevant to public participation? What are the mechanisms of public participation? How can it be facilitated? How to enhance the sense of belonging? What happens if public shows no interest to participating? How to stimulate participation?*

***Opening speech by
Mr. Frantisek Vnoucek
Deputy Minister, Ministry for Regional Development***

Dear Ladies,
Dear Gentlemen,

Allow me to welcome you to Prague on behalf of one of the organizers – the Ministry for Regional Development. The interest shown by so many countries in our workshop on social housing has definitely exceeded our expectations. It undoubtedly attests to the fact that social housing is, indeed, a very topical theme, both for the advanced countries whose housing markets have been operating well on a long-term basis, and for countries whose transformation from a state-controlled housing economy to a well-functioning market has not yet been completed.

Housing policy is a never-ending process in which an ideal state can never be achieved, primarily due to the constantly developing demands for the quantity and quality of housing. Social housing is usually designed for those households which - due to their incomes, health of their members or other personal considerations - cannot rely solely on a free market. That is why the commitment of the state to support these particular groups of families is crucial and highly necessary. In the Czech Republic it is the Ministry for Regional Development, which I represent here, that bears constitutional responsibility for housing policy. It is gratifying to say that during the eight months I have been responsible for housing policy I have managed to introduce two new housing programmes aimed precisely at this category of needy households. I hope I am speaking not only on my own behalf but also on behalf of all my colleagues if I say that we are very much looking forward to an illuminating exchange of experience on social housing, and to a great deal of inspiration given by good examples from the other countries of the region of the European Economic Commission.

Dear Ladies and Gentlemen,

I would like to thank the representatives of both co-organizers – the United Nations and CECODHAS – for their excellent cooperation with the Ministry for Regional Development in preparing this workshop. I wish all the participants a very interesting specialized debate and an enjoyable stay in Prague.

Opening remarks by
Ms. Christina von Schweinichen
Deputy Director, Environment and Human Settlements Division
United Nations Economic Commission for Europe

Excellencies, Distinguished Delegates,
Ladies and gentlemen,

It is an honor for me to address this workshop today and to welcome you all.

I would also like to take this opportunity to thank the Government of the Czech Republic, and in particular His Excellency Mr. Frantisek Vnoucek, Deputy Minister for Regional Development for hosting this workshop and CECODHAS for their contribution in organizing this event.

Let me briefly tell you how this workshop came about. The Committee on Human Settlements of the United Nations Economic Commission for Europe decided, during its last session, to organize a workshop as a follow up to an in depth discussion on social and affordable housing.

Among the conclusions from the discussion, delegations highlighted the necessity to develop a commonly agreed definition of social housing as a basis for a mutual understanding and, to enhance the exchange of experience in the form of best practices.

This workshop is thus a first step in implementing such decisions. The second step will be to prepare guidelines on social housing.

The outcome of this workshop is also intended to constitute an important contribution towards the work on the guidelines.

One of the key issues to consider during these two days is the extent to which countries respond to the housing need of those who cannot afford adequate housing. In several countries housing reforms involved more generally policies aimed at reasserting market forces and reducing State intervention. With the “marketization” of the provision system, housing supply has usually reflected effective demand rather than need, and therefore the poor and the vulnerable segment of the population have been left out.

However many countries in the ECE region have been implementing various social housing schemes. We need to learn from each others innovations, by systematically evaluating and disseminating information, and on what has worked and what has not.

From responses received to the questionnaire, sent to all of you, it is clear that social housing is rarely defined in national law. To strengthen the institutional framework and its accountability for social housing provision, it is so important to clarify the concept of social housing and the role of actors involved in it.

Indeed, partnership with and participation of all stakeholders are some of the most important ingredients of social housing provision. This is why I am particularly happy that this workshop is bringing together, at one discussion table, representatives from 36 member countries of the ECE region and representatives of local governments, banks, housing agencies, housing associations and cooperatives, international organizations, NGOs and research institutions.

Over the next two days, you will be sharing your experience of everyday practice – successes and challenges, weaknesses and strengths of the existing systems – to elaborate concrete recommendations for a more effective social housing provision so that everyone can afford to have a roof over their heads.

I wish to all the best for this ambitious task and successful deliberations.

CHALLENGES FOR SOCIAL HOUSING IN 2003

*Opening statement by
Luc Laurent, President of CECODHAS*

Mr President, Madame, ladies and gentlemen, it is with great pleasure that I open today our workshop on social housing.

Social housing in Europe is as diversified the number of countries! History has fashioned modes of organisations which are adapted to each country's culture. Even if one speaks about the Latin, Anglo-Saxon and Germanique models, the differences within the same group remain big. For a long time, CECODHAS has attempted to find a common medium between the different definitions of social housing in Europe and has endeavoured to encourage exchanges between its members. One of our priorities is to collectively reflect upon how our sector has evolved, and the two days of debating that lie ahead of us, I hope will allow us to address the inventory and the stakes to come for social housing.

I am sure some of you already are familiar with CECODHAS, nevertheless it may be useful to present ourselves to those of you who don't. CECODHAS encompasses both national and regional federations of social housing in the 15 Member States of the European Union, and also other countries in the European geographic zone. The social housing sector represents 15 million rented homes and 10 million owner-occupied homes, and houses nearly 1 in 4 Europeans.

Recent changes in our sector will soon be found in all of our countries. Two recent trends stand out; The first is a redefinition of the territorial intervention framework: a movement towards the decentralisation of social housing is in the process and is particularly evident in Italy, the United-Kingdom, Spain. It is still in discussion in France and is equally present in other countries. This movement brings with it a new role for local authorities in the sector.

The second trend concerns financing. The direct financing of construction is in constant decline and personal aid for private groups is increasing. Yet, we notice a trend of redefining our jobs and during this seminar we will have the opportunity to see illustrations of this when we look at the case more closely.

Even though these trends can be seen in all of the countries of Western Europe, they still apply in other European countries even if the challenges coming from the countries of Central Europe are of a different nature. During the 1990's, the transfer of the state housing stock to tenants at low prices completely changed the sector where before there was no real market. It has even been the case that housing properties with a surface area below a certain size was given free of charge to tenants. According to the report in September 2002 by the UNECE 'the proportion of homes of which the State owned and which have been privatised, varies according to the country. In certain transition countries, more than 90% of the housing stock is in private hands (Bulgaria, Slovenia, Estonia). In other countries, the privatisation process has been relatively slow and more limited (The Czech Republic, Slovakia, Poland).

At the same time as having created a housing market and resolving the question over the right of 'condominiums' between the entitled person and the old tenants, privatisation has created new problems. On the one hand, the new owners lack the means to finance renovations for their

condominiums, and on the other hand the local authorities can no longer respond to the demand for housing from families on average incomes.

To cope with the demand for reasonably priced housing, today, the development of social housing policies has become a matter of urgency. We have seen many of these 'new' countries put new systems in place. In most cases, the responsibility has been given to the municipalities, but they receive very little state aid to respond to the demand for housing. Faced with growing inequalities together with the consequences that this has on social inclusion and cohesion, and faced with the major challenges that renovation of run-down jointly owned housing presents, only sustainable housing policies on the supply of housing can have an impact.

For CECODHAS, ensuring the best housing conditions remains a lever to combat against exclusion, and encouraging social and territorial cohesion together with better cooperation between housing administrations and social housing operators in all of the European countries is an effective way to realise the full potential of our sector in response to the challenges which await us. I hope that these two days debating will allow us to build upon this cooperation and our knowledge on the sector in a way which is best in the long term.

Luc Laurent
President of CECODHAS

THE ROLE OF SOCIAL HOUSING IN HOUSING POLICIES

Martti Lujanen, Director General, Ministry of the Environment, Finland

1. Introduction

Any discussion of social housing makes it necessary also to deal with the goals of housing policies in order to be able to determine what role social housing policy can play in housing policy goal achievement.

2. On housing policy goals

The basic goal of housing policy is to provide the whole population with good, adequately equipped dwellings of suitable size in a well-functioning environment of high quality at reasonable cost. To make this overall goal more tangible, and also to include recent new dimensions in housing policies, we may draw up a list of important questions, as follows:

- How is it possible efficiently to ensure that the underprivileged part of the population has access to a dwelling? This may be rendered in brief as "access to housing".
- What instruments can be used to ensure that low-income households also can live in dwellings of a reasonable size, so that their housing costs do not form an unreasonably large portion of the disposable income. This is "affordability".
- What instruments can be used to ensure that the quality of the present housing stock and of any newbuilding will correspond to present and future changeable needs? This is "qualitative targets".
- In addition to economic factors it is important to pay attention to the special needs of different groups of the population. These include the need for housing care, sheltered and supervised housing for the disabled, handicapped, elderly, and homeless people, and children without parents. This is "special needs".

In addition to these basic goals there are many other important issues to consider, such as:

- the goals pertaining to various types of tenures (relation between owner-occupied dwellings and rental dwellings);
- how to avoid social segregation in residential areas it means to "combat against social exclusion" and support "social mix" and "enhancing social cohesion";
- sufficient protection against eviction: "security of tenure";
- ways and means of participation in decision-making relating to the building and the immediate neighbourhood. This particularly relates to multifamily housing stock in general, and to the rental housing stock. This is "tenant participation";
- an increasingly important issue is energy savings in dwellings, which should be incorporated in the qualitative goals for dwellings.

Here, I would like to state three things. The first is that we cannot immediately and at the same time achieve everything, and this makes it necessary to decide on an order of priority in the goal-setting.

Secondly, I would like to stress that the higher the income, the more easily the housing policy goals come true. This means that our housing policy instruments should include special support to improve the housing conditions of low- and medium-income groups. This provides the justification for assessing the efficiency of housing policy on the grounds of how well it supports improved housing for those living under the most difficult conditions: "social effectiveness".

My third point is that there is no single housing policy instrument which will solve all problems. Instead there is a range of potentially useful instruments, and combinations of them, which are suitable for use in different situations. The efficiency of these instruments and combinations of them may be assessed by checking them against goal achievement. Here, we may particularly focus on how the goals can be implemented at the least public cost: "economic efficiency".

There is reason to point out that all instruments also tend to have unintentional negative side-effects. To give one example: if support intended to lower housing expenditure leads to increased demand and a raise in prices or rents, this will worsen the situation for others in need of housing. This is "capitalisation of support".

Social housing is one of housing the policy instruments. Therefore my presentation, I would like to discuss the contents and character of social housing in a general way, and I will then compare this instrument with others available.

3. What is social housing about?

The concept of social housing is difficult to define accurately, particularly as its contents vary to some extent from one country to another. The following is a very general characterization.

- The production of social housing almost without exception receives on public support, such as interest subsidies, up-front grants, government loans or public guarantees.
- The dwellings are generally rental, although some countries also have co-operative or owner-occupied dwellings serving social ends and considered as social housing. Since rental dwellings are most common, I will deal mainly with those.
- There are differences between countries in the selection of dwellers. The most common selection is based on income levels and/or the urgency of the need for housing, or else the local authorities may select the dwellers for at least some percentage of the dwellings that become available.
- The rents are set either at cost price or are otherwise regulated. Cost-price rent means that the tenants, in their rents, pay the capital costs (interests and amortizations), repairs and maintenance, and heating. There may be government support towards the capital costs, as we have seen before. Between different houses there is often rent pooling in order to make rents correspond to the use value of the dwellings. The essential thing is that the rent level, especially in growth centres, is lower than for the average private rental dwellings.

- Dwellings forming part of social housing may be owned by the local authorities, a company owned by the local authorities, a housing association or, in some cases, the private sector. The most common type of ownership is either by non-profit organizations or companies where the profit is limited.
- Dwellings forming part of social housing may hold the same quality level as average owner-occupied dwellings or, in some countries, they may be more modest. Especially after the 1970s, many countries have stressed the qualitative aspects in social housing production. As a consequence, social housing does not generally differ from other production but may even in some respects have a higher quality.
- In many countries, dwellings forming part of social housing have been built not only for the majority of the population but also for special groups such as students, elderly people, or handicapped people.

4. Comparison between social housing and other policy instruments

Newbuilding is one way of creating social housing, and there will be supply-side public subsidies.

The building of social housing may be justified under the following conditions:

- there is an overall need for more rental dwellings, and especially at reasonable rent level;
- there is a need for more rental dwellings for special groups such as students, elderly or handicapped people.

A recent study on CEE countries² put the question “What are the main housing policy objectives of local government housing policies?”. Of the six responding countries, three (Bulgaria, Poland and Romania) placed social housing construction in the category of most important objectives. Slovakia, again, placed the building of rental housing first, and the Czech Republic indicated new housing construction as a priority.³

Another alternative way to increase social housing is that the state-owned or the local authority-owned rental housing stock (which frequently already has the characteristics of social housing) on that part of the private housing stock is sold to, for instance, new housing associations.

Social rental housing may be needed if there is an overall lack of rental housing, for example as a result of forceful privatization of rental dwellings, and there are not enough other developers and owners who are interested in having privately-owned rental dwellings built.

Rental dwellings may be required to provide access to housing or in cases where major labour mobility is required.

Social housing may also be needed if the rent level of ordinary privately-owned rental dwellings is so high that people on low incomes cannot afford them.

² Martin Lux (ed.): Housing Policy: An End or a New Beginning? Local Government and Public Service Reform Initiative, Open Society Institute, Budapest 2003 (website <http://lgi.osi.hu>) p. 425.

³ The responses are more fully presented in Appendix 1.

Here, an alternative means is housing allowances which make it possible to lower the rent level to what the residents can afford. An advantage with the housing allowance system is that support can be channelled to households according to need.

However, housing allowance is not a very efficient means of increasing housing production. Therefore, the current trend in most EU countries is to combine a supply-side support to create the required social housing, but the sought-after rent level is not so low as to make the dwellings affordable to low-income holders. Instead, the affordability problem of groups in the lower income brackets is solved by means of housing allowances.

In most EU countries, the supply-side subsidies for construction of social housing and housing allowances are not mutually exclusive. Instead, both forms of support are used together in many projects.

If both forms of support are used, there is less need for public support, because support for lowering housing expenditure does not have to be paid in full to residents in the medium-income brackets who live in social housing but do not need such support.

If the public support meant to lower housing expenditure is paid exclusively as supply-side subsidies, this would make housing policy less efficient, since it might prevent people who would be able afford dwellings of their own from moving out. This means that a rent level lowered by means of supply-side subsidies is justified at a level which maintains a sound level of turnover of the tenants, but the rent level should not be lowered to a point where turnover decreases too much.

Finally, I would like to state that although housing allowances as a housing policy instrument are frequently useful, there are problems connected with their application. The housing allowance system functions well when there are sufficient registers indicating the income and number of persons in resident households. Information on the rent paid is also required, and, frequently, on the size of the dwelling. Again, if a considerable part of the income lies in the grey zone outside taxation and official data, and there is a poor basis for defining the need for income support, there are not equally sound reasons for introducing an extensive housing allowance system.

5. Special issues to be considered in social housing production

- If most of the housing stock consisted of rather homogeneous multi-storey houses, caution should be taken not to produce any more such. Instead, new production should supplement the present housing stock in a positive manner.
- Social housing buildings and dwellings should be placed among other buildings so as to avoid any possibilities of social segregation.
- Social housing dwellings might also be built as special dwellings intended for elderly and handicapped people.
- As an alternative to newbuilding it is worthwhile to look into acquisition of social dwellings from the existing stock and to acquire either individual dwellings or even entire buildings for the purpose.

- In the production of social housing, professionally feasible contracting methods should be used. Competition should be promoted in the building sector in order to achieve a favourable price-quality relationship.
- Many enlightened social housing landlords have shown that it is possible to raise the professional quality level of management and maintenance considerably.

6. Questions

1. In many CEE countries, rental dwellings only correspond to some 5-10 per cent of the housing stock. In Western Europe, this percentage is frequently 30-45 per cent. Does the lack of rental dwellings make it difficult to implement housing policy goals and/or goals relating to the free movement of the labour force?
2. It may be difficult to organize the building of private rental dwellings, and these may not be enough for the achievement of social goals. If this is the case, should the country try to create a social housing stock? If the answer to the previous question is yes, the following questions should also be answered.
3. Should the social housing stock be augmented by acquiring dwellings in the existing stock, or should new building be resorted to?
4. Which actors in society could act as acquirers or developers and owners of social housing?
5. How should the financing of acquisition or building of social housing be organized?
6. How can a reasonable affordability be ensured, and how can public support be channelled in the most effective manner?
7. Which are the best ways to improve the professional skills of the developers and owners of social housing, increase competition in the building sector, and achieve a good price-quality relationship both in new production and in the maintenance and repair of the existing housing stock?

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APPENDIX 1

MARTIN LUX: STATE AND LOCAL GOVERNMENT: HOW TO IMPROVE THE PARTNERSHIP
(HOUSING POLICY: AN END OR A NEW BEGINNING?, OPEN SOCIETY INSTITUTE, ISBN:963 9419 46 X)

Table 8.6

What Are the Main Housing Policy Objectives of Local Government Housing Policies?

	First; the most important objective	Second objective	Third objective
Bulgaria	Housing construction for socially disadvantaged households/individuals	Better maintenance of municipal housing	Enabling ownership housing construction on land owned by municipality
Czech Republic	New housing construction	Increasing quality of municipal housing stock—maintenance and modernization	Increasing quality of municipal housing stock—maintenance and modernization
Estonia*	Improvement of management of housing stock, privatization of municipal housing	Establishment and support for management of homeowners associations	Establishment and support for management of homeowners associations
Poland	Satisfaction of housing needs by intensification of housing construction in the form of TBS and social housing	Improvement of housing standards and to stop municipal housing stock degradation	Reconstruction, modernization, technical improvement of municipal housing stock
Romania	Support for new rental housing construction designed for low income households and other disadvantages groups of households	Support for rental housing construction designed for young people and specialists in partnership with the NHA through government housing program	Improvement of technical infrastructure quality of the existing social housing stock
Slovakia	Construction of rental housing	Provision of land and technical facilitation of housing construction	Construction of rental housing for socially underprivileged households, young families and temporary housing

* Due to the small number of municipalities in the sample and the large share of missing cases, this information is only partially reliable.

SOURCE: Local Government and Housing Survey, weighted sample

SOCIAL HOUSING IN SOUTH EASTERN EUROPE THE COUNCIL OF EUROPE DEVELOPMENT BANK PERSPECTIVE

Michèle Meunier, Director of the Analysis and Research Department, Directorate General for Loans, Council of Europe Development Bank

The Council of Europe Development Bank (CEB) is the only European development bank with an exclusively social mandate and whose Articles of Agreement specifically mention "housing for low income group of population" as being among the sectors eligible for its financings. The CEB's increasing activities in South Eastern Europe in general, and this sector in particular, have lead it to reaffirm the importance of the housing issue in terms of social cohesion and economic development and to contribute to the development of a sustainable housing policy.

1. CEB: a European Development Bank with an exclusively social vocation

The Council of Europe Development Bank is a key instrument of solidarity policy in Europe. It is a multilateral development bank with a social vocation and comprises now 35 member states, among them 14 Central and Eastern European countries. Since its inception in 1956, the Bank has helped to finance social projects and responded to emergency situations, thereby contributing to the improvement of living conditions in the least privileged regions of Europe.

- *Sectors for CEB lending:*

The CEB grants loans to finance projects with a social purpose. Statutory priority is given to projects which "help in solving the social problems with which European countries are or may be faced as a result of the presence of refugees, displaced persons or migrants consequent upon movements of refugees or other movements of populations and as a result of the presence of victims of natural or ecological disasters".

Since its inception, forty-seven years ago, the Bank has gradually broadened its fields of action. New priorities have been set, embracing all the activity areas that directly contribute to strengthening social cohesion in Europe: job creation and preservation in SMEs, *social housing*, health, education and *rehabilitation of disadvantaged urban areas*. Lastly, the CEB is also active in other fields: protection of the environment, rural modernization, conservation and rehabilitation of the historic heritage.

- *Characteristics of the operations:*

The Bank offers two main types of operations:

- *loans*, disbursed either directly to the borrowers responsible for carrying out the projects (States, local authorities) or, in the case of project with several beneficiaries, to financial institutions. The total loan amount can generally cover up to 50 % of the total investment cost.

- *guarantees*, within the framework of operations provided for by other sources of financing.

The Bank's loans are long-term loans and repayment schedules are established according to the type of project involved and the situation of the borrower. The grace period for capital repayment varies, generally ranging from 1 to 5 years. Thanks to the quality of its rating, the Bank obtains the most favorable terms on the international financial markets, to which a small margin is added to cover operating costs.

CEB lending usually occurs within national programs and national legislative frameworks. In the housing sector, like in the other sectors financed by the bank, eligibility criteria are applied. In the housing domain, projects should provide decent housing to low incomes; they may involve access to home ownership or rented housing. National or local legislation is applied in respect of income criteria, and physical characteristics. In the absence of national or local legislation, the CEB applies its own criteria based on statistical data available in the concerned country.

2. Social cohesion and housing: a CEB enduring commitment

It is important to emphasize that housing not only represents a right for each individual but also conditions access to other basic rights such as health, education and employment. The CEB also focus its attention on facilitating access to housing for the most vulnerable groups of population, minorities, refugees, young households. Urban cohesion and social cohesion go hand in hand. Therefore improving the collective wellbeing is contingent upon priority being given to housing, habitat and urbanism. It must also be stressed that the housing sector is very important in terms of economic and social progress.

Social housing and improvement of living conditions in urban areas in crisis account for a major part of the CEB's activity. In concrete terms, around € 3 billion of housing projects (38 % of the total amount) have been approved by the CEB in 20 countries in Europe, including projects for refugees (SEE) and reconstruction after natural disasters (Turkey), between 1998 and 2002. Social housing projects represent one third of the total amount approved for Central and South-Eastern Europe (now more than € 2 billion approved in 14 countries of which around € 500 million in SEE).

3. Some Social Housing Issues in South Eastern Europe.

Over the last years, the CEB has gradually been more and more involved in South Eastern Europe, including within the framework of the Stability Pact for South Eastern Europe. The region is today characterized by a relatively large population (56 million), a substantial economic potential, significant reforms progress (including privatization of housing stock) and is well on its way to market based democracies. On the other side, it is a region still striving to reconstruct following civil war while having to integrate more than one million of refugees and displaced persons. Countries of the

region have also to fight impoverishment, to improve a deteriorated housing stock and to give vulnerable groups access to housing. Housing is a key factor for stabilizing population movements and a starting point for labor activities.

In SEE, the housing sector is deeply affected by the consequences of mass privatization over the last decade (large share of owner occupied (96 %) and a critical deterioration of the stock (especially in the multi-unit buildings, which represent 5 to 6 million units). Moreover, among other constraints met by the countries of the region a lack of means to maintain the stock, an insufficient public housing share, a limited access to finance should be mentioned. A more secured legal and institutional framework is also needed. In some countries, conflicts and wars have left behind a legacy of destroyed houses and refugees and displaced persons related problems.

Solving the housing requirements of South Eastern Europe is therefore one of the critical issues of the social and economic future of the region. It is vital for growth, job creation and a coherent social and economic development.

4. The Paris High Level Housing Conference's purposes

Considering the critical situation of the housing stock in SEE, the CEB and the World Bank joined forces to organize a conference on housing issues in South-Eastern Europe (23-24 April 2003, Paris) under the auspices of the Stability Pact.

The purpose of this conference was to initiate a process of policy dialogue among countries and stakeholders on the potentials of the housing sector for economic growth, social development and poverty reduction. Secondly, to give impetus to the reform process in the housing sector in South-eastern Europe, and finally to contribute to the improvement of the policy environment and to address some major reform challenges, especially the refugees and displaced persons.

The crucial importance of housing and spatial planning policies was recognized for economic growth, social cohesion, poverty reduction especially with regard to low income groups, refugees, IDPs and other vulnerable groups (minorities). Among the main topics discussed were also:

- the priority given to social housing in Government policy
- the respective roles of the public and private sectors in this field
- the decentralization impact on social housing reform
- the management of the housing stock (including multi-unit buildings) which is in a critical situation of deterioration

- the role of credit institutions, financial instruments, policies and legal framework (including registration of property rights)
- the lessons from other transition countries
- the role of IFIs, Stability Pact and other international institutions in social housing in the region.

5. The High Level Conference outcomes and the way forward.

Implementing sound housing policies is a very complex task for any government. With this in perspective, it was decided to develop, adopt and implement national policies, strategies and action plans, to consult regularly on sector issues and policies and review progress with countries of the region while also drawing on the know-how of other transition economies through a network approach and to prepare a joint “regional housing profile” based on the published national housing profiles by UNECE and the Council of Europe.

The organizers were also invited to prepare a sector note reflecting the discussions, expert presentations and conclusions of the conference. The Croatian authorities proposed to hold a ministerial meeting in Croatia in the near future. The various international organizations, including International Financing Institutions, active in the field of housing, urban development and social cohesion were urged to continue with their activities. Housing and urban matters represent an important area of lending, institutional strengthening and sector advice.

Therefore, this conference should be seen a starting point of a wider process of dialogue within the region, in collaboration with the international community in order to establish the durable, fiscal and social bases necessary for the benefit of the region’s whole population.

See also: websites: www.coebank.org and www.seerecon.org

SOCIAL HOUSING IN BELARUS

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Providing people with housing is one of the priorities of the "Program of social and economic development of the Republic of Belarus till 2005" and National Housing Programme. These programs are based on principles of the Habitat Agenda, Istanbul Declaration, "ECE Strategy on improvement of the quality of the life in human settlements", Agenda 21 and other international documents.

Now the Government of the Republic of Belarus conducts an active housing policy directed on the increase of housing production turnout, improvement of housing quality, creation of dwellings conforming to the standard of the XXI century, formation of an effective demand on dwelling, development of legal fundamentals of housing construction subsidizing, support of a housing sphere in regions most requiring for it, including that with the help of the town-planning projects and programs.

The general direction of reforms in a housing sphere is the transition from a system of state housing for the citizens to creation of the effectively operational market of housing, and credit and financial system ensuring availability of building and acquisition of housing in the market for the majority of the population.

At the beginning of the year 2002 the average level of housing in the republic was 21,2 sq.m/ per capita, including in urban settlements — 19,2 sq. m/ per capita, in rural settlements — 25,9 m²/ per capita but remains lower than in the majority of European countries.

However, officially recognized that 27 % of urban households (570 th. families) require improvement of the housing conditions, which are lower than socially guaranteed minimum (15 sq.m per person). This number includes about 140 th. families which have been in waiting list for 10 years.

The different levels of poverty are considered in the National strategy for sustainable development of the Republic of Belarus.

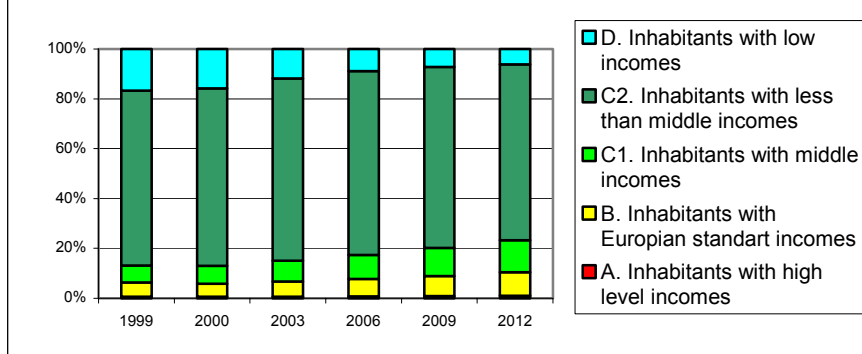
The population of Belarus can be divided into 4 groups on the level of income (Figure 1).

1st group - the households with high-level income. Representatives of this group can afford elite-dwelling where the cost of 1m² is \$600 and more for the own resources. Nowadays this group amounts barely 0,66% of the total population.

2nd group - the households with "average European standard" income. Representatives of this group can built standard dwelling for the own resources. Nowadays this group involves 5,7%.

3rd group - the households which can built standard dwelling with credit facilities (7,18%) or with state-financing backing credit and subsidy (71,19%).

Figure 1. Groups of inhabitants according to income



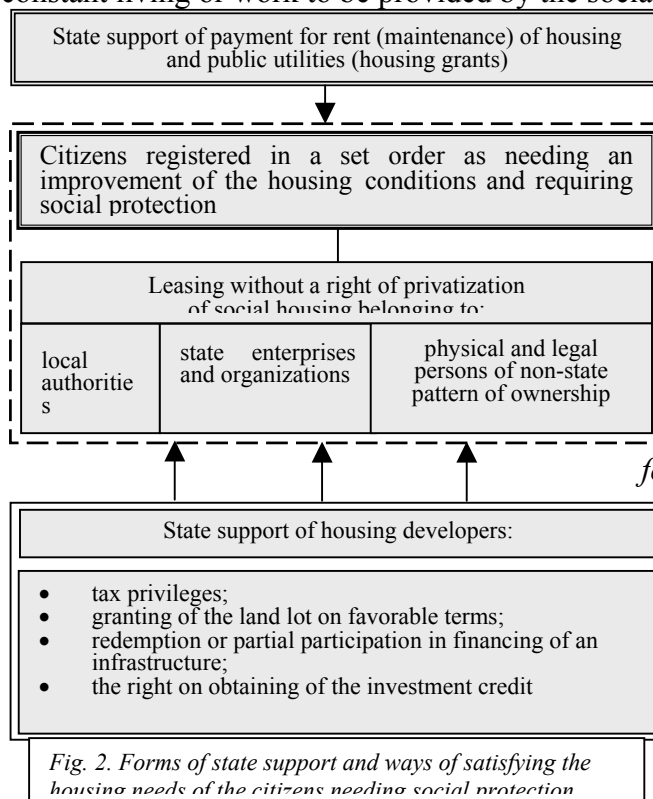
4th group - the households with low income, involves 15,8% can expect only a social housing.

According to nearest 10 years forecast only 1,1% of the population will be able to build an elite-dwelling and 9,3% of the population could afford the standard dwellings for their own resources. At the same

time the number of poor people who are not able to invest housing or to buy a flat should fallen to 6,2%.

According to the Housing Code and other national laws the following target groups are entitled for social housing providing (free of charge): incapable of work low-income citizens (pensioners female -under 55 years and male under 60 years and disable people with low-income); aggrieved from natural disaster, social and technogen catastrophe; orphaned children; consumptive persons in active form; needy young families; living with person who has severe form of chronic disease; Chernobyl settlers; veterans; retired officers and some other groups.

These target groups must be included into waiting list by local government at the place of their constant living or work to be provided by the social housing.



Social Housing is standard housing of public housing stock provided to citizens as the tenancy on favorable terms. Standard housing is accomplished housing meeting established sanitary and technical requirements.

This definition is stipulated in the Housing Code which was adopted in 1999.

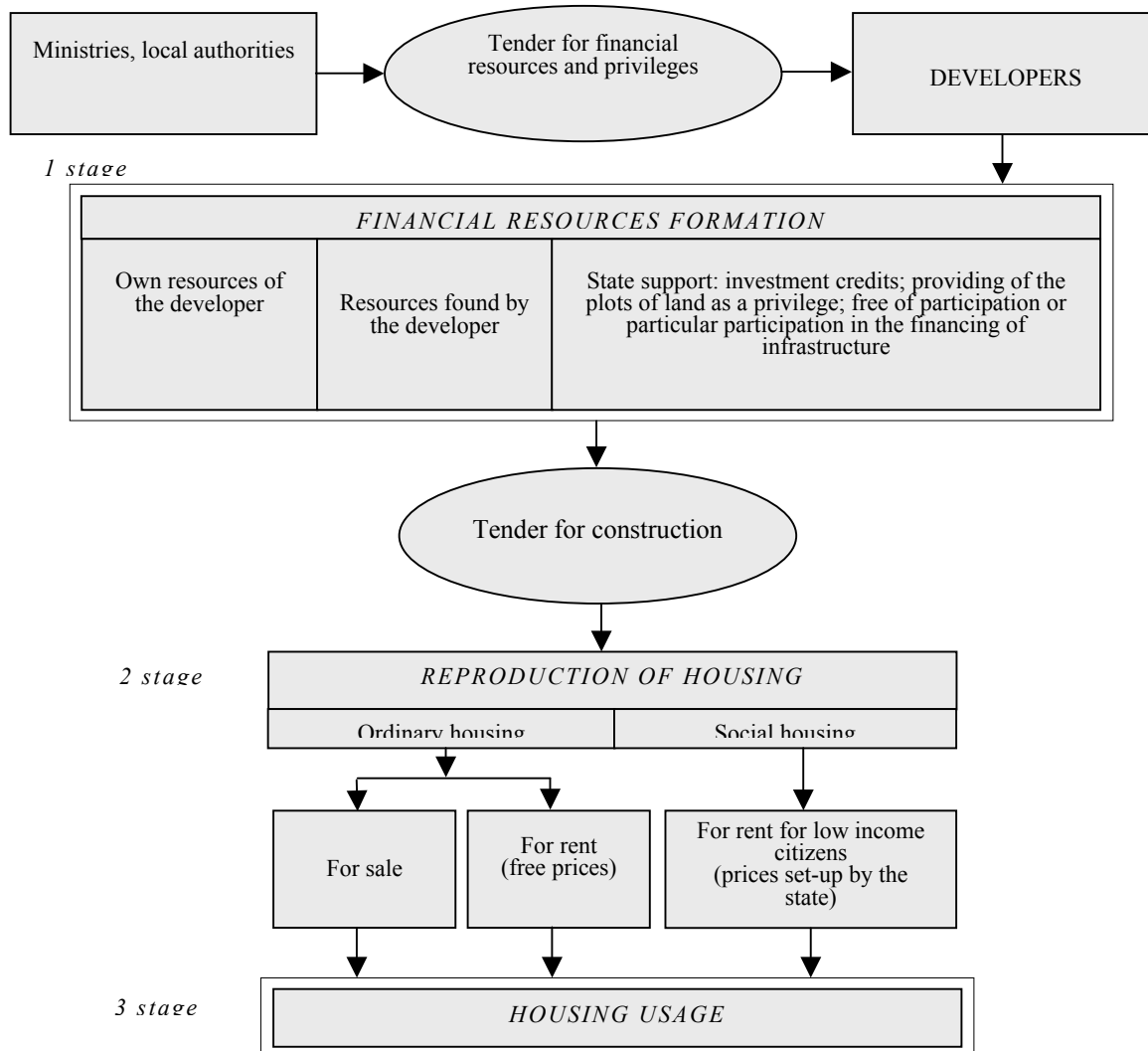
Construction (re-construction) of social housing is financed by republican and local budgets, optional contributions of local and foreign entities and individuals. Building Department of City's administration is involved in social housing construction.

Social housing providing to target groups is not exchangeable as well as it cannot be privatized and shared. This is rental housing. The total square is 15-20 sq.m. of living space per person. The person must pay monthly the rent and expenses related to the public service.

With the more deepen reforming of economics the state should step-by-step break free from functions of sponsor in a housing construction. The budget financial resources have to be granted to

the independent developers (private sector) on competitive conditions. They, in turn, will take before the state the definite obligations on production of housing, first of all, social one for different purposes. Except financial resources allocated by the state, the developers have at their disposal the own and attracted funds (funds of citizens, firms and organizations, which want to participate in share building, credits). In this case a state support also goes for by the way of investment credits, giving sites under building on favourable terms, full or partial redemption of development financing of an infrastructure. The contractor is selected on the tender basis, and, therefore, conditions are created for formation of the minimum price of a housing construction. The part of housing defined by conditions of competition and by the agreement between the state and the developer as a social one, is set for granting to the needy citizens, the remaining part being the property of the developer, and he has the right to boss it as he needs: to sell, to rent etc. (Figure 3). Also the social cohesion will be straightened.

Fig.3 Scheme of private sector attraction for housing problem solving.



OVERVIEW OF SOCIAL HOUSING IN ARMENIA

Irina Grigoryan, Housing and Communal Policy Division, Ministry of Urban Development of Armenia

The Republic of Armenia has experienced a turbulent period of transition in the past decade. Rapid changes of political, economic and social systems have affected daily life of all Armenians. During the same period, the Republic of Armenia also experienced the tragic event of the 1988 earthquake and the influx of refugees from the neighboring Azerbaijan. Indeed, the Republic of Armenia saw a rapid growth of the displaced population in the midst of the political and socio-economic transformation. As a result, the immediate need for temporary shelter was largely met through provisions of containers, rooms in hotels, sanatoriums and dormitories as well as allocation of “abandoned” houses.

In the field of housing the present situation in Armenia shows that only 32,8% of the total population possess shelter equipped with the basic housing resources, e.g. kitchen, cold water, toilet with drainage system, and bathroom.

Having scarce of finance the Government until today has conducted its obligations to homeless population that suffered because of natural and human-made disasters. The Government with help of donors continues to decide upon these problems, however up to today we have homeless people as a result of the Spitak earthquake in 1988 (about 6 thousand families), the Noemberyan earthquake in 1997 (1039 families), refugees due to the armed conflict with Azerbaijan (5 thousand families), as a result of buildings damage (1192 families), of landslides (168 families) and land allotment (186 families).

Earthquake zone

In the earthquake zone with the efforts of different donors social housing was provided to thousand families in the form of housing certificates and newly constructed apartments. Furthermore, in the center of Guimry City containers which were used as shelter for people, who were not victims of the earthquake, were removed as a consequence of urban revitalization activities. As a substitute these families were provided with rental apartments.

Refugees

Up to present some of the housing problems in relation to refugees have been solved at the expense of State-means, the German and Norwegian Governments and the UNHCR .

However, about 5 thousand families housing problems have not been decided yet. Recently, the Government has adopted a decision regarding a more active provision of housing to refugees, and priority will be given to the most vulnerable groups of refugees.

Orphanage children

In September 2002 the Government adopted the law on “About Social protection of the children without parents’ trusteeship”. Article 9 states that the children without parents’ trusteeship and without housing must be provided with housing by the local governments. The law is directed to orphanage children in the age-range from 18 and 23.

Not privatized units

Between 1990-1999, 96.3% of all state apartments were privatized and leaving the remainder units in the public sector. These non privatized units were transferred to the ownership of communities and are seen as rental housing.

Waiting lists

Since the Soviet time, there are 40,000 families on the waiting list for Armenia. What qualifies a family to be placed on a waiting list is less than 5 sq.m. of living space per person in an apartment. Due to severe financial constraints the Government has not assisted these families for the last 12 years.

It is envisaged to provide support to vulnerable families through housing allowances for rental expenses. Furthermore it is foreseen to link the housing allowance system with the family allowance system already in place, the main criteria of which are family income and lack of suitable housing.

Social housing constraints and objectives

The main challenges by the Armenian Government in the sphere of social housing are:

1. Housing provision to citizens, who are deprived of housing due to natural and human-made disasters.
2. The legal framework (e.g. rental legislation, housing allowance system). The legal framework should balance between individual needs, societal needs and resource constraints.
3. Establishment of criteria to identify people in need of social housing.
4. Assessment of the present situation for clarification of the actual amount of vulnerable families.
5. Establishment of solutions for housing requirements for the persons in need of housing.

SLOVAKIA: AN ATTEMPT TO REVITALIZE SOCIAL RENTAL HOUSING

Elena Szolgayová, Ministry of Construction and Regional Development of the Slovak Republic

Last decade brought substantial changes in the housing sector in all the countries in transition. Their scope and impact have never been experienced before in Europe. Before the year 1990 the State was involved significantly in the housing development. That was reflected in the number of dwellings completed. In Slovakia with some 5 million inhabitants, more than 1.3 million dwellings were built from 1948 to 1990, with the highest intensity in housing construction reported over the period 1971 – 1980 (more than 40,000 flats completed yearly).

After 1989 the transition of national economy from a centrally planned into a market economy influenced also the housing construction. In the period 1991-2000, a decline in the housing construction was visible to some 25% of previous performance, where the substantial part of housing has been built in owner-occupied sector. In the year 1998 it was 74 %, in the year 1999 it was 83 % and in the year 2000 it was already 93 % of all completed dwellings.

However, the most significant feature of this period was the ongoing transformation of the ownership relations in the public rental and cooperative sector, the consequent growth of the share of the owner-occupied housing, and the significant decrease of the public rental sector.

At present, approximately only 5% of dwellings remained in this sector in Slovakia, which could represent the basis of the future segment of social rental housing. This is a very small share, when compared with European average. Apart from that, there is practically no formal private rental sector existing in Slovakia, although part of recently privatised dwellings is sublet on the "grey" market for market rents, which are not affordable for lower income households. That together with relative housing shortage in urban areas significantly restricts the possibility of choice on the housing market. The unbalanced tenure structure was identified also in the ECE UN "Country Profiles on the Housing Sector – Slovakia" from 1999.

These changes brought along also the new phenomenon on the housing market, the poor owners. Their situation initiated broader discussions about the concept of social housing. Recently there is no formal legal definition of social/affordable housing. On the other hand, there is general understanding that certain public intervention is necessary to increase affordability of housing for lower income groups.

The available data on the income structure of the households in the Slovak Republic indicate, that the real costs for housing in both existing and newly built dwellings exceed the affordability limits of many households and housing becomes financially inaccessible for some households without various forms of subsidies. Low average income of the population and a high unemployment rate constitute the most significant barrier for the access to the housing market. Because of that, it is considered necessary that the State and municipalities in a long run create suitable conditions and adopt efficient measures to provide for the affordability of housing for the inhabitants.

One of the important measures taken to this end is introduction of the housing allowance system, which is tenure neutral. All households with income below given ceilings are eligible, however, they have to apply for the allowance.

Another measure, with the aim to improve the existing tenure structure, and to increase a share of public rental housing for low-income households, are the new programmes which have been introduced in 1999-2000:

- State subsidy programme for municipal rental housing construction - provides grants in amount of 30-50% of construction costs,
- Long-term low interest loans for municipal rental housing construction from the State housing development fund
- Subsidy programme for technical infrastructure necessary for housing construction;
- Programme of the state guarantees for market bank loans for municipalities.

The target groups are defined by the law, the main criterion is income of households. The allocation policy is decided by municipalities. Results of these programmes are positive. In the period 1999 - 2002 they helped to start construction of some 9.000 municipal rental housing units in the situation when total yearly construction oscillates around 10.000 - 14.000 dwellings.

In the **Principles of State Housing Policy up to the year 2005 with an outlook up to 2010**, a framework document providing a wider comprehensive overview of co-ordinated objectives of the State in partial areas concerning housing for a period of 10 years, one of the targets is to gradually increase the construction of new rental dwellings (both private and public), so that their share would be approximately 50 % of the new construction around 2010.

In order to develop a reasonable type of social housing, also effective institutional solution are important. Recent tendency toward more market oriented approach is visible in different types of non-profit housing organisations, which are important players on the housing market in several European countries. That is reflected in an amendment to the Act on non-profit organisations adopted in 2001 in the Slovak Republic. It is expected, that this could contribute to revival of the public rental sector in the Slovak Republic.

To increase awareness of the importance of affordable housing and to document best practices, the Ministry of Construction and Regional Development of the Slovak Republic organizes for the 5th time the competition "Progressive, affordable housing". The results of the competition will be shown in the presentation.

SOCIAL HOUSING: DEFINITION IN THE RUSSIAN FEDERATION

Andrey Starovoytov, Russian Federation

The notion of “**social housing**” simultaneously does exist and does not exist in the Russian Federation. On one hand, combination of words “social housing” is being widely used in colloquial speech, in mass media, in public appearances of representatives of practically all the levels of authority (including those people who is engaged into issue of housing policy professionally) and in their publications. On the other hand, the acting legislation of the Russian Federation does not include such a notion yet.

The acting Housing Code of the Russian Federation adopted in 1983 has grown old in the most parts thereof; it contradicts the ideology of the housing reform in general; it is implemented only in respect of a small part thereof and quite naturally it is silent in terms of “social housing” as one of the forms of housing because in 1983 the country’s housing was overall social.

Practically all innovations in the housing legislation appeared on the screen later – being incorporated in the other laws.

The Law “On the foundations of the federal housing policy” of 1992 introduced the notion of “**social housing stock** (*housing stock of social usage*)” as a collection of all residential premises, including residential houses, flats and other residential premises being occupied under the terms and conditions of rental agreement and allocated within the social norm for housing space, as well as residential premises in communal flats, specialized houses and residential premises therein (special houses for aged people, houses-shelters for invalids, veterans, etc.).

The Civil Code adopted in 1994 elaborated the Law “On the foundations of the federal housing policy” and introduced the notion “**state and municipal social housing stock** (*stock of social usage*)”, where residential premises are provided to the citizens under a **social rental** agreement.

In accordance with the Law as of 1991 “On privatization of the housing stock in the Russian Federation” the citizens were granted the right to free of charge privatization of residential premises occupied under social rental agreement. This right has been still in force up to now.

The flats out of state and municipal social housing stock (stock of social usage) are being provided to citizens at no cost.

Allocation of housing free of charge (i.e. without covering its construction cost) is considered to be a social good. The right to allocation of dwellings at no cost have been granted to citizens in need of improved living conditions: invalids of the Great Patriotic War and people who are considered to be equal to them in the statutory order; invalids of labour, as well as invalids from childhood; veterans of the War; family members of perished in the course of states service; households with the level of income lower than the minimum standard of living set up officially.

Apart from social rental agreement for residential premises the Civil Code has introduced the notion of a **rental agreement for residential premises being concluded on commercial basis (a so called “commercial rent”)**.

While the conclusion of a social rental agreement for residential premises in the houses out of state and municipal housing stock is strongly conditioned by a registration of the citizen with the local authorities as needy of an improvement in living conditions, the conclusion of a commercial rental agreement does not move such a requirement.

Besides, a social rental agreement for residential premises is **permanent** while a commercial rental agreement is being concluded **for a certain period of time**.

Differences in terms of sizes of allocated housing space and rental charges are also distinctive for the above varieties of the housing agreements. Thus, under social rental agreement residential premises is provided for usage in accordance with the set up tariffs for rental charges, while a commercial rental agreement does not contain such restrictions and terms and conditions of the agreement are subject to negotiations of the parties.

Residential premises allocated to citizens under a social rental agreement should meet the set up sanitary, fire protection, urban planning and engineering requirements and to be suitable for habitation.

However, despite the fact that a number of laws adjust civil and housing relationships which have been newly established in the country, lack of effective Housing Code negatively affects the citizens' lives, especially in cases of court settlements of housing disputes.

In view of the above there has been worked out and delivered for concurrence a draft of the new Housing Code.

In accordance with the requirements of the Constitution of the Russian Federation the draft is intended to specify the category of citizens entitled to housing allocation under a social rental agreement. As provided by Article 40 of the Constitution of the Russian Federation people with low income are subject to housing allocation under the social rental agreement.

It is stipulated by the draft of the Housing Code that residential premises out of state and municipal housing stocks could be allocated both under a social rental agreement and a rental agreement for residential premises. Under rental agreement residential premises out of stocks for social usage is allocated to those citizens who are in need of improved living conditions but are not granted the right for the provision with residential premises under social rental agreement.

Taking into consideration that the acting norm concerning privatization of residential premises at no cost practically resulted in non-ability of local authorities to establish controlled social housing stock, in the draft of the Housing Code there has been introduced the provision on cessation of the privatization by citizens of residential premises occupied under a social rental agreement - starting with a certain date (let's suppose, with the 1st of January, 2005).

As far as residential premises occupied under rental agreement concerns, so in accordance with the draft of the Housing Code such premises should not be subject to privatization. It is provided as well prohibition on privatization of residential premises within specialized houses, though these houses are a part of stock of social usage.

Allocation of residential premises occupied under social rental agreement or rental agreement is effected in the sequence order taking into account the time of registration of such citizens in the waiting lists.

In the cases stipulated by the draft of the Housing Code and other federal laws several categories of citizens are granted the right for priority and extraordinary allocation of residential premises.

The share of residential premises directed to allocation under social rental agreement and rental agreement, is annually defined by the owner of state and municipal housing stocks.

The right for allocation of residential premises under social rental agreement and rental agreement is granted to the following persons who are in need of improving living conditions:

- (1) Invalids and veterans of the Great Patriotic War, participants of military actions held on the other states' territory and persons who are considered to be equal to them, family members of perished (died) veterans of the Great Patriotic War and participants of military actions held on the other states' territory;
- (2) Several categories of enlisted men and citizens dismissed from the military service – in the cases provided by the federal law;
- (3) Persons who suffer from certain chronic diseases in heavy forms, list of which is confirmed by the Government of the Russian Federation;
- (4) Invalids of I and II categories, for the exception of those cases when invalid state resulted from committing a crime by a person;
- (5) Families with disabled children, families with many children, single mothers, single fathers;
- (6) Participants of liquidation of the consequences of radiation catastrophe at Chernobyl Atomic Electric Station; veterans of particular risky units;
- (7) Citizens who graduated from state children institutions, or after departing from relatives, guardians or trustees where they had stayed for the purpose of upbringing.

As it was already mentioned, allocation of residential premises under social rental agreements within the state and municipal housing stocks of social usage is effected in accordance with the social norm of housing space.

The social norm of housing space is set up equal to 18 sq. m of the total space (12 sq. m of the living space).

In Russia in the notion “**social housing**” there are traditionally included **specialized residential houses** intended for residing unprotected categories of citizens (children-invalids, veterans, houses for aged lonely people, etc.).

In accordance with the draft of the new Housing Code there are some other housing categories pertaining to residential houses and residential premises as well:

- 1) Hostels;
- 2) Houses of maneuverable stock;
- 3) Official residential premises;
- 4) Residential houses for temporarily settling of persons recognized as refugees and forced settlers;
- 5) Residential premises out of housing stock for temporarily settling of the citizens being subject to forfeiture of housing rights as a result of directing liquidated damages to the residential premises acquired at the expense of credit of a bank or any other lending organization or at the expenses of resources of a targeted loan, provided by the legal entity for acquisition of a residential house or a flat and mortgaged in ensuring pay back of the credit or targeted loan.

Residential premises within specialized residential houses are not subject to privatization, exchange, renting for use to the other persons, it is not allowed to let family members and other persons to move in without consent of the owner of the residential premises.

A citizen living in a residential premises of specialized housing stock is not entitled to:

- (a) privatize this residential premises;
- (b) exercise exchange of residential premises;

- (c) offer residential premises for sub-renting, leasing;
- (d) effect separation of the occupied space;
- (e) move in temporarily tenants without the permission of the body authorized thereto;
- (f) claim renewal of the agreement after expiration date thereof.

As it is evident from all the above, the Russian norms for allocation of dwellings under a **social rental agreement** is practically in full correspondence with the European interpretation of **social housing** which is intended as a rule for renters (tenants, households) with low and middle level of income and in many cases is provided in accordance with the principle of targeted allocation of housing. Very much the same like in Europe the rental charges (cost of leasing) is usually calculated on a lower level than on commercial rental market thanks to allocation of certain budget resources for the construction of residential houses and sometimes – for recovery of maintenance expenses. In many cases housing is becoming more affordable at the expense of the subsidiary system for acquisition of housing and rental recovery.

AN OUTLINE OF PILOT PROJECT FOR SOCIAL HOUSING IN CANTON SARAJEVO

Nermina Džepar-Ganibegovic, Expert Advisor Ministry for Human Rights and Refugees, Bosnia and Herzegovina

Introductory facts

The state of Bosnia and Herzegovina comprises of two entities – Federation of Bosnia and Herzegovina (about 51% of the territory) and Republic of Srpska (about 49% of the territory).

The Federation of Bosnia and Herzegovina consists of 10 administrative units – Cantons.

Each Canton is composed of several municipalities.

Competencies

There are no constitutional competencies for either housing or social issues at the state level.

There are ministries of physical planning and construction, as well as ministries for social affairs in both Entities, but these too have neither competencies nor capacity to deal comprehensively with the housing and social sectors and develop intersectional policy programs.

Unlike Republic of Srpska, which does not have Cantons, in Federation of Bosnia and Herzegovina - housing in general falls under the competencies and responsibilities of the Cantons.

Case study on Pilot Project

The program relates to construction of two buildings (P + 6 floors + M) with 164 flats for social housing. Additionally there are 18 business premises and 6 garages to be rented on commercial basis.

The total housing area is: 10.900 m².

The value of the project is: 7,1 mil. EUR

Costs of construction per square meter are: cca. 635 EUR

An average surface of the two rooms apartment is 50 m².

The owner of the buildings is an Austrian non-profit organization (union), with which the government of Sarajevo Canton has signed a long term (30 years) lease agreement. Annual tenure rates at 5% of project value and counts 355.705 EUR, and will be paid by Sarajevo Canton as a leaseholder from the date of completion of construction (June 2003). The funds shall be planned and earmarked in the budget of Sarajevo Canton, and paid on three months bases for each fiscal year, making the monthly cost of rent per m² at some 2,5 EUR, or an average of 125 EUR per an apartment.

The government is obliged to provide for the maintenance of social housing units and cover the costs of 0,195 EUR/m² during the whole period of the lease.

Government of Canton has already prepared a decision (pending adoption) on procedures for renting the apartments, business premises and garages on a fixed period and according to the overall criteria for beneficiary selection as follows:

Ministry of Veterans' Affairs for members of veterans' population (war veterans, disabled independence war veterans and families of killed veterans);

Ministry of Interior for deficit staff;

Ministry of Work, Social Welfare, Displaced Persons and Refugees for persons in need of social protection;

Ministry of Education, Science and Information for high-qualified staff in education and science;

Ministry of Health Care for deficit staff;

Ministry of Culture and Sports for prominent persons in the sphere of culture and sport.

These Ministries are obliged to develop and adopt the criteria for beneficiary selection (with the list of priorities) and plans for resolving the issues of their housing needs within the dead line of 30 days upon the entering of the Decision into force.

The idea of bringing the case study of Social Housing Pilot Project in Sarajevo Canton to this workshop – was to follow up with certain recommendations in order to improve the policy with regard to social housing in a systemic approach, through exchange of the lessons learned and best practices.

EXPANDING “TRUE SOCIAL” SECTOR IN POLAND

Marek Zawislak, State Office for Housing and Urban Development, Poland

1. Poland has prohibitive regulations on rental of housing. For example:
 - rental contracts for shorter periods than 3 years are not allowed,
 - legally binding rental contract cannot be terminated before it expires unless few specific cases apply (a few months arrears, persistent/severe breach of house rules),
 - evictions have to be approved by courts of law, which may suspend the eviction until the evicted household is provided with a social dwelling.
2. Rental regulations are meant to protect poor households but by the same token they hit landlords and discourage private investment in affordable rental stock. They also create pressure on local authorities to provide more social housing in order to enable quick and humane evictions. Non-profit housing associations (TBS), which are usually municipally owned, provide good standard housing with controlled rents, but this type of housing is too expensive for the lowest income households (“affordable” sector). Meanwhile, the existing social stock is insufficient to bridge the supply gap in the “true social” sector. Expanding this sector would make it socially acceptable and politically viable to relax rental regulations.

Evictions in Poland:*

		Evictions						approved but suspended (column 5– column 7)
		Total						
		in court		court approved		executed		
		total	arrears related	total	arrears related	total	arrears related	
1	2	3	4	5	6	7	8	9
	Poland 1996-2001	153 576	140 021	78 128	72 989	31 989	28 754	46 139
	1996	23 708	20 610	12 745	11 693	4 242	2 778	8 503
	1997	24 944	22 383	13 100	12 041	4 146	3 806	8 954
	1998	26 444	24 536	13 119	12 384	5 410	5 062	7 709
	1999	28 179	25 595	14 937	14 027	6 755	6 275	8 182
	2000	27 324	25 676	14 329	13 540	6 909	6 531	7 420
	2001	22 977	21 221	9 898	9 304	4 527	4 302	5 371

*Data show evictions in public stock only. Total number of evictions is estimated to be 30-40% higher.

Municipal housing output:

1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
2 987	2 560	3 656	4 577	3 577	3 299	2 992	3 745	3 410	2 670	1 810	2318	2448

Social dwellings in municipal housing stock:

	Number	Share of social units in municipal housing stock	Average floor area of a social unit (m ²)
1998	22 554	1.5%	31.8
1999	23 969	1.6%	31.1

2000	29 623	2.2%	31.8
2001	32 337	2.5%	31.3

3. The low output of municipal housing construction (2.5% of total output) is due to the fact that throughout the transformation years the government – while it has offered substantial support for the TBS program – it has practically left new municipal construction (MHS) to its own resources. The government was more eager to develop a sustainable housing program it could control rather than subsidize the construction of substandard social ghettos. The housing authorities rightly assumed that broad participation of local authorities in the TBS program could improve the use of the scarce municipal housing anyway. It would facilitate the moving of better-off municipal tenants from the municipal stock to the TBS stock. It was also expected that the number/quality of social dwellings for the disadvantaged and the evicted would grow as a result. As an additional benefit – not much new unsustainable housing would be produced. Recent years saw the opposing trends in MHS and TBS completions. Steep growth of TBS program was accompanied by a downward trend in municipal housing construction. At the same time the number of social dwellings with lowest rents steadily grew by several thousand yearly.
4. However, the number of suspended evictions shows that the shelter for the lowest income households is still insufficient, which impedes the development of the housing market. The ministries responsible for housing and social affairs entered into cooperation in order to launch a government program of support for construction of temporary shelter for households affected or endangered by homelessness. The systemic solutions will concentrate on social hostels as a way of providing temporary shelter for problem groups and are expected to come into force in 2004. Meanwhile a pilot program is being prepared with a limited budget, which will serve as a testing ground for the systemic legislation. A number of projects will be selected based on the criterion of best cost/utility ratio. Implementation of projects will have to be completed by end of 2004.
5. Basic proposals for the intended pilot program are as follows:

TARGET GROUPS

- homeless,
- low-income households with approved evictions and other households eligible for municipal social dwellings,
- refugees, persons leaving orphanages or similar institutions, other vulnerable groups.

TYPES OF PROJECTS ELIGIBLE FOR SUPPORT

- construction of social dwellings or social hostels,
- conversion of hostels, dormitories, military barracks, etc. into social dwellings or social hostels,
- conversion of non-residential space into social dwellings or social hostels.

MINIMUM STANDARDS

- social dwellings or hostels will have to meet all the technical standards required by Building Code,
- extra requirements concerning kitchen and bathroom equipment and energy-efficiency of buildings,

- specific standards of living conditions in social hostels will be defined in order to safeguard human dignity of those living in them.

MAXIMUM STANDARDS

- only for social dwellings – their floor area will not exceed 44 m²,
- social dwellings bigger than 32 m² will not be rented out to households consisting of less than 4 persons.

ORGANIZATIONS ENTITLED TO SUPPORT

- local authorities,
- in case of social hostels also NGO's approved by local authorities.

FORMS OF SUPPORT

- interest subsidy,
- cash subsidy.

SOCIAL HOUSING DEVELOPERS AND FINANCING

Rapporteur: Andrew Dench, The Housing Corporation, UNITED KINGDOM

All participating countries here face problems of varying degrees of scale, severity and complexity in meeting the housing needs of economically disadvantaged households.

The state is a key actor, but for most countries, the state alone cannot deliver all reasonable social housing objectives without private sector participation in the supply and financing of social housing. This paper sets out some key questions which UNECE workshop participants may wish to consider in developing social housing policy around the role of private sector actors in social housing.

1. How do we ensure that private developers and investors develop and fund social housing products which meet the broad range of social policy objectives which social housing can deliver?

This question and the consideration of financial sustainability is also addressed in another topic at this workshop (financial sustainability).

Housing markets are complex and policy changes intended to modify their operation usually have long lead times before they take effect. Policy changes can themselves be difficult and expensive to modify if they prove to be ineffective, or have unintended consequences.

Example: Rent restructuring in England

In December 2000, the Government set an objective that rent setting in the social housing sector be brought onto a common system based on relative property values and local earnings levels for both local authorities and housing associations. The implementation of this measure will not be achieved across the sector until 2010.

The purpose of this policy is to

- *introduce greater equity into the social housing market where tenants often have very limited ability to seek alternative social housing, and are therefore a captive market,*
- *and to ensure that the allocation of personal subsidies for housing costs in the social sector reflects the reasonable cost of the provision of social housing.*

Under this system, rents are set against consistent, objective benchmarks. However, the system is complex, and where the costs of development are high, the provision of new social housing within a constrained rent regime potentially increases costs and risks to organisations which develop and own social housing, and those organisations which finance them. For those larger housing organisations who must achieve an overall reduction in rental income, they will be forced to find cost savings through efficiency gains in the management and maintenance of their housing, or to use accumulated reserves.

Developers and investors have relatively short time perspectives, and we need to guard against the risks to social housing markets of a volatile investment environment where players can exit at short notice with damaging, unintended or unforeseen consequences. Intervention by the state can itself be a deterrent to the participation of private sector actors. Long term stability and policy objectives may best be achieved where the state is intervening only where essential to maintain balance and trust between the actors.

There is a clear role for the state, whether at national level or at the level of regional or local government, to act where it is inappropriate for the market to do so. The state may determine that this should include support to individual households with direct subsidy to meet reasonable housing costs.

The state also has a role to develop effective social programmes to support and develop local and national markets and economies to allow citizens to reduce their dependence on state housing and other subsidies wherever possible. Social housing policy is an essential component, but it must be part of a broader, strategic package of social policy measures.

2. Can we develop approaches to governance which ensure that private developers and investors are prepared to participate in delivering social housing?

We need to understand the commercial motivations of private sector developers and investors, including:

- The basis on which they make choices about when, where and how they will participate in particular markets
- The risks that they are prepared to accept in participating in particular markets

These questions are not purely financial. Good governance for social housing is about ensuring that there are effective frameworks for delivering social housing in a transparent way. The responsibilities for different tasks or roles must be clearly allocated, and the arrangements understood by all participants. The participants must also understand what elements of the policy framework provide for certainty of outcome, and those which do not. Only if there is clarity about this allocation of responsibilities and the risks associated with them can private sector participants make effective decisions about their participation.

In respect of private investors, policy makers need to understand how investors price risk in order to judge accurately the costs of using private sector finance in any particular housing market, and what is the appropriate mix of direct public subsidy (whether in the form of grants, loans or tax credits), private sector finance (at the cost of a commercial rate of return), and public subsidy assistance directly to tenants (to meet their housing costs).

The risks to the state (whether at national or regional level) of incorrect formulation of the funding structure for social housing are:

- Structural or cyclical revenue deficits (e.g. costs of direct subsidy to tenants which may increase during periods of rising unemployment when tax receipts may be diminishing)
- Excessive public borrowing (either through public sector grants or loans, or loan guarantees), which may threaten public sector borrowing limits applicable to euro zone countries subject to the Stability and Growth Pact
- Unaffordable rent levels for tenants as a result of inadequate public sector financial support directly to tenants to meet high rents, or to housing providers to reduce costs of private financing
- Excessive profits for private sector developers or investors which are out of proportion to the risks which they are expected to assume, effectively providing them with a state funded, unearned surplus.

However, private sector investors and developers must be able to extract equitable returns from involvement in social housing compared with the other investment or business opportunities which are available to them, or they will not participate.

Policy makers require a detailed understanding of:

- The choices available to prospective investors and developers
- Local, regional and national housing markets
- Robust economic models for determining the optimum long term funding structure for social housing within the broader housing market

3. How do we ensure that private developers have sufficient capacity to deliver policy objectives for social housing?

Development of social housing is capital intensive long term investment. It is essential that the scarce financial resources available for social housing are used as effectively as possible. This includes a view of the “whole life” cost of social housing (that is, the combined costs of the initial provision and the ongoing repair and maintenance costs over its full life) in order to ensure that cost savings in building new homes are not made at the cost of much greater long term repair liabilities.

Policy makers need to be clear about

- Standards of quality required in social housing
- Standards of financial stability required of different participants in the social housing sector including developers
- Ensuring the optimum speed and efficiency of production of new social housing to minimise financing costs during development

Given the long term commitment which social housing policy requires, support to private developers may be required in the form of a framework which:

- Provides a commitment to a programme of development of new homes or improvement/maintenance of existing homes in order to provide developers with sufficient reassurance to justify investment in increasing their capacity
- Ensures that the cost and availability of skilled labour is taken account of in determining the scale of investment in social housing
- For new social housing, ensures there is effective land use planning which allows the identification and assembly of sites for residential development, and the provision of adequate infrastructure (including both utilities, and social infrastructure)
- Provides for research and development in new technologies and techniques in construction to improve efficiency

Example: Innovation in housing design and procurement (UK)

In 1998, a Construction Task Force reported with the objective of achieving radical improvements in the design, quality, customer satisfaction, and sustainability of UK construction, and to be able to recruit and retain a skilled workforce able to deliver those improvements.

Following this, The Housing Forum was established with the participation of representatives from client and supply side organisations of all sizes and types, including housing associations. The programme of work includes a number of activities, at the heart of which is a series of 400 demonstration projects valued at £5.6bn (approx.8bn euro). Information on the work of The Housing Forum can be found at www.thehousingforum.org.uk

The Department of Environment, Transport and Regions (now Office of the Deputy Prime Minister) and the Housing Corporation commissioned the development of a Housing Quality Indicator system.

This is a measurement and assessment tool which is designed to evaluate housing schemes on the basis of quality, rather than purely cost, using three main categories (location, design and performance). More information on the application of this tool is available from either:

<http://www.housing.odpm.gov.uk/information/hqi/index.htm> or; <http://www.hqiuk.com/>

4. Can we identify practical solutions which increase the pool of investors in social housing?

A fundamental requirement of investors is to understand the risk of default by borrowers, both as the basis for their decision as to whether or not to invest/lend, and, secondarily, as the basis for determining the level of return which they require.

The lower the risk is of default, the lower the costs of borrowing. However, lower levels of risk are often achieved by state backing (either in the form of grant to reduce the amount of borrowing required, or state loan guarantees). These will not be available in all cases.

Other options for increasing the pool of investors principally relate to increasing transparency (reducing uncertainty about the level of risk inherent in a transaction) or spreading risk (for example, by group borrowing arrangements, in order to create a portfolio effect).

Example: Use of credit ratings by housing associations

Private sector organisations such as Standard & Poor's and Moodys provide credit rating services both to investors, and those organisation seeking to access capital markets. Increasing numbers of housing associations have sought either a credit rating, or have established funding structures, individually or collectively, which benefit from a stand alone credit rating relating solely to the risk associated with the underlying strength of the assets or cashflow on which the funding structure is secured.

These tools have proved useful in widening the range of options available to housing associations for raising funds. In particular, they have increased access to capital markets as an alternative to traditional bilateral lending. The rating methodology also has regard to the impact of the strong framework of regulation provided by the Housing Corporation, which reduces risk of default without guaranteeing the financial obligations of housing associations.

The practical effect of this has been to reduce the finance costs of housing associations compared with unregulated private sector organisations, without increasing public expenditure – it simply allows lenders to take account of the effective reduction of default risk which regulation provides.



OGÓLNOPOLSKA IZBA GOSPODARCZA TOWARZYSTW BUDOWNICTWA SPOŁECZNEGO

CHAMBRE NATIONALE D'ECONOMIE DES SOCIETES LOCALES
DES LOGEMENTS LOCATIFS

Zdzisław SŁABKOWIC, TBS Chairman of the Board

1. YESTERDAY'S AND TODAY'S ROLE OF THE LCHS IN MEETING THE HOUSING DEMANDS IN POLAND

The Act of October 25, 1995, on certain forms of support for the building industry, determined the legal basis for the creation of LCHS, as also for the National Housing Fund, created for the issuing of low interest long-term loans (about 30 years) for the building of moderate-rent apartments by the LCHS's. In principle we have accepted the tested and of long standing French solutions, *i.e.* the HLM. At that same time, the Polish Parliament passed also an act on housing allowances – in principle based on the French APL solutions.

However, today the role of the LCHS, in the light of the difficult financial situation of Polish town and local authorities, as well as of the Polish society in general, requires a change in the functioning of the LCHS, which cannot simply build apartments for rent, but must also be active in other spheres connected with housing construction. They must create a new financial security for a situation, in which the tenants loose their jobs and are not able to pay the rent. Such a security is necessary, as it is linked with the compulsory discharge of loans, taken by the LCHS for the construction of apartments for rent.

1.1. TBS – Local housing strategy.

The bill on local self-government and the bill on protecting the occupants of municipal housing, amending the Civil Code, have made local-self governments responsible for housing stocks and meeting the housing needs of municipal community. The statutory local self-government tasks include elaboration and adoption of spatial urban plans and elaboration of municipal policy for housing stock management. The municipality can also set and realize its own economic and socio-economic programs.

The possibilities introduced by the bill on certain forms of supporting the housing schemes and amendments to the tax bills concerning land economy should be treated as subsidiary State activities which are supposed to help the municipalities to create the conditions for meeting population housing needs, engaging at the same time the population in activities tending to meet this aim. The local self-government responsibility for meeting population's housing needs should not be identified with the direct obligation of the municipalities to build and maintain flats.

The municipalities should, above all, organize different activities or programs and stimulate different events that will contribute, where necessary, to building and renovating big numbers of flats by different investors. The municipal programs should then respond to the question: what should the municipality do to enable other investors to build as many flats as its citizens need and to assure the proper exploitation of the flats to their owners.

The municipalities themselves are obliged to provide lodgments only to the poorest, homeless and victims of cataclysms and fires etc. With this aim the municipalities build and have to their disposition communal and welfare flats and common-lodging houses.

Playing the role of strategies in the housing area requires that the municipalities prepare strategic plan including main objectives and perspective directions of municipalities activity, covering:

- needs and preferences of local community, as well as actions tending to verify these needs and preferences,
- access to existing housing stocks and their technical condition,

- financial possibilities of households, municipality itself and possibilities of gaining the financial and credit assistance or other kind of support available on the free market,
- the legal form and activity of economic actors carrying out housing and building activity in the given region and its surroundings,
- supply of construction sites and demand for them (taking into account proprietary structures)

Strategic plan should create the framework for further program work, setting main objectives and activity directions as well as describing the methods of their realization and appropriate tools. The strategy should also indicate how the realization of the objectives will be evaluated as well as its results so as one could judge to which extent chosen strategic objectives have been realized.

1.1.1. Local housing strategy.

Local housing strategy should first of all indicate housing needs, their size, kind, characteristics and circumstances. Housing needs of local community have the features of hierarchic needs and their basic levels are the following:

- Flats for homeless, whose needs might be realized providing them with places in the social lodging houses, common-lodgments houses or through the rent of social or communal flats (these are rather social aid tasks)
- flats for people who temporarily face housing problems (for example because of loss of work) and whose needs might be realized through rent of social flats or full standard communal flats (this kind of lodgings are rent for defined period of time depending on the period of straitened circumstances, technical equipment of these flats can be basic),
- flats for the persons whose incomes do not allow them to pay market rent-charges and whose needs might be realized through renting flats at fixed rent-charges, set not on the basis of real costs of maintaining the buildings but depending on the conditions of the living place,
- flats for the persons whose incomes are sufficient to rent flats at market rent-charge which cover full maintenance costs but at the same time are too small to allow these people to pay free rent-charge, which include also the owner's profit (for this group of people Low Cost Housing Societies' flats and housing cooperatives flats might be suitable),
- flats for persons whose incomes are sufficient to meet their housing needs at free market, are sufficient to pay free rent-charge or buying a flat or building a house.

Indication of the quantity of needs in each group and their diversity inside each of them (in the context of accessibility of existing flats and density of population) will allow evaluating the kind and scale of necessary actions (programs). It will also provide them with appropriate priorities. The methods for realization of approved programs must be chosen at the same time.

It must be remembered that the program chosen for realization cannot be single acts but should rather have continuous character with repeatable features. Properly monitored, it should be modified and adapted to changing conditions (and also needs and preferences of local community) as well as to already achieved (or not yet) aims.

One can notice wide discretion in creation of Low Cost Housing Societies, since depending on chosen objectives they can function in different organizational and capital variants. Due to this fact the way of using these societies (by local self-government and other persons) might differ significantly, although it will always depend on local circumstances. The volume of low cost housing will depend mostly on housing needs of two last groups (including persons who can afford to pay free rent-charge and those who can meet their own needs without any help from the part of the municipality).

In consequence, the role of the TBS in realization of local housing strategy aims should be seen as a possibility of executing the following tasks:

- the increased overall access to flats, where TBS could be the executor of new flats for rent and proprietary flats with the aim to increase the total number of flats in the municipality,

- the increase of municipal housing stock since the flats built by TBS, with the participation of the municipality are part of that stock,
- promotion of private proprietary housing through joining the society of natural persons, ready to finance with their capital shares the part of the building costs of the flats provided by TBS,
- the increase of effectiveness in managing existing housing stocks, particularly when their technical conditions require modernization and renovation works,
- provision of possibilities to live outside the borders of given municipality when the supply of land at its territory is not sufficient (this is just the reason for multi-municipal TBS to be established),
- activation of already existing, specialized bodies engaged in the housing (for example with the aim of protecting work places),
- urban planning of building sites, belonging to different bodies for which the realization of housing projects, based on commercial principles is not possible.

In theory the Societies may include in their plans all the above-mentioned tasks but it is difficult to imagine that they could realize each of them smoothly. In certain circumstances it would be advisable to create TBS for the realization of specific tasks but also few TBS which would realize the same tasks (competitiveness) and even promotion of those TBS whose area of activity is bigger than the territory of one municipality.

The implementation of low cost housing requires to specify first its desired dimensions, which will depend obviously on existing conditions and needs. The next step would be to specify the role of the municipality in the realization of this program. This role might be direct and then the municipality will be the only founder of the Society or indirect and then the municipality can be its joint owner. It can also be limited to supporting and then the municipality will be stimulating, simplifying and sponsoring the Societies undertakings, being at most their minority owner. The scope of the municipality's share and the way of supporting TBS should be defined in the municipal housing strategy.

Minimum program in this respect should involve the establishment of publicly known list of cooperation principles with all TBS, also with these ones that will be founded by other bodies than the municipality. The list could include:

- index of grounds and buildings, which are to be contributed to TBS fulfilling certain conditions
- conditions of granting credit guarantees by the municipality,
- conditions of getting commission to manage the housing stock of the municipality,
- conditions of getting the commissions by TBS for the other services ordered by the municipality
- index of other forms of assistance (organizational, legal etc.).

This program requires completely different method of action than the one based on establishing one Society, constituting the exclusive property of the municipality, which has the monopolistic position on the market. The assistance of the municipality is directed in the first case to many persons who are encouraged to be active and independently satisfy their needs. It might be more difficult to realize than helping only one Society but instead it guarantees the use of many sources of capital and maximum effect of building possibly the biggest number of flats for rent with these financial means. The concentration of municipality aid on only one Society belonging exclusively to the municipality, in practice, will effectively eliminate the possibility of developing the activity by other Societies, which without the municipal help will not be able to manage.

The above-mentioned list of cooperation principles between the municipality and the Low Cost Housing Societies will constitute for all the interested parties the signal that the municipality has chosen to support the efforts of different Societies and tend to serve as guidelines indicating the possible directions for action. It will also allow for the definition of risk in the case of engaging TBS capitals.

Low Cost Housing Societies would consider it important to disseminate the following information:

- scope and conditions of direct intervention of the municipality in the TBS in the course of their establishment,
- types and volume of direct municipal aid for the investments undertaken by the Societies concerning building and renovations of the flats (grants, subventions, loans, contracts etc.),
- chosen method of municipal housing stocks management,

- rules of setting long-term fixed rent-charges,
- local tax policy rules,
- municipal housing stocks privatization rules,
- the rules on selling off the grounds, which in the period of next 2-5 years are to be made available for the low cost housing aims,
- basic conditions which must be met to apply for the support from the part of the municipality

Based on this information, all interested ones (physical persons in particular), would be able to assess the risks, specify main objectives of a newly set up Association as well as choose optimal legal and organizational form before taking up their final decision. Furthermore, they could assess optimal size and structure of the original capital as most appropriate for the given enterprise.

The benefits ensuing from the regulations, such as preferential credits and income tax exemptions, could be conducive to setting up Communal Housing Associations with no previous long-term economic profitability analysis. This sort of misprocedures might be tempting both for physical persons as well as communes and other legal persons. Omission of indispensable economic analysis in the course of setting up an Association, would most likely lead to versatile problems impeding seamless co-operation with the communes.

Co-operation with the Associations should be considered in advance in every local housing strategy, because as soon as any Association is set up, even with no involvement on the part of the communal self-government, the commune will inevitably have to co-operate closely.

The legislator equipped communes with specific prerogatives, but also duties towards Building Associations acting on their ground, such as for instance:

- the right of the communal government to have its representative on the supervisory board
- an onus on the communal council to set the rent rates as regulated in the housing assets owned by a society and located within the commune
- an onus on the communal councils to conclude agreements on co-operation with the Associations (among others on the issue of flats appropriation)

Execution of these regulations will make Associations to useful tools in the implementation process of communal housing policy and programs. These possibilities will remain unused should the commune have no such programs. Consequently, rise in unmet needs and housing problems can be expected. Moreover, a chance of utilizing individual, housing allocated finance is lost as well as a chance of faster economic growth for the entire commune.

A proper, commune tailored housing strategy is a guarantee for various, only seemingly negligible initiatives on the part of individual and legal persons, which in turn can be used to solve housing problems. Flexible, circumstances adequate strategy can provide valuable information on the role and functioning modus of the already existing Associations as well as the role of communes towards the Associations as dependant on the given changing circumstances.

1.1.2. Housing strategy as a tool for realization of communal tasks.

Realization of housing policy had been devolved to regional self-governments as local experts best familiar with the local housing conditions and needs. This task is set out in a statute and ordinances

Article 75 of the Constitution of the Republic of Poland imposes the on public authorities a duty of carrying out housing policy responsive to the citizens needs.

A law dated 21 June 2001, on Protection of Lodgers' Rights and on an Amendment of civil code entered into force on the July10 2001. (Journal of Laws NR 71/2001) and in Article 4 imposes on self-governing associations a duty of creating conditions responding to the needs of the self-governing association.

Execution of communal tasks is ensured through:

- **A law dated March 8 1990 on Communal Self-government (JoL 2001, NR 142, item 1591),**

- A law dated November 26 1998, on Public Finance (JoL 1998 NR 155, item 1014 with subsequent amendments).

The aforementioned Laws set out communal tasks proper, sources of communal income, rules on granting and transferring subventions and state aid as well as conditions of raising credits for the execution of these tasks.

Considering all these arguments, working out a local housing strategy and policy becomes an indispensable step to be undertaken by the local authorities.

Strategic approach to the housing problem is particularly important when financial resources are limited and there exist no other means to improve housing conditions in a commune.

In the EU member states local self-governments elaborate urban development strategies, with the special premium put on the housing problematic.

Local housing strategies should include:

- **Description of local rules consistent with the settlements of the state housing policy**
- **Adaptation of the state settlements with regard to the given local financial and other conditions.**

Elaboration of an adequate local housing strategy is by definition an interdisciplinary task. It should therefore include versatile social, economic, planning, architectural and last but not least ecological conditions.

Local authorities ought to first work out general development strategies for their towns and communes. Within their parameters a detailed, location tailored strategy will be worked out by the local self-governments.

While working out local housing strategies one should keep in mind that problems encountered in the housing sector vary from region to region. Depending on a region intensity of housing problems as well as dynamics of social housing associations (their renovation activities) vary.

For a proper local housing strategy blueprint to be worked out, a thorough diagnosis of a current situation must be prepared, based on which main objectives, determinants of future development, strong and weak points as well as chances and dangers may be defined.

An urban housing strategy should be based on a legal order currently in force, as ensuing from the statutes and ordinances

As for today, communes have relatively broad margin of choice in the matters of urban development, housing strategy and allocation of financial resources including.

Communes influence improvement of housing conditions through direct financial support, but also through various stimulating, organizational and other investors' friendly activities. Through their housing strategies local authorities improve living conditions of the commune and encourage its members to invest in own housing, which delivers verifiable evidence of authorities' efficiency.

1.3. VAT related problems

VAT construction rate of 22% was set by the former Government, who anticipated that a rise in tax rate on construction services and products, when spread over a period of time will ensure additional receipts for the national purse. They were to amount to ZL 327,1 mln in 2001, ZL 558,1 mln in 2001, and ZL 442,2 mln in 2003. After a thorough analysis of a Polish housing market, it was reckoned that prolonging of a 7% VAT on construction products and services would be an optimal solution. A rise from 7 to 12% (and to 22% from 2003 on) proposed by a Government in 2001 would bring about dire slowdown in the development of the construction sector Such a radical, and sudden VAT rise would surely not benefit Polish construction market.

Housing construction sector in Poland is seen as a special economy sector, which is why a talk of a conceivable, temporary decrease in national budget receipts and disregarding possible social and economic consequences of the proposed VAT rate rises, is far from rational. EU candidate countries negotiate long

transition periods for the gradual rise of VAT in the construction sectors. Polish Government on the other hand proposed fast and sudden rise of these rates. Reaching a 22 % rate in the short period of time would result in abrupt rise of market prices in the construction sector by about 15%. VAT rate rise on the construction services and products should therefore be put off until the visible betterment of demand and introduction of housing construction assistance programs, the more so that many EU member states give preferential treatment to this economy sector.

2. The role of the LCHS in relation to the difficult financial situation of its tenants

The mentioned difficult financial situation of tenants renting the LCHS apartments poses new challenges before the LCHS, linked not only with ensuring a financial security through involvement in other operations connected with building. The LCHS tenants are usually working in firms and institutions located within the same region and the LCHS buildings.

Thus, when those firms or institutions are in financial difficulties or are liquidated it is the LCHS tenants that lose their jobs. What does that mean for the LCHS? The LCHS is forced to broaden its activities to spheres hitherto unknown to it. It must participate in the revitalisation of the old or creation of new economic activities within the region, where are located its housing properties and thus create work for, among others, its own tenants. However, the LCHS cannot conduct such activities directly – this is excluded by the LCHS statute. The LCHS may only act as an animator in creating new or reanimating old economic structures – firms, cooperatives, etc. The law enables the LCHS to act as partner in such structures, what gives the LCHS a possibility not only of creating such structures but also of controlling them and deciding about their activity.

3. Poland's difficult financial situation results in social building having small chances of development, what means that a financial assistance from the structural funds would be necessary.

Despite the fact that economic structures for social housing – the LCHS – operate already in Poland, their activity is increasingly limited. This is caused by the financial difficulties of both the State and municipal authorities.

In consequence one may observe a drastic decrease in the number of new social apartments build, what is caused, among much else, by:

- difficulties of the State budget and thus limiting of the State assistance for the National Housing Fund,
- difficulties of the town and municipal budgets, and thus a decrease in the co-financing of social housing – one must remember that the credit from the National Housing Fund cannot exceed 70% of the total cost.
- Financial difficulties of the social housing potential tenants. The future tenants must be able to pay the rent and maintenance bills. Moreover, before receiving the keys to a social apartment, the tenants must pay a security deposit of up to 10% of the building cost.

Thus assistance from the structural funds for social housing is a necessity. A necessity which may have highly positive results, such as a decrease in the currently very high unemployment rate. It does not need reminding that the development of the building industry creates a chance of lowering the unemployment through:

- creating new places of work,
- making it possible for people to move to regions which can offer work.

Let me remind, that as the President of the National Chamber of Commerce of Low-Cost Housing Societies I wrote to the Prime Minister of the Polish Government requesting that the national plan of development,

presented to the European Union, would contain the stipulation for the use of structural funds in social housing. I hope that our joint work within the CECODHAS will bring the necessary pressure on the relevant agencies in Brussels and make it possible for the Candidate Countries to use structural funds also for social housing.

4. The difficult economic situation of the countries of Central and Eastern Europe result also in small chances for the development of social housing in those countries and thus a financial assistance from the structural funds seems expedient.

According to my knowledge, in the remaining Candidate Countries there are no structures resembling the Polish LCHS. A similar system is being currently created in Slovakia.

However, this does not change the fact that in those countries one may also observe difficulties in the housing industry. As those countries are also undergoing an economic transformation, one may assume that assistance from the structural funds could take a similar form to that implemented in Poland.

5. The implementation project for social housing in the countries of Central and Eastern Europe, aspiring to the EU, should include:

a) determination of joint regulations containing a definition of social housing stock, how should they operate and thus in consequence what changes should be made in the laws of individual countries to adapt them to the EU standards:

- terminology,
- national law,
- building standards,
- rules for public procurement.

This means it is necessary to, among much else, prepare an international dictionary containing the necessary information.

b) a presentation of the existing situation in each Candidate Country:

- law on building, financing and management of social housing,
- existing Government and local programmes for the building and exploitation of social housing,
- the overall stock in tenement housing,
- the existing stock in communal apartments needing revitalisation,
- the requirements for social apartments,
- the existing local funds for the revitalisation of the stock of social apartments,
- the existing local funds for the building of social apartments and the methods in which such funds are used,
- non-government structures with a statutory obligation to build social apartments and manage the stock of social housing,
- non-government structures with a statutory obligation to support tenants of social apartments and others needing such support,
- State and municipal funds for the building and reconstruction of the stock in social housing,
- State, municipal and other funds supporting the tenants of social apartments.

c) a presentation of the situation existing in EU countries (CECODHAS members), i.e.:

- law on building, financing and management of social housing,
- existing Government and local programmes for the building and exploitation of social housing,
- non-government structures with a statutory obligation to build social apartments and manage the stock of social housing,
- non-government structures with a statutory obligation to support tenants of social

apartments and others needing such support,

- State and municipal funds for the building and reconstruction of the stock in social housing,
- State, municipal and other funds supporting the tenants of social apartments.

d) the necessary support from structural funds in order to meet the requirements for social housing,

e) the projected changes in the plans for the use of structural funds, which would make it possible to allot funds for:

- technical and social infrastructure accompanying social housing,
- implementation of national programmes for social housing,
- implementation of projects leading to the revitalisation of economic activity in regions with specially unemployment rates – creating possibilities for tenants to co-operate in the maintenance of the apartments occupied.

f) the role of national organisations and CECODHAS in:

- creating non-government implementing structures,
- bringing pressure in the EU institutions to implement to plans proposed.

g) Creating an international group (within CECODHAS) for co-ordinating the implementation of points a), b), c), d) and e).

SOCIAL HOUSING FINANCING: A COMPARATIVE PERSPECTIVE

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In most northern European countries, social rented sectors were developed in the decades following 1945. However, different institutional structures and funding mechanisms were adopted to meet this common end. Moreover secondary objectives of the sector also diverged between safety net and wider affordability objectives. This report provides a practical examination of the social rented sector in Britain and in six other European countries: Denmark, France, Finland, Germany, the Netherlands and Sweden. The principal purpose of the study is to inform the development of housing policy in Britain

The role of the social rented sector

In the decades following the war Governments in northern Europe generally developed social rented sectors. A common motivation was to alleviate housing shortages. In four of the countries surveyed, including Britain, the social rented sector now makes up around 20 per cent of the housing stock. The Netherlands has the largest social rented sector (more than 33%), and Germany the smallest (6%).

There is no consistent trend in the size of the social rented sector. Whilst it has diminished greatly in Britain and Germany as a result of Government policy, it has exhibited stability elsewhere. Production fell generally in the 1990s, usually due to financial constraints, but Britain had the smallest social housing building programme.

As the importance of social rented housing in meeting housing shortages has diminished, differences in its role have emerged. Britain places much importance on using the social rented sector as a safety net for vulnerable households, and is the only country where there exists a legally enforceable right to housing for specified groups. Various mechanisms exist in other countries to ensure that social rented housing provides a safety net function, for example through the use of local authority nominations in Denmark and Sweden. But in France, social landlords are often reluctant to house the poorest households.

The social rented sector in other countries performs a greater role in enhancing housing affordability for wider range of income groups than it does in Britain. Income limits exist in Finland, France and Germany, but these are sufficiently high as to permit income mixing. Allocation procedures often depart from the needs-based system commonly operated in Britain. Priority is given to existing tenants of estates in Denmark whilst application-driven systems, where time waited is the main 'currency', are widely used in the Netherlands.

British housing exhibits a greater level of inter-tenure polarisation than in the other countries. After adjusting for the relative size of the social rented sector, households from the poorest two income deciles are much more likely to be housed in the sector than in the other countries. Moreover, the rate at which the use of the sector falls as incomes rise is most dramatic in Britain. Thus social rented housing is distributed as if it were a strictly means-tested benefit in Britain, as if it were a less severely means-tested benefit in the Netherlands, and as if it were a flat-rate benefit with a relatively high upper income limit in France. It is notable that this pattern is not the result of the exclusion of nuclear families from the British social rented sector – in common with France and Germany there

is a greater proportion of nuclear families in the British social rented sector than in the population as a whole. Further analysis showed that greater income inequality in Britain combines with tenure polarisation to give British social renters substantially lower average incomes compared to the national average than their counterparts in the other countries.

The provision of social rented housing

The study showed that Britain has been unusual in providing social rented housing which has been owned and managed by local government on a (near) monopoly basis. As Britain moves away from this model, this study indicated that four main types of social landlord were used in the countries studied. Municipal housing companies, which enjoy greater operational autonomy than British local authority housing departments, are the main provider of social rented housing in Sweden, Finland and Germany, whilst a weaker form of municipal housing company provide the bulk of French social rented housing. Housing associations are the preferred model in Denmark and the Netherlands, whilst a variety of non (or limited) profit companies operate in France, Finland and Germany. Germany is unusual in providing much social rented housing through private sector landlords. A major cause of the shrinking of the German social rented sector is caused by this housing passing into the market rented sector once subsidised loans have been repaid. Outside Britain local monopolies seldom exist.

Social landlords are generally bound by rules relating to registration, regulation of activities auditing and supervision. There was a general deregulation of the social rented sector in the Netherlands and Germany in the 1980s and 1990s. However, the most recent policy proposals of the Netherlands government indicate an effort to regain some leverage over the operation of housing associations, limiting their diversification into commercial property development, but also encouraging a widening of their social objectives.

Financial organisations linked with the social rented sector often play a regulatory role - for example the state funding body in France, the state housing fund in Finland and the guarantee fund in the Netherlands. In countries where dependence on private finance has increased, the importance of external agencies in monitoring social landlords' financial and managerial profile has increased.

Rent setting

Whilst rent setting at below market rents is a key feature of social rented housing, recent policy debate has focussed on anomalies in rent structures, between regions, landlords in the same region and within landlords. Rent setting at the level of the landlord is determined by the debt structure of the organisation, subject to various subsidies that are generally designed to tackle the 'front-end loading' problem that makes debt most expensive to serve in its earliest years. In Britain a distinct advantage of monopoly local landlords has been the ability to pool rents, limiting rent anomalies between old and new properties. The more fragmented structure of the social rented sector in some of the other countries studied limits the opportunity to pool rents, although it is now permitted in Germany and actively encouraged in Finland. Denmark's cost-rental system operates largely at an estate level and this creates particularly acute rent anomalies with older, popular properties in central areas sometimes having lower rents than newer, peripheral and less popular estates. Other countries, including the Netherlands and Sweden, also reported anomalies in rents at the level of the landlord, with rent structures often failing to reflect fully differentials in popularity.

The report established that rent rises in the 1990s had been greatest in Britain, Finland and Sweden. These countries recorded real rent increases of more than 30 per cent. In Sweden rents rises are agreed in negotiations between local landlords and tenants' associations. The French government

issues guidelines, but landlords are free to set rents as they wish, whilst cost rental principles apply in Germany Finland and Denmark (subject to small profits in Germany and Finland). In recent years the British government has introduced more central control over rent increases in England, a policy also followed by the Dutch Government. It was noted that credit rating agencies have expressed concern that such rent controls limit the financial flexibility of landlords and might endanger long-term maintenance.

Housing Allowances

Several features of the British Housing Benefit system have attracted criticism. There are three main complaints: first that recipients of social assistance do not have to make a contribution to their rent, second that all recipients are insulated entirely from rent rises and third that the steep taper (that determines the rate of benefit withdrawal as incomes rise) creates a poverty trap.

This study indicated that these features are unusual, but the distinctive nature of the British system is attributable to its function as a safety net, designed to prevent post-rent incomes falling below social assistance levels. Moreover, British social assistance payments do not make any provision for housing costs.

Housing allowance schemes in the other countries fall into two categories. In Sweden, Finland and Denmark the housing allowance system fulfils an affordability function, whereas a safety net is provided by the social assistance system. Eligibility for housing allowance must be tested before social assistance. In the Netherlands, the housing allowance also performs primarily an affordability function, but since social assistance provides only standard allowances for housing costs, it is possible for post-rent incomes to fall below social assistance levels. Germany operates a system similar to the Dutch system, except that additional payments from social assistance may be made if post-rent incomes fall too far. Whilst the systems operated in other countries do not pay all of a tenant's rent, they are also withdrawn less quickly as incomes rise.

While there is no common trend in the numbers of housing allowance claimants in the 1990s, real costs were higher at the end of the period in all countries where figures are available. Sweden was the only country to have achieved significant reductions in housing allowance costs. These had almost returned to their 1990 levels by 1999. These reductions were achieved in part by falling unemployment, but also by excluding childless claimants aged 29-65 from the system. Such households could seek protection from social assistance.

The study indicated that a higher proportion (almost 66%) of British social tenants are dependent on housing allowances than in the other countries – one-third in the Netherlands and Sweden, around 40 per cent in Finland and 50 per cent in France. The high (60%) proportion of Danish social tenants receiving housing allowances is attributable to a generous scheme operated for pensioners. The study also found that Britain devotes a higher proportion of GDP to housing allowances than in the other countries.

Further analysis revealed that the high level of housing allowance dependence and expenditure in Britain is attributable to inter-tenure polarisation, greater labour market polarisation and the lack of generosity of the social security system.

Subsidies and Surpluses

Housing subsidies are usually divided to reduce the level or the cost of servicing housing debt in its early years when its real burden is greatest. The need for such subsidies has diminished as inflation

and interest rates have converged downwards throughout the advanced economies. Pressures on government budgets has also increased, although there is evidence that many European governments experienced falling debt as a result of lower interest rates and falling unemployment, rather than by tackling underlying subsidy commitments. Expenditure may be squeezed during a future recession.

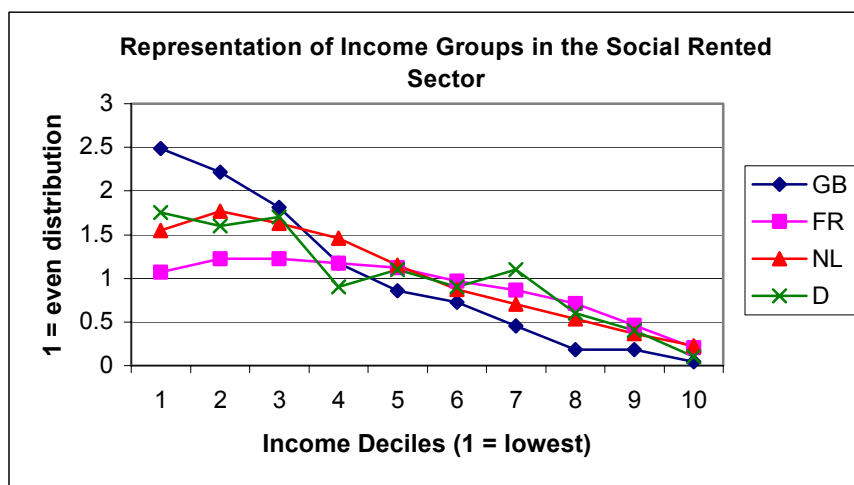
A variety of subsidy instruments are operated by the countries surveyed. State loans are still a feature of the French and Finnish systems, whereas Britain relies much more heavily on capital grants (in the housing association sector) than any other country. Recurrent subsidies are mainly a feature of the German system and British local authorities. The most common form of subsidy is the interest rate subsidy, which is often reduced over time. The Netherlands has now abolished subsidies, having first provided the housing associations with payments designed to relieve them of debt. Sweden's interest subsidy system has now been replaced with the equivalent of a tax allowance (for new loans).

The research showed that as many social rented systems move towards surplus, these surpluses are sometimes captured in part by Government (Sweden and Britain), or redistributed between landlords through mergers (Netherlands and Britain). Denmark provides an example of a transparent mechanism for redistributing surpluses between landlords through a sector-wide building funds.

Private Finance

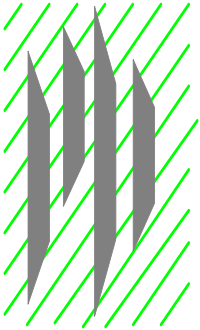
Private finance is of major importance in promoting social rented housing in all of the countries surveyed other than in France. It is usually sourced from the dominant types of financial intermediary in each country. Special intermediaries exist in Britain and the Netherlands to help to access capital markets on behalf of social landlords. British social landlords are unusual in accessing the capital markets directly. The most extensive securitisation programme exists in Finland, whereby state loans are securitised in order to provide funding for new loans or interest subsidies.

The survey suggested that the cost of private finance tends to be higher in Britain than in the other countries. The measurement of the cost of funding is extremely complex and this finding requires more detailed investigation. However, a likely explanatory factor is the absence of a loan guarantee system in Britain.



A full version of this paper can be found in:

Mark Stephens, Nicky Burns and Lisa MacKay (2002) *Social Market or Safety Net? British Social Rented Housing in a European context*, Bristol; Policy Press (ISBN 1-86134-387-6) tpp@bristol.ac.uk



SOCIAL HOUSING POLICY IN HUNGARY

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The state of the public housing sector

Social housing has been a neglected area of the housing policy of the 90s. The transfer of the state owned housing stock to the municipalities (1991), and the speeded up privatization (1993-1998) resulted in a weak public housing sector. By 2001 the share of the public housing decreased from 21% to 4% of the total inhabited stock. Privatisation has continued and is taking place even now, when a public rental sector investment program has started as well. In the years of 1999-2001 local governments sold 10-13 thousand units yearly, and built around 200 new units. The new program was launched in 2000 and will result 10,000 units according to the approved applications received by the end of 2002.

The housing subsidy system has not been successful in addressing the social housing issues effectively. The housing allowance program (Social Law, 1993) is managed by the local governments helping the households to pay for the maintenance costs of both private and public housing. The introduction of allowances is compulsory, but specific eligibility criteria are set by the local governments, which makes it possible to decide about the scale of the program locally, depending on the revenue sources available. Local governments have voluntarily been introducing rent subsidy programs for the public sector, which is made possible by the Housing Law (1993), but is not mandatory. These rental subsidy programs could be locally connected to the housing allowance program. There is a need for harmonising the two laws. The scale and the size of these programs are very limited; according to recent estimates the total cash benefits programs on housing related expenses amounts to 3,5-4,5% of the total household expenditures on housing.

Owing to the weaknesses of the socially targeted programs described above, significant arrears have been accumulated over the past few years. According to 2001 figures, the total amount of arrears was 40 billion HUF, and around 4-5% of the households have more than 6-month longer arrears. Special programs have been launched to consolidate these arrears, but they haven't been successful in handling the problem. The amendments to the social laws aim to introduce special incentives and resources to offer a solution.

The potential demand for rental housing is around 750,000 rental units, out of which approximately 500,000 units need social support. However, the demand for the rental stock is influenced by the opportunities in the owner occupied sector. Because of the current tax and subsidy system, owner occupation has huge financial advantages: contract saving premium, interest rate subsidy, tax allowances and housing construction subsidy. This implies that only those will appear on the demand side of the rental sector who cannot afford entering owner occupation.

The public housing sector is a loss generating service for the local governments. The rents cover approximately 30-40% of the actual costs related to the residential sector. This gives an incentive to local governments for under-maintenance of the stock. The investment need in the public housing sector for the renewal and rehabilitation of the stock is 300 billion HUF. On the basis of economic rationality, it is not in the interest of local governments to enlarge the social rental sector, since this sector involves considerable losses (rent payments do not even cover running expenses). Furthermore, they have to face the related serious political tension (for example, the tenants' protest against the increase of rents, or against the creation of social rentals in their neighbourhood). Despite the economic arguments described above, local governments consider participation in the program as a priority for two reasons: 1) housing is a key area in welfare 2) they want to have access to additional investment grants through the programs. 25/75% matching ratio is very favourable compared to other investment programs, in which the typical ratio is 40/60%.

The insignificant role the rental sector plays in the Hungarian housing system can be explained partly by privatization, and partly by the financial (taxation and subsidies) and legal regulations. In general, the households choosing the rental option are at a disadvantage in terms of their financial situation compared to owner occupation. They are not eligible for the same grants as those in the owner occupied sector, and in the rental sector both the tenant and the landlord have to pay taxes after the rental fees or revenues. The lack of proper legal regulations make the tenant's and the landlord's situation unpredictable. The demand for the rental tenure is largely residual caused by the crowding out of the households from the owner occupied sector.

Housing program of 2000-2002

The housing policy of 2000-2002 introduced several new elements into the housing system. The direct budget and indirect (tax allowances) housing subsidies have increased to 1,34% of the GDP. However, the maneuvering room of the government has increased more, as the burden of the pre-90s loan crisis decreased from 31% to 16% in the total subsidies.

Housing policy of 2000-2002 had focused on two areas: 1. Support for the new construction and purchase of private homes through the subsidized housing credit, and 2. Support for the public rental sector through targeted programs.

The housing program of 2000-2002 put much more emphasis on housing credits. The government introduced an interest rate subsidy program in two schemes: a) an interest rate subsidy to the mortgage bonds, and b) the interest subsidy for loans related to new construction. In 2002, as part of the election campaign, the size of the subsidy was increased and the personal income tax exemption was substantially extended. As a consequence, the amount of subsidized loan grew from 130 billion HUF (2001) to 500 billion (2002). This generated a subsidy commitment (the present value of the future flow of the subsidies related to the loans issued in 2002) up to 2.6% of the GDP. Any rental program should consider the risks involved in the subsidisation of the private sector.

The other element of the housing policy launched in 2000 was a grant program for local governments supporting five housing areas: rentals sector, energy saving renewal, rehabilitation programs, land development, and housing renovation owned by churches.

The most important element in the grant program was the support of the public rental sector. The program gave an investment grant to the local governments up to 75% of the investment costs for various purposes: social rental, cost based rental, young family housing, elderly homes, and pension homes. In the years between 2000-2002 several hundred local governments took part in the

program. The total investment amounted to 50 billion HUF and more than 10 thousand new units will be added to the rental housing stock.

In addition to the social housing scheme, a cost based option has appeared as well, with the aim to ensure the long-term cost recovery in the sector. This implies an introduction of a rent level which is higher than the existing social rent, but lower than the market rent, thereby producing cost recovery. The regulations set the rent as a minimum of 2% of the construction cost.

The success of the rental sector program is an indication of the commitment of local governments to solving the housing problems. Before launching it there were a lot of concerns in the Housing Policy Committee that local governments would not be able to participate because the majority of them would not possess the 25% own contribution necessary for participation.

The program was considered to be successful, the applications exceeded the grant possibilities. 41% of the applications was rejected; the rejection rate was lowest in the social rented category. In the year of 2000 there was no rejection, each application was approved. The rejection rate increased to 52% in 2002 in the social rental applications and to 63% in the cost based category.

The demand for the continuation of the program is very high, but there seems to be no resources to meet them. The average costs were considered to be very high although one of the most important selection criteria was the average cost per square meter of the unit.

There are other weaknesses of the program as well: 1. no real monitoring and enforcement system is built in, as the program administration is very weak (the administration cost is about 0,5% of the program) 2. The discretionary elements are important in the selection. 3. The cost rent is considered to be high for poor people.

In conclusion, the public sector housing program should address two main issues:

1. The existing housing stock is under a privatization pressure, therefore it has to be separated from the newly established part of the sector created either through new construction or rehabilitation, or purchase. The new housing policy concept gives recommendations how to separate the two sectors.
2. An efficient housing allowance system has to be set up which, with the support of the law, prevents the accumulation of arrears and makes the rent and operational revenue predictable and stable flow of income for the public sector landlords. The new housing policy concept paper recommends a reform of the present system.

The housing program of the new government

The National Housing Advisory Committee was assigned with the task to prepare a new housing policy document, which should be discussed by the public and approved by the parliament by the end of 2003.

Based on the past few years' experience, four laws have to be amended in order to improve the efficiency of the housing system. The government is currently working on the amendment of the housing legal framework to solve the following problems:

1. Rent regulation

At present, the rental regulation is limited to the units owned by the local governments. There are no legal regulations to control rents in the private sector, and although there may be some legally possible ways to get around it (e.g. in the grant contract special conditions related to the rent can be stipulated), it would be desirable to create a clear and comprehensive system of legal rent regulations.

2. Tenants' property rights

The Housing Law (1993) preserved several elements of the socialist rental system, especially a strong protection of tenant rights, e.g. tenants have the right to swap their apartments and the public landlords could not prevent them from doing so; the tenancy can be inherited by immediate relatives, etc.

3. Condominium law

Hungary has a fairly efficient condominium law. However, there are a number of decisions which require a unanimous agreement of the owners, e.g. major renovation, loan taking, selling or renting out common property of the building, etc. In order to increase the efficiency of property management, the law should be changed in order to eliminate the possibility of a small minority blocking decisions. The law on housing co-operatives should also be amended to be able to cope with similar problems.

4. Building regulations

The building authorities have very limited legal rights to prescribe a minimal maintenance level for the buildings. They are only allowed to intervene in case of life hazard. Most condominiums neglect maintenance of their buildings and they do not have enough reserve funds.

5. Rent allowance

Two different laws regulate housing allowances. The social law makes it compulsory for local governments to use housing allowances to help households with housing expenditures including a wide range of housing services. The housing law makes it possible for local governments to introduce rent allowances. The two laws should be harmonized to conform to the new social rental program.

The new government promised to continue the housing policy the program started in 2000. In the election campaign very few expert had foreseen the possible fiscal consequences of the continuation of the housing program, especially the effects of the commitments in the interest rate subsidy programs. According to the present projections, the subsidies related to housing loans will increase very fast, and if the eligibility criteria for the interest rate subsidies are not modified other programs will be crowded out. According to our conservative estimates, in 2004 the interest rate subsidy and the tax allowance will reach 0,68% of the GDP, and will increase to 1,3% of the GDP by 2010.

The new social rental sector program

In the government's housing program there are two areas with high priority. The "panel" program, which includes the renewal of the housing stock, built with the prefabricated technology. The other is the social rental program. The new government decided to launch a public housing program, which aims to increase the share of the social rental sector to 15- 20% of the stock, and to introduce a proper

subsidy system including an efficient rent allowance system. This objective would be impossible to realize at the current level of the program.

Some of the main element of them proposed program are the following:

1. There will be three sub-sectors in the rental sector: a) the social, municipal sector which would remain basically the same as today b) the new controlled sector which includes both private and public rental units under the control of the local or central housing bodies c) the uncontrolled private rental sector. The housing policy and most of the programs would focus on the controlled sector described in point b).
2. The traditional municipal sector and the “new” controlled rent, cost rent etc. sectors should be institutionally separated. There would be different rules in the different sectors in terms of the rent setting, eligibility criteria for the rent subsidies and selection of tenants. The most important element in this regulation would be to make the operation of the new controlled sector financially and legally transparent and accountable to the program management.
3. The controlled rental sector has to enjoy subsidies a) to compensate the advantages of the private sector subsidies and b) to support the social elements of the housing policy. The details of the program are still being discussed, but there is consensus that, for at least a transitory period, a supply-side, capital investment subsidy is needed to be launched.
4. An income related rent allowance system should be part of the program which would be a real contribution to the demand for the controlled sector increasing the affordability of the socially needy target groups.

The critical element of the program is the controlled sector in which a new institution, the housing company will have a determining role. Both supply-side and demand-side subsidies will be used to support the creation of the new companies. In the beginning, the typical actor would be the local governments which, in co-operation with other companies, e.g. insurance or construction companies, will set up the new entities. The new companies will be eligible for investment grants and interest rate subsidies; they will rent their newly built or purchased apartments to eligible tenants at a controlled rent in return. They have to be registered as social landlords, similarly to the British system.

Initially, the sector will increase by 7-8000 units annually, which requires a total of 90-100 billion HUF investments. The majority of this investment will be financed through credit, generating a demand for loans approximately in the amount of 60 billion HUF per year. The optimal share of the grant and the subsidized loans is currently being discussed.

On the demand side, the eligible households would be given housing vouchers managed by the local governments from matching funds sharing costs between central government (75%) and local government (25%). This will be a close-ended subsidy, which will increase gradually, and according to the program predictions, approximately 200-250 households will be supported. The households will be free to choose among the registered landlords. The individual landlords can register as well, but they will not be eligible for the supply-side subsidy.

The new housing policy aims at the creation of the controlled and supported subsector in the rental market. The rents in the private rental sector are 5-10 times higher than in the public rental. According to the CSO survey the actual average market rents are much lower than reflected by the chart, because the share of the sub-market. In Budapest the average rent is 800, in towns 400 HUF/m²/month. Even so, the difference is high.

The introduction of the “cost rent” program element aimed to narrow the gap, but there were a lot of concerns regarding the introduction of the cost rent. The argument was that that level of the rent crowded out the low-income households because of the affordability issue.

The public rental sector program aims to involve the private sector in the social housing finance. One of the criteria is the rent allowance program, which makes a more radical increase of the rents possible. According to one proposal, the average rent allowance per capita would be 250 thousand HUF/year, which makes the rent level of 800-1200 HUF/m² affordable for the low and middle-income group.

On the supply side subsidies there are different proposals about the needed amount of the subsidies. In the most recent, not yet approved proposal the number of the newly built or purchased units will be 7,5 thousand per year.

To sum up, the objectives of the social rental program:

1. To increase the share of the social rental sector

The program makes the increase of the social rental sector possible by allowing the private sector through the new housing companies to purchase and build rental units in the framework of the public rental housing program. In addition, the landlords of the existing private rental units could also be registered under the social rental program. To reach the targeted 15-20% rental share in the stock in fifteen years makes it necessary to use the above options beyond new construction.

2. To improve the transparency of the subsidy system of the sector

With the help of an efficient housing allowance system and through setting up new housing companies, the financial flows in the sector (rent revenues, grants, rent allowances and rental revenues) would be a great deal more transparent than at present.

3. To improve the targeting of the direct and indirect subsidies in the sector

The introduction of a cost recovery rental level and a housing allowance system in the controlled sector would result in a better targeted and more flexible subsidy system.

4. To improve the efficiency of the management of the public sector

Housing companies are expected to separate the housing management from other businesses. Their performance will be much easier to measure and compare with each other. This way the client will be able to force them to be more efficient.

5. To improve the housing conditions in the public sector

After privatization the deterioration in the public housing stock has accelerated as a result of deferred maintenance in lack of sufficient resources of municipal companies. The cost recovery rent would guarantee a proper maintenance in the long run.

6. To improve the affordability in the public sector

The rent allowance system would increase the affordability of the lower-middle income households in the rental sector.

TRANSFORMATION PROCESS OF SOCIAL HOUSING FROM „EAST“ TO „WEST“

Axel Viehweger, CECODHAS - Germany

Transformation process of Social Housing from „East“ to „West“

Basic Condition: In all candidate countries for the EU almost the same situation can be stated.

New Construction and Rehabilitation of Housing is by far not enough to cover the needs. There is a tremendous need for rehabilitation for old as well as panel buildings-

State subsidy systems are existing with free hold flats, but do not consist of enough financial funds.

Personal subsidies, as for example rent allowances do not exist in most countries.

The banking system is established, also building societies do exist.

In general terms rents are not cost covering – investment in this field is not profitable.

There is still a legal uncertainty in some countries for the recognition of co-operative housing.

A main problem is, that socially orientated housing is not understood as a long term political task to be fulfilled by all parties.

Nearly each change of government is leading to legal modifications.

Experience from the transformation of housing in the former GDR

When the German wall came down more than 12 years ago, there was spontaneous feeling of joy among most of the German and also European population. The symbol of German and European separation into two political, economic and military blocks could be overcome.

Very few people spoke about social and economic problems at that time and those, who warned, were not listened to.

First let us have a short look at the situation on the day of the reunification.

Then I will describe the measures taken.

The Housing Situation in 1990

For 16,7 Mio inhabitants in the former GDR there were 7 Mio housing units. Most of this stock was in state property (41%), a significant part in co-operative property (18 %) and the rest was in private ownership.

The rent was not at all cost-covering. It was a political prize: On an average : 1,-- DM per square meter. This was 4-7 % of the income.

New construction had priority in GDR. Pre-fabricated panel buildings were erected and in high numbers produced. Rehabilitation was neglected. The old housing stock was in a terrible state. Whole areas of old parts of cities in the GDR turned into slums.

Although a significant number of new construction had been realised, the equipment of the housing stock in total was rather bad:

1,3 Mio units (18%) had no shower/Bathroom
1,7 Mio units (24%) had no toilets of their own.
and 3,7 Mio units had no modern heating system.
This was approximately 53% !

There were no cost covering rents, no regular maintenance and not sufficient repair of dilapidated buildings.

Subsidy Policy for Rehabilitation

In 1990 a federal rehabilitation programme of KfW (Kreditanstalt für Wiederaufbau) - Bank for Reconstruction started with 10 billion DM.

Until 1999 75 billion were invested. Until 2002 there will be another 10 billion DM. The interest rate is 2% after two years without any reimbursement. The credit can be paid back in 30 years and is limited to 300 Euro per square meter.

Since January 1999 there is also the law on investment promotion (Investitionszulagengesetz), which means tax relief for the housing associations and co-operatives.

Basic Questions of Property

The municipalities had to found independent municipal housing associations. The property was transferred to them. Also the housing co-operatives received the land as their own property. During the time of GDR the land was property of the state and only the buildings on them were property of the co-operatives. First there were some severe problems to transfer the land to the housing co-operatives. In 1993 a law was finally passed, so that they became owners after paying a more symbolic prize of 1 – 3 DM per square meter to the municipality.

From the total stock of 4,2 Mio. rental units 3,5 Mio were transferred to the municipal housing associations and the housing co-operatives.

Privatisation as part of the Solution of former Debts

A dramatic problem had to be solved after the reunification: The former GDR had no cost covering rents and consequently the housing stock had a problematic debt accumulation.

The debts were partly covered by the state and partly had to be covered by the housing associations and co-operatives through the privatisation of 15 % of their stock. Especially in the case of the housing co-operatives that meant, that individual property had to be created.

Rent Development in Eastern Germany

After the reunification the former law of GDR about low rents had to be changed step by step. First of all the financial situation of the new Länder had to be improved.

Loans with low interest rates were then offered by the Länder, so that the most needed repair work could be done.

After the 1.October 1991 the rent reform started, completed by the second rent reform from 1992 to 1998.

Also the running costs had to be calculated in a cost covering way. This was a central condition for the housing associations and housing co-operatives to survive.

Summary

The basic condition was in principle the same. But there was legal clearness in a very quick way – for housing co-operatives and municipal housing associations, for investors from those abroad as well as national ones. Also for the tenants the development was transparent.

From the former so called “people owned” units, municipal housing associations and housing co-operatives were formed.

A state subsidy system was introduced, including personal allowance for the tenants.

In this way the rents could be increased step by step within six years up to a market rent level.

People with low income receive rent allowances.

Conclusion:

For the functioning housing market and for the market and for the provision of affordable rental housing units it is indispensable to build up a long term housing policy based on all parties legal security for investors and tenants cost-covering rents and rent allowances for low-income sections, which means social security.

SOCIAL LANDLORDS AND HOUSING MANAGEMENT

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Evaluation of Operating Efficiency of Housing Management Organizations (City of Cheboxary, Russia)

The economic incentives incorporated into the management contracts are highly important for improving efficiency of social housing management. That is only for introduction of economic incentives mechanism for expense reduction, that an effective system of social housing management can be formed to cause a real change in housing economy and attract extra investment potential to the sector. That economic mechanism will provide for the living conditions improvement, housing and utility services cost reduction, and will initiate measures for energy saving. Housing management organizations can act as real subjects of economic relations only in terms of effective contractual provisions, together with incentives mechanism incorporated for economic achievements in housing management activities, fees for housing management services depending on their activity results and the scope of work fulfilled.

The owner of social housing stock, while providing for housing management functions, must monitor and assess results of activities of housing manager (company) to ensure:

- Control of the contract obligations fulfillment by the manager;
- Current supervision of important indicators of the management company activities;
- Obtaining current information on the conditions of the housing stock under the contractual management;
- Assessment of the management quality against the pre-determined criteria;
- Timely corrections and improvement of housing management quality services.

Thus, evaluation of operating activity of housing management organization is due to identify achievements and problems within the management process and facilitate the development of plan to improve the quality of management services. The results of evaluation of housing management company activities under the owner's monitoring program are supposed to be directly reflected in the system of payment for management services. The management contract should initially incorporate the economic incentives system based on evaluation results. The system of indicators for evaluation should be designed individually to fit the specific local economic conditions or characteristics of the specified management company or task. The evaluation mechanism itself should be helpful to the owner and targeted towards the desired results.

Such system of indicators to evaluate operating activities of the municipal housing management companies was designed by the experts from The Institute for Urban Economics (Moscow) for the City of Cheboxary (Chuvash Republic, Russia), according to the agreement with local administration. There are three municipal companies for social housing management in the city to be assessed. After the evaluation program and the system of indicators was approved by the Mayor of the City of Cheboxary, the evaluation procedure started in April 2003, first results being agreed to show up in a quarter.

Evaluation is performed on the basis of 5 complex indexes (1. Quality of services provided; 2. Volume of works performed; 3. Structure of expenditures for maintenance and repair of housing stock; 4. Collection of payments; 5. Organization of activities of the management company). Each of those complex indexes involves several indicators to be evaluated. In order to perform comparative evaluation of the operating efficiency of three housing management companies of the city of Cheboxary, we used a rating scale, which rates actual value of indicators as “the best”, “average” or “the worst” and assigns corresponding score to them (1, 2, 3).

During the evaluation procedure a separate evaluation form is filled for each organization. Actual values of indicators are filled in the form, and then, in order to apply the proposed rating scale and assign an appropriate score under each indicator, it is necessary to compare the actual values of indicators of the three organizations and identify “the best”, “average” and “the worst” indicators.

A score is calculated for each indicator with regard to the corresponding weight designation. The weights, reflecting the relative significance of indicators, are determined by expert analysis. The sum of all weights equals 1.

The score is determined for each indicator, taking into account the weight and adjusting coefficients used for comparison of the results of activities of management organizations working with housing stock with different conditions: coefficient of housing stock deterioration level; coefficient of comfort level of housing stock; and coefficient of budget financing efficiency.

A complex score determined for each index is made up of scores under indicators of the given group with regard to weight and adjusting coefficients. Total score is determined as the sum of the scores for each factor with regard to weight and coefficients.

For the factor 1. “Quality of services provided” under the item “Evaluation by population”, it is suggested that in addition to evaluation of complaints about unsatisfactory quality of housing and utility services, received by local self-government bodies, additional information on quality of services provided should be gathered from population directly (indicator “Survey evaluation”). For this purpose, it is recommended to conduct a survey of population opinion with the use of the specially designed table to be filled out by residents on the back of their payment slips. Based on the results of the questionnaires, total number of “yes” answers for all types of services is calculated for each organization and divided by the number of questionnaires, and actual values received in this manner are put down in the corresponding line. Then, they are evaluated in accordance with the above algorithm.

Thus, by filling out this table and analyzing the resulting values, we can perform comparative evaluation of operating efficiency of housing management organization for the given period.

PRIVATIZING SOCIAL HOUSING IN TRANSITION ECONOMIES: REFORM CHALLENGES IN LATVIA

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The process of housing transformation in CEE countries has been very dynamic and progress with respect to supply- and demand-side reforms has been uneven (Tsenkova 2000a). What has changed during this decade of ‘transition from planning to markets’? Are these nations better housed today, is there any evidence of progress towards a more efficient, equitable and sustainable housing system? This paper explores the impact on governance of social housing in Latvia with a particular emphasis on four realities: marginalization, quality, subsidies and management.

FOUR REALITIES

SOCIAL HOUSING HAS BEEN MARGINALISED. Rapid privatisation of public housing in post-socialist countries has created ‘nations of home owners’ with rates over 90%. Although Latvia embraced privatization recently, its public housing declined by 30%. The new housing system faces a number of problems. First, low-income households have become homeowners without having the ability to maintain and sustain the quality of their asset. Second, municipalities have become minority shareholders in most of the buildings with mixed ownership. But more importantly, the low share of public housing has left municipalities with no opportunity to provide shelter to socially marginalised households, people with special needs, as well as to respond to rising homelessness.⁴ Under fiscal austerity investment in social housing has disappeared. Indeed, the decline in public sector investment in the Baltics has been significant, with production declining from 70% in the 1980s to less than 6% today. A decade of under-investment in housing has undoubtedly contributed to social distress, significant deterioration in the housing stock, and homelessness.

SOCIAL HOUSING TENDS TO BE CONCENTRATED IN THE PERIPHERAL HOUSING ESTATES. Municipalities and social institutions, that tend to be the landlords of social housing, are the owners of the worst parts of the housing stock. Most of the publicly owned units tend to be concentrated in the peripheral housing estates of large urban centers. Though the stock was built in the last 40 years, its quality is poor due to deferred maintenance and lack of systematic investment. Due to shortage of public funds and further delay of retrofitting, the modernisation of these properties would become financially impossible for the public landlords. One might argue that in most of the cases they own a liability rather than an asset (Tsenkova, 2002). In Latvia tenants in the housing estates have been reluctant to exercise their right to privatize.

IMPLICIT HOUSING SUBSIDIES ARE NEITHER EFFICIENT, NOR EQUITABLE. Present housing costs, which are a significant burden for close to 55% of the households in Latvia, cover essentially heating and electricity. The analysis reveals a distorted structure of housing expenditures, with the bulk of the costs consumed by utility payments, rather than fees that sustain the value and the quality of the housing assets. Although rents have increased by almost 50 percent between 1995 and 1999, they still account for less than 35 percent of the total housing costs. Rent control policies continue to provide universal subsidies to all households in the public sector – tenants and owners.

⁴ As part of the reform process, major responsibilities for investment and management of municipally owned housing were delegated to Latvian municipalities. In addition, municipalities are required to provide housing for low income and socially disadvantaged groups as well as housing assistance to low income tenants and home owners.

These high implicit subsidies are neither fair, nor efficient use of public funds and do not benefit the poor. It should be noted that despite the low rents, rent arrears are common.⁵ ‘Old habits die very hard...’ Psychologically, households find it very hard to pay the real costs of their housing consumption.

HOUSING MAINTENANCE AND MANAGEMENT STILL A MONOPOLY. The Municipal Housing Maintenance Enterprises in Latvia have a monopoly over the management of multifamily housing. Home ownership is still treated as ‘social housing’. Although municipalities are entitled to set rents in their administrative boundaries -- a radical departure from the previous policy of state controlled rents -- municipal enterprises charge marginal fees/rents for upkeep and resort to patchwork maintenance and emergency repairs. *The result is a simple formula – low fee, no service.* Often tenants' rental and communal debts are transferred to new owners and/or renters of the apartment. Such illegal ‘procedures’, as well as inefficient collection of payments, lack of effective mechanisms to recover debt and to initiate eviction, have aggravated the financial problems of municipal management companies and building owners. Other practices include illegal ‘letting’ of vacant apartments and lack of transparency in the transactions with social housing (Tsenkova, 2000).

THE WAY FORWARD

Overall social housing faces a dual challenge: escalating costs and growing need for social housing on one hand, and less investment and subsidies on the other. Future prospects for the sector are really bleak. It is politically difficult to maintain stable and coherent social housing policy in politically and economically unstable societies, where inequalities are taken for granted and in most cases are perpetuated by the privatization process (Tsenkova, 2000a). Experience during the last decade indicates that governments in Latvia have failed to integrate social housing reforms into the wider process of welfare restructuring. It is obviously difficult to protect social services during fiscal austerity, but at the same time it should be perceived as critical for the reproduction of social capital, for the quality of life and correspondingly for economic growth. Despite fiscal constraints, policy makers need to find innovative ways to ensure a more sustainable system of social housing provision. Indeed, in the long term the hidden costs of poor social housing policies and/or poor targeting of subsidies can be great (Tsenkova, 2002). These tasks are impossible to tackle without the support of the central government, the private sector and local communities. Stepping up the effort requires a simple agenda, which might include the following: i) close the chapter on privatization; ii) consider a more cost efficient structure of rents and better targeting of subsidies; and iii) improve governance: involve communities, tenants, and non-profit landlords in the management of multifamily housing.

THE CRITICAL ROLE OF MUNICIPALITIES: FOUR PRIORITIES FOR ACTION

At the municipal level, housing problems need to be addressed through a coherent strategy for reform (Tsenkova, 2000). The following steps are considered to be instrumental for the successful management of housing in the post-privatization phase:

1. One of the highest priorities in Latvia should be to prevent further decay and inefficient use of the existing housing stock. A comprehensive approach to address the problems of maintenance and management of existing housing requires the following major initiatives:
 - Preparation of municipal strategies for housing renovation and improvement
 - Action plans for improvement of multifamily housing and infrastructure

⁵ Close to 10% of the households in Latvia have previous debt as far as payments for rent and/or maintenance are concerned; in the rental sector that share is as high as 19.7% (Central Statistical Bureau of Latvia, 2002).

- ❑ Pilot programs for priority areas, such as energy improvement retrofits.
2. Following the completion of voucher privatization, municipalities need to consolidate ownership in one building envelope and to eliminate, to the extent possible, mixed ownership arrangements. This process needs to be supplemented by carefully designed policies dealing with ownership of denationalized land restituted to previous owners. In the long run, in such cases the municipality needs to facilitate the transfer of privately owned land under multifamily buildings to the owners of the apartments, offering compensation.
3. Contracts between owners of privatized apartments and the municipality need to be reviewed along the following lines:
- ❑ Management and maintenance function need to be clearly separated
 - ❑ Municipal management obligations should be phased out with the establishment of a Home Owners Association (HOA) as a legal entity
 - ❑ Maintenance should become demand-driven with choices to contract municipal or private companies made by HOA
 - ❑ Maintenance fees need to be introduced based on realistic obligations for future repair and upkeep of the housing unit and corresponding share of the common space.
4. Systematic financial policy in the area of management and maintenance of municipal rental housing is long overdue. Emphasis needs to be placed on:
- ❑ Improvement of rent collection procedures, and prudent financial management of limited revenue
 - ❑ Re-evaluation of rents to reflect quality and location of the unit and the cost of services offered
 - ❑ Development of a more efficient and transparent housing subsidy system that targets the needy and abolishes the general subsidies through uniform, low rent level
 - ❑ Opportunities to reduce maintenance costs through competitive bidding for contracts and/or involvement of tenants in the provision of daily services.

CONCLUSION

In summary, the long-term development of the social housing sector in Latvia will depend on sound macro economic policies and on the ability of housing authorities to distribute housing in an efficient and effective way. Institutional capacity building, restructuring of housing subsidies and the system of housing finance are instrumental for the success of these efforts. Growth and investment in housing can only be maintained and improved if the underlying institutional structure is firmly put in place. Municipalities need to improve governance in the housing sector as well as develop policies that enable the private sector and housing markets to work. Efforts need to focus on innovative solutions to mobilize funds through new partnerships with the central government, the private sector and local communities.

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RIVA PLAN FOR CIUTAT VELLA, VALENCIA (SPAIN)

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1. Initial situation

Valencia can be proud of having one of the most extensive and relevant Historical Centres (1,730,000 m² in size) of all the big European cities. Since its origins in the second century before Christ, it has contained a Roman settlement, an Arab extension and later Christian expansion resulting in the five districts or *barrios* which today form Ciutat Vella: Carmen, Velluters, Mercat, Seu-Xerea and Universitat-San Francesc.

In the second half of the twentieth century, neglect and lax urban development regulation considerably spoiled the splendour of Ciutat Vella. There was an accelerating process of urban, social and economic degradation which had the effect of losing 57.3% of its inhabitants, the ageing of the resident population, the tertiarisation of some areas and the appearance of pockets of marginality. In view of this obvious degradation of the Old City Centre, in 1992 the City Council and the Regional Government signed a joint intervention agreement for the development of the Integral Restoration Plan for Valencia (RIVA Plan) prepared by the Generalitat Valenciana Autonomous Community Authority.

2. Objectives

The RIVA Plan involves a set of multidisciplinary measures (urban development, social, housing, commercial, cultural) whose priority objectives are:

- To restore and revitalise the Old City Centre.
- To maintain the population at present living in the Old City Centre and attract new inhabitants.
- To get urban development reclassification, the creation of social, cultural and education services, concentrating on the most degraded zones, occupied by the most marginal strata of the city.
- To get different social partners to take part in the intervention to prevent the project from being rejected, and ensure it is assumed by the users themselves.
- To implement direct quality public intervention on the Old City Centre to act as a reference for private intervention.

3. Description of the work done

To achieve these ends the Regional Government declared Ciutat Vella as an Area of Urban Rehabilitation, with the creation of the RIVA Office - Ciutat Vella as a managing instrument and the establishment of a system of aid for private initiative to complement the financing lines established by the Central Ministry of Public Works' Housing Plan.

In order to back up this intervention work, in 1995 a cooperation agreement was signed between the Central Government and Regional Administration to carry out Restoration work on the Old City Centre of Valencia. The Generalitat Valenciana established different levels of intervention work: indirect action and direct action.

Along with the restoration of the residential resources, incentives have also been given for the recovery of special buildings, by adapting these for service activities, a sphere in which the Old City Centre has clear shortcomings. Consequently, by combining the renewal of the residential resources with the implementation of services, a living zone is created with balanced activities in the morning, afternoon/evening and night.

Direct mosaic type action spread over the whole area of the Old City Centre, like the redevelopments of public spaces and green belts, the particular recuperation of buildings or the conservation of monument cultural heritage, involved a type of intervention concentrating on Action Units, throughout expropriation mechanism. The endeavour includes temporary rehousing of the families affected with the option to return to their original houses after these are restored with large economic advantages. At the same time new previously uninhabited houses are offered, attracting new residents to the zone.

Apart from this, we should point out that the interventions on the Velluters district, the one with greatest social problems, backed by European Union funds stemming from the URBAN Community Initiative for districts in crisis characterised by social exclusion, with an investment of 1,171,400 € (1,692,378,000 pesetas).

4. Results obtained

The previously described intervention plan has improved the living conditions of the houses, as well as the aesthetic and functional quality of the urban environment.

The results achieved as regards the indirect action are as follows:

- Living condition improvements or work done on facades, roofs and common elements have been implemented on 8,900 dwellings, starting from the system of assistance for users. Private individuals' interest has been enormous, exceeding the forecasts of the RIVA plan.
- If the citizens' response has been better than in the most optimistic forecasts, one can say the same for the decision made by a significant number of private concerns who have chosen the Old City Centre as a location for their headquarters or to extend their services. Companies, foundations and associations for social and educational purposes have taken advantage of the aid and economic facilities laid down in the RIVA plan to settle in Ciutat Vella, with the implementation of 66 social, cultural and educational public facilities in the Old City Centre, which is thus seeing a resurgence of university, cultural and commercial activities helping to give it back an important role in civil society.

As regards direct action:

- There has been intervention work on different operations for regenerating public spaces, with the redevelopment of 60,170 m² of streets and the creation of new free spaces including the modernisation of electric power services, water conduits, telephony and drains.
- Some of the cultural heritage action work done has been the restoration of the Escuelas Pías church and college, Santos Juanes church and the blocks of workers' flats in C/ Na Jordana.
- Work is being done on creating a series of 464 public promotion buildings intended for the people affected by the measures involved in Action Units in the Old City Centre. The location of these buildings spreads over almost all the Carmen and Velluters districts through being the areas where most action of the sort described above is going to be carried out, and housing is being offered to the people affected by the expropriations in the Action Units such as n° 5 -Plaza del Árbol- and n° 21 – in the Carmen district- for assignment on sale or rental terms. This strategy will keep the traditional population of the area and also attract new residents as the surplus dwellings in the blocks will be

put on the market. Similar work will be done in the Velluters district, where intervention work will be focused in the coming years. 149 of the houses involved are already complete, 54 being built, 15 soon to be tendered out and 246 are in the stage of having the plans drawn up.

URBAN project for the Velluters district.

To get the urban recovery of Velluters under way it was implemented the special system known as “Action Programme for the Velluters District” (PAV), presented to the URBAN COMMUNITY INITIATIVE and approved for the 1994-1999 period. This project had an eligible cost of 13,8 M€ (2,300 million pesetas), of which 9,7 M€ (1,610 million pesetas) will come from FEDER European funds. The overall operation on the district is estimated to come to 78,00 M€ (13,000 million pesetas), of which 45,00 M€ (7,517 million ptas) will be funded by the Generalitat Valenciana authority.

The scheme is structured in four overall measures: redevelopment and reclassification of the urban space, improvement of the economic and commercial structure, endowment of social and cultural features, and endowment of education facilities. The new endowments which are going to be incorporated in the district are: Plastic Arts and Design School and Professional Music School, a Centre for the Handicapped and Occupational Workshop – Centre for Guidance and Diagnosis as well as a Residence for Senior.

Carmen district. Action Unit N° 22

In the barrio del Carmen, a particular modification of the Special Plan for Protection and Interior Reform of the Barrio del Carmen is being developed in the block formed by Guillem de Castro – Lliria – Gutenberg streets. The modifications planned should, with appropriate insertion in the structure, ensure an appreciation of the cultural heritage items of interest –such as the industrial sheds there which reflect the first industrial sites in Valencia in the 19th century- forming, as there is no Special Ring Road Plan, a front facing the river, integrating usages, maintaining the proposals for free space envisaged in the Plan in force and basically, recovering a population that will be in charge of the area’s maintenance. Along with these conditioning factors the scheme must assume the parameters established in the Special Plan in force referring to the minimum endowment surface and the maximum lucrative use to be made.

RESTAURO Project INTERREG II Community Programme

The Restauro Project is developed into MEDOCC area and constitutes a network of coastal European cities in order to swap intervention experiences in his historical centres, such cities as Genoa, Montpellier, Avignon, Palma de Mallorca, Seville, Alicante, Palermo, Matera or Rethymnon, in Greece, which has participated in the project as guest. Valencia’s participation in the system, implemented through the announcement of Interreg II, between 1998 and 2001, has enhanced its own dynamics for intervention in the Old City Centre.

The city of Valencia has taken part in the project by means of developing the “Urban Redevelopment of the Area around the Moslem Wall in the Barrio del Carmen”, which has acted as a base for carrying out the particular modification of the Special Plan for Protection and Internal Reform of the Barrio del Carmen in this sphere. The action has a dual aim: first of all the recovery and appreciation of the remains of the 11th century ancient Moslem wall; apart from this the intention is to invigorate one of the most degraded areas of the old city centre, which has fallen into a serious real estate slump and involves great social and economic problems.

Sustainability

The cooperation between the Autonomous Community and Local Administration and the participatory role of the social partners in the process for recovering and revitalising the old city

centre are the factors that ensure the continuity of the process. Furthermore, the great acceptance of the enterprise by part of the population is another of the key points involved in the sustainability of the action, as the maintenance of its inhabitants and the attraction of new residents makes it possible to halt the degradation process in the Old City Centre.

Swapping experiences

The RIVA Plan is helping to build a habitable city that respects the environment, stressing the integrated treatment of urban problems, the great efforts in coordination between the different authorities involved and the participation of social partners.

The execution of the RIVA plan has underlined indirect action, that is, encouragement of housing restoration by private people. There has thus been a transformation of the Ciutat Vella piece by piece. The results are appreciable in areas such as the Carmen district, where one can see an image of continuous and quite appealing renovation. As a complement, if the intention is to definitively invert the degradation cycle in some districts, the scale of action should be changed. Complete fragments of the district have to be developed, with houses, facilities, shops, service endowments, etc. This more forceful action will not only achieve the actual regeneration of the surface occupied, but have the effect of irradiating activity in the surroundings. As a pilot operation of these characteristics it was developed the URBAN Plan for Velluters district. It became a model of integral interventions into Old Town to be continued.

5. The project in figures

60,170 m² of redeveloped streets.

8,900 dwellings restored by the system of aid to private people.

66 social, cultural and educational equipment items implemented in Old Town.

464 public promotion dwellings: 149 completed, 54 being built, 15 soon to be tendered out and 246 in the stage of having the plans drawn up.

Financing

Total Investment 1992-1997: 104,00 M€ (17,329 million pesetas).

Regional Administration: 62%

Central Government: 4%

Private Sector: 34%

European Union Investment (URBAN initiative): 10,20 M€ (1,692,378.000 pesetas).

Total Investment 1998-2002: 238 M€ (39,667 million pesetas).

Regional Administration: 77%

Valencia Council: 33%

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EVALUATION OF SERVICES TO TENANTS AND MANAGEMENT OF SOCIAL HOUSING IN ENGLAND

Stephen Duckworth, National Housing Federation, United Kingdom

Introduction

The discussion paper for this workshop makes some interesting points on the governance of social housing, but in the U.K. it is not local authorities that play a lead role in the context of independently provided social housing although they are involved in partnerships. The more interesting separation of roles is between government, regional bodies and the independent social housing providers themselves. The U.K., and England in particular, has seen good experience develop on the relationships between public authorities and independent providers. Increasingly experience has also developed of resident participation in governance.

In this brief paper I am focusing only on one aspect of governance – the evaluation of performance in management and in the provision of services to tenants.

Evolution

Independent social housing providers in England, known as housing associations, have developed in the last quarter century from a small to a significant sector, now owning 1.8 million homes :

- 1% of all English homes in 1975
- 7% in 2002
- 35% of all social housing in 2002

A regulator, The Housing Corporation, has had a role in this sector since 1974. However the trade association for housing associations, the National Housing Federation (a member of CECODHAS) was founded in 1935 and has supported associations in their self evaluation of performance ever since.

The main theme of this paper is that associations have themselves developed governance arrangements to include a strong element of self evaluation. Their mission statements reflect this – for example the statement of one large London based association :

‘Our vision is to promote sustainable communities by providing quality affordable homes and services’.

Self regulation and evaluation

For effective self regulation, the provider must have the right culture of management and itself be dedicated to providing quality homes and services efficiently for its residents. This is far more important than the role of the state as regulator – the latter should be a backstop, trouble shooter and monitor to ensure this culture exists.

Features of effective self regulation and evaluation in England are :

- an independent (and at present unpaid) board;
- effective procedures for self assessment and monitoring, audit and internal controls assurance;
- use of a Code of Governance developed by the National Housing Federation and of a multitude of good practice guides published by the Federation and other bodies;
- Benchmarking performance amongst peer groups of associations (the Housemark organization provides a service to enable this in increasingly sophisticated ways);
- Tenant satisfaction surveys, in a standard format designed by the Federation so that results are comparable between associations;

- And on the development and construction side a construction forum and many other exchanges and sharing of good practice.

Statutory regulation and evaluation

As noted above, this also is important. The Housing Corporation is the statutory regulator for housing associations. It has long experience of its role, and can bring the consistency of a national body to the task. Its role has also given comfort to private lenders to the sector. As a result of its role and of a default free sector, funders have made available over £25 billion so far on competitive terms, without a state guarantee.

In the field of regulation the Corporation aims to :

- protect public funds;
- safeguard tenants' rights;
- ensure 'best value' and effective management;
- assist with delivery of Government policies;
- and preserve the reputation of the sector.

Its regulatory role focuses on governance, financial viability and effective performance. Its expectations are increasingly directed towards the outcomes of the housing service provided (eg that all social housing homes be of decent standard by 2010) rather than crude outputs, such as the level of maintenance spending or numbers of repairs carried out.

A separate body, the Audit Commission carries out inspections both of housing association and local authority housing services to assess how good is the service provided. A host of other bodies have statutory roles which touch on housing association regulation and operations:

- A statutory registrar for each type of association;
- National Audit Office to protect taxpayers' money;
- Department of Health for nursing home regulation;
- Commission for Racial Equality;
- Inland Revenue for taxation;
- Local authorities for a range of strategic and detailed issues;
- Funders for meeting loan covenants;
- Independent Housing Ombudsman to receive resident complaints and provide protection.

Finally statute law is also extensive, to implement both European directives and national policies. Some examples are:

- Employment law and related European directives;
- Landlord and tenant law;
- Race Relations Act;
- Other anti discrimination law (sex and disability);
- Data protection;
- Freedom of information;
- 'Whistleblowers Act'
- Human Rights Act;
- Care Standards Act;
- Environmental Protection Act.

It is the responsibility of housing associations to be aware of how all these affect their operations, and whereas compliance can be costly, non-compliance can be even more so.

INSTITUTIONAL CASE STUDY: DEVOLUTION AND HOUSING ASSOCIATIONS IN GREAT BRITAIN: ENHANCING ORGANISATIONAL ACCOUNTABILITY?⁶

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This case study evaluates the extent to which devolution in Great Britain has enhanced the organisational accountability of housing associations three years after the creation of the Scottish Parliament and National Assembly for Wales. The British housing scene has been typified as highly centralised. Whilst Scotland has its own long-established legal system and Wales the scope for interpreting legislation enacted in Westminster, opportunities for significant variation in policy and practice have traditionally been limited, but by no means insignificant. However, events since the election of a UK Labour administration in May 1997 have started to change this. The new government's commitment to devolution was taken forward in referenda in Scotland and Wales and the enactment of legislation to set up a Scottish Parliament and National Assembly for Wales (NAW). These new bodies control most aspects of housing policy. The main stated objective of UK devolution was to overcome the 'democratic deficit'.

The evaluation framework examines (a) the goals set for social housing organisations, (b) the processes by which they are set, and (c) the ways in which goals are monitored and enforced. Our work seeks to examine the extent to which Scotland and Wales have broken with the past and with aspects of English policy and practice. Our assessment of the position in 2002, presented in table 1, reveals that, whilst it would be a mistake to suggest that housing policies and administrative frameworks have been traditionally monolithic across Britain, there is evidence that they are now diverging further, and that policy priorities for housing associations are coming to reflect local circumstances and locally-determined decisions to a greater extent than hitherto.

Official policy goals of the sectors remain broadly similar – a finding probably to be expected, given that all three jurisdictions currently fall under the control of the same political party – albeit in coalitions in Wales and Scotland. There are undoubtedly some differences of priority and emphasis across the three jurisdictions rather than diversity. This reflects some of the variations in policy and practice that developed since 1989 (when the funding and regulation of housing associations was devolved). The significance of devolution in this area, however, is the groundwork laid for future housing policy divergence in the event that different political parties assumed control of the NAW and the Scottish Parliament to that running the UK government.

Though housing policy goals may have remained relatively consistent across the three countries, there is evidence that the methods for formulating those goals and the institutional framework for monitoring their delivery are changing in different ways. The introduction of the devolved institutions and a new layer of politicians in Wales and Scotland is associated with a more inclusive approach drawing in more actors, compared to the previous position in these jurisdictions. Again, however, it is hard to determine the extent to which this reflects devolution *per se*, as opposed to the more general New Labour preference for 'inclusiveness', also visible in the

⁶ Abstracted from: Walker, R. M., D. Mullins and H. Pawson 'Devolution and housing associations in Great Britain: enhancing organisational accountability?' *Housing Studies* (2003) 18, 2, 177-199. Analysis excludes Northern Ireland and does not consider social housing provided by local authorities.

formulation of policy at Westminster post-1997, through for example the setting up of various ministerial policy ‘sounding boards’.

Where the post-devolution structures in Wales and Scotland have clearly diverged from England is in the abolition of the pre-existing QUANGO (quasi-autonomous government organisations) regulators, with these functions being brought more directly under Ministerial control. These changes also seem to suggest that devolution has resulted in greater accountability to elected politicians. However, in the Scottish case, it needs to be appreciated that an appointed board of non-executive directors has been created to oversee Communities Scotland’s regulatory activities and to create greater separateness between regulation and funding within a single organisation. It also needs to be acknowledged that these reforms were clearly signalled in the 1997 UK Labour manifesto, rather than being decisions initiated by the newly devolved administrations.

Similarities are also apparent across the three countries in the changing methods used to secure housing associations’ compliance with centrally endorsed policy goals. In all three jurisdictions the development of regulatory regimes have clearly been influenced by Best Value principles. This has been seen most clearly in England and Scotland. In Wales housing associations are implementing Best Value but inspection has not been introduced and the existing regulatory regime remains in place largely unchanged. Furthermore, regulatory activity apparently diminished in Wales following the absorption of Housing for Wales functions into NAW. Given the emphasis of Best Value and its associated inspection on tenant and customer involvement, it could be argued that housing associations’ accountability to their customers has been enhanced in England and Scotland but not in Wales. The adoption of the Best Value framework has, again, come about somewhat independently of devolution itself, though the ways that this is being played out is a result of devolution.

The Scottish decision to subsume both housing associations and local authorities under a single regulatory system can be attributed to the devolved administration in Edinburgh. This will impact, at least indirectly, on accountability arrangements for housing associations in that the regulatory framework being developed for this purpose has to be shaped with a view to application in the local authority context (e.g. regulatory sanction to impose performance managers). Again, however, the planned Housing Inspectorate takeover of housing association inspection in England could be portrayed as reflecting similar thinking at Westminster. Similarly, performance indicators used in the two sectors are being increasingly aligned with one another in both Scotland and England. In Scotland and Wales structural institutional changes are making housing associations more accountable to local authorities, enhancing lateral accountability, through the changing nature of capital funding which gives them greater powers and involvement with associations. Once more, however, this is not a major distinction from England where local authorities have a role in commissioning and resource allocation.

The judgement at this stage is that housing associations’ accountability has been enhanced in all three countries of Great Britain alongside the advent of devolution, and – with the Housing Corporation remaining a QUANGO – that this has taken place in Scotland and Wales to a slightly greater extent than in England. However, changes are likely to be ongoing. For example, the Corporation’s own accountability is being enhanced to include more direct control by the Public Accounts Committee through National Audit Office audit and direct access to housing associations.

Table 1 - Housing associations and organisational accountability post-devolution

	England	Scotland	Wales
<i>Housing association policy goals</i>			
Client group	Less emphasis on needs based rationing, more on choice and transparency.	Continued stress on needs-based approaches – only very cautious support for more consumerist stance	Unchanged position, though more flexibility permitted in the allocation process
Tenant participation	Best Value and stock transfer increases emphasis on involvement as well as consumerism.	Legal obligations placed on social landlords to facilitate tenant involvement. Community governance tradition continues.	Best Value increases emphasis on involvement as well as consumerism
Funding and competition	Grant rate increased to 60%. Increased emphasis on sustainability and local partnerships rather than outright competition	Grant rate unchanged. Continued commitment to local control and limited competition	Grant rate increased
Rents	Rent regulation based on RPI, proposals to restructure and reform rents	Unchanged position	Unchanged position
Stock transfers	Expanded programme of local authority transfers.	New wave of local authority transfers to newly-created RSLs in prospect.	Greater encouragement of transfer option.
<i>Regeneration</i>	Housing policy subsumed within regeneration policies. Regeneration activities now formally included in association objects.	Increased encouragement for RSLs to take on wider roles in community regeneration	Regeneration is now a key policy goal for all housing organisations
<i>Methods for formulating goals</i>			
Formal process	Unchanged but greater involvement by local authorities and other regulators.	Scottish Homes replaced by Communities Scotland, an executive agency directly accountable to ministers.	Abolition of Housing for Wales (1999). NAW MWAs set policy
Role of others	Audit Commission and National Audit Office roles enhanced. Local Authority role continues.	Local authorities may gain more influence, especially post-stock transfer	National Consultative Forum on Housing (1998) draws in all other housing bodies
<i>Structures for monitoring goals</i>			
Institution Relationship to politicians	Housing Corporation Formally unchanged	Communities Scotland Chief Executive responsible to Social Justice minister; regulatory powers exercised through Regulation Board to achieve separation from funding activities.	NAW politicians direct contact with regulators
<i>Methods used to secure compliance with goals</i>			
Framework	New regulatory framework from 2002. New arrangements to follow from unification of inspection regime with that for local authorities	New Performance Standards from 2002. New Inspection regime.	No change
Key examples of framework	Principles of Best value and CI. Sanctions Agreed action plans, Suspension of funding, Statutory Inquiries, Appointments to Boards, Transfer of engagements	Inspection-based regime based on Best Value. Sanctions: imposition of board members, imposition of performance manager.	Principles of Best Value. Sanctions: Observation, supervision and transfer of assets.

STRATEGIC PARTNERSHIPS IN COUNTRIES IN TRANSITION

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Building partnerships for social housing aim at articulating policies, strategies and action plans from central to local levels and to develop coordination and synergies among different categories of actors: governments and local authorities, technical bodies and instruments, associations of households and professionals, and the private sector.

Building partnerships is particularly crucial in countries in transition where new policies and arrangements are being set up at national and local levels, after large privatization programmes and long period of disregard to the social housing issues.

During this period, the main focus in the housing sector was related to the improvement of property and housing markets, complementing the reinforcement of domestic finance markets. Related actions were mainly in the following areas:

- (a) Development and modernization of property registration systems and cadastres;
- (b) Reform and simplification of regulatory framework to facilitate and secure property transactions and new housing developments;
- (c) Reform and enforcement of urban and construction laws.

Such adjustments are crucial for attracting market finance resources, including household savings, in a competitive environment. It is also essential for introducing flexibility and affordability in the existing self-owned housing sector, which, in constrained markets, can refrain people to adjust and access new employment opportunities.

Housing challenges are commonly addressed in market economies with little concern for the specific needs for adequate and affordable housing among low-income and vulnerable households. Housing strategies are often limited to market-oriented solutions and rely on unsustainable and limited international support to develop highly subsidized solutions for vulnerable populations.

Both market-oriented and special social solutions remain relevant in difficult humanitarian situations, considering the fact that long-term improvement requires well functioning housing markets. But many self-owned housing units of poor initial quality are now deteriorating due to lack of financial capacities of the owners to ensure basic maintenance, leading to the erosion of their only capital. In this situation, market improvements can even accelerate speculations and evictions of low-income and vulnerable families from their home with no affordable alternative solutions available.

Market improvements are also not sufficient to rapidly impact on sub-standard housing conditions, including slum development, occupation of inappropriate buildings and residual spaces and growing phenomenon of homelessness.

Addressing these issues requires strong political will and extended partnerships to forge consensus, develop voluntary, realistic and complementary policies to mobilize resources and establish suitable instruments, both at central and local levels. Three key principles should be considered in this perspective:

1. Appropriate distribution of responsibilities between central and local authorities
 - Municipalities and other forms of local governments must play the leading role in assessing the local situation, developing integrated local policies and strategies, establishing appropriate instruments and finally mobilizing local partners and coordinating social housing programmes.
 - Housing finance policies, including predictable and transparent subsidy mechanisms, are normally mainly developed at central level in view of macro-economic and budget constraints, also considering national consensus on priorities and fair distribution of resources based on consolidated national assessment and strategies.

Adequate and complementary distribution of responsibilities and resources between central and local levels, political and financial decentralization, capacity-building of local decision-makers and managers are some of the key elements to quickly and efficiently achieve significant improvements in the living situation of poor families.

2. Facilitating framework for extended implication of the various forms of the private sector
 - Individual and corporate private developers and investors require predictable and transparent incentives to participate in low-cost housing development.
 - Hundred of thousands of individual home-owners are improving their revenue by renting part of their property, even informally. This flexible housing stock play a key role to accommodate low-income households in the context of self-owned dominating tenure and constrained markets, despite poor and uncontrolled standards. Specific mechanisms should be systematically established to support and improve this sector of high and rapid potential for low-income populations.
 - Small-scale construction business is also crucial for developing individual self-owned and rental housing and maintain privatized stock at affordable costs. Adequate incentive and credit policies are key instrumental mechanisms for supporting this sector.

Assessment of needs and local policies should nurture national policies and guide the national finance policy to enhance private sector participation in the social housing.

3. Active participation of the various forms of civil society organizations in the elaboration and implementation of local and national policies. Professional associations, neighborhood and community associations and specialized NGOs with relevant technical capacities have a great role to play in awareness raising at local and national levels, but also in supporting transparency and preventing corruption.

Based on these principles, dynamic and equitable social housing policies should be formulated considering the following main lines of action:

1. Central governments must initiate wide consultative processes to improve national policy frameworks, related strategies and action plans for the social housing sector, meaning subsidized housing occupied by low-income households under different forms of tenure.
2. Governments also have to encourage and support Municipalities and local authorities to develop similar consultative processes and formulate, coordinate and implement local policies, strategies, action plans and programmes. In this respect, municipal capacities need to be supported through decentralization policies and specific support from central institutions.
3. Finance mobilization strategy should be based on appropriate combination of resources from the markets including households savings, fiscal incentives and reliable and predictable public budget allocations. Public budget allocations were and are still used in the entire world, including market economies, to build finance packages for social housing. Like health, education or infrastructure, adequate and affordable housing for all should be

considered by national and international finance institutions as a key sector and a powerful and efficient leverage tool for economic and social development. This is a question of political will as it was in Western Europe after the second World War and as it is nowadays in most developed countries. Appropriate national instruments must be established to guide and monitor the preparation of these special finance packages that could extensively be processed through existing finance institutions, including Commercial Banks.

4. In addition to the home-ownership sector, special and urgent consideration should be given to the development of rental housing in view of introducing flexibility in housing markets. Individual and corporate developers should be systematically supported to develop affordable and adequate rental housing programmes. Municipalities should also be encouraged to build local partnerships for establishing or enhancing specific instruments for the development and management of social housing schemes.
5. Maintenance and rehabilitation of existing stock must also receive special consideration within national and local policy frameworks. Beyond the necessary regulatory framework for management of share-owned housing and condominiums, accompanying elements are also essential. This includes a wide range of supporting measures targeting small-scale business, employment schemes, empowerment of neighborhood and community associations, development of appropriate micro-finance products, innovative social schemes to facilitate the stay of elder people in their home, crime prevention initiatives and other social issues to be addressed in integrated action plans at municipal and neighborhood levels.



SUSTAINABLE MAINTENANCE OF CONDOMINIUM BUILDINGS IN SOFIA, BULGARIA

George Georgiev, Bulgarian Housing Association, Bulgaria

Subject Area:

The project proposal reflects the current situation in the housing sector in Bulgaria – 97% homeownership, declining quality of the housing stock and urgent need for adequate management, maintenance and reconstruction

Project Goal:

To formulate and implement through a feasible pilot project an adequate system of partnership for management and maintenance of the existing owner occupied housing stock in Sofia

The Partners:

- Bulgarian Housing Association
- ‘De Nieuwe Unie’ Housing Association – Rotterdam (29 000 dwellings owned)
- ‘Woondrecht’ Housing Association – Dordrecht (10 000 dwellings owned)

Project Consultancy:

- Dutch Ministry of VROM (Housing Spatial Planning and Environment)
- Bulgarian Ministry for Regional Development and Public Works
- Municipality of Sofia

Dutch Housing Associations’ Activities:

- Core business: housing people with low incomes
- Technical and social management rental sector
- Project development
- Strategic stock management
- Commercial activities
- Management for home owner unions

Bulgarian Housing Association:

- Non-governmental organisation established in 1995 to promote the development of non-governmental social housing movement in Bulgaria
- Facilitates the development of housing policy legal framework at central and local level as a prerequisite for Bulgaria accession to the European Union
- Develops research and investment housing projects, promotes new methods for financing, construction, management and maintenance of housing

Project Content:

- Investigations for proper financial, legal and partnership structure for management and maintenance (owners union, Development unit, banks, municipality involvement)
- Establishment of an owners union in the pilot condominium building

- Establishment of a Development unit (entity formed by two Dutch housing associations, Bulgarian Housing Association and local municipality in order to implement the investment activities and secure payments collection afterwards).
- Development of renovation and maintenance plan of the building selected and signing contracts between the partners involved (owners union, development unit, bank)
- Execution of renovation plan and collecting the monthly payments to cover the investments made.

Proposed Financial Construction:

- Land value gets activated for investment in home improvement by:
 - Sale from municipality to owners below market price
 - Sale (deposit) by owners of land to Development unit at market price after home improvement
 - All sales (deposits) under condition of investment in home improvement
- DU attracts loans and EU subsidies (energy saving)
- To lower interest level loans are guaranteed with land under the building
- Energy measures lower heating costs for home owners and reallocate significant amount of running costs to renovation repayment
- For the building selected calculations show almost no raise of monthly running costs after energy efficient renovation (just restructuring of payments)

Proposed Legal Structure:

- Legal bodies:

Development unit (DU) = management organization with board of commissioners and Bulgarian staff

- Owners union = legal entity of members (the owners)
- Ownership:
 - DU: holds the land until the renovation funds are repaid
 - Owners: property of right to use/deposit of land under the building against renovation funds
- Securities:
 - Land deposit/mortgage is security to ensure monthly payments
 - On behalf of financing bank DC is first debt collector and executioner in case of non payment

Proposed Organisational Structure:

- DU is enabled by owners union and individual owners to:
 - Develop and execute home improvement plan
 - After realization to execute daily maintenance and management
 - Determine and collect monthly payments
 - Operate as executioner in cases of non payment
- Owners union:
 - Is equal partner in the development of the improvement plan
 - Is commissioner towards DU for daily maintenance and management
 - Has no role in the collection of monthly payments nor in cases of execution

Project achievements to date:

- April 2002 – project start
- Analytical phase realized
- Suitable pilot building found (Building estate Zaharna fabrika – from 40-ies)

Follow-up Activities:

- Detailing financial, legal and organizational structure
- Decision on a guarantee structure
- Agreement of Bulgarian and Dutch authorities
- Establishment of DU and of owners union
- Execution of renovation plan and possible replicating the scheme on a revolving base

The main challenge for the project implementation:

- To overcome the stereotype of mass thinking “things cannot be changed” trough creation of new partnerships as part of emerging civil society structures.
- Possible development of housing associations as managers of owner-occupied housing stock

EL IVVSA AND THE ELAIA PLAN, COMUNIDAD VALENCIANA (SPAIN)

Milagros Lopez, The Instituto Valenciano de Vivienda, S.A., Spain

*The **Instituto Valenciano de Vivienda, S.A.** (Valencian Housing Institute PLC) is a public company belonging to the Valencian Government. Created in 1987 as an entity to develop the Government's policies with regard to housing, its programmes are diverse, the fundamental ones being: the management of the public housing heritage of the Valencian Government, the obtaining of land by way of urban procedures and the promotion of protected housing to be rented out or sold.*

The “**Elaia**” initiative, (the name means olive tree in Greek), is part of the social work of the Valencian Government and is open to the participation of the City and Town Halls of the Valencian Community whose aims are to improve the living conditions of social groups in need of wider social aid.

Conceived as a new way to provide suitably adapted housing for the elderly who can still look after themselves it is an alternative to the typical “Residence” or Old People’s Home”

However, although the Elaia Plan in general deals with housing for the aged, it can also be used for one-parent-families, young people, etc.

The beneficiaries in every case are people who’s annual income level is not higher than 1,5 times the minimum wage.

It attempts to make the most of the advantages offered by the Housing Plan in answer to the needs of senior citizens. The fundamental base is that of the norms of both the state and autonomous governments which regulate financing measures on protected acts with regard to homes and terrain covered in the “2002-2005 Housing Plan”. Specifically, the Housing Plan offers grants towards the promotion of rented housing and socially justified, comprising usage which combines sole occupancy and a residence formula. They must all adhere to the norms required by occupants with special needs such as the young, the aged, immigrants, or others and they must include elements to help with the social integration of the groups concerned.

They may be promoted by individuals, or legal entities, public or private. The **characteristics of the buildings** are:

- Protected area, to qualify for financing they must not exceed 40 m² usable space per living unit in each.
- Maximum 20% of the usable surface may correspond to communal elements.

Advantages of the Elaia Plan:

- The occupant retains the privacy, self-sufficiency and freedom of movement he/she enjoyed in his/her previous home.
- He/she has available support, maintenance and security for day to day life.
- Individuals stay near to their habitual environment.
- Allows for the control of costs in construction, management and maintenance.
- Provides a supply of public housing.

Position:

- Preferably in urban areas, near to services: banks, shops, churches, Health Centres, etc.

- Specifically the plan must be considered ideal for medium to large sized towns with a high percentage of senior citizens supported by a network of social and community services.

Programme:

Apartments of 40 m² for one or two people. They should have a kitchen, living/dining-room, bedroom and gallery for hanging washing.

The design should eliminate architectural inconveniences, and include hand-rails in bathrooms, anti-slip flooring, wide door-frames, etc.

There should be also the use of electricity for cooking and alternative systems for heating and hot water to minimise danger.

Communal areas:

- The possibility of an adjacent Day Centre for the use of residents and elderly neighbours will also be valued.
- Specific services such as meeting areas, launderette, dining-room, etc. will also be needed.

Participation of different administrative bodies and of the Instituto Valenciano de Vivienda, S.A. (IVVSA) in the Elaia Plan:

The **IVVSA** is the autonomous public company promoting the new or adapted housing and the related community services.

The IVVSA covers every phase of the plan from the initial study to decide whether the building proposed by the City Hall is in a suitable place and is technically acceptable, its economic viability, obtaining the land, requests for and supervision of the plans, the administrative work and building control right through to completion. Once the building is completed the Council for Social Welfare or the corresponding Town Hall will take it over to run for a 25- year rental.

The **City Halls** must suggest sites they consider convenient, preferably without cost to the IVVSA to enable viability.

For the Elaia Plan, plots must be min. 3.000 m², with a guarantee of open spaces, garden areas and services. The position of land must be able to integrate into the surroundings and should preferably be a gift to the project.

The Gobierno Valenciano (the Valencian Autonomous Government):

- On one hand through the Council of Public Works, Town Planning and Transport, giving impetus to the plan, passing the dossier through the system as protected acts and financing them through the Housing Plan.
- On the other hand, through the Council of Social Welfare with greater or lesser involvement according to the management model chosen by the City Hall in question and giving technical support to the project.

At present the IVVSA has eight projects on the go under the Elaia Plan in different municipalities of Valencia, Alicante and Castellón, which will mean the construction of three hundred and sixty-four adapted flats and eight Day Centres, as all projects to date include them. Six further projects proposed by Town Halls are at present being studied by the Technical Services of the IVVSA.

BUILDING PARTNERSHIPS

Magnus Hammar, Secretary General, International Union of Tenants (IUT)

www.iut.nu

One way of building partnerships is for smaller brothers to hang on to bigger brothers. A few years after the UN proclaimed the World Habitat Day in 1976, the International Union of Tenants established the International Tenants Day, in 1978. Last year we commemorated the first Monday in October in Krakow, this year we will arrange activities in Zagreb together with the Croatian Association of Tenants

The IUT has been building partnerships since the mid 1950's. The IUT then consisted of 6 European tenant organisations. Today we have members in 42 countries around the world.

Three years ago we received an e-mail from a tenant association in Tokyo, Japan. Together with academics from one of the universities in Tokyo they were planning a tour to Europe, to study European housing models. So, one of their stops was Stockholm and the Swedish Union of Tenants. The fact that the tenants union in Sweden has direct influence in the housing policy and in the setting of rents in Sweden was indeed very surprising to them.

These and other facts and together with the opportunity to meet with colleagues in Sweden, and in other countries in Europe, gave this rather small tenant organisation in Tokyo a lot of new knowledge and ideas, and also new hopes.

But it also, which I think is at least important, just by learning about the fact that they were not alone in the world. Before their journey to Europe that had had no contacts with tenant groups outside Japan. Now they learned that the world, well at least Europe, was full of them! Colleagues in other countries who were working for similar aims! For housing rights, for fair rents and for housing legislation that gives tenants a fair chance.

This gave them new strength and more self-esteem.

Building partnerships among us NGO's is so important especially as many work voluntarily and unpaid. When there are times of backlashes and lack of energy, it's good to know that you are not alone.

The housing situation for many tenants, low income households with single mothers, young couples and others in Poland, Czech Republic, Slovenia and in I dare say all in countries in transition is very difficult, often desperate. Privatisation, together with restitution, has created a situation where these people often do not feel safe anymore.

- Rents in houses with landlords who perhaps live in New York or in Paris are sky-rocketing.
- Notices to quit are being handed out because the landlord claim that he or she wants the flat for a son and daughter – but which is just an excuse to get rid of the tenant in order to let it with a much higher profit.
- Fake owners claim houses together with corrupt lawyers and corrupt administrators in the town halls.

Yes, there are often legal frameworks, but too often they are frameworks with too many holes. And what low income tenant can afford court proceedings for 2 or 3 years?!

- The IUT build partnerships with tenant organisations in most of the transition countries. Through them we build partnership with Mr Ryszard Kich in Krakow. The landlord's administrator dumps the household garbage in the stairwell. The landlord himself lives in Argentina.

- We build partnerships with Mrs Krakowska in Warsaw whose landlord wants to double the rent. She can not pay this and there is nowhere for her to go. She has been in this flat for over 50 years, and her husband fought in both wars.
- We build partnerships with Mr Kadić (72 years old) in Sarajevo who lives in the 6th floor together with his wife. The lift has not been functioning since the war that ended in 1995. Mr Kadić is now the owner of his flat, but when the city sold the flats cheaply to the tenants they did not provide the house with funds for maintenance and repairs. Some owners want to repair and others don't want to, or can not. The house from 1984 is in a condition which more looks like it's 50 years old.

These and similar stories I am being told every week. And the situation is very similar in all countries in east- and central Europe, from Estonia to Slovenia and Bosnia.

So, I say; Well, you have to vote for a new government, local and state, if you are not satisfied. But, when answering me they give me a sigh and a face that show disillusionment. Why vote? The people who said that they would help us yesterday and whom we voted for in the last elections have now turned us their backs.

The voting turnout for many countries indicates distrust and resignation. How can you say that democracy works when only 46 % of the registered voters go and vote in Poland, and 57 % in the Czech Republic and in Estonia?

My personal view is that the turn out in parliamentary elections should have been one out of all those criteria that these 10 countries have had to fulfil before entering the EU. A turn out of at least 70 %!

We go through a period of transition. But how long is this period of transition? And how many of these people that I meet and talk with, the elderly, will still be around when this transitional period is over? Many of them feel like the authorities are just waiting for them to die out – and then the at least some of the problems will be solved.

Do they really have to be sacrificed?

SUSTAINABLE DEVELOPMENT OF SOCIAL HOUSING: FINANCIAL SUSTAINABILITY

Rapporteur: Claude Taffin (CECODHAS – France)

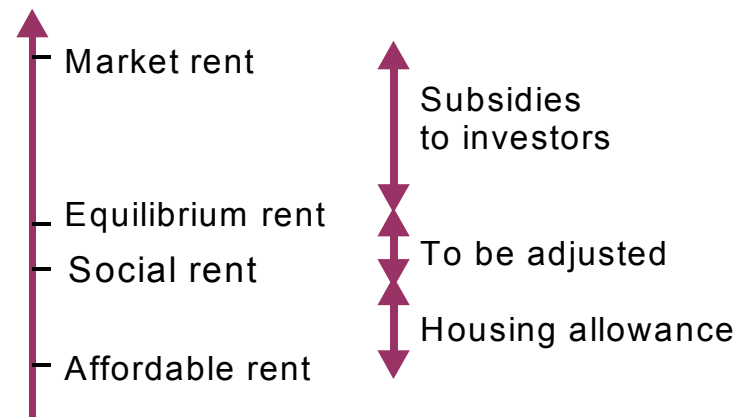
The concept of sustainable development often remains closely linked to its original meaning, which is the preservation of patrimony for future generations. The integration of social and economic dimensions has not always been well understood, especially in French speaking countries, because the word used to translate “sustainable” does not have exactly the same meaning.

In reality housing finance is an excellent field of application of the concept of sustainable development in its literal meaning which calls to solidarity between generations. Not only because housing finance is a matter of long-term but also because credit is recycled savings, the level of the real interest rate arbitrating between the rate paid to the savers, who belong the older generations, and the cost of the credit, paid (directly, or indirectly, through rent) by the younger generations. As concerns social housing, one must also take into consideration State subsidies and the entailed deficits that we may leave to future generations.

This is macro-economy. I will now focus on rental social housing and deal with the following question : what are the good practices in terms of finance and management that permit to avoid (to the extent possible) to bequeath to future generations increasing imbalances implying increasing rents, excessive renovating costs or calls for new State intervention (additional subsidies, implementation of guarantees of loans) ?

We have many examples, in Eastern and Western Europe of poorly maintained building that now leave no other choice than between demolition and heavy renovation.

The problem to be solved is how to finance the gap between the market rent, which enables an investor paying a market price to balance his accounts, and the rent affordable to low income households. Aids to bricks and mortar are used to lower the investors’ equilibrium rent and housing allowances are designed to make this rent affordable to low-income tenants.



Those who are in charge of housing policy have thus to make the best choices concerning:

- the balance between housing allowances and aids to bricks and mortar;
- the most efficient ways of financing social housing investment.

1. Housing allowance versus aid to bricks and mortar

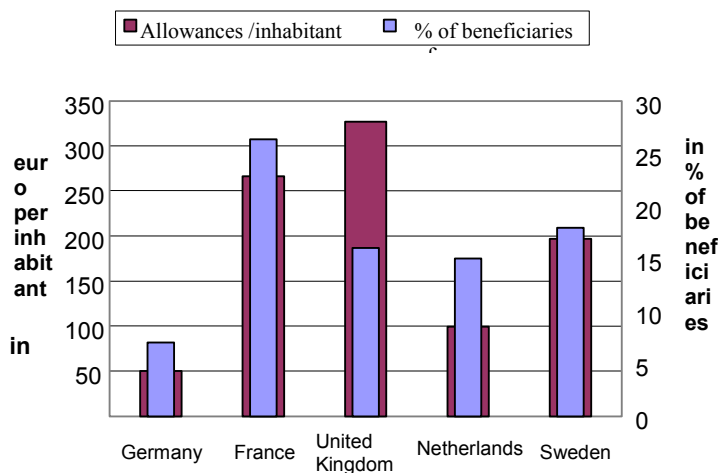
Housing allowance has been playing an increasing role in a number of developed countries and, in some cases (United States), aid to bricks and mortar has even disappeared. It is indeed better targeted and more flexible but also has a number of drawbacks:

- its administrative complexity,
- it entails heavy budget commitments : no reverse gear is possible and has to be increased when economy slows down (counter-cyclical effect),
- it may have a “poverty trap” effect,
- it may also have inflationary effects on rents.

There are great differences between countries:

- in France, there is a large number of beneficiaries ; home owners are eligible, tenants in private sector are eligible in the same conditions as those in the social sector and nearly 50% of all tenants receive it;
- in the United Kingdom, the average allowance per inhabitant is very large.

Housing allowance: proportion of beneficiaries and average amount per inhabitant:



Subsidies to investors are more efficient to increase the supply of housing and can be a counter-cyclical instrument to boost economy.

However, their social targeting is often questionable as it is difficult to design properly the target, in terms of eligibility and priority:

- if it is too wide, it may create life-long benefits (additional rent is seldom used) for tenants,
- if it is too narrow, there is a risk to turn into ghettos.

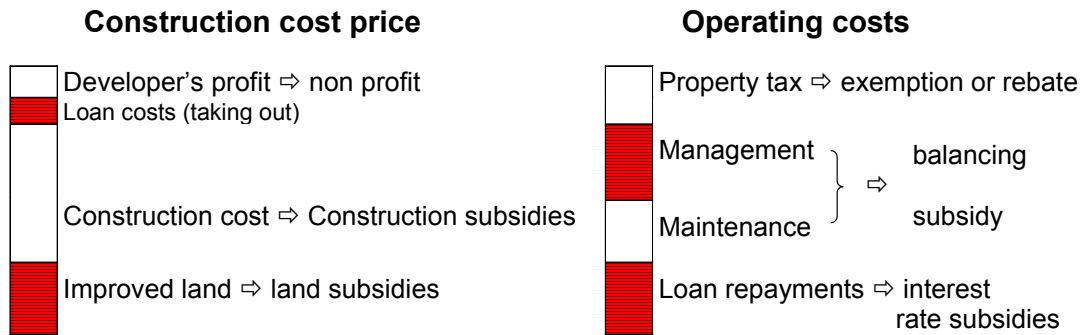
Subsidies to investors often uses subsidised loans as a privileged vehicle; in many cases, such subsidies create long-term liabilities (including credit risk) for the State.

Many E.U. countries use both housing allowance and aid to bricks and mortar in variable proportions. In France, the balance is: 3/4 housing allowance, 1/4 aid to bricks and mortar).

2. The concept of equilibrium rent

A good practice consists in defining an equilibrium rent so that it covers present (construction) and future (loan repayments, management, maintenance and taxes) costs, in order to avoid (or reduce) the need for future financial interventions, such as the need to pay, year after year, balancing subsidies or to have to finance heavy non-programmed renovation works.

Lowering the equilibrium rent:



The equilibrium rent is the value of the rent for which the discounted cash-flow is equal to zero (under realistic hypothesis on inflation and interest rates).

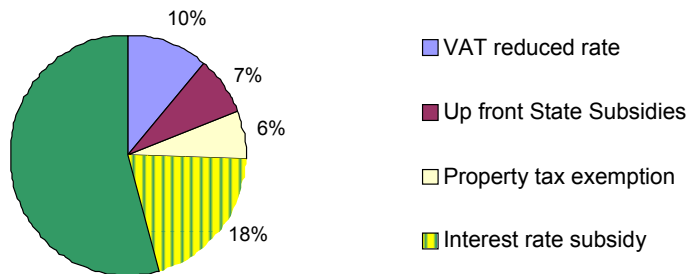
Whether the effective rent and maintenance effort will be after years what has been anticipated is another issue.

3. Subsidies to investors

Financial sustainability thus implies, for the social landlord, to build programs for which the equilibrium rent is affordable to targeted populations, therefore to gather a sufficient amount of subsidies, and, for the government, to make the most efficient choice between several ways of subsidising social housing investment.

As an example, in France, not less than four kinds of subsidies are used altogether.

Example: Share of various subsidies in France (% of building cost)



In addition to these subsidies social rental housing programmes often benefit from:

- State and local land subsidies;
- Off-market loans from the employer's Fund (0.45% of the salaries in the private sector – 10 employees or more)

Among all possible choices, direct subsidies from local or national budgets will be more and more limited and replaced by tax subsidies (exemption or rebate). The best example is the application of VAT reduced rate to social housing construction. A next logical step would be to

reach total VAT exemption in the end (it is the case in Morocco: developers who produce at least 2 500 units in 5 years are exempted from all taxes).

Bearing sustainable development in mind, VAT exemption also should be favoured as:

- direct subsidies entails budget deficits,
- long term property tax exemptions impact future tax returns,
- subsidised loans also imply long-term liabilities.

4. The key role of credit

However, most often, the major part of investment costs is financed through credit and the key issue for social housing landlords is access to long-term credit with a low interest rate and necessary guarantees.

Once again, I resort to the French case as it is a good example of the mentioned-above arbitration between savers and borrowers.

Current loans to finance social rental housing are:

- very long term (construction/land : up to 35/50 years),
- guaranteed by local authorities (most often),
- funded by (short term) deposits on “A” saving booklets,
- distributed only by a State subsidiary multifunctional financial institution “Caisse des dépôts et consignations”,
- at a rate of 4,2 % that only depends on the interest paid to “A” booklets owners (= 3 % + 1,2 % margin),
- 75 % of French people own a “A” booklet. Rate is fixed by the State. Deposits on “A” booklets are indirectly subsidised twice : they are tax free and guaranteed by the State.

Other examples show the variety of financing systems in Europe : Finland, Germany, Netherlands, Poland, United Kingdom (see annex).

Loans to social rented housing are specific: on the one hand, they are (very) long term and have a high LTV ratio, on the other hand, they are low risk as a part of the rent is paid by the State (housing allowances).

An increasingly important issue, under the new approach of banking solvency ratios (Basel II) is the recognition of these distinctive features of social landlords as borrowers, as they are facing a major danger : that increasing regional imbalances result in higher funding costs for investors in the poorer regions or the more social programs.

Conclusion

Financial sustainability of social rented housing implies that the rent paid by (low-income) tenants covers present investment and future maintenance costs.

Main issues to be discussed are:

- balance between housing allowance and aid to bricks and mortar,
- *choice and balance between various forms of subsidies to investors, including long-term low-cost finance,*
- *sustainable ways to increase self-financing in order to limit public intervention: for instance, in what conditions paid off programs can be sold to sitting tenants ...*

Claude TAFFIN, May 14, 2003

THE ROLE OF NATIONAL HOUSING FUND IN FINANCING SOCIAL RENTAL HOUSING

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Description of the National Housing Fund aims at presentation of the financial and organisational aspects of one segment of the Polish social housing – rental units with regulated rents. Focus on the financial sustainability of the system of social rental housing with moderate rents allows highlighting the complexity of the programme, deeply rooted in the Polish housing context.

So called social rental housing programme in Poland, established in 1995/96, bases on two systematic solutions:

- provision of preferential long-term capital for the financing of the construction and modernisation of dwellings for lease, where rent payments cover both the credit repayment and the maintenance costs of the dwelling ;
- establishment of a specific type of social landlord – Social Housing Associations (TBS)⁷. TBS are, in most cases, commune-owned companies – the commune is their sole shareholder or one of shareholders.

Development of affordable tenement housing construction belongs to priorities of the State housing policy. Specific for the Polish housing is the shortage of dwellings in urban areas⁸ as well as relatively poor standard of existing urban multifamily housing. Social rental housing programme is addressed to tenants who cannot afford owner-occupied housing but can pay economic rents⁹.

The National Housing Fund (NHF), operating within the structures of National Economy Bank, serves the execution of tasks resulting from the State policy in the field of housing management and development of housing construction. Currently crediting social rental construction constitutes the main responsibility of NHF. The preferential nature of credits extended from NHF resources consists on the following:

- credits are subject to an interest rate below the market value, with application of a variable interest rate, equal at present to 50% of the bill of exchange rediscount rate in NBP (the National Bank of Poland), but not less than 4,5 % per annum¹⁰;
- credits are repaid with application of the formula of double indexing; the second indexing parameter is the ratio of raise of prices in the construction sector¹¹; the non-repaid interest is subject to capitalisation;
- there is a possibility of remission of a part of the credit in the amount of 10% of the investment value, under the condition of timely completion and settlement of the investment¹².

⁷ These social landlords are often identified by their acronym in Polish – TBS. Also housing co-operatives can apply for the preferential mortgage when they invest in rental housing or co-operative tenement housing.

⁸ The deficit of dwellings is estimated at 1,5 million units. Recently in Poland emerged vacant units in the owner-occupied, high-cost multifamily housing provided by developers.

⁹ *Besides social rental housing, financed with NHF mortgage, there are others sectors of Polish housing meeting the criteria of “social housing”.*

¹⁰ The current bill of exchange rate equals to 6,25 %, the interest on NHF mortgage is stable since the end of August 2002, when it reached the minimal level 4,5 % per annum. For comparison: commercial banks offer this spring 6,5 to 11% on long term housing credit, a stable interest on subsidised mortgage scheme, supported by the government, equals to 6,5 %.

¹¹ A quarterly indexing by 0.85% of the ratio of raise of prices in the sector of construction in the preceding quarter.

The NHF credit formula permits the repayment of the credit from regulated rents. Rents should be equal up to 4% of the replacement value of the dwelling at the annual scale.

Credits from KFM resources are extended up to 70% of the investment construction costs; it is expected that they should be subject to amortisation during a period of approximately 30-40 years. First credits from KFM resources were extended in 1996. At the beginning, in the 1996-1998 period, the demand for credits for social rental housing was low. The interest in social rental housing construction began to grow considerably since 1999. In the year 2000, for the first time, not all applicants' needs have been met due to lack of credit capital.

The assets of the Fund at the end of the year 2002 amounted to PLN 2,203 million. Until the end of 2002, credits were extended from funds of the National Housing Fund for the construction (or modernisation or adaptation) of 43.6 thousand dwellings. Dwellings financed with NHF resources, transferred for use in the years 2000 and 2001 constituted ca 9 % of the total number of dwellings constructed in Poland during these years. Shortage of capital for KFM mortgages caused drop in provision of new social rental housing in the year 2002.

According to legal provisions, National Economy Bank may acquire resources for NHF in the following manner:

1. State budget subsidies – the amount of NHF financing by way of budget subsidy is specified every year in the State Budget Act ;
2. raising of a foreign loan by the State Treasury and its transfer to BGK for the financing of NHF activity ;
3. issue of bonds by BGK and transfer of proceeds from the issue for the NHF financing ;
4. independent raising of loan or credit by BGK for NHF needs;
5. sale of NHF receivable to mortgage banks.

Concerning the supply of the credit capital for the Fund, there is a shift from the direct financing of KFM credits by the budget subsidy, to the acquiring of resources by the Fund on the financial market. Currently Bank manages two systems of crediting social rental housing: directly from the NHF resources (mostly budgetary subsidy) and crediting from loan resources (with partial involvement of NHF' own capital). Since the year 2001 social rental housing is partially financed with the resources from the Council of Europe Development Bank and European Investment Bank.

The requirements concerning dwellings and buildings financed with the participation of resources of the National Housing Fund are rigorous as to savings in investment costs and future exploitation costs of housing. The above results from the political doctrine – availability of preferential credits may be granted only to environment-friendly projects. The above results also from purely economic calculation – only dwellings cheap in exploitation i.e. consuming a low volume of energy permit to assume that lessees will pay the rent in the prescribed time-limits, including the repayment of the bank credit extended for the construction of dwellings. Savings during the execution of the investment, controlled by the Bank consist on the meeting of general and special requirements. General requirements concern various conditions being elements of the concept of social rental housing construction. Social housing must be affordable to users and, in the same time, self-financing – after one-time support from public funds (a mortgage credit at preferential conditions, including interest rate). Most important requirements concern: the upper limit of the investment costs (the social rental housing construction cannot be more expensive than other multi-dwelling building investments in the given region) and the construction of dwellings with moderate surface (minimal limits depending on the number of users). Special requirements concern strictly the energy problems. Dwellings and buildings financed with the participation of the Fund resources should have a seasonal energy demand (E ratio) lower by at

¹² There are plans to cancel this particular incentive.

least 15 % than the one provided by national standards applicable to the housing construction. In addition, Bank accepts the costs of any technical devices serving the energy savings like e.g. the installation of measurement, regulation and weather automatics devices covered by the upper limit of costs provided for the social rental housing buildings. In that way, savings are made during the exploitation period what is of fundamental significance for the lessees. Within a legal limits, the conflict of interest – to lower the construction costs vs. to make an investment cheaper during the exploitation period is solve in favour of energy savings and low exploitation costs. According to the Polish concept of the system of social rental housing construction, limitation of other exploitation costs (mainly for the use of heating and hot water) remains the condition of success of the programme of social rental housing construction. For the Bank such condition results in the decrease of the credit risk and for the lessees – higher security and stabilisation of living conditions. With lower costs of heating, in spite of a relatively high rent level, the total costs of use of the dwelling by the particular families constitute a lower charge for the home budgets. The total housing costs in social rental housing become often comparable to exploitation costs of dwellings in communal resources where rents are low but the media costs are high, resulting from the low standard of such buildings.

Warsaw, May 2003

STOCK TRANSFER – MAKING UK SOCIAL HOUSING SUSTAINABLE?

Malcolm Boorer, United Kingdom

In recent years the structure of social housing in the UK has been changed by the policy innovation of stock transfer from local authorities (LAs) to housing associations (HAs). These are the 2 types of social landlord in the UK (see box)

Stock transfer was devised by LAs unable to raise the funding they needed to maintain and improve their housing. Central government has since developed ground-rules for the process, including the financial assumptions.

Since 1988 over 700,000 units have been transferred. Most transfers have been of an LA's entire stock (called large scale voluntary transfer or LSVT) to a new HA set up for that purpose. Around a fifth of all LAs have now transferred their whole stock. A few have transferred it to existing HAs and a few have transferred some of their stock.

UK Social Landlords

Local Authorities –% of UK stock 16.5% (1999) 22% (1990) 31% (1981)

LAs have been the major provider of social housing in the UK. LAs are directly elected bodies with a wide range of other functions. They are monitored by a housing inspectorate. Central government limits how much capital finance they can borrow. It also limits the operating subsidy that could contribute to servicing debts. The right to buy, introduced in 1980, led to the gradual loss of the better housing and better off tenants. Council housing has become more residualised and the need for investment has increased. From a financial point of view many LAs have found that their landlord role is not sustainable.

Housing Associations –% of UK stock 5.5% (1999) 3% (1990) 2% (1981)

HAs have become main providers of new social housing, especially in the last 20 years. Also called registered social landlords or RSLs, they are independent non profit making bodies that receive central government grant for new building and their activities are regulated. They are not covered by central government borrowing limits and can raise funds from the private market. HAs rents tend to be higher than LAs but Central government wishes them to converge. HAs vary greatly in size, and in the geographical area and clientele they serve.

The decision to transfer lies with the LA. It must be satisfied that it is financially possible for the new HA to buy the stock and allow the LA to clear the outstanding debt on that stock. The new HA must draw up 30 year business plan that will bring the stock up to standards (including energy efficiency) expected by the regulator, and attract private lenders to loan the finance required. It must also consult with its tenants and then hold a ballot to ensure that tenants are favour of the transfer. The ballot is based on legally binding promises made during consultation. The process of transfer is lengthy, complex and expensive.

The early transfers were mostly from small, part rural LAs, most in the south east of England. Now there a number of larger urban LAs that have transferred. The approach is subject to opposition and around a fifth of ballots have not been in favour. Opponents claim that transfer loses the advantage of direct political accountability and that it is privatisation. It has been

portrayed as bribery, offering tenants home improvements to leave the LA. Opponents have also sought to change the borrowing rules so that LAs are not limited.

Supporters of stock transfer, which have included both Conservative and Labour governments, point to the increased funding that is available. Transfer also removes the provision of social housing from the local political arena and from a multi-purpose organisation to one that can concentrate on housing.

Experience to date shows that significant sums of additional funding have been raised and spent. Results of the new HAs suggests that promises have been kept, and that their performance compares well with other social landlords. It remains a controversial issue and many LAs will not consider stock transfer, or will only do so reluctantly.

The process can have a noticeable effect of tenant involvement. During consultation tenants now receive independent advice and following transfer usually have a third of the members of the governing body of the HA.

Central government is keen for stock transfer to contribute to wider regeneration. The additional investment following transfer provides an opportunity to create local jobs and training opportunities, and to generate more sustainable communities.

Following transfer, LAs are not social landlords but they still have housing responsibilities. They produce local housing strategies, deal with private housing in poor condition, control building and land use, and administer housing benefit. They can nominate applicants for some HA vacancies. LAs are responsible for dealing with homelessness, but some have passed this work to the transfer HA.

The policy has developed differently in the UK. In England Central government has developed alternatives to transfer, one of which allows high performing LAs to set up arms length companies and receive additional funding. English LAs are expected to bring all of their stock up to 'decent' standards within 10 years. The Scottish Executive has promoted stock transfer, strongly supporting their largest LA, Glasgow, to achieve a vote in favour. The Welsh Assembly has left it to LAs, only one of which has balloted its tenants.

HOUSING IN CROATIA - EFFORTS AND RESULTS

Spomenka Milosevic, Ministry of Public Works, Reconstruction and Construction, Croatia

Housing stock in Croatia - data

- ◆ Population - 4,44 mil inhabitants
- ◆ Housing stock - 1,88 mil housing units (in total)
 - 1,66 mil housing units (permanent staying)
- ◆ Ownership
 - 1991 - 75 % private - 25 % social owned
 - 2001 - 96 % private - 4 % public sector
- ◆ Home ownership - ca 90%
 - Rent sector - ca 10%

Housing policy - strategic items

1990-2003

- ◆ Housing for returnees, refugees and displaced persons
 - Reconstruction programs
 - Repossession of property
- ◆ Recent housing incentives / objective & subjective subsidies
 - Public-funded housing construction
 - Tax deductions

Costs of reconstruction - sources of funds

Costs of Reconstruction Programme*

- Total costs in period 2000-2003 - ca 405 mil EUR
 - Estimation of future needs - ca 150 mil EUR
- (Repossession of 5.985 still occupied private housing units)
 (About 30.000 applications still unsolved)
 -50% of applicants are still abroad

Sources of funds

- Government budget - ca 375 mil EUR (93%)
- International organizations - ca 29 mil EUR (7%)

Incentives for housing construction / PFHC

PUBLIC FUNDED HOUSING PROGRAMME / PFHC/

- ◆ The Programme - introduced in 2000
- Goals:
- Financial sustainability
 - Improvement of housing construction - economic growth
 - Employment and production /in general/
 - Promotion of housing - urban development
 - Prevention of social segregation-home buyers and socially disabled persons in the same building

* Note: Data till March 2003

- ◆ Legislation: Public - Funded Housing Construction Act (December 2001)
- ◆ Tax deductions-from 1 January, 2003

Public - funded housing construction - approach & principles

- Participation of public funds - high efficiency
- Participation of all levels of authorities-state and local
- Coverage of all costs
- Specified-purpose funds
- Obligatory repayment
- Market based construction costs / non-profit selling price
- Affordable purchase - payment by installments
- Supervision and control of implementation

Funds&Instalments&Sources

- ◆ Legal limits
 - The highest sale price of flat - max 910 EUR/m²
 - Land and infrastructure - max 210 EUR/m²
- ◆ Public funds - subsidy in repayment
 - Government budget- fixed 175 EUR/m² (share 19-23% of total costs)
 - Local government - land & infrastructure (max price 210 EUR/m²)
(share up to 23% of total costs)

Buyers of flats

- downpayment - min 15% of the price
- ◆ Capital market*
- Banks & other financial institutions - the rest
(share ca 40-60% of total costs)

Conditions of installment: repayment period - up to 31 year

Interest rate - from 4 to 4,5% p.a.(equalized)

Installment (monthly) - average from 3 to 3,5 EUR/m²

Terms of buying flats/PFHC

- ◆ Financial capability
- ◆ Possibility to buy a flat by installments payment:
 - all citizens of the Republic of Croatia
 - local authorities for renting within social care needs
 - all domestic legal entities
- ◆ Priority rank - conditions defined by the local government
- ◆ Priority by the Law – citizens living in inadequate conditions

Activities of PFHC - results in the last 2 years*

- ◆ 86 local self-government involved (66 towns & 20 municipalities)
- ◆ 4.717 flats (covered by total activities)
- ◆ 191 flats completed
- ◆ 1.841 flats in construction
- ◆ 963 flats in stage of issuing building permits
- ◆ 1.722 flats in preparatory stage (designing)

* Note: Shares depends on total costs

* Note: Data till April 2003

Recent tax deductions in housing introduced from beginning of 2003

- ◆ personal income tax-max deduction 1.600 EUR/year
 - purchasing, improvement, maintenance
 - fiscal deduction of mortgage (interest paid by loan)
 - max 50% of monthly rent amount
 - ◆ property transfer tax (5% on market value)
 - no tax on purchasing the first flat for permanent living
-

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SOCIAL COHESION - GENERAL REMARKS DRAWING

Rapporteur: Bisser Hantov, Habitat for Everyone, Bulgaria

In Bulgaria (and we estimate in all transition countries) the social cohesion is something real and still existing in the housing sector. People in the transition countries are still living together in the big complexes of mostly prefabricated dwellings. Over there occur a very distinct opposition between low-income inhabitants and prosperous one. The preferable tendency of the second group is to leave the area and buy new dwellings in the newly built modern houses. Remaining inhabitants are living on the limit of the poverty, being owners of their homes, but leaving them to the total degradation, renouncing central heating, paying taxes with difficulty. All those housing could be defined as social one.

The problem is how to keep this social cohesion sustainable.

It is absurd to imagine that somebody could stop the instinctive desire of the enriched people to demonstrate success moving to a new dwelling.

The society has to support the respectable grade of living conditions for the impoverished and encourage the consciousness of responsibility toward them by the elevated social strata.

We have to foresee the need of intervention of some (probably mixed) structures, which capital to be provided partly by social funds, partly by energy efficiency funding, partly by private interest funds. Such structures could use long-term credits to implement mixed structure housing on a large scale. The field has to be divided between the actors according the different responsibilities, involving the inhabitants and invoking their civil responsibilities toward the environment and the common property.

The acute problem in the social housing in Bulgaria concerning the social cohesion is related to the Roma minority group. The Roma population unofficially numbers approximately 8 % of the Bulgarians. The social cohesion in the frame of the ethnic integration has a different dimension. The ethnic group of the Roma as a whole has the lowest social status. Here appears the problem of a segregation tendency mostly by the group itself. Due to the quite total lack of legal income they prefer to group themselves and to rely on the kinship support for survival. This enlarged the enormous housing problem of the illegal constructed agglomerations in quite every big city in Bulgaria.

That's why in terms of social cohesion we could discuss the ethnical cohesion where problems seem insurmountable. All over the country they raised thousands of illegal houses, many of them caused by migration process, other by the important demographic growth. Since the transition the State repudiate tacitly its responsibility and its right to solve the problems of the minority. Social doles are the only help by the State. Several NGO's try to fill the enormous gap and help the Roma to overcome the new challenge of the market-oriented economy. They distribute cloths, raised in several countries, they try to organize shelters for homeless children and they try to feed the starving. Central and local authorities cooperate if they are exempt of financing.

In 1998 the Government ratified *Framework Program for Equal Integration of the Roma in Bulgarian Society* and attempt to work on different related programs to improve their quality of life. Medical help programs, educational and social ones of limited scale are running in the country, most of them financed by European, UN and USA funds. The main state support to the Roma excepting relief funds is limited on the tacit exemption from electricity and water supply payments, rents, taxes, transport tickets, fines for illegal construction etc. Being cunning by nature lot of the Roma prefer the permanent status of unemployment, which leads them to crime, mendacity, drug trade and prostitution.

The State has to prevent the Roma of any "positive discrimination". Signals of this danger could be made out in the public space. Important part of social doles goes to unemployed Roma

people. The state avoids punishing most of the breaking law activities of the ethnic group. The remaining social groups feel the whole burden of the transition.

All social measures have to take account of the natural struggle for prosperity moving people forward. They have only to provide conditions for the less ambitious and poor but to reject the artful healthy persons who can compete for subsistence.

Roma have to understand the obligation to participate in the common welfare creation.

In the social housing sector, related to the Roma, were also some efforts in the last ten years. The first one targeted 20-25 family houses in the town of Radnevo but inexplicably crashed after the construction of couple of them, plundered after. The second attempt was performed in the Roma district in Pazardjik, where eleven social dwellings were implemented by the PHARE project. The Pazardjik Municipality realized the technical infrastructure.

Meanwhile were started two housing projects, financed by the Council of Europe Development Bank loans State guaranteed – in Sofia for 100 dwellings in apartment buildings and in Plovdiv for 250 family houses in the main Roma neighbourhoods.

Both projects have the overcome with the problem of the loan payment, those increasing automatically the rent level. At the moment we have not information on the decided size of the rents in both cities.

In conclusion we suggest to include in social housing definition (still missing in Bulgaria) the existing houses raised by homeless and to involve the state, the local governments, the NGO's and the inhabitants in a process to transform the neighbourhoods in admissible localities. This will need a long-term period and activities including education, a strong registration regime, provision of working places and the related professional qualification, legal acts and the control of their respect, combined with needed funding, subsidies and credits. In the same time new social housing projects have to show the different models to be followed. They have to check possibilities of mixed social and ethnic housing structures by carefully chosen tenants. Rents have to stimulate them in the quest of employment, to push them become more enterprising.

All these initiatives have to be laid on a sustainable strategy respecting the whole spectrum of measures – social, technical - suitable urban planning, acceptable technical norms and regulations, reasonable financing, etc...

NOTES ON THE PROJECT FOR COMPLETE RENOVATION AND SOCIAL INTEGRATION IN THE MOLINO NUEVO AREA OF ALMANJAYAR, GRANADA

*Rafael Pavon Carlos Rodriguez, Public Construction Company of Andalusia
Ministry Of Public Works And Transportation, Regional Government of Andalusia,
Spain*

Initial situation:

- Area of state-subsidised housing with serious problems of marginalisation and social breakdown.
- Illegal activity and lack of maintenance of housing complex.
- Sense of social uprootedness, refusal to use social services, lack of faith in the different administrations.

These neighbourhoods are a reflection of the social housing policy carried out in Spain during the 1960's and 70's. They are spatially segregated from the consolidated areas of the cities; their residents, from other urban areas that they have been forced to leave, feel uprooted and are prone to unemployment, drugs and poverty. They are highly likely to be socially excluded.

Objective of the project:

Renovation of 160 state-subsidised flats in ten blocks.

Goals:

The Autonomous Community of Andalusia believes that this housing improvement project would not be successful if it did not include a process of intervention to help with the social normalisation of the people who live there. Thus, the housing renovation will provide a strong pretext for involvement in order to combat poverty and social exclusion. The following are the partial objectives:

- Improve the quality of life of the inhabitants through the structural, functional and aesthetic renovation of their housing.
- Normalisation and regulation of housing occupancy.
- Training for the youth of the neighbourhood through their participation in the renovation itself, through the Hands-on School created by the Gypsy Association.
- Integration of the residents of the area into the workforce in the fight against social exclusion. To achieve this, the work that is not carried out by the Hands-on School because of its complexity will be given to an Insertion Company, which has a commitment to employ a certain number of unemployed workers from the area. The objective is to train them and incorporate them into the workforce. This is what is called the "Supervised Labour Market."

Results:

The project was divided into phases in order to make it more manageable and to be able to take into account the experience of the previous phases.

Phase 1: Renovation of Blocks 47 and 49

- **Beginning of Phase 1: July 1997**
- **End of Phase 1: June 1999**
- Thirty-two flats were renovated, 16 per block. Block 47 was reserved as temporary housing for the families in the remaining blocks to be renovated.
- The space corresponding to eight flats was reserved for the creation of what was called the “Association Hotel”, which was offered to the existing associations in the neighbourhood.
- Total investment: 961,000 euros.

Phase 2: Renovation of Blocks 45, 46 and 48:

- **Beginning of Phase 2: December 2000.**
- **End of Phase 2: March 2002.**
- Forty-eight flats were renovated.
- Total investment: 1,650,000 euros.

Phase 3: Renovation of Blocks 40, 41, 42, 43 and 44.

- **Beginning of Phase 3: September 2002**
- Projected End: January 2006
- Currently being carried out. The goal is to renovate 80 flats as well as all of the open spaces in the area.
- Total projected investment: 3,000,000 euros.

Conclusions:

- **Management:** A multidiscipline management office in the neighbourhood was fundamental in controlling the process from beginning to end in this area that is socially impoverished and that has such a poor infrastructure.
- **Work training:** The Hands-on School has so far trained 60 young people from the area in different construction-related jobs; these youth, at the same time, participated in the renovation of their own homes. Some of them are now working for ordinary companies.
- **Workforce Insertion:** The Insertion Company that is doing the construction has given jobs to 80 unemployed people from the area, half of whom have been able to join the workforce in construction companies. That means that a total of 250 months’ worth of salaries, or a total of more than 460,000 euros, of the investment in construction has gone directly to residents of the area.
- **Participation of Residents:** The residents who have participated in the project have become its greatest advocates and impassioned defenders of its management. Now the vast majority of the residents want to normalise their lifestyles; they are the ones who report irregularities and who have asked to actively participate in the realisation of the project. Only by encouraging the participation of the residents will it be possible to make the most of the investment and guarantee subsequent respect for the work done.
- **Social projects:** For the social normalisation of the residents it is essential to implement programmes, such as the Environment Education Programme, which teach them how to modify their conduct and accept a social contract that requires them to respect and fulfil their obligations and commitments. In this particular case, the participation of the Anaquerando Gypsy Association has been fundamental.

- **Participation of Other Administrations:** The fact that we, as the property owners and the organisation in charge, have the responsibility to participate in the physical and social transformation of these areas should not make us forget that the committed participation on of other administrations and organisations whose goals have to do with the development of social programmes (e.g. education, drug abuse programmes, social assistance) is also of utmost importance. Our challenge currently is to co-ordinate the involvement of such organisations.

Participating Organisations:

- *Regional Administration:* Administration and financing of the management office; materials for the Hands-on School and the rest of the construction and programmes.
- *Central Administration:* Financing of the Hands-on School.
- *Anaquerando Gypsy Association:* Coordination and execution of programmes.
- *Granada Provincial Government:* Implementation of the Environment Education project.

Seville, April, 2003

THE PROCESS OF PROMOTING TENANT DEMOCRACY IN A CHANGING SOCIAL HOUSING ENVIRONMENT

Philir Roberts, United Kingdom

This paper is drafted from personal experience in developing and sustaining such democracy within a Social Housing Scheme in England.

By way of background I was the Chairman of a Registered Social Landlord (RSL) during the formative years of its existence. An RSL is essentially a private sector organisation that acts in partnership with local and Central Government to provide Social Housing in overtly ethical and transparent way. The organisation purchased 2,500 social housing dwellings from a local authority that could no longer afford to maintain them and was proscribed by statute from borrowing money for that purpose. In common with all RSL's the ultimate responsibility for the financial viability and the probity of its activity rests with the Board of Management all of whom are volunteers and none receive any emoluments. They are also proscribed by law from having any relationship with a person or organisation that conducts any business with the RSL. The day to day management rest with paid employees who work to the business strategies directed by the board of management. It is very unusual to have a member of the executive team as a board member.

The activities of all RSL's are rigorously monitored by Central Government Agencies, the Housing Corporation and the Audit Commission, who can impose a number of strictures on the Board Members for any failure to meet the required standards of probity or delivery.

To acquire the dwellings we obtained a £40m commercial borrowing facility, £20m for the purchase, £12.5m for the catch up repairs and £7.5m to purchase further dwellings. This was one of a large number of such transfers and in total 700,000 homes have transferred from local authorities to RSL's

Historically our tenants had little influence in the management of their homes. The delivery of the service was at worst authoritarian and at best patronising. They had little influence in the securing any say in how and why repairs and maintenance were done or in the setting of standards. The majority of the tenants were economically inactive and dependent upon State benefits. They considered themselves socially disadvantaged and excluded particularly from the fact that in the UK there is an aspiration to home ownership (roughly 70% of the national housing stock is owner occupied)

The Central Government initiative that led to the transfer of stock recognised these deficiencies and it was a requirement that there was a secret ballot of tenants to agree to the transfer. The local authority was obliged to provide funds for the tenants to engage professional advice to ensure their concerns were met and that they were fully informed of the benefits and the disadvantages associated with the change of landlord before the ballot. The local authority was prohibited from canvassing support for the transfer. That was left to our embryonic organisation. We had a "shadow" Board of 17 three of whom were tenants, 3 local politicians serving on the local authority and the balance drawn from the professions and people with relevant expertise and skills. We were precluded from increasing the tenant representation by the Housing Corporation, now because of the success of such transfers the constituents of new boards is a third drawn from each constituency.

Following a very close ballot result, our initial problem was to engage with the tenant population and to promote their participation in the setting of and the monitoring of the RSL's performance. This we tackled by providing premises and the finance for the creation and sustaining of a Tenants' Association without securing any reserved rights of intervention other than insisting that

their representatives were selected by secret ballot. We then arranged that their representatives had direct access to Board members. However we found that this was too narrow a base to promote a meaningful participation

Our Corporate structure was such that neither the assets nor the profits could be distributed to the shareholding members and that shareholding was restricted to a single £1 share per member. Each member had voting rights in the election of Board Members at the Annual General Meeting, on any matter that impinged upon corporate constitution and on the acceptance of the financial statements. We then took active steps to encourage tenants to become shareholding members.

A significant proportion of our stock was concentrated on one estate and in planning the improvements and repairs we realised that we were prescribing works without considering the tenants' aspirations. We immediately rectified this by involving them closely in the planning process and we found that many of the assumptions we had initially made were of low priority. By listening and engaging them in the process we found the works proceeded much more efficiently than we had envisaged. However there was a lasting benefit derived from the fact that having established small working parties we were developing leadership and other skills that had remained latent and un-exploited within that community. We were able to help individuals realise a potential that encouraged them to find employment.

This set the principle of tenant engagement we tried to employ at every opportunity. We then established a regular newsletter that informed tenants of what we were doing and why and invited their comments on our performance. We were able to have the editorial content dictated by a tenant editor. By this means we were able to remind tenants of the ethos we had promulgated from the start that whilst we were a business and had to conduct ourselves accordingly we acted solely for and on behalf of the tenants in the desire to provide good and affordable homes.

However, our principal problem initially was integrating the tenant Board Members effectively. They initially considered theirs was a token presence and frankly some other board members had to be disabused of that notion as well. We also had to re-educate some of the staff who had transferred from the local authority to the fact that the tenants were customers and not supplicants. But having digressed we instituted a careful training programme for our Board members and employed a "buddy" system where a person unfamiliar with a particular topic would work with a colleague who had the relevant skills. We also ensured that when a decision was to be taken all Board members were invited to speak and listened to. Recalcitrant colleagues soon appreciated that what tenant members might lack in formal qualifications was more than compensated for in other areas. We then sought to encourage each tenant member to take on further responsibilities and we supplemented that with further formal training where in the end each member had a qualification in a housing discipline from a local university.

That investment paid dividends in that it provided the example to encourage more tenants to become actively involved and for one in particular to achieve an ambition I had when I joined the organisation, that a tenant should succeed me as the Chairman of the Board

To create effective tenant participation in a social housing environment means much more than merely having the process in place. There has to be a deliberate and sustained effort of promotion. There must be the means of identifying and developing leadership potential within the tenant population and not least there must be an awareness that the organisation as a whole has a duty to inform and involve the whole of the tenants in the management of their homes. Overt transparency and probity make that objective much easier to achieve.

THE ROLE OF WOMEN IN SOCIAL HOUSING

Emmy Galama-Rommerts, Permanent Representative of ICW to UN-Habitat, Nairobi, Chair of Provincial Board of the VAC's in Zeeland, The Netherlands

Thank you for the opportunity to address this audience here in Prague on behalf of the *International Council of Women* (called ICW) which is a women's organisation based in Paris that promotes equal rights and responsibilities for both men and women already for more than 100 years.

In this presentation I would also like to include my experiences during of 20 years in *Women's Advisory Committee for Housing and the environment* (called VAC) in The Netherlands.

UN-Habitat

Last week I attended as Representative of ICW to *UN-Habitat* the *19th Session of the Governing Council of UN-Habitat* in Nairobi. During that week one resolution was of great importance for us as women's organisation and we succeeded to lobby several delegations.

The Resolution called "*Women's Role and Rights in Human Settlements Development and Slum Upgrading*", was drafted by the Norwegian Delegation and was adopted by the UN-HABITAT Governing Council by consensus on 6 May 2003. It was the first time that the UN-HABITAT Governing Council adopted a Resolution directly dealing with women's issues specifically referring to the Resolutions of the Commission on Human Rights; issues like women's equal rights to adequate housing, land and property. Also the UN Special Rapporteur on Adequate Housing tried as much as he could to have Commission on Human Rights -language in this Resolution, that mentions "women's equal access" rather than "women's equal rights" ! On the other hand, the text is broader than the Commission on Human Rights Resolutions with regard to women's equal participation, gender equality, women with HIV/AIDS, women's role in slum upgrading etc.

Ladies and Gentlemen,

Why do I tell you -here in Prague- about this UN Resolution?

While we are here for the practice of social housing, we should implement this High Level Resolution into practice in the UNECE region.

In so many countries women, are a vulnerable group when it comes to social housing.

Especially households headed by women, low-income families with children, and families affected by the social and economic impact of the HIV/Aids-pandemic, should have the right to adequate and healthy housing for their family.

But, at the same time, women are very strong. Because women live and work in their house day-in, day-out, they have a lot of knowledge on the (practical) quality of their houses and the living environment.

They therefore have the capacity to inform and help policymakers on town-planning. They can address issues such as:

- the social safety by lack of street lightning,
- the importance of community centres and safe playground for the children,
- lack of nurseries for little children, schools, etc.

That is where women's voices should be heard.

A prime example of Best Practice of Women's role in Social Housing is the *Women's Advisory Committee for Housing* called *VAC* in the Netherlands. I would like to share with you my 20 years of experience in this voluntary based non governmental organisation (NGO) .

VAC

The involvement of women in improving the life of the inhabitants of the city is not new.

Already in 1928 the famous Dutch architect Mr. Oud stated that :

....Women should be involved into the planning and the design of houses . This is because houses are designed and build by man while the women have to work in the houses. Let's ask them for their ideas about the design; they have the daily practical experience.....!

After World War II in 1945 the Dutch government initiated social housing programs to reconstruct the destroyed houses and infrastructure. Women from different political and social backgrounds came together and tried to influence these building-programs and the design of new houses. They organised themselves in the VAC (Women's Advisory Committee) In 1946 the first VAC was founded in Rotterdam and later a *National Board of VAC's* was founded in Delft. Trainings-programs for VAC-volunteers were created with the help of architects, townplanners and the Technical University of Delft. At this moment 200VAC's are active in the Netherlands with thousands of volunteers. The national service-point is responsible for the central training courses for all the Dutch VAC-volunteers. This Buro is financed by the National Government (Ministry VROM). The work of the local VAC's is funded by the local authority and housing-operations.

During the last 50 years women from different social and political backgrounds have used their daily-life-experience. After 2 years training women are able to make reports of the housing situation, the practical quality of houses and their living surroundings. The number of VAC-members varies from 5 to 15.

The VAC-members are independent from politics or the local authorities. They are supposed to think for the future inhabitants of the new designed houses, especially in social housing programs. City-, and Townplans are monitored and clients are advised by the expert-volunteers on : the quality, safety, flexibility and sustainability of housing and the residential environment. They work together with tenants-organisations, as well as organisations for disabled people and the elderly. Also they have meetings with police-officers and consequently they are present at political meetings.

At provincial level , like the *Board of the VAC's in Zeeland*, the Provincial Government of Zeeland gives financial support. That funds make it possible to have regular board-meetings and to organise special training, seminars and working-visits. Of course also monitoring the work of the Provincial Government on the issues of housing, environment and regional planning is part of our work.

This is a short history of the VAC's in the Netherlands. 50 Years later -in 1996- during the *Habitat II Conference* at Istanbul the unique work of the VAC's was a Dutch "Best Practice".

In Terneuzen, I am member of the *Regional VAC Zeeuws Vlaanderen*. In 1991 VAC Terneuzen initiated a social safety-survey about a very turbulent part of the city. After the report the local and the provincial government supported the esthablishment of the WKB (*Housing Consumers Buro*)The Housing Consumers Buro has a Board composed by men and women from the VAC and the tenants-organisation.

The local Housing Co-operation for Social Housing "Clavis" and the City of Terneuzen give their financial support. Inhabitants of Terneuzen can come to get advice about housing, rents, social security and social services. For several years also a policeman was there for consultation. VAC-members are present for consulting during office hours twice a week.

Obstacles and recommendations

- ICW promotes the role of the women at decision-making level also for social housing. VAC's are often "step-stones" for women to start a political career at local level and beyond. VAC's gives women a voice at decision-making level!
- The last years it is more and more difficult to find volunteers that like it and have the time to be trained and work for the VAC. Also men, while they also have daily-experience as a "houseman", are joining some local VAC's.
- Women have the experience of the daily life; they combine work and care; they bring children to school and use public transport to go to their jobs down town. So women are experts ; use their knowledge!
- Governments at local, regional and national level should be partnering with women's groups at grassroots, regional and national level.
- Women, at all level, should also take the responsibility and should be enabled by governments to create a better and safer life for themselves and their family and the society where they live in: in the city and at the countryside.

VAC's were founded after the Second World War in a country in reconstruction.

By experience that is the right moment that women can take part in the process of design and reconstruction of houses, cities, towns and at the countryside.

It is for the benefit of ourselves, and social housing for the next generation.

SUSTAINABLE URBAN SOLUTIONS

*Rapporteur: Petra Neuwirthová, SEVEn, o.p.s.
Americká 17, 120 00 Prague 2, Czech Republic*

In seeking new housing solutions, we cannot overlook existing residential estates, inherited from the socialist era.

Living on the estates now, represents a social stigma and is becoming a very urgent social concern. It represents in its dwellers a perceived inability to move up socially, they have aspirations toward a better life. The economically stronger dwellers choose to move out. They usually move to a new single family home, situated on newly subdivided large blocks of land on the borders of large cities. Planning of such developments is a result of a romantic vision of moving away from “all the problems of life”.

Disadvantages of low-density family type housing estates become clear through the experience of living there. It cannot support the availability of expensive public transport, shopping or recreational infrastructure. Sprawling occupation of the land prevents creation of public walkways or formation of the substantial parks and green belts.

Through our recent work at SEVEn we found that the old housing estates offer an opportunity to contribute to the solution of social housing. Refurbishing them, we apply the best current know-how of low-energy building and improved hygiene solutions in heating, ventilation and internal condensation. Its scale offers an opportunity for larger equipment like thermal pumps, solar collectors or thermal storage.

Improvements in estate and interior planning such as new inputs should inspire and uplift the residents so they would identify themselves with the place and enjoy living there. This is far more important for urban sustainability than the ecological hardware itself.

“LOW-ENERGY LOW-COST RESIDENTIAL HOUSES IN THE CZECH REPUBLIC“

Under the sponsorship of the Charles University Environment Centre, using UNDP/GEF financial means, SEVEn is implemented a project for construction of a low-cost low-energy residential house in the Town of Sušice.

The project aims at improving energy efficiency of newly built apartment buildings, design implementation of low-energy low-cost residential houses, as well as extending practical experience amongst the professional and non-professional public.

In addition to construction of actual demonstration apartment blocks, part of the project includes other activities focused on analysis of available financial sources, verification of standards valid in this area and also promotion of education. Linking up with these activities, working seminars with participation of Czech and foreign specialists have been continuously organized.

At the project’s core is not only defining repeatable principles and building one demonstration house but, primarily, creating an environment which allows implementation of similar buildings in the future without the need for special subsidies.

In co-operation with the town of Sušice as the investor, the first demonstration apartment house with 9 residential units was constructed whose capital expenditure are comparable with common housing construction but whose resulting energy intensity is 40-50% lower in comparison with standard design. For production of this design development document, an unorthodox approach has been chosen in which, besides specialized design team, a multidisciplinary team of

independent experts from the professional public, university circles and also abroad participates in creation of actual building designs.



Picture 1 - South-west view and construction details

The project uses optimization of thermal protection of the indoor environment and, at the same time, optimization of common building structures. Every building project is the result of a more or less conscious striving for the optimum solution to a task ordered by the investor. From this point of view, more or less optimized is every implemented building. The resulting quality depends especially on the investors' requirements and on the designer's willingness and capability to find an optimum solution fulfilling the given demands.

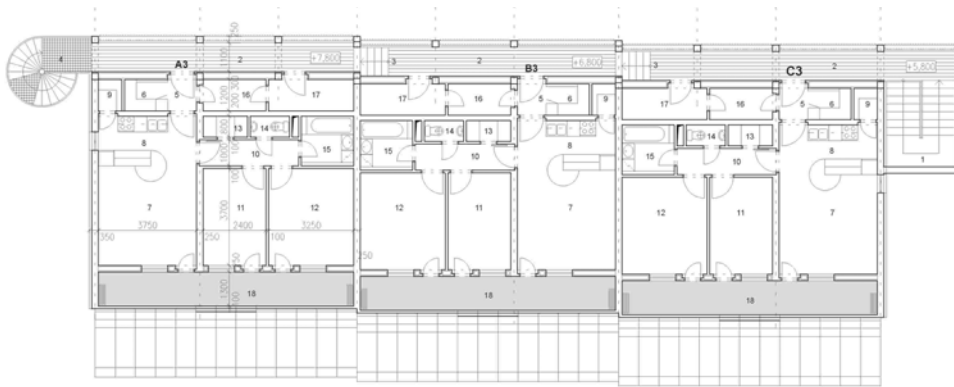
In general, it can be presumed that improving thermal insulation of building results in increased costs, which must be reduced through looking for energy-saving structural designs of all structural elements of the building.

The architectural and structural design used is based on generally known principles of low-energy architecture and strives to mutually combine and develop them in a suitable manner in relation to conditions in the CR.

In the search for optimum shape and system combinations, current knowledge and procedures are used allowing modeling of architectural and physical properties of constructions, properties of the indoor environment and the energy intensity of the building already in the project phase. To ascertain optimum combinations of values of many parameters, possibilities of dynamic modeling are used.

The main feature of the proposed solution is simple and regular arrangement of dwelling space in the form of a slab block with residential space protected from the north by an unheated area of door space and storage space. Residential units are located in the layout centre and protected

from the south by winter gardens closed through simple, partially openable glazing. Subordinate to the simple shape of the building with an optimum ratio between internal volume and external surface is the outside placement of vertical routes - entrance to flats through balcony corridors. At the same time, half-closed galleries form the building's protection against direct effects of wind.



Picture 2 – Typical floor projection

The building is designed with a small-span transverse supporting structure. Concrete transverse bearing walls are proposed, bricked from blocks. Common floor structures are also designed as concrete, using filigrane panels and inlays from recycled plastic. Use of the material bearing structure is motivated by the effort to create a pleasant, stabilized indoor environment, especially in summer. Supporting structures of galleries and winter gardens are independent, separated from the thermally insulated inside space. Wide utilization of wood is presumed for these structures, as well as for the external part of the envelope.

Envelope structures are designed as sandwich-type allowing the use of relatively cheap thermal insulation on the basis of mineral fibers.

Window structures are, with regard to the necessity of optimizing investment costs, minimized in such a way that sanitary requirements of transillumination of internal space are met. Windows will be equipped with heat-insulating shutters, which should be used particularly to reduce thermal losses during long winter nights.



Picture 3 - North-west view

The building has a single pitched roof, which also forms the floor above the last story. The actual roof structure is designed as double-skinned with a wooden bearing structure and roof covering on the basis of profiled sheets.

Table 1 - Thermal resistance - "R" value for envelope structures and "U"-value for windows

Construction	<i>Available value „R“ (m²K/W)</i>
Roof	5,70
Floor on the soil	2,66
North walls	3,35
Shield walls	4,13
Winter garden walls	3,35
Construction	<i>Available value „k“ (W/m²K)</i>
Windows	1,3

Heating and ventilation of the low-energy residential house will ensure warmth in winter and necessary sanitary air change throughout the year. In terms of Czechoslovak Standard 060210, the house is a free-standing building in an unprotected position in the temperature area of -18⁰ C. When designing the structural conception, requirements for low energy consumption and low costs for the system were respected.

Heating of the building covering thermal losses resulting from overall heat transmission is solved through a central hot-water heating system with a gas boiler allowing low-temperature operation. Heating is ensured through panel radiators, together with heating ladders in bathrooms. Regulation of the heating system is direct, equithermal in combination with thermostatic valves in individual heating appliances in places of thermal gains.

To achieve maximum saving of thermal energy necessary for sanitary air change during the building's ventilation, a system of controlled apartment ventilation with heat recovery has been chosen.

Ventilation is thus ensured by centrally controlled ventilation with heat recuperation. Air inlets to individual flats are in habitable rooms, air flows out from bathrooms, kitchens and toilets. Cooking smells are removed through a circulation digester filled with active coal.

When designing the building, the possibility of utilizing active and passive solar energy systems was verified. Considered in the project's initial phase was use of a roof solar collector and an energy greenhouse serving for preheating of the gravel storage tank supposed to be located in the basement. From the storage tank, part of the energy consumption determined for heating of ventilated air should have been covered. Fresh air supplied to the building would be preheated in the gravel accumulator, afterwards, in the recovered and subsequently heated up to the required temperature in the air heater in the air-conditioning unit. Although this principle of solar energy utilization evidently brings ventilation energy saving, economic costs for its application significantly exceed the energy gain, therefore, it was not used in the final optimized design.

For passive energy recovery, all the building's window areas face south. Solar energy is primarily used to increase the average temperature in the recessed balcony and, thus, limit energy losses through outer walls and windows. For economic reasons, windows are used for passive energy recovery only to a limited extent.

Results of optimization studies show that the energy consumption issue must be understood in a wider context, especially in connection with investment and operational costs of the building. Specific consumption of the projected apartment house according to the given design represents 57 kWh/m² a year, with budget costs of CZK 1 200 000/flat unit and an average 50-60 m² of a flat's heated area.



In the presents, the construction of 2 low-cost low-energy residential buildings is prepared in the town of Humpolec



and Železný Brod and four family houses at Roztoky u Prahy and Říčany u Prahy.

Paper by Petra Neuwirthova and Josef Horný

PREREQUISITES FOR THE FORMATION OF THE CONCEPT FOR THE CONSTRUCTION OF SOCIAL HOUSING IN UKRAINE - ARCHITECTURAL AND TYPOLOGICAL ASPECT

Tatyana Zaslavets, architect, Kiev (Ukraine)

1. The social housing target groups in Ukraine - are those living beyond the limits of the poverty, or about 70% of the population (according to the data of Nina Karpachova) and those who have privileges (participants of the Great Patriotic War, invalid's, those who have children, victims of Chernobyl catastrophe etc). At present nobody builds the new social housing. Residential buildings are constructed for the medium income class and only some small percentage of flats for the poor.

2. Covering of the needs in dwelling would be done along two channels:

- reconstruction of the outdated houses, hostels;
- new construction.

In the first place it is necessary to reconstruct the apartment buildings, constructed in 50^{ties} - 60^{ties}. Building on the attic floors is possible, as well as the transition of the part of flats into the group of the non-habitable premises (1st floors), but the principal architectonic and the planning structure of houses and flats - will be kept. The principle of the settlement would be realized according to the formula $m=n-1$ (m – number of rooms, n number of household members).

New social housing will be realized in the outlying districts of the city on free territories.

3. Financing of this construction will be provided by the State budget, charity funds and through mortgage.

4. The main principle of the social housing formation was and always will be principle of the minimization of the habitable space.

Limitation will be realized according to the following criteria:

- construction cost
- fixed area
- floor height
- according to the sanitary equipment.

5. Setting of proper rates of dwellings will be done according to the effective CHuII (Building Standards and Rules) 2.08.01-89* (Moscow elaboration). At present the new State Building Standard is elaborating in KievZNIIEP (Supervisor - Doctor of architecture - professor Yu.G.Pepin, I am the participant of the elaboration).

The process of the social differentiation of the Ukrainian population is taken into account, as well as the two principal groups of the dwelling:

- a) the social type
- b) the commercial type.

Proceeding from the principle of minimization, the following standards of the flat areas for social housing, reached up to the beginning of the 90^{ties} are stated in table 1.

Table 1

	Number of habitable rooms				
	1	2	3	4	5
The lowest and the upper limit of the flat area, sq. m.	28-33	44-54	52-65	70-82	85-94

The upper limit of the commercial dwelling is not foreseen by the standards.

6. Social housing - is, without fail, the deep concentration of the standard flats in multiflat and multistorey buildings. Single-family houses, as a rule, aren't constructed at the expense of the social funds.

Evidently, the traditional typological structure of buildings and their flats will remain: extended multi-sectional buildings with 1-5-roomed flats. All rooms don't have access into each other. In 4- and more - roomed flats the second Sanitary core must be applied.

There're no study rooms, work-Shops, studio etc in Such flats.

The social housing concentrates of the great number of functions and domestic processes in separate premises.

Living room

- place of gathering for the whole family
- watching TV
- reception of guests, taking of meals
- children games
- arrangement of a berth.

Kitchen

- preparation of meals
- food storage
- taking of meals, (reception of guests)
- study -room
- laundering etc.

Ed-room

- berth
- room for games
- study-room

The above is now only a concept, which would be realized in future.

PIATRA NEAMȚ, ROMANIA – AN OVERVIEW

by *Mihaela AL-BASHTAWI, Head of Habitat Unit Secretary of State Advisor, General Division for Urban and Regional Planning The Ministry of Public Works, Transports And Housing*

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The paper is based on the field investigation performed by the representative of the Ministry of Public Works, Transports and Housing, Mrs. Raluca Tănase, Secretary of State Advisor, between 16th and 17th of January, 2003. The investigation consisted of: visits, interviews, purchasing visual materials (plans, pictures) and copies of the official documents concerning the approval procedures.

The results of the investigation are: the present paper and a PowerPoint presentation, including the pictures realized in the field, updated on the 5th of May, 2003.

The paper elaborating team thanks to all those who had provided valuable information for this report.

INTRODUCTION

The general policy of the Ministry of Public Works, Transports and Housing in the field of housing is to encourage the housing construction, in response to the needs of the population. The two main principles in regulating the framework for the construction, use and management of housing are:

1. **Free access to housing, as a right of each citizen, and**
2. **Housing construction represents a major objective, of national interest, on long term, of public central and local administration.**¹³

In order to implement these principles, the Romanian Government promotes different programmes for the housing construction, for the thermal rehabilitation and for the prevention of the seismic risks to the aged housing stock, and ensures State support for housing (including financial support for renting or purchasing a new house, for social housing, for the construction, rehabilitation, extension or consolidation of the existing housing units, as well as for the housing expenses – such as heating in the cold season).

In encouraging the housing construction, the Government, through the Ministry of Public Works, Transports and Housing, supports the local initiatives in solving the housing requests, one of these being the initiative of Piatra Neamț Municipality. As a consequence of the Minister visit, the Romanian National Agency for Housing sustains today the local efforts in the completion of the Speranța District Project.

The solution for social housing proposed here by the local authorities was appreciated in different occasions, such as the visit of Mr. Jonathan Scheele – the Head of the Delegation of the European Commission in Romania – in April 2002, in Speranța District, who declared that this project can prove to be a successful one, if the transfer from exclusion to ethnic groups integration will be accomplished. He also highlighted the importance of providing job opportunities and training in the framework of this project.

SPERANȚA DISTRICT, PIATRA NEAMȚ. GENERAL DATA

The Speranța District site, in NE of Piatra Neamț, used to be an agricultural farm for chicken production. Nowadays it is not used anymore as an agricultural farm, therefore the City Hall had decided to convert it to a residential area (as there were many requests for housing units and the

¹³ The Housing Law (Law No. 114/1996)

site offered 30 abandoned farm structures¹⁴), with their own resources, from the local budget; the City Council allocated important funds to refurbish the existing buildings and the site, since the situation there was extremely precarious.

In the City of Piatra Neamț, a number of Rroma families used to occupy two blocks-of-flats in a very degraded situation, which claimed emergent intervention. Part of them had been moved in the new Speranța District, others will benefit of similar dwellings in 2 other buildings in the same area, and the rest will be moved in low-price houses.¹⁵

Out of 30 main buildings, the Municipality had already completed the refurbishment of 5 (two floors buildings), generally referred as social housing, among which 4 rental housing buildings for youngsters, in the framework of the special governmental programme, 1 for social housing, in the conditions of the Housing Law (also two floors building). These buildings offer 1 room and 2 rooms housing units. Another 1 (one floor building) was designated to house the relocated Rroma families from Piatra Neamț, already moved in, as the first residents to settle (28 families), 2 others being recently finished for 56 Rroma families. These buildings offer 1 room units. This year the local authorities will start the works for another 5 buildings for social housing (the public auctions for construction had been already organized and won) and will open the public auctions for the school and the kindergarten. In Speranța District will be realized a medical service unit for the community, for which another farm structure was reserved, a kindergarten and a sports hall, built through the National Commission for Investments. There will also be a church, the construction of which already started this year. The church will be painted by those children of Piatra Neamț who will win the special competition organized in 2003, too.

The district had been equipped with all the facilities (electric supply, drinking water, heating central), except for the connection to the sewerage network, for the moment.

A piece of land designated to host commercial activities had been sold to private investors to build a commercial center. A gas station is also in discussion.

But most of all, due to the fact that in Piatra Neamț there are many factories for furniture, the project is now perceived as a solution to sustain the private businessmen in their efforts to ensure the settling of the working force, offering social housing to their workers. The project also provides job opportunities in health care, education, commerce.

In the proximity of the district, the Municipality bought another piece of land and will built social housing through the Romanian National Agency for Housing. This way, the housing problem should be soon solved in Piatra Neamț, in an integrated manner (both Rroma families and Romanian inhabitants, as well) which makes this Municipality an example of good practice, indeed, because of its concern for the vulnerable categories and the diverse solutions proposed, which were initially based only on local resources and claimed no extension of the administrative area of the City.

The transport system was also designed, including sustainable public transportation lines (trolley bus). Izvoare Street was designated to become a belt of Piatra Neamț, by that attracting the interest for housing and business.

¹⁴ one floor and two floors buildings

¹⁵ For the last type of housing, a pilot-project for one family is run these days in the City of Piatra Neamț, in the proximity of a renewed social housing building, occupied by Rroma families previously. It consists of a van which was equipped with all the necessary utilities (thermal insulation, drinking water, sewerage, heating and electrical installation, appliances), furniture included. The total area of this unit is of approx. 40 sqm and it costs USD 300 without improvement, it is allocated to a poor family and the housing expenses are subsidized from the local budget. This experiment will be extended. For larger families, two-three such units will be unified to form a two or three-rooms dwelling.

COMMENTS

Speranța District site is surrounded with a common fence to protect the property, as this property belongs to the local public administration. It is also guarded by a bodyguards company hired by the Municipality. This company ensures protection in each multileveled housing building in Piatra Neamț, having offices in each block-of-flat (at the ground-floor) to prevent disturbances, Piatra Neamț being the first City in Romania to have such a solution for the safety of its citizens, provided from the local budget. Those aspects lead to a tendentious presentation of the project, in its initial stage, in media.

In his declaration included in the annual report addressed to the Municipality, Mr. Ion ROTARU, the Mayor of Piatra Neamț and “The Mayor of the Year in 2001”, stated among the different concerns and accomplishments of 2001:

“Of course, all the fields of activity are important and we tried to show equal attention to all, but the major concerns were addressed to housing construction and the rehabilitation of infrastructure. [...] We also extended the water and gas supply networks in the peripheral districts and we launched a broad social interest programme, namely the rehabilitation of the district heating system. This year we also succeeded to complete over 200 apartments and another 120 are under construction.

Part of these are located in the new Speranța District, one of the greatest investments of the Municipality, a district often present in media. Initially, intended or not, it was presented tendentiously.

This fact lead only to site visiting by several different teams, both from the central government and local, national and international media, finally the correct perception of this district occurring – a modern district with all the necessary facilities. In the same time there were clarified all the previous misunderstandings regarding the future residents of the district and all the groundless accusations of any form of discrimination were swept away. The natural consequence: now we face an avalanche of housing requests for this district, which we will hardly solve...”

While this is “the voice of the public authority”, we should also mention the impressions of the Speranța District Roma residents, already occupying the completely renovated apartments. Each family occupies a unit composed of one room of 30 m², one bathroom of 5 m² and equipped with water and electric supply. The heating is provided through stoves, wood being supplied by the Municipality. The amount of monthly contribution to the total housing expenses is of 500,000 lei per family (approx. 14 Euro), which represents a rent including consumption, while the rest is covered by the Municipality. The first building also hosts an apartment for the street children, completely equipped (furniture included) and fully financially supported by the City Hall. Generally speaking the residents are satisfied with the level of comfort provided, yet they might still have some complaints regarding, for example, the lack of hot water, or the repairs to the roof or installations, which are the Mayor’s concerns right now. The difference between the housing conditions they had in the City and the ones they have now is obvious.

FINAL REMARKS

The representative of the MPWTH noted that the way in which the housing was solved in Piatra Neamț could be used as an example of good practice and extended at national level. It has to be supported by the central government, already involved through the Romanian National Housing Agency, the county public authorities, and by NGOs and other organizations.

While at national level the social housing stock diminished or extremely slightly grew in the last decade, due to the mass privatization in the early 90s, the need for social housing grew also; Piatra Neamț Municipality proved that a social housing project might become interesting for the business environment. The key concept was **the quality** of the housing conditions offered, which made the location attractive both for housing and investors.

The approach is also interesting. The project aims to ensure dwellings, but from the very first beginning some structures had been reserved for basic services (medical, educational). The facilities were provided. The transportation is a major concern in this moment, and from the neighboring settlements (Izvoare) new plans for development came – including job opportunities planning.

Maybe the project itself did not ensure job opportunities on large scale, yet it was perceived as a possibility to settle the existing working force in the area, occupied in the furniture producing industry, important in the local economy. The future transformation of the Izvoare Street in a city belt will also bring future economic benefits.

Nevertheless, one of the principles of the sustainable development of the settlements regarding the limitation of the spatial extension to the absolute need, with respect to the natural environment, was so accomplished.

A SUSTAINABLE REFURBISHMENT: PRIVATIZATION OF PUBLIC SPACES AND RE-QUALIFICATION OF THE GREEN SPACES AND THE IMMEDIATE SURROUNDINGS

Francis Déplace, Association DELPHIS, France

DELPHIS CONTRIBUTION:

“The “Residentialisation of Les Murets”: A new approach for a sustainable refurbishment of the housing stock in Europe”.

Up to now, the managers of the housing companies were, more or less, focusing on the technical aspects of the refurbishment (i.e. thermal insulation) , neglecting the integration of the estates build in the 60’s and 70’s into their immediate environment and the city.

However, this integration is a key-factor for a sustainable refurbishment and an efficient way to solve, partly, social problems in some problematic neighborhoods.

- It helps to solve one of the major stakes of the French society – Safety and Security.
- In the strategic asset management, it provides a sustainable solution for some assets for the next ten-twelve coming years. These assets being on the point to be out of the market.

An Integrated Approach.

The « Residentialisation » is an integrated approach helping to solve different problems consisting in:

- 1) The security dimension, protective, through a clear and physical (i.e. barriers) separation between the public and private spaces.
- 2) The environmental dimension, ecological through a relevant treatment of the outdoors and layouts (green spaces) or the waste management.
- 3) The urbanism, improving the connections between the neighborhoods and the other parts of the city.
- 4) The preservation of the market value of the housing stock. This is an answer to the ageing of the estates built during the sixties and seventies often obsolete from the point of view of their quality standards. This answer is provided at a convenient cost, cost being far below the heavy technical solutions implemented in the eighties and nineties.

A strong partnership between all the stakeholders.

A strong partnership between the municipality, the tenants’ association and the Housing Company is a key factor of success.

- It’s a common preventive method consisting in how to re-qualify with high quality even luxurious standards the communal parts, the entrance halls and the immediate surroundings of the buildings; to restructure the public spaces (i.e. playgrounds) connected with the buildings.

As this method is customer oriented, it’s important to implement:

- An efficient cooperation with tenants far beyond the usual information or consultation daily practiced by the Housing Company.
- A continuous process which through the tenants’ involvement into the project is the only way to increase their individual responsibility towards the future investments and to try to avoid any future vandalism..

Results.

First reactions (especially from elderly people) – « too luxurious for us!!! », « I don’t like to be closed in my residence.»

A few times after, these former reactions have been replaced by: « We are envied in the City», « I feel myself more secure!»

One year after the operation the tenants' rotation in the considered estates has decreased from 12 % to 0%.

The increasing of the exploitation costs due to the operation (around 15 Euros / flat for an investment of 3200 euros / flat) is evaluated as being « normal if the surroundings are cleaned with efficiency ». It means a higher degree of quality in the cleanliness and Hygiene services to be delivered to the tenants and a new organization for the local caretakers.

The image of the neighborhood has changed, it is now more attractive, the tenants being satisfied, feel themselves as being advantaged to live in a such nice area.



FINANCING OF SOCIAL HOUSING IN THE NETHERLANDS

Alle Elbers, PRC Bouwcentrum International

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Facts on housing

- 6.6 mln dwellings for 16 mln people
- 3.4 mln owner-occupied (54%)
- 2.4 mln social rent (36%)
- 0.7 mln profit rent (10%)
- 550 social housing organisations

Phases of development

In the development of housing in The Netherlands after the Second World War a number of phases can be distinguished.

In the first phase, which started directly after the Second World War, housing could count on a strong governmental interference. The policy was primarily aimed at realising a large housing production to be able to reduce the building shortage, occurred during the war. In the Netherlands this phase continued to approx. 1970, with the emphasis on the reconstruction between 1945 and 1960 and on expansion and increase of scale between 1960 and 1970. The production increases from a few thousand dwellings just after the world war up to 125.000 in the beginning of the seventies. The share of social housing in the total production amounts over 50%. Rents are controlled by the government; the level and moment of rent increase is dependant on political decisions. In practice it resulted in ad hoc rent increases (not yearly). Social housing is financed via state loans or via loans from the capital market with a State/municipal guarantee. The deficit in operating costs is covered by State subsidies.

In the second phase more and more attention was paid to the quality of the houses. The newly built houses were bigger (with more rooms) and the level of provisions was higher. In this phase also urban renewal came at stake. The quality of the housing stock was improved by demolition or renovation of bad houses. In the Netherlands this phase embodied the period between 1970 and 1990. Approximately 40% of the production consist of social housing. Regular rent increase (related to inflation) is introduced as well as housing allowances. Social housing is mainly financed by state guaranteed loans. In stead of subsidizing the operating deficit a new approach has been introduced: each year the amount of the loan increased (state guaranteed) with the amount of the deficit. The system was based on the expectation that regular rent increases would allow housing associations to comply with their financial obligations within the operating term of 50 years. Practice showed this to be wishful thinking. As the level of rent increase still was dependant on political decisions, the (far too low) rent increases did not meet the increasing financial obligations.

In the nineties new policy came into effect. Influenced by shrinking governmental budgets in the eighties the efficiency and effectiveness of the housing (financial) instruments are being critically observed. Already in the midst of the eighties a guarantee fund had been introduced to cover the risk of loans for renovation of social housing. Since 1990 this initiative was extended to loans for new houses and also took over the state/municipal guarantees on old loans. Details of this

guarantee fund are described below. Parallel to the introduction of the Waarborgfonds Sociale Woningbouw (Guarantee Fund Social Housing) the whole financial system was restructured. All State obligations to the social housing sector were capitalized via the net present value method (i.a. subsidies on operating deficit) as well as the financial obligations of the housing associations. The debts were settled in one major operation with which the direct financial ties between housing associations and the state disappeared. From that moment the social housing sector itself is responsible for a (financial) sound operating of their stock. In practice this is possible because realised profits on part of the stock can be used to cover deficits in other parts. Rent increases are still subject to political decisions, but a system has been adopted which settles an average rent increase (a few points) above the level of inflation. Housing associations are free to implement diversified rent increases for their housing projects within the limits of the average rent increase and the maximum of the fair rent related to the quality. Subsidies for operating deficits are not existing anymore.

Now we are facing another phase. Restructuring of post war residential areas is now the new challenge for the housing associations. In principle they have to cover the costs of this operation themselves. The state only provides subsidies for municipalities which can decide themselves how to use these subsidies. In practice housing associations generate extra income for this operation via selling of dwellings and via development of housing projects (mostly in a mixture with social housing) for owner occupiers.

Furthermore well-off housing associations are willing to provide or guarantee loans for their “poorer” colleagues.

Security structure Dutch social rental sector

A specific security structure has been established to facilitate financing of the Dutch social rental sector. This structure virtually eliminates credit and default risks for the investor. Because of the security structure, default risk is not associated with individual housing associations, but with the total of the social rental sector and the Dutch State.

Centraal Fonds voor de Volkshuisvesting (Central Fund for Social Housing)

Housing associations are responsible for ensuring their own financial continuity. Rental income, financial income and asset value will need to be adequate in this respect. However, should a housing association expects to enter in default, then the Dutch Centraal Fonds voor de Volkshuisvesting (Central Fund for Social Housing) can provide financial support. The Dutch Central Fund for Social Housing is a public body which acts on behalf of the Dutch Minister of Social Housing. It has the responsibility to monitor the financial position of housing associations both individually and collectively. The Dutch Central Fund for Social Housing imposes levies on all housing associations, compulsory, to generate financial means for this support. Support may be in the form of interest free subordinated loans to individual housing associations. The Dutch Central Fund for Social Housing can grant financial support, possibly combined with a restructuring. Restructuring can be enforced by the Minister of Social Housing on the initiative of the Dutch Central Fund for Social Housing.

Waarborgfonds Sociale Woningbouw (Guarantee Fund Social Housing)

As additional security to lending institutions and investors, the Guarantee Fund can provide guarantees. Guarantees cover the total debt service. Guarantees are provided for borrowings relating to identified property only. The Guarantee Fund has its capital invested in sound financial assets which can be immediately converted into cash if that would be necessary. In addition, the Guarantee Fund is backed by all participants jointly and limitedly, albeit not

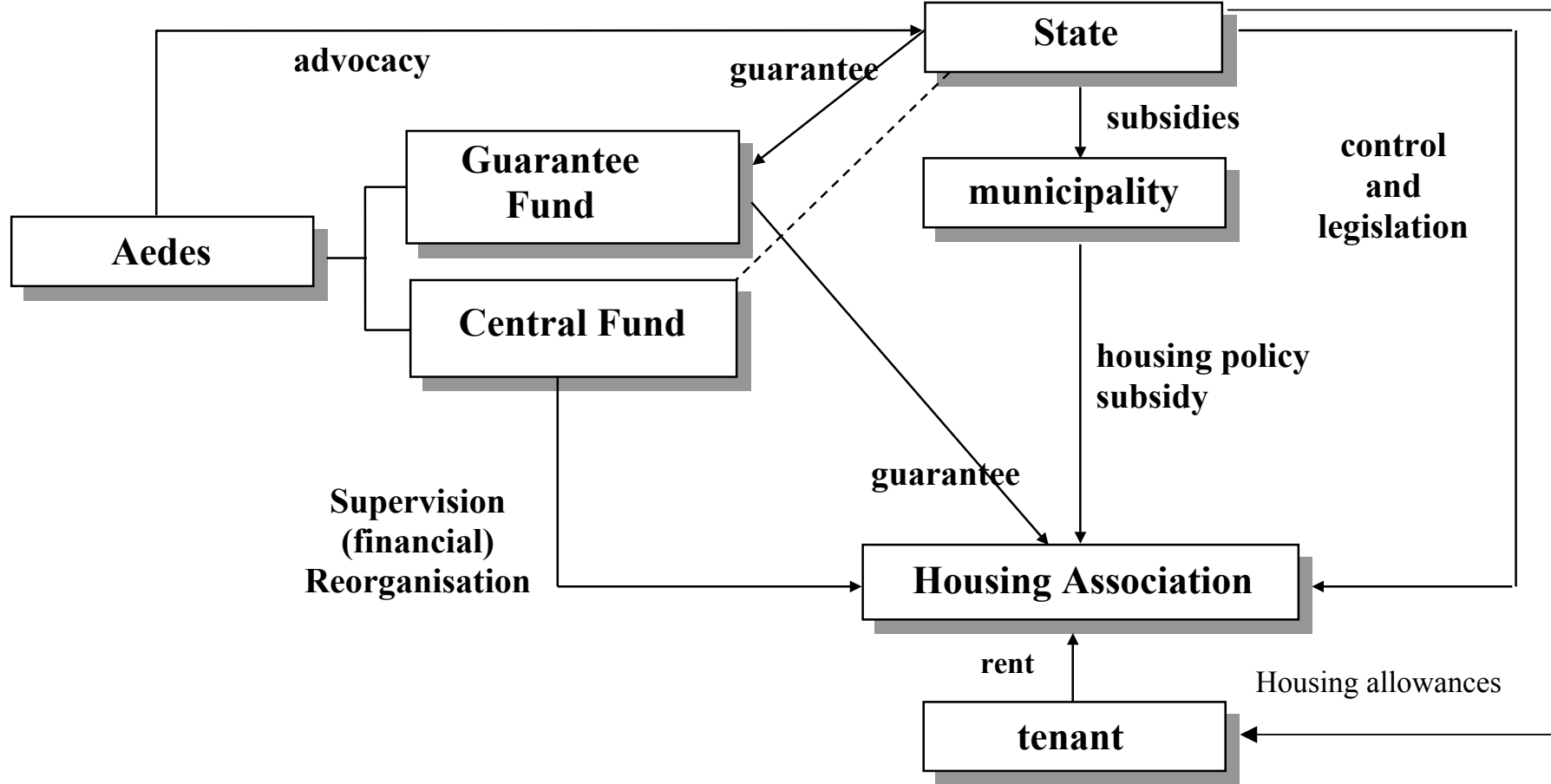
several. Additional capital can and will be called by the Guarantee Fund from participants if the fund's capital becomes less than 0.25% of the total guaranteed capital. These callable receivables consist of a fixed percentage of 2.5% or 3.75% respectively of the original nominal amount borrowed.

The ultimate security to lending institutions and investors are the joint and unlimited back-stop agreements between the Central Government, the municipalities and the Guarantee Fund. If, after the limited callable receivables due by participants have been called and collected, the capital of the Guarantee Fund would still be less than 0.25% of the total guaranteed capital, then the Central Government and municipalities will provide interest free loans to the Guarantee Fund to meet this capital requirement and be able to fulfil any guarantee obligations. The back-stop agreement with the Central Government was laid down in a notarial deed.

The total guaranteed capital now amount approximately € 50 billion.

29 April 2003

Non-profit rental sector



SOCIAL HOUSING IN THE NETHERLANDS: THE CONTRIBUTION BY THE HOUSING ASSOCIATION SECTOR TO ROBUST AND SUSTAINABLE HOUSING OVER THE PAST DECADES AND IN THE NEAR FUTURE

The Ministry of Housing, Spatial Planning and the Environment, Netherlands

A significant proportion of the good residential accommodation in the Netherlands is built by private parties, among whom are the housing associations. They have a long tradition and a great deal of experience in providing good quality homes at affordable prices. The housing association sector has a high degree of autonomy and bears a common responsibility for achieving policy objectives at acceptable cost. Central government supervises and also plays a part in defining standards.

It is in this arena that the question arises of whether a major part of the current housing challenge facing the Netherlands can be assigned in its entirety to the housing association sector. Firstly there is a brief review of the historical background and the current housing challenges. This is followed by a description of the financial structure and the assets of the housing association sector. Finally some new initiatives in the housing association sector are discussed.

Brief history and definition of the housing association sector

The Dutch government has formulated a number of objectives across the whole of the housing area. The two most important tools for achieving these goals are legislation and financial instruments. A specific part of housing policy relates to building and offering accommodation for people on low incomes and for households that for other reasons are not able to provide housing for themselves (because of health problems for example). Special organizations that achieve this public objective, the housing associations, have existed in the Netherlands for over a hundred years. Using government loans and grants huge numbers of homes were built between the end of the Second World War and the mid-nineteen-nineties, primarily by these organizations (and local authorities) to solve the housing shortage. Housing associations are autonomous private parties (associations or trusts) that operate within a legal framework. The government's role in 2003 is to supervise in order to ensure financial continuity and to prevent failure to execute tasks. Six performance fields have been laid down by law for the housing associations, in regard to which they have to define the local content themselves. Housing associations report on their performance to central government annually.

The new challenge (housing and care, and, above all, the "50 districts")

In 2000 and 2001 the Dutch government formulated new housing policy priorities. These also related to the tasks of the housing associations. For example, promoting home ownership is now considered to be an independent policy objective. There are a further two themes that are occupying a position ever closer to centre stage - living and care, and urban regeneration. Housing and care is an important topic because the Dutch population is ageing rapidly and the housing stock in the country is not adequately equipped to cope with this trend. Housing associations can make a significant contribution in this area.

Urban regeneration is concerned with specific areas in towns and cities where the quality of life is lagging behind and deterioration is setting in. The government's Urban Policy includes an integrated package of measures to deal with this. It is made up of three elements - physical interventions, social measures and economic stimuli. The primary policy goal is to improve the quality of life.

Starting in 2002 it has been decided to designate fifty districts that will be given the highest priority in the years ahead. The purpose of this focus is to achieve acceleration in urban regeneration so that practical results can be achieved in a timely way.

The most important players are the local authorities and the housing associations (the biggest residential property owners in these districts). A normal approach to urban regeneration is to demolish and replace homes in combination with social measures to assist and support existing residents. Economic activity in the district is also stimulated. Above all, however, efforts are made to create a more balanced ratio between rental accommodation and owner-occupied homes. However, lengthy discussions between local authorities, housing associations and others about the allocation of the costs and proceeds of the specific projects are necessary, in part because central government does not provide substantial funding. These discussions cause severe delays in the execution of the projects.

The financial structure of the sector

Up to the mid-nineteen-nineties there was a strong financial link between central government and the housing associations through government loans and grants. This link came to an end in 1995 when a new act came into force. Future repayments and grants that had been awarded were netted off. The relationship between central government and the housing associations is now a matter of supervision of the performance fields referred to above (under the BBSH – Social Rental Sector Management Decree). The housing associations are the legal and economic owners of the social housing stock.

Two sector institutes have been set up to enable an affordable financing structure for housing associations. In the event of financial problems, the CFV (Central Housing Fund), a body set up by central government, obliges a housing association to instigate measures. This is the remediation task of the CFV. Its costs are recovered from all housing associations by means of levies.

Most loans in the sector (for investments in maintenance and new projects) are moreover guaranteed by the housing associations themselves and in this regard the local authorities and central government provide a safety net. This is done through a special body - the WSW (Social Housing Guarantee Fund), an alliance of the housing association sector. The WSW has entered into agreements with the local authorities and central government in order to define the substance of the safety net. The guarantees and the safety net result in significantly lower interest charges. As a result of the presence of the WSW, the CFV, central government supervision and the initiative of the housing associations, a revolving fund has been created through which the quality of the social housing stock is kept up to standard. Changes in the housing stock are therefore dictated primarily by changing living needs and policy priorities, within the financial frameworks that generally speaking are more than adequate.

Debate about the assets

The financial position of the sector has improved in recent years. The assets of the housing associations have grown as a result of prudence in regard to risks and expectations. Economic growth up to 2000, low interest rates and the significant increases in Dutch house prices also contributed to asset growth. Substantial book profits were generated through the sale of rental homes. Now, in 2003, the result from the sale of rental homes is under pressure because the financial possibilities for people to actually purchase a rental home are being increasingly eroded.

It was concluded in mid-2002 that the housing association sector has assets of such magnitude that there is more than nine billion euros available over and above the sum needed to achieve the housing policy objectives. All future risks, proceeds and the investments needed to maintain the current stock were taken into account in this conclusion. This situation is creating political expectations at a national level that these assets will be actively employed for the necessary investments in urban regeneration referred to above, particularly in the 50 districts.

Solutions for the “new” challenge: voluntary matching?

The available assets are more than enough for existing activities and new challenges. However, the assets are not evenly distributed. Housing associations in cities have more tasks relating to urban regeneration but at the same time have a smaller capacity to invest than the housing associations in towns and rural areas. This problem was identified a few years ago and the concept of matching was put forward as a solution. Bring rich and poor housing associations together so that the investment challenge and the resources can be linked to each other directly. So far matching on a voluntary basis has not progressed far enough. The housing association sector itself is now devising three instruments to activate voluntary matching - a new guarantee fund for unprofitable investments in urban regeneration, an electronic marketplace to bring together demand for and supply of investment capacity, and a new housing association specializing in the sale of rental homes in order to generate financing for investments. The Dutch government is in favour of initiatives by the housing associations themselves but this is subject to the condition that in any event a ‘balanced’ system is created such that no matter what the investments needed in urban areas are forthcoming.

The success of voluntary matching depends on the willingness of all the housing associations in the Netherlands to actually participate in these matching instruments in the near future. Central government is monitoring this very closely. If the pace and volume of investments made by housing associations in urban regeneration lag behind the Dutch government’s objectives, obligatory matching imposed by the government through amendment to the regulations will come into the picture. Deadlines for this have been set in the year ahead (1 January 2004).

The combination of autonomous housing associations and central government supervision produces a stress field in regard to the governance of the sector. Direct control by the government is only possible in the case of real dereliction of tasks. At the same time the favourable financial position of the housing association sector is generating pressure in national political circles to increase government influence on the sector. The government is opting to put trust in the solutions of the autonomous housing association sector on the one hand and, in the event of poor results from the sector, to introduce measures that are binding and tend towards compulsion. This requires a clear signal from central government that the autonomy of the housing association sector will always have to be bounded by certain administrative limits.

SOCIAL HOUSING IN SLOVENIA

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Slovenia, like other central European countries in transition, has experienced major changes in the field of housing. Compared to them, the privatisation of the socially owned flats in Slovenia has been the most extensive. The ratio between individually owned flats and flats for rent prior to the privatisation of flats was reflected in the ratio 66.9% to 33.1%, and after the privatisation was completed, in the ratio 88% to 12% in favour of individually owned flats.

The withdrawal of the state from the field of housing resulted in a considerably smaller scope of housing construction and, therefore, in a shortage of flats. One of the central problems faced by the housing policy in Slovenia is the shortage of flats for rent since demand by far exceeds supply.

The classification of flats for rent in Slovenia is somewhat specific. The Housing Act adopted in 1991 distinguishes between flats that can be rented freely at market prices, non-profit flats which are part of the instruments of social policy in the field of housing and for which the rent is regulated by statute, and social flats for the low-income population.

There is no difference in the quality and the location between non-profit and social flats since uniform housing-construction standards are in force in Slovenia. The difference is merely in the persons who are entitled to rent these flats. Non-profit flats may, on the basis of a public notice to invite applications, be rented by persons who do not earn enough to buy their own flat or build a house but who are not materially disadvantaged. Social flats, however, are intended for those with the lowest income.

The role of the state in the social housing supply is concentrated in particular in its legislating activity – the Housing Act, the National Housing Programme, the National Housing Saving Scheme Act, the Public Fund Act, the creation of consulting bodies and in the provision of financial means that enable the Housing Fund of the Republic of Slovenia to carry out the national housing policy. This body is a legal person under public law with the rights and obligations as laid down by the Housing Act. By granting loans with a favourable interest rate and co-investing, it finances the national housing programme, encourages housing construction and the reconstruction and maintenance of flats and residential houses.

The key actors in the area of social housing supply in Slovenia are municipalities and non-profit housing organisations.

According to the Housing Act, it is the duty of municipalities to build social flats and allocate them for renting. In compliance with the municipal housing programmes municipalities build new flats, buy cheaper flats, exchange flats and reconstruct older flats. The framework for the operation of municipalities is provided by the state through the housing policy-making, legislation and finance frameworks. Municipalities take care of both non-profit and social flats.

The housing supply is also in the hands of non-profit housing organisations – legal persons established with the aim of ensuring the public interest in the field of housing. They acquire and let non-profit flats out for rent; important is their activity of managing the pool of their own flats as well as other flats. Because of the role they play, non-profit housing organisations enjoy special benefits such as: budget subsidies or endowments, advantageous loans raised with the

Housing Fund of the Republic of Slovenia, municipal housing funds and municipal budgets; allocation of building plots, exemption from payment of fees and taxes, etc. They play an important role chiefly because they provide integrated supply in the field of housing, i.e. they acquire flats, let them out for rent and manage them.

Slovenia has a shortage of flats for rent at the moment and has been endeavouring to revive – chiefly by means of a new housing act currently under preparation – house building and reconstruction and better maintenance of flats. The endeavours of the state to provide sufficient housing supply, especially social flats, depend to a large extent, however, on the financial capabilities of the state.

EVALUATION OF HOUSING ESTATES AND DEVELOPMENT OF PLANS / PROJECTS FOR THEIR REGENERATION: THE CASE OF PRAGUE

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Background information

Prague has had no extremely problematic housing estates as yet, unlike some other Czech towns in regions where it is easier to find a flat and more difficult to find a job than in the capital. The reason is obvious: the value of any flat in Prague is high enough to prevent social decay, which would trigger the process of overall devastation.

The extent of the estate housing stock, which makes up to 40% of total housing stock in Prague, will not probably allow for a general social deterioration, but problem areas may occur soon, while piecemeal worsening can be expected elsewhere. The effects of potentials and constraints of particular housing estates have been rather concealed under the overwhelming pressure of the housing need in Prague so far.

Time will probably be the crucial factor in the future destiny of housing estates in Prague. Thus far, both the social and technical potentials of housing estates are still reasonably good, if compared with the average of rental housing. They are better than is sometimes considered by the outside public. This cannot conceal the fact that a lot of constraints prevent the housing estates from being properly maintained and spontaneously improved, without intentional initialising the process of regeneration by central and local governments.

In 1999 and 2000, two national programmes were launched to support the revitalisation and improvement of housing estates built from the 1950s to the early 1990s, namely:

- Programme for the Support of Repairs of Multifamily Houses (1999) – expanding the service life of structures by another 50 years (improving their insulation qualities, utilities and common spaces)
- Programme of the Urban Regeneration of Housing Estates (2000) – support for establishing new services and jobs in the hitherto predominantly monofunctional residential districts as well as the infilling of the estates and design and technical improvements.

•

Regeneration policy of the City of Prague

The Regeneration Policy of the City of Prague was developed and approved by the City Council in 2002 to channel the available resources from the state programmes, to develop own procedures and instruments of assistance to the process of revitalisation and to create a transparent environment for property owners, tenants and business.

The role of the municipality is considered to be

- to initialise the natural process of regeneration and revitalisation, wherever it would not otherwise occur in foreseeable future
- to concentrate the public resources to the areas of greatest possible effects, both in terms of efficiency and prevention of future losses and big expenditures
- to improve the care of public domain in estates.

In order to provide a necessary background support to this policy, a two-stage scheme was prepared.

Stage A) Strategic evaluation

The evaluation was developed to support the decision-making process on the support of regeneration process of housing estates in Prague. It aims at rationalisation of this process by providing the decision-makers with certain information that might help them to allocate the

scarce public resources with maximum efficiency and avoid major risks from delay or negligence.

The evaluation was preceded by deep analyses of 54 housing estates in Prague, which provided the necessary data concerning the state-of-art of the housing stock, residents, facilities, open spaces, maintenance and ownership. Deep sociological survey was made on a sample of four estates, complemented by a brief additional survey on all the estates involved in the evaluation.

The evaluation follows two general, often competing criteria of public programmes:

- efficiency – prospects for attaining the goals of the action = start the “natural” process of maintenance, improvement and revitalisation / renewal by the owners and users;
- urgency of action – to avoid the (high) risk of deterioration that may lead to a huge emergency investment from public budget in future.

		urgency of action: risk of dilapidation	
		high	low
efficiency potential: chance to gear private investment	high	YES the assistance is relatively efficient & possibly effective	? the assistance could be efficient but it is not necessary (the chance for spontaneous upgrading is high)
	low	the assistance is needed but its effectiveness is doubted ?	the assistance is futile NO

A multi-criteria analyses were applied to assess (a) the potential efficiency of regeneration activities supported by public resources (leverage effect); (b) the urgency of action / risk of dilapidation involved in delayed action or inactivity.

The relative value of particular criteria had to be developed by evaluation among a group of locally-based experts on urban planning and development, engineering, sociologists, economists, who are positioned as urban politicians, practitioners and academics. The relative value of particular criteria was consequently assessed as an average value from all the individual evaluations, with deleting extreme judgements.

On the background of the multi-criterial analysis, sociological survey and SWOT analyses of all estates needing the regeneration, the political decision is made on the degree and speed of allocation of public resources, including resources from the state regeneration program.

In order to classify the eligible scope of programmed / projected activities at particular housing estates, the following viewpoints should be considered:

- Viewpoint “P” (leverage potential) – This will asses the share of financial participation from the part of the municipal resources. For housing estates with higher potential a certain participation of private resources will be required.
- Viewpoint “R” (risk from delayed action) – This will set the prioritisation of programmes / projects with respect to particular estates. The estates with higher risk will be prioritised.
- Viewpoint “V” (size of estate) – The largest estates (“New Towns”) will be eligible for actions of widened Grade 3 of construction activities (see below).

Stage B) Frameworks for development of regeneration plans / projects

The catalogue of regeneration improvement activities was prepared to help to define possible scope of activities eligible for public resources assistance for particular categories of housing estates and at estimating rough costs at the stage of Regeneration programme proposal. The items in the catalogue are not a definite list of possible actions but they may serve as a guidance to develop a sound and feasible regeneration programme / project. The catalogue distinguishes two parts:

- Part A – Non-construction activities
- Part B – Activities involving construction – this part distinguishes three grades of regeneration activities:
 - Grade 1 – maintenance and partial betterment
 - Grade 2 – improvements leading to increased user value of the precincts and facilities
 - Grade 3 – new development, redevelopment, fundamental conversion including basic structural changes.

• For the largest estates (“New Towns”), widened Grade 3 activities may apply.

Instruments for the regeneration of housing estates**Municipal policy of regeneration of housing estates**

The municipal policy of regeneration of housing estates (Policy) is a long-run document connected with the state housing policy. The Policy was accepted by the City Council of Prague in 2002 but it has not been implemented for financial shortage of budget after the floods that hit the city in August 2002.

The pending Policy is to be applied for evaluation of project bids for housing estate regeneration submitted by the Boroughs of Prague as well as their incorporating in proposals for state subsidies following the Programme of the Urban Regeneration of Housing Estates (2000) and possibly also funding from other resources (EU).

For the implementation of the Policy, Development programmes of Boroughs, Housing estate regeneration programmes and Regeneration projects at particular housing estates will be used.

Development programmes of Boroughs

- identify the housing estates within their jurisdiction for which specific Housing estate regeneration programme shall be developed and approved for the next period of time
- identify the housing estates within their jurisdiction for which specific Housing estate regeneration projects shall be developed and implemented for the next period of time
- identify the housing estates within their jurisdiction for which Regulation plan shall be prepared and approved
- organisational and financial principles for the implementation of the plans and projects, including public – private partnerships

The proposals for Development programmes will be procured by the administration of a Borough, heard by public, citizens groups and other initiatives and on the base of the hearings approved by a respective Borough Council.

Housing estate regeneration programmes may be procured and approved by Boroughs as middle-term documents that specify

- objectives of the Development programme that are relevant to the housing estates in question
- those housing estates within their jurisdiction for which specific Housing estate regeneration programme shall be developed and approved for the next period of time
- draft schedule of the elaboration of Regeneration (action) projects and preliminarily the actions to be included in the projects

Regeneration (action) projects should be prepared by the Boroughs on the background of the Housing estate regeneration programmes for particular housing estates. One- to four-year period is envisaged for the realisation of a project. They will describe concrete activities using the Catalogue. Action projects will include responsible organisation, other actors, schedule and identification of financial resources. They will also set milestones, monitoring and ex-post evaluation of the project.



**UNITED NATIONS ECONOMIC COMMISSION FOR EUROPE
COMMITTEE ON HUMAN SETTLEMENTS**

REPORT OF THE WORKSHOP ON SOCIAL HOUSING
Prepared by the delegation of the Czech Republic and CECODHAS
with the assistance of the UNECE secretariat

Introduction

1. Following the decision at the sixty-third session of the Committee on Human Settlements in September 2002, a workshop on social housing was organized in Prague from 19 to 20 May 2003. The workshop served as a first step for the preparation of guidelines on social housing (see para. 46).
2. The workshop was organized at the invitation of the Czech Ministry for Regional Development and in cooperation with the European Liaison Committee for Social Housing (CECODHAS). It was preceded by a technical visit to social housing estates in Prague on 18 May 2003.
3. Representatives of the following countries participated in the workshop: Armenia, Austria, Belarus, Belgium, Bosnia and Herzegovina, Bulgaria, Canada, Croatia, Cyprus, Czech Republic, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Latvia, Luxembourg, Netherlands, Norway, Poland, Portugal, Romania, Russian Federation, Serbia and Montenegro, Slovakia, Slovenia, Spain, Sweden, Switzerland, United Kingdom, and Ukraine.
4. The following international organizations participated: United Nations Human Settlements Programme (UN-HABITAT), World Health Organization (WHO), United Nations Interim Administration Mission in Kosovo (UNMIK), Council of Europe Development Bank (CEB) and the Stability Pact for South and Eastern Europe.
5. A substantial number of CECODHAS members were present as well as representatives of local governments, housing associations, cooperatives and the following international non-governmental organizations: European Federation of National Organisations Working with the Homeless (FEANTSA), International Council of Women (ICW), International Network for Urban Development (INTA), and International Union of Tenants (IUT).
6. The objective of the workshop was to identify the key challenges ECE member States faced in regard to their social housing policies. The workshop also aimed to identify aspects of particular concern on which member countries would like to concentrate future work, in particular in the context of the guidelines on social housing.
7. The workshop was opened by Mr. Frantisek Vnoucek (Czech Republic), Deputy Minister for Regional Development. In his welcoming address he highlighted the importance of State

support to those households that were unable to meet their housing needs. He expressed his appreciation for the high participation at the workshop, which meant that social housing was a concern for all countries of the ECE region regardless of their socio-economic situation and the strength of their housing market. He also stressed the importance of sharing experience and good practices among the countries of the region.

8. Ms. Christina von Schweinichen, Deputy Director of the ECE Environment and Human Settlement Division, in mentioning the importance of this workshop for the Committee's work on social housing and in particular the preparation of guidelines, drew attention to the fact that many countries had in recent years seen a decline in the role of the State in the housing sector and an increasing reliance on market forces to satisfy housing demand. This meant that the housing needs of the poor and vulnerable were most often addressed inadequately. A renewed role for the State in the provision of social housing was therefore necessary. She emphasized in this context the importance of partnership agreements to develop social housing schemes and implement them.

9. Mr. Jouko Heino, speaking on behalf of the President of CECODHAS, highlighted in his opening statement the current trends and challenges in social housing policies. He referred in particular to the process of decentralization and the ever-tighter public resources. He also highlighted the consequences of privatization in the countries in transition, which had led to the significant retreat of the State from housing provision. This had a particularly adverse effect on the socially weak and he stressed the need for the countries in transition to redevelop their social housing sector. He emphasized the importance of this workshop for strengthening cooperation among all those involved in social housing.

10. The workshop was organized around three major topics. For each topic introductory papers were prepared by rapporteurs. The rapporteurs were invited to introduce the discussion on their respective topics:

Topic I. The role and definition of social housing

Chair: Ms. Daniela Grabmuellerova (Czech Republic)

Rapporteurs: Mr. Martti Lujanen (Finland): The role of social housing

Mr. Laurent Ghekière (CECODHAS): The definition of social housing

Topic II. Governance of social housing

Chair: Mr. Claus Hachmann (CECODHAS)

Rapporteurs: Mr. Andrew Dench (United Kingdom): Social housing developers and financing

Ms. Ekaterina Petrova (Russian Federation): Social landlords and housing management

Mr. Jean-Yves Barcelo (UN-HABITAT): Building partnerships

Topic III. Sustainable development of social housing

Chair: Mr. Hubert van Eyk (Netherlands)

Rapporteurs: Mr. Claude Taffin (CECODHAS): Financial sustainability

Mr. Bisser Hantov (Bulgaria): Social cohesion

Ms. Petra Neuwirthova (Czech Republic): Environmental and quality aspects

11. In addition to the introductory papers, case studies were prepared and presented by Armenia, Belarus, Hungary, Netherlands, Norway, Poland, Romania, Russian Federation, Slovakia, Spain, Switzerland, United Kingdom, the International Union of Tenants and the International Council of Women.

12. As a basis for discussion, the workshop had before it a discussion paper (see annex) prepared by the secretariat in cooperation with CECODHAS, and in consultation with the reference group on social housing. The reference group had been set up to assist the secretariat in the preparation of the workshop and in the conceptual development of the guidelines. It consisted of representatives of the Czech Republic, Finland, Norway, Poland and the Russian Federation.

13. Participants also had the opportunity, during the technical visit around the city, to get acquainted with the problems of and approaches to social housing in Prague. Participants visited various social housing estates, including social housing projects for specific population groups, such as the elderly. They discussed relevant issues with local authorities and representatives of local non-governmental organizations.

I. CONCLUSIONS

14. As the discussions on the different topics were closely interlinked, the conclusions of the workshop will not be strictly divided into the three topics. Rather the conclusions will highlight the most important recurrent themes within the discussions and combine the relevant aspects from all three. Following this approach, the conclusions are structured around four major themes: (i) the role and definition of social housing; (ii) social housing design and urban form; (iii) governance of social housing; and (iv) financing of social housing.

A. The role and definition of social housing

15. Experience within the countries of the ECE region shows that social housing is understood in different ways and within different tenure categories. These depend on a range of social circumstances and specific historical and economic contexts:

- (a) Social rented sector (State, municipalities, non-profit housing associations, etc.) mostly highly subsidized and in many cases reserved to certain income groups;
- (b) Private rental sector, mostly profit-oriented but in some cases regulated by State laws;
- (c) Owner-occupied sector (privately financed or indirectly publicly subsidized), in mixed forms of tenure (shared ownership, cooperatives, etc., with or without public involvement).

16. Social housing is, in fact, not confined to the rented sector. The past decade's privatization policies in the countries of transition have given rise to the widespread phenomenon of "poor owners" - i.e. owners whose income is too low to allow them to invest sufficiently in the maintenance of their homes. Assistance to poor owners of flats who are not able to maintain their units is also considered as a form of social housing and is of particular relevance to the countries in transition.

17. Given the variety of ways to define social housing across the ECE region, agreement on one single, clear-cut definition is difficult. However, there is consensus that housing policies should take into account those households that cannot meet their housing needs unaided. Furthermore, social housing provision needs to be guided by certain criteria. These include criteria for allocation and access, involving the definition of target groups and establishing allocation procedures. Affordability criteria and security of tenure need to be taken into account as well as aspects of social inclusion.

18. There is, in addition, a broad consensus that the role of social housing policy should not be seen merely as providing housing. It is also an important instrument for facilitating social inclusion and promoting economic development.

19. Social housing was in many countries conceived to provide mainly low-cost housing for low-income groups. These policies often resulted in the construction of low-standard and low-quality multi-storey apartment housing in suburbs with difficult or limited access to transport and services. Social tenants were concentrated in these areas and at the same time isolated from the benefits that city life could offer, such as easy access to jobs and infrastructure.

20. This approach, although it provided short-term solutions to the most urgent housing problems, in the long run contributed to social tensions, social exclusion, decreased public security and degradation of neighbourhoods. It was therefore increasingly recognized that social housing policies could not be seen in isolation. On the contrary, they have to be seen as the crossing point of various policies of economic, social and urban development. Social housing policies need to be comprehensive and have a long-term perspective.

21. A comprehensive approach to social housing aims at fulfilling a number of social objectives. Apart from helping the socially disadvantaged to meet their housing needs, social housing policy can contribute to the creation of an inclusive and integrated society by creating an environment that assists specific target groups in improving their opportunities in life. To achieve this, the provision of housing has to be combined with measures aimed at facilitating access to jobs and social services, such as care for the elderly and children or training facilities for the unemployed. Opportunities to participate in neighbourhood decision-making processes contributes to a sense of belonging and, ultimately, to social cohesion.

22. There is no single social housing policy instrument that will solve all problems. Instead there is a range of potentially useful instruments, and combinations of them, which are suitable to be used in different situations. Countries need to adapt social housing policy instruments to their specific situations and integrate social housing policies into their wider socio-economic development objectives.

B. Social housing design and urban form

23. Adequate spatial planning and architectural design contribute greatly to the sustainability of social housing and are important for successful social housing policy.

24. Social housing construction should be developed within the framework of a city's overall urban planning strategy. It is necessary to have continuity in the urban fabric by having continuity between new urban developments and the existing city. The goal is to prevent urban development from becoming too diffuse. For each new urban development, mixed uses should be ensured.

25. New housing construction should aim at spatial inclusion of a compulsory proportion of social housing as a way to foster diversity and social cohesion as well as assuring access to housing to medium- and low-income families. A more compact city would provide a better basis for social sustainability. The concept of a compact city is based on the idea that it is possible to create more self-contained urban communities. To this end it is necessary to improve the mix of uses, increase densities and setup more community activities and better services.

C. Governance of social housing

26. For social housing policies to be successful they need to be embedded in a sound and efficient institutional structure which allows for the effective functioning of all governmental institutions as well as for their cooperation and coordination with others.

27. The detailed definition of roles between different levels of government, as well as developers, owners, managers and investors, will vary according to existing arrangements in the different national, regional and local settings. However, it is important that there is clarity about the roles, and that these reflect the most effective allocation of responsibilities and risks. The adequate and complementary distribution of responsibilities and resources between central and local levels is a particularly important part of an effective social housing policy.

28. Central governments have an important role to play in the establishment of broad consultative processes to set up or improve national policy frameworks as well as related strategies and action plans for social housing. Central governments should also encourage and support municipalities and local authorities to develop consultative processes and to formulate, coordinate and implement local policies, strategies, action plans and programmes in conjunction with the national strategy.

29. Local governments have a leading role to play in assessing the local situation, developing integrated local policies and strategies, establishing appropriate instruments and, finally, mobilizing local partners and coordinating social housing programmes. The assessment of local needs should in turn nurture national policies and help the central government in its development of a social housing policy framework. To enable local governments to carry out their tasks effectively, capacity-building for local managers is a precondition.

30. The involvement of all stakeholders in the development and implementation of social housing policies is necessary to ensure the policies' effectiveness and the optimal use of public and private funds. The main challenge in this context is to balance the interests of all actors, i.e. to fulfil the State's and the local government's policy objectives, to meet the interests of tenants and homeowners, while at the same time offering a sufficient return to investors and developers.

31. Social housing policies have tended to be successful where governments were seeking the involvement of all stakeholders and where they were actively engaged in building partnerships. This involves establishing cooperation between all government levels and encouraging the active participation of the private sector and various civil society organizations in the drawing-up and implementation of local and national policies.

32. Of particular importance is the involvement of target groups – the poor homeowners and tenants of social rented housing. Experience shows that the involvement of target groups in social housing projects is effective. It contributes to the better recognition and satisfaction of the households' needs and it increases their sense of ownership of the project. The result is increased initiative and individual responsibility directed towards the project, which ultimately contributes to its success.

33. To ensure the effective participation of households, appropriate mechanisms have to be put in place. The basic condition for any participation is available information and transparent structures. Furthermore, there has to be a continuous effort to involve the socially weak households into the decision-making process. Identifying 'leaders' among the households will facilitate the process but it is nevertheless important that each household should be given opportunities to express its concerns, requirements and priorities.

D. Financing of social housing

34. Social housing projects need commitment and investment. Social housing is not addressed as such in some ECE countries. However, different ways of providing support to the most needy is in place, for example supply-side or needs-based subsidies. Supply-side subsidies or production support tends to be given in the form of general subsidies, its primary aim being to increase the supply of housing. It may also be based on needs. Needs-based subsidies are generally given on the basis of individual needs. The aim is to provide the opportunity to live in a better dwelling to low- or middle-income groups.

35. A new commitment to social housing projects and to providing the necessary financial resources is needed. In addition, States need to complement their limited resources with alternative sources of financing and strike a balance between public and private financing for the delivery of social housing. Social measures and financial support should be provided for low-income families and underprivileged groups to help them pay the increased rents (to cover repair and maintenance) and prevent them from being evicted or for owners to encourage them to renovate. Other incentives to renovate may involve favourable loans, direct subsidies and tax deductions.

36. Long-term housing finance policies not only have to take into consideration the need for new social housing, but also the resources required to maintain the existing social housing stock or improve its condition. The rehabilitation of the housing stock of multi-family structures built in the second half of the 20th century is a particular challenge for most European countries, in particular countries in transition. To tackle those issues, adequate financial and institutional arrangements have to be put in place. Some of the urban regeneration experiences show the benefits of renewal processes (higher tax income and higher level of social protection). To ensure their success, consideration should be given to preserving a balanced social mix.

37. Different funding mechanisms and policy instruments are used in different countries. As already mentioned, there is a variety of instruments available and their nature is often complex. To enable policy makers to make the right choice, information on the different mechanisms and policy options as well as on the experience with their implementation needs to be spread.

38. Social housing policy makers will in particular have to strike a balance between supply- and demand-side subsidies. Supply-side subsidies, e.g. subsidies to constructors through VAT reductions, property tax exemptions, interest-rate subsidies, long-term credit at low interest rates and State guarantees, help to stimulate the supply of social housing. Demand-side subsidies, such as rental subsidies and housing allowances, do not have this stimulating effect. However, they ensure, in particular in the case of housing allowances, a greater choice for the targeted population groups.

39. The choice of the instrument should depend on the particular circumstances of a country, taking in particular into account the availability and condition of the existing housing stock. Within the countries of the ECE region, housing policies vary widely, and equally varied are the policy instruments that can be implemented. The current trend in most West European countries is to combine supply-side with demand-side instruments. They are not seen as mutually exclusive; both forms of support are used together in many social housing projects.

40. Due to the extremely small size of the public rented housing stock in most countries in transition, options for using this housing stock for future social rented housing are limited. In addition, public rented housing units in these countries tend to be concentrated in peripheral

housing estates of low quality, as these were the units which were the least attractive for tenants to privatize. The question needs to be asked if the lack of rented dwellings in many countries in transition makes it difficult to reach social housing policy goals.

41. In most countries in Western Europe, the availability of a public rented housing stock is, indeed, an integral part of social housing policy.

42. A renewed focus on social rented housing within the countries in transition to meet the needs of these population groups has to be considered. Increasing the social rented housing stock does not necessarily have to immediately result in new construction. An alternative would be to try to transform the existing public rented housing stock, which is currently rented out to the general population regardless of income, into social rented housing exclusively targeted at population groups in need of such housing.

43. However, while the establishment of new social rented housing will help to address the needs of some of the socially vulnerable, it cannot provide a solution for a large part of the substantial group of poor owners in the countries in transition. The possibilities for assisting these owners through the provision of new social housing units are limited. Their number is usually too large and they might also be reluctant to give up their privatized housing units.

44. Housing allowances might be an option. The granting of a housing allowance would be made conditional on a maximum income level. The extension of housing allowances could also be linked to the obligation on owners to participate in appropriate management systems (e.g. condominium associations) of the building. With increased participation in the management of the building, owners of the individual units would feel more responsible for the building, which would contribute to its maintenance and consequently its sustainability.

II. OUTLOOK: GUIDELINES ON SOCIAL HOUSING

45. The workshop discussions have once again demonstrated the strong need for the sharing of experience on social housing policies and practices within the ECE region as well as the need for well-documented information on these policies and practices as guidance for future policy-making.

46. The outcome of the workshop will feed into the preparations of UNECE guidelines on social housing as the Committee on Human Settlements had put forward at its previous session in September 2002. The guidelines will aim at providing policy makers with a tool to assess the different policy options that are currently available for the provision of social housing. They will address the institutional, legal and financial frameworks for social housing as well as experience with social housing design. They will analyse the role of social housing policies for society at large. In particular, they will aim at extending encompassing and well-researched information on the different instruments available for the financing and provision of social housing in order to facilitate the decision-making process.

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