

ECONOMIC COMMISSION FOR EUROPE
Geneva

**GUIDELINES
ON
SOCIAL HOUSING**

Principles and Examples



UNITED NATIONS
New York and Geneva, 2006

NOTE

Symbols of United Nations documents are composed of capital letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

*
* *

The designations used and the presentation of the material in this publication do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations concerning the legal status of any country, territory, city or area, or of its authorities, or concerning the delimitation of its frontiers or boundaries.

ECE/HBP/137

Copyright © United Nations, 2006
All rights reserved
Printed at United Nations, Geneva, Switzerland

UNITED NATIONS PUBLICATION

UNECE Information Service
PALAIS DES Nations
CH-1211 Geneva 10
Switzerland

Phone: +41 (0) 22 917 44 44
Fax: + 41 (0) 22 917 05 05
E-mail: info.ece@unece.org
Web site: <http://www.unece.org>

CONTENTS

Foreword.....	v
Preface.....	vii
Chapter I. THE HISTORICAL DEVELOPMENT OF SOCIAL HOUSING.....	1
A. History of social housing in Western Europe.....	1
B. Development of social housing in countries in transition.....	3
C. Privatization of public housing in countries in transition.....	6
Chapter II. THE ROLE OF SOCIAL HOUSING IN HOUSING POLICIES.....	9
A. Housing policy goals.....	9
B. What is social housing about?.....	10
C. Comparison between social housing and other housing policy instruments.....	13
D. Statistical analysis.....	15
E. Conclusions.....	16
F. Recommendations.....	17
Chapter III. THE INSTITUTIONAL FRAMEWORK.....	19
A. Differing institutional frameworks.....	19
B. Conclusions.....	27
C. Recommendations.....	27
D. Case studies.....	30
Chapter IV. THE LEGAL FRAMEWORK.....	33
A. The right to housing and its application.....	33
B. Major trends.....	34
C. A growing emphasis on contractual agreements.....	34
D. Recommendations.....	34
Chapter V. THE MACROECONOMIC FRAMEWORK.....	37
A. The economic framework for decision-making in social housing.....	37
B. Conclusions.....	42
C. Recommendations.....	43
Chapter VI. FINANCING OF SOCIAL HOUSING.....	45
A. Generation of resources.....	46
B. Forms of financial support.....	54
C. Conclusions.....	58
D. Recommendations.....	60
E. Case studies.....	63
<i>Glossary of housing finance terms</i>	68

Chapter VII. THE ROLE OF SOCIAL HOUSING IN SOCIAL COHESION	71
A. Social cohesion: Towards a meaningful definition from the perspective of social housing	73
B. Social housing and social cohesion: Role, challenges and possible solutions.....	76
C. Conclusions.....	83
D. Recommendations.....	84
Chapter VIII. SOCIAL HOUSING DESIGN.....	85
A. Quality and standards.....	85
B. Health aspects.....	87
C. Ecological aspects and energy saving.....	88
D. Competition among developers.....	89
E. Conclusions.....	90
F. Recommendations.....	91
Chapter IX. PILOT PROJECTS AND RESEARCH IN SOCIAL HOUSING.....	93
A. Pilot projects and experimental programmes.....	93
B. Evaluation and research.....	93
C. Conclusions.....	94
D. Recommendations.....	94
BIBLIOGRAPHY.....	97

LIST OF BOXES, TABLES AND FIGURES

Boxes

1. Far-reaching state regulation: Austria and the United Kingdom
2. Social housing and land-use planning: Italy, Switzerland and Austria
3. Financing social housing: Austria, England and the Netherlands
4. Tenant participation: England and Austria
5. Examples of social housing for the improvement of living conditions
6. Examples of social housing for socially integrated communities
7. Examples of social housing for special needs
8. Examples of social housing and residents' empowerment

Figures

1. Share of social rental dwellings in the housing supply, circa 2000
2. Affordable rent and subsidies
3. Construction and operating costs
4. Housing allowance: proportion of beneficiaries and average amount per inhabitant (2002–2003)

Tables

1. Financial balance in investment and operation phases
2. Object and subject subsidies in selected countries

FOREWORD

The housing needs of the socially vulnerable and disadvantaged form the basis of the work of the Committee on Housing and Land Management. Poverty and the social exclusion of vulnerable population groups are increasing social and political challenges throughout the UNECE region. In recent years, the gap between income and housing prices has continued to widen across the region, making housing less affordable. At the same time, many countries have seen both a decline in the role of the state in the housing sector and a growing reliance on market forces to satisfy housing demand. Consequently, the housing needs of the poor and vulnerable are often inadequately addressed. The availability of affordable housing, however, is crucial for individuals' well-being and for ensuring a socially cohesive society. It is also an important factor in economic productivity: affordable housing is a prerequisite for labour mobility and an essential part of the creation of an environmental policy conducive to the development of enterprise and job creation.

Given the increasing challenges faced by the socially vulnerable in the housing sector and the importance of affordable housing for socially cohesive societies, countries of the UNECE region are beginning to realize the need for a renewed and stronger role of the state in the provision of social housing. However, in order for the provision of social housing to be efficient and effective, countries have called for a better sharing of experience on social housing policies and practices as well as improved guidance to policymakers through well-documented information on these policies and practices.

The UNECE *Guidelines on Social Housing* are designed to enable policymakers to assess the various policy options that are currently available for the provision of social housing. The *Guidelines* address the institutional, legal and economic frameworks for social housing and experience with social housing design. They analyse the role of social housing policies for society at large. In particular, they include relevant and well-researched information on instruments available for the financing and provision of social housing.



Marek Belka
Executive Secretary

Chapter I

THE HISTORICAL DEVELOPMENT OF SOCIAL HOUSING

The development of the housing situation in individual countries is influenced both by their governments' housing policy and by a number of external factors, such as the socio-economic and demographic situation and political, administrative and legal factors (Boelhouwer and van der Heijden 1992: 266–267). These external variables, together with the housing policy, shape the role, aims and characteristics of social housing.

To better understand the historical development of social housing, it is useful to grasp its contemporary function and characteristics. The following text briefly describes the development of social housing in the contexts of housing policy and socio-economic development in countries throughout the UNECE region.

However, it must be kept in mind that this is only a general overview of past developments and contemporary trends in social housing. The situation in individual countries is always unique and might in some cases differ substantially from this general description. The same applies to housing policy and its historical stages, which in individual countries can have a specific timing, duration and intensity.

A. History of social housing in Western Europe

The following review refers especially to Central and Northern Europe. The development of housing policy and social housing in most South European countries has, to a certain extent, been different because of delayed urbanization and stronger rural settlement, which have resulted in the governments' of these countries being less involved in housing.

From the beginning of the twentieth century up to the Second World War, the development of housing policies in Western Europe was characterized mainly by market forces. Public involvement in housing markets was rather weak and temporary, and housing efforts in many large cities were aimed at poor households.

This situation changed noticeably after 1945, when governments became much more active in the housing area in most European countries. The development of housing policies in Western Europe from 1945 until the 1990s can be split into three phases (Priemus, Kleinman, MacLennan and Turner 1993).¹

The first phase of “recovery” (1945–60) was aimed at repairing war damage and alleviating housing shortages; the main issue was housing construction, which was heavily subsidized or financed directly with public funds. The result was termed “mass” social housing.

¹ The development of European housing policies can be also divided into four phases (Boelhouwer and van der Heijden 1992), the first stressing new housing construction, the second aimed at improving the quality of the existing housing stock, the third highlighting the distribution and targeting of state support and the fourth to solve new problems, including the re-emergence of housing shortages for low-income households.

The second phase of “growing diversity” (1960–75) brought new issues – mainly a focus on housing quality and urban renewal. This period saw the emergence of major divergences in the way that governments adjusted their housing policies to overall economic prosperity in the 1960s.² Home ownership now joined social housing on the political agenda.

The third phase of “new realities for housing” (1975–90) resulted from the changing economic context. Beliefs concerning the role of the state in housing provision began to change, and in most countries this resulted in a reduction in public housing expenditure. In general, housing became “more market-oriented, competitive and opened up to economic pressures” (Priemus, Kleinman, Maclennan and Turner 1993: 19).³

While the phases of housing policy development outlined above do not cover the past 15 years, there is strong evidence that recent trends have persisted through the 1990s and into the current century. There has been a general decline in public investment in housing and a shift from generic to specific subsidies, which target the weakest socio-economic groups (Boelhouwer et al. 1997: 509).⁴ The concept of housing provision has been partly modified so that the main function of housing policy has begun to be perceived as facilitation and enablement, and in the prevailing market conditions the focus has been on economic effectiveness and social efficiency.

Statistical data show that housing conditions have in general improved in UNECE countries, but at the same time there is clear evidence that new problems have emerged. Market-driven housing provision systems tend to be more sensitive to consumer preferences and choices. The changing demographic and social composition of the population, growing social polarization and variations in income distribution have influenced demand dynamics. On the one hand, this leads to a more diverse pattern of lifestyles and housing choices. People with more disposable income seek better living standards and move upmarket to more attractive environments. On the other hand, poverty manifests itself through the growing number of people on welfare assistance, rising homelessness and a general degradation in living standards. In Western Europe, housing policies have emphasized the importance of financial instruments to facilitate access and choice. However, the gap between income and entry costs has continued to increase for low-income households, making affordable, high-quality housing increasingly difficult to obtain (UNECE 2003a: 16).⁵ Growing inequalities and increasing homelessness threaten the quality of urban life (Priemus, Kleinman, Maclennan and Turner 1993: 26, 27).

These new social problems have naturally influenced the orientation and objectives of national housing policies. In addition to common housing policy objectives, such as accessibility, affordability and quality of housing, the struggle against homelessness, the avoidance of social polarization and segregation, and an emphasis on social cohesion and the creation of sustainable communities have, among other things, become increasingly emphasized (Hills 2001).

The impact of these policies on the development of social housing was as follows. Social rental housing emerged on a larger scale in some European countries for the first time in the 1920s as an instrument for solving the housing crisis and broader social and political problems after the First World War. These housing programmes were targeted predominantly at wealthier working-class and middle-class households and were usually intended to be temporary.

²For example, in the favourable conditions of the 1960s, Germany and Denmark started to deregulate rent and retarget housing assistance, whereas in the United Kingdom, for example, no profound changes were made in housing policy until the late 1970s.

³As was stressed above, this general description does not apply to all countries. For example, in the Netherlands and Austria a high degree of government involvement continued at least until the early 1990s.

⁴Understandably, in this phase development in some countries also deviated from the general trend. For example, in the early 1990s, Austria and Germany increased subsidized housing construction as a response to in-migration.

⁵See also Kleinman 1998; Priemus 1997; Priemus and Dieleman 2002.

The true mass programmes of social rental housing emerged for the first time after 1945, during the “recovery phase” to overcome the housing shortage. Social housing was chosen as a key instrument for solving the housing crisis and was funded mainly from public resources in the framework of the Keynesian economic concept (maintaining full employment and economic growth). The emphasis was mainly on housing construction; management issues and other economic aspects were neglected. During this period, social housing, with below-market rents, was not targeted at the poorest households but again at the middle class.

During the second phase (“growing diversity”), the growth of social housing continued in the same fashion. Nevertheless, in the early 1970s some changes occurred. They were driven by economic prosperity, the disappearance of the post-war housing shortage and widespread home ownership. These factors, together with some negative consequences of post-war social housing programmes (low quality and poor management of social housing estates), caused demand for this housing to diminish, and the first vacancies occurred.

Substantial changes in social housing occurred during the third phase (“new reality for housing”). They were caused by economic recession in the late 1970s, when governments’ overall aims were to reduce inflation and cut budget spending. In these circumstances, when housing policy became more market-oriented, social housing experienced considerable challenges. Investment in new social housing in many countries decreased in real terms (Priemus, Kleinman, Maclennan and Turner 1993: 23) and this fact, together with the social housing privatization that was launched in some countries, reduced social housing’s share in the total housing stock. Consequently, social housing gradually targeted narrower sections of society.

This trend, which seems to be continuing, is at first glance in accord with housing policies’ intentions, and highlights market principles, economic effectiveness and social efficiency. However, it has also had unintentional consequences in the form of social and spatial polarization and segregation. The social housing sector and its parts have become increasingly stigmatized. As described by Priemus and Dieleman, “Tenure segmentation by income, with an increase in the number of low-income households in the social rental sector, seems to occur everywhere” (Priemus and Dieleman 2002: 195).⁶

A narrowing of social housing together with the continuing market orientation of most national housing policies have also influenced the “policy” of some of the non-profit social housing providers. In these competitive conditions, a number of providers are increasingly less able to serve low-income households and try to focus more on middle-income households. As a result, the dividing line between those parts of the social rental sector that are not occupied by poor households and the commercial rental sector has become unclear (Priemus 1997).

B. Development of social housing in countries in transition

In countries in transition in Western Europe, the development of social housing must also be viewed in the framework of socio-economic developments and housing policy intentions, even if there are huge differences between individual countries. At the very least it is necessary to differentiate among the countries of Central-Eastern Europe (CEE),⁷ South-Eastern Europe (SEE), North-Eastern Europe (NEE) and the rest of the former Soviet bloc (Tosics 1998: 276).

In the first half of the twentieth century, the housing situation in the countries in transition was influenced, as in other European countries, by industrialization and urbanization. In both the CEE and SEE at least, housing development was very similar to that in Western Europe; most housing was supplied via market forces,

⁶ There are also exceptions, such as the broad social housing sector in the Netherlands.

⁷ For the purposes of this publication, the CEE countries are the Czech Republic, Hungary, Poland and Slovakia.

whose regulation was rather weak and temporary as a response to the social and political crisis brought about by the First World War. Rent regulation as well as the first programmes of social rental housing prevailed between about 1919 and the mid-1920s and were targeted primarily at the middle classes. After that short period, all countries strove to return to reliance on market principles. All contemporary former-Soviet countries (including NEE countries) experienced very different developments influenced by a planned command economy during that time.

The situation changed completely after 1945, when Europe became politically and economically divided. Housing policy in these countries was now subordinated to centrally planned economic systems. Despite huge differences among housing systems in individual countries, it is possible to describe the main features of the administrative rationing housing system, or “East European housing model” (Tosics 1998: 276), and its consequences.

Above all, housing was understood as a social right directly guaranteed by the government. It was in general not perceived as a commodity, and market principles in the sector were suppressed. The state directly controlled the production, allocation and consumption of housing. Housing was very cheap for tenants and homeowners but very expensive for society because of high subsidies combined with a very low level of (economic) efficiency in housing production and management. Housing quality during this period was poor.⁸

This housing system faced huge problems. It was very costly and inefficient, and it neither provided people with quality housing nor eliminated housing shortages, even though housing production in the 1970s (“the golden age” of this type of housing policy) was comparable to that in Western Europe.

Despite these common features, there were huge differences among countries’ housing situations and housing policies. Besides the differences among CEE, SEE and the Soviet Union, there were also variations within these groups of countries. For example, Yugoslavia developed a housing policy different from that in other SEE communist countries.

There were huge differences from the tenure point of view among the communist countries. For example, in most of the CEE and the Soviet Union, state (and often also cooperative) housing dominated, while in the SEE and in Hungary traditional home ownership prevailed. In all these countries, private rental housing was virtually non-existent (in the CEE, due mostly to nationalization) and the selling of homes was restricted.

Housing policies in the communist countries also developed over time. In individual countries, some attempts were made to change the orientation of housing policy (e.g. in the modernization of housing stock), but little or no progress was achieved, since the socio-economic framework was very rigid.

Although in some communist countries the bulk of the housing stock was publicly owned, the public sector did not have any explicit social housing function – it was just a general supplier of housing for all households. In some cases, “social” allocation criteria were theoretically proclaimed (targeting, for example, poorly housed people, families with children or war veterans in the Soviet Union), but in reality they were not applied. Very low housing prices resulted in “excess demand” for housing, especially new housing in attractive urban areas. Therefore, publicly owned flats were allocated mostly on the basis of “merit”. This meant that, for example, in the former Czechoslovakia, Communist Party members and other people serving the party received preferential treatment.

Although housing was heavily subsidized and was made affordable for all people, it must be stressed that “the term social housing was incompatible with the communist ideology” (Dandolova 2003) because the entire political system was declared to be social, introducing equality and solidarity. During this period it was impossible to declare the existence of social groups suffering homelessness, or poor people, or to admit

⁸ More detailed descriptions of this housing model can be found, for example, in Tsenkova 2000 and Tosics 1998.

general shortages in the provision of this basic need. As a result, social housing in Western Europe was never recognized as a necessity. However, large parts of the housing stock, especially in the CEE and the Soviet Union, had the main characteristics of social rental housing (such as price regulation, non-market allocation, subsidization, public ownership).

Housing policy in these countries changed completely after 1989, when individual countries began their transition from a centrally planned housing policy towards a market-oriented one. From at least the very early 1990s, the main goals of housing policy in most countries in transition were “to apply market principles as much as possible (...) and to adjust rents, prices of apartments and houses, gradually but not slowly, nearer to market price relations” (Musil 1995: 1680). Consequently, housing policies in countries in transition became in many instances more liberalized than those in Western Europe.

The most important features of housing policy reforms were overall deregulation (mainly of prices) and decreasing public intervention; privatization of the housing industry and housing services; privatization of the housing stock⁹ (mostly to sitting tenants) and support of home ownership; and decreased public subsidies, especially for housing construction. All these profound changes were launched without first instituting all the necessary legal and institutional frameworks, such as property registration or finance systems.¹⁰

These changes revealed that the main problem inherited by most countries in transition was not a general housing shortage, but rather a supply and demand mismatch (Tosics 1998: 290) and deferred maintenance (Tosics and Hegedüs 2003). There were also new problems to be solved. Across-the-board liberalization of society led to growing social differentiation, accompanied by increasing differentiation in house prices, so that an ever larger proportion of the population experienced problems with access to adequate and affordable housing. Yet providing socially weak households with affordable and decent housing is very difficult, especially in countries where owner-occupied housing prevails.¹¹

Affordability problems and the risk of homelessness are much worse in SEE and all former-Soviet countries, whereas in CEE the housing situation is generally viewed as quite satisfactory. Most SEE and post-Soviet countries fast-tracked privatization, so that owner-occupied housing accounts for 90 per cent or more of the housing stock and is often occupied by poor households. There is also a lower level of housing consumption than in CEE, and this is worsened by insufficient infrastructure networks and deferred maintenance of the housing stock. In SEE, there is also a huge demand and supply mismatch due to migration and changing population numbers (rural areas are becoming less populated while there is a housing shortage in big cities), homelessness and illegal housing (Tosics and Hegedüs 2003: 32). The situation in most former-Soviet countries is similar.

Data from the mid-1990s show that, in response to these housing problems, most vacant rental units in countries in transition were allocated to the most vulnerable people. However, the number of available flats was very low (Tosics and Hegedüs 2003: 26) because this part of the public housing sector stock, which could have served as social housing, was occupied by tenants who benefited from rent regulation. Therefore, the most vulnerable and needy households must also rely on owner-occupied housing.

Around the mid-1990s, the authorities of many countries in transition began to realize that satisfactory solutions to housing problems could not be based solely on market principles. Since that time there has been a concerted effort in most of these countries to establish a proper legal and institutional housing framework, to develop a finance system for housing, to restore production subsidies and to establish non-profit/social

⁹ There are a few exceptions. The Czech Republic and Poland did not privatize housing on a large scale and now have a satisfactory amount of rental housing.

¹⁰ For more details, see, for example, Tsenkova 2000.

¹¹ For example, the SEE share of owner-occupied housing in 1994 was 89 per cent on average. See Tosics and Hegedüs 2003, p. 24.

rental housing. This second stage of housing reform has proved to be much more difficult than the departure from a centrally planned housing policy (Tsenkova 2003: 193).

In this new context, the social housing stock is beginning to be perceived as an important tool to help ensure affordable and decent accommodation for households that cannot afford market prices. In most countries in transition there have recently been clear endeavours to establish a social housing sector similar to that in most West European countries. Unfortunately, there is one big obstacle: public budget restraints. Owing to these, social housing programmes are still either lacking or very limited. Any social housing construction is targeted mainly towards the most disadvantaged, which creates a danger of social polarization and segregation.

Only a few countries in transition have social housing programmes. The main example is Poland, where non-profit housing companies – TBS – are being established to provide housing for middle-income households. In the Czech Republic, a new programme was developed in 2003 to subsidize the construction of municipal rental flats targeted at households with lower to middle incomes, and new support for cooperative housing construction is being prepared.

C. Privatization of public housing in countries in transition

Privatization of the public housing stock has been part of the broad process covering deregulation, decentralization, liberalization and the change to a market economy in the countries in transition. In addition to the housing stock, the building industry, housing management organizations and housing finance systems have been privatized. Privatization of the housing stock and the consequent increase in owner-occupied housing are among the most visible outcomes of housing transition. In the early 1990s, public ownership and other forms of collective ownership (cooperatives) were largely seen as reminiscent of communism, whereas private ownership and especially owner-occupied housing came to be regarded as the preferred system.

At the beginning of housing policy transition, housing stock privatization had several aims.¹² In addition to switching from a socialist housing system (the “East European housing model”¹³) to a market-oriented one and improving the economic efficiency of housing systems in general, new aims emerged. They included raising revenue from the sale of public housing; reducing public expenditures (because of a widespread belief that privatization would encourage new owners to spend money on housing improvements); getting rid of negative asset value represented by deteriorating housing, and so on. Besides the economic justifications for privatization of public housing, there were also political reasons – for example, the effort to strengthen new regimes by offering advantages to ordinary citizens. When these objectives were formulated, the possible economic problems associated with a dominant owner-occupied sector, especially one occupied by so many low-income people, were not analysed; nor, presumably, were market failures taken into account (Douglas 1997: 38). Governments and many future owners did not realize how expensive home ownership would be, particularly in terms of maintenance and repair costs.

Nowadays most countries in transition (with a few exceptions such as Poland, the Czech Republic and the Russian Federation) are “nations of homeowners”. It must be borne in mind, however, that this tenure structure reflects not only the process of privatization but in some countries also the traditions and legacy of the former socialist housing system (Tsenkova 1999: 3). Shares of home ownership in the former communist countries were very different. In SEE, owner-occupied housing traditionally prevailed. (For example, in 1990 the share of owner-occupied housing in Bulgaria was 89.7 per cent, in Romania 76.1 per cent, and in Slovenia 68.9 per cent.) In NEE and most CEE countries, public housing had a very strong position or even prevailed. (For example, in 1990 the share of owner-occupied housing in the Czech Republic was 40.3 per

¹² See Douglas 1997, pp. 37, 38.

¹³ See, for example, Tosics 1998, p. 276.

cent, in the Russian Federation 26 per cent, in Estonia 35 per cent, in Latvia 22 per cent and in Lithuania 39.1 per cent; see Tsenkova 2000: 33.)

Attitudes towards owner-occupied housing in communist times varied significantly (the most extreme examples being the former Soviet Union at one end of the scale and the former Yugoslavia at the other). Nevertheless, there was one common feature: this tenure was subsidized in different ways so that it was “universally affordable” (Tsenkova 1999: 3). At the same time, it was strictly controlled so that rights of use were restricted. Hence the divisions between ownership and rental, and between private and public, were often blurred; homeowners’ rights were limited to personal consumption, whereas tenants’ rights were very close to homeowners’ rights (such as the right to transfer or inherit homes) (Tsenkova 2000: 31).

The attitudes of individual governments towards housing in general and home ownership in particular changed in the course of the communist era, above all in the 1980s, when communist housing policy began to disintegrate. As a result of the unsatisfactory housing situation, a lack of public resources and other factors, private housing began to play an increasingly important role in housing provision. In addition to home ownership, other forms of housing provision were promoted, especially cooperative housing (Tsenkova 2000).¹⁴

During the housing transition of the 1990s, several types of housing stock privatization were adopted: privatization of public housing (including state enterprise housing); restitution of formerly nationalized housing; and conversion of cooperative housing into condominiums. Nevertheless, the privatization of public housing was the most important phenomenon.

This privatization took different forms. Public housing was mostly transferred (either sold or transferred for free) to sitting tenants, but some was sold to private companies. For example, in the Czech Republic blocks of flats were sold to legal entities (mostly cooperatives) comprised of tenants.

Privatization to sitting tenants, resulting in home ownership, has profoundly influenced the redistribution of wealth within society. There are the winners, who acquired high-quality, tradable properties at a big discount; there are also the losers, not only those who did not acquire any housing via privatization and cannot afford decent housing, but also those who, via privatization, acquired properties that are in such poor shape that their maintenance and repair constitute a huge financial liability (Tsenkova 2000: 32–34).

Selling prices were based on different strategies: voucher privatization; free-of-charge privatization; low-price privatization; and mixed, low- and high-price privatization. Low-price strategies (“give-away” privatization) have mostly prevailed; in the early 1990s prices were typically less than 15 per cent of the market price (Tsenkova 2000: 32). Low-price privatization has frequently been preferred because it has enabled governments to get rid of their loss-making housing stock along with the responsibility for it. This strategy can be advantageous in the short run, but in the long term it means “the loss of accessible and affordable rental housing (an important social asset)” and “difficulties faced by low-income buyers in funding the costs of repairing and maintaining their properties” (Balchin 1996: 240).

The interest of tenants in buying their flats has been influenced not only by selling prices but also by rent policies. Although this situation was not created deliberately, there is evidence in some countries that decisions to buy were influenced by fear of imminent rent liberalization.¹⁵

¹⁴ There were big differences in timing. For example, the promotion of owner-occupied housing was noticeable in Hungary in the 1980s; reliance on cooperative housing in the former Czechoslovakia began in the 1960s and intensified during the 1980s.

¹⁵ For more details see, for example, Roberts 2003.

Due to the transition and privatization of housing stock, home ownership in post-communist countries incorporates a wide range of properties of different types, sizes and quality. It comprises former public housing and original owner-occupied housing – mostly rural housing on the one hand and newly constructed housing on the other. The average quality of the housing constructed during the communist period and before is poor – small flats, a lack of amenities, non-existent social and technical infrastructure and so on. Only in CEE is the situation comparable to that in Western Europe. Home ownership has become increasingly differentiated in regional terms; there are wide differences between peripheral housing estates, suburban housing areas with new (often luxury) family houses and inner-city areas (Tsenkova 2000: 55).

Home ownership under the communist regime was mostly uniform; there were no major differences in the social status of different types of homeowners. During the transition this type of tenure became increasingly fragmented and polarized; nowadays it includes well-off households, which bought new, high-quality housing, as well as poor households (low-income, elderly, unemployed and so on) which obtained their properties via privatization or own traditional rural housing. In those countries where owner-occupied housing predominates (especially in SEE, where home ownership in 1994 accounted for an average of 89 per cent of the stock) (Tosics and Hegedüs 2003: 24), the public sector has become marginalized and “even the most vulnerable and lowest groups of society have to find a solution to their social housing problems in the owner-occupied sector” (Tosics and Hegedüs 2003: 26).

The current problems associated with former public housing which is now owner-occupied stem from three main factors. The first is the physical state of this housing stock, which consists mostly of deteriorated multifamily buildings with neglected repairs and serious technical deficiencies. The second factor is the fact that ownership passed to individual, often low-income owners, who cannot afford the maintenance and necessary repairs. The third factor is that responsibility for this housing stock was passed to the new owners without ensuring the necessary financial, legal and organizational conditions.

Besides the lack of funds (both private and public), there is also a lack of legal regulations concerning owners' associations and the management of multifamily blocks, and a lack of cooperation among the new owners. There are no efficient enforcement methods against owners who do not pay up. The insufficient legal framework regarding home ownership in multifamily buildings sometimes results in a strange situation where owner-occupied housing is still treated as public housing – the land is owned by municipalities, municipalities provide new owners with fixed-price services, and so on.

There is a paradoxical result in countries in transition. Today, owner-occupied housing which originated in public housing has at least two features in common with “true” social rental housing in Western Europe; both are at least partly occupied by poor households, and both consist of low-quality housing in multifamily buildings, especially on the outskirts of cities.

“There is a widely held view among housing experts that in the highly privatized housing systems in countries in transition, the maintenance and affordability issues are more serious than the need for new construction... The conviction is commonly held that special attention must be urgently paid to two, so far neglected, aspects of housing policy: to the maintenance/renewal problems of the privatized multifamily housing stock, and to the housing problems of the poor.” “More differentiated policy must be established towards the owner-occupied sector; one part of this will easily turn into the market sector, while the other must be subsidized in order to be able to house the poorer segments of the society” (Tosics and Hegedüs 2003: 39). This concerns SEE, but in fact it is also valid for all former-Soviet countries and partly for the CEE countries where home ownership prevails and rental housing (public or non-profit) is marginalized.

Chapter II

THE ROLE OF SOCIAL HOUSING IN HOUSING POLICIES

Any discussion of social housing also needs to address general housing policy goals so as to determine what role social housing can play in achieving these.

A. Housing policy goals

The basic goal of housing policy is to provide the whole population with adequately equipped dwellings of suitable size in a well-functioning environment of decent quality at reasonable cost. To make this overall goal more tangible, and also to include recent new dimensions in housing policies, it is worthwhile to list key questions:

- **Access to housing:** How is it possible to ensure that the underprivileged section of the population has access to a dwelling?
- **Affordability:** What instruments can be used to ensure that low-income households can live in dwellings of a reasonable size, so that housing expenditure does not form an unreasonably large proportion of their disposable income?
- **Qualitative targets:** What instruments can be used to ensure that the quality of current housing and of any new construction will correspond to changing needs now and in the future? This concerns the quality of both buildings and the housing environment.
- **Special needs:** In addition to economic factors, it is important to pay attention to the special needs of different segments of the population. These needs include the need for *housing care: sheltered and supported housing for disabled, elderly and homeless people*.

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

- **Combating social exclusion and supporting the social mix:** How to avoid social segregation in residential areas.
- **Security of tenure:** Sufficient protection against eviction.
- **Tenant participation:** Ways and means of participating in decision-making relating to the building and the immediate neighbourhood. This relates especially to the apartment building stock in general, and to the rental housing stock in particular.
- **Energy savings in dwellings:** This should be incorporated into the qualitative goals for dwellings.

Here it is important to make three points.

- a) One cannot achieve everything immediately or simultaneously. This makes it necessary to prioritize goals.
- b) The higher the income, the more easily housing policy goals can be realized. This means that housing policy instruments should include special support for improving housing conditions for low- and medium-income groups. This provides the justification for assessing the efficiency of housing

policy according to how well it supports improved housing for those living under the most difficult conditions: “social effectiveness”.

- c) No single housing policy instrument will solve all the 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 can be assessed by looking at the extent to which goals are achieved. One can focus particularly on how the goals can be implemented at the lowest possible public cost (“economic efficiency”).

It should also be pointed out that all instruments tend to have unintentional negative side effects. For example, if support for consumers, which was intended to lower housing expenditure, leads to increased demand and an increase in prices or rents, it will diminish the effect of the instrument or policy tool or will worsen the situation for others in need of housing. This is “capitalization of support”.

Naturally, it is also important that the housing market function smoothly overall. Following are some points that should be considered in this context:

- ***A balanced housing market:*** In growth centres there must be enough dwellings to avoid unreasonable rent increases. At the same time, every effort should be made to avoid a situation in which dwellings in areas with declining populations are abandoned and their prices plummet.
- ***High productivity:*** The housing production system must be as efficient as possible so that the quality/price ratio for new construction and renovation can be kept as high as possible. This requires continued research input, experimental construction and real competition in the construction sector.
- ***Smoothing the impact of business cycles on housing production:*** The business cycle is one of the factors that create substantial variation in the volume of housing production and renovation, and this affects the efficiency of the housing production system.
- ***Elasticity of supply:*** The housing production system should be flexible enough to respond quickly to a surge in demand. Flexibility depends on factors such as the supply of building land and the ability of construction companies to respond to increased demand.

Social housing is just one of the available housing policy instruments, and it should be compared to the others to determine the best approach in a given situation.

B. What is social housing about?

The concept of social housing is difficult to define accurately, particularly as its content varies to some extent from one country to another.¹⁶ Usually the term “social rental housing” is used as a synonym for it, even though there are countries in which cooperative housing and even certain parts of the owner-occupied housing stock meet the criteria for “social housing”. In this chapter, social housing generally refers to social rental housing, unless specified otherwise. Many countries have incorporated the definition of “social rental housing” into their legislation. There are differences in national legislation; however, similarities between laws in different countries are sufficient to justify statistical comparisons.

It should be pointed out that “social housing” and “social housing policies” are not synonymous, as “social housing” is only one of the instruments for implementing “social housing policies”. Likewise, the proportion of social housing in the overall housing stock does not in itself reveal how much attention is given to social considerations in the country’s housing policy.

¹⁶ Compare with Stephens et al. 2003, pp. 769–787; *Housing Statistics in the European Union, 2003*, pp. 65–68.

Given the variety of shapes social housing can take across the UNECE region, agreeing on one single, clear-cut definition is difficult. However, while there is still much debate about a definition, the following are the most important factors enabling a distinction to be made between social rental dwellings and other types of dwellings.

First, in international housing statistics, rental housing stock is often divided into “private rental” and “social rental” dwellings.¹⁷ In such a division the ownership base is not the only important consideration because, as is shown below, social rental housing stock can also include privately owned rented dwellings.

While the nature of operations and their basic objectives are important, in dwellings belonging to the “private rental” group, the rent is usually determined on the basis of profitability and no consideration is given to social factors when residents are selected.¹⁸

Administrative considerations play a role in the definition of social rental dwellings. After all, these are usually constructed with public-sector support, which means that it is necessary to determine criteria for granting such support. However, this does not mean that all rental buildings that are eligible for such support come under the social rental category. There are other factors which must be taken into account.

The salient characteristics of social rental housing in West European countries are detailed below.

Public-sector support for social rental housing corporations may be in the form of loans granted by the government, interest subsidies, grants, guarantees or tax reductions. The support may in certain cases be granted by local authorities. Different types of support can be combined. For example, a market loan may receive a government guarantee, while interest subsidies can be used to lower interest payments. Production support may be granted to both new construction and major repairs in existing buildings.¹⁹

Production support has helped to increase housing production and improve the quality of dwellings, to promote renovation and to lower capital costs. As part of production support, many countries regulate rents and keep them below market levels so that tenants benefit from lower capital costs.

Cost pricing is a widely used model. In it, capital expenditures and all operating expenses paid by the owner, such as the cost of administration, maintenance and repairs and often also heating, are included in the rent.²⁰ This makes it easier for the owner to run a social rental housing corporation as all needed cash flow is paid for by tenants or, in exceptional cases, partly by public authorities. It should, however, be noted that subsidies for production and renovation decrease actual rents. In addition, housing allowances help individual tenants to pay their rents.

Cost-price rents can also include reasonable interest on the capital invested by the owner. In this case, one can talk about rents on a “limited profit” basis. A cost-price rent can be building-specific, but owners often apply the principle to their entire rental dwelling stock, in which case they can use rent pooling to ensure that the rents correspond to the utility value of the dwellings.²¹ (See chap. VII.)

¹⁷ See, for example, *Housing Statistics in the European Union 2004*, p. 52; Stephens et al. 2003, p. 769; Priemus and Dieleman 2002: 192.

¹⁸ Cf. note 4 in Stephens et al. 2003, pp. 786–787.

¹⁹ In this connection two points should be mentioned. First, conventional private rented construction and renovation can receive a public support similar to that for social housing. This is the case, for instance, in Austria, France and Germany. Second, the owner-occupied section of the housing stock receives public support in many countries, for instance, through tax relief on mortgage interest.

²⁰ If heating is not included in the rent it is normally paid for directly by the tenant.

²¹ See, for example, Stephens et al. 2003, pp. 773–774.

Allocating dwellings to the neediest population groups is often a more important objective in social rental buildings than in other types of housing. This can be done using selection criteria set by central and local government, which can be based on income ceilings and/or an explicit or implicit points system in emphasizing various factors affecting housing needs.

In some countries, such as Austria, Denmark and France, local authorities can select residents for certain social housing units on the basis of social criteria, even though the dwellings themselves are not municipally owned. In addition to such general resident selection criteria, there are systems in which owners of social rental buildings specialize in offering housing for certain special groups such as students, the elderly or the disabled.

In many countries, the ownership basis of social rental housing is subject to restrictions so that the government can guarantee that the support it grants actually serves its housing policy aims, some of which are detailed above. The most common ownership arrangements are systems in which buildings are owned by local authorities or non-profit organizations. A municipally owned building may be directly owned by a local authority or, more commonly, may belong to a municipally owned company.

Most non-profit organizations are housing associations. However, other types of ownership are also possible. For example, in Finland and Germany private companies can own dwellings, though in Finland a company operating as a provider of social rental housing must observe laws which, among other things, restrict the distribution of profits to the owners. Social rental housing is generally characterized by the fact that the operations are based on legislation and supervised by the authorities.

Social rental buildings are also characterized by the fact that their residents usually enjoy better protection against eviction than residents in ordinary private rental dwellings. However, particularly in countries with high levels of protection against eviction, there may not be clear differences between the two groups.

Another characteristic concerns the involvement of residents in decision-making (tenant participation). In many countries (such as Denmark, Finland, France and Sweden) there are special laws governing tenant participation in social rental housing corporations. In other cases (for example, Austria) social housing owners have developed tenant participation practices even where the law does not force them to do this.

There is no common definition of social housing in the countries in transition.²² In many countries it is understood that publicly supported rental housing is targeted above all at low-income and generally disadvantaged households. This interpretation usually comes close to the “narrow definition according to which only the sector of rental housing designated for the lowest income households with the highest social need (unemployed, ethnic minorities, handicapped) is considered”.²³ This rather narrow definition of social housing is understandable due to the general situation in many of these countries (poor economic conditions and widespread social housing problems, especially homelessness), which pressures governments to help only the neediest households.

The situation regarding the definition of social housing can in some cases be quite confusing. On the one hand, there are countries where social housing is defined in various acts and programmes which, however, are not implemented. On the other hand, there are countries where part of the housing stock can be labelled as social housing, but the term “social housing” is not used in policy documents or legislation. (This is the case with the Czech Republic and Slovakia.)

²² The following discussion regarding countries in transition is based on a paper presented by Bozena Valentova to the UNECE Task Force.

²³ Lux 2001, p. 3.

The only country where the term “social housing” is clearly defined is Poland. There social housing is defined as including the housing stock owned by municipalities and non-profit housing associations (TBS).

Municipal rental housing seems to be the most common way to define or label social rental housing in countries in transition. This approach can be seen, for instance, in Bulgaria, Romania, the Russian Federation, Slovakia and Slovenia.

Here it is appropriate to refer to the definition of social housing used by the European Liaison Committee for Social Housing (CECODHAS), which is widely used in the region. CECODHAS considers that “despite the great diversity of forms of social housing in the Member States [of CECODHAS], the primary role of social housing is to help households with problems in gaining access to decent housing on the market to find accommodation in an adequate social and urban mix. The common feature of social housing in the Member States is the existence of rules of allocating housing to benefiting households. Defining these rules for allocating housing is the responsibility of the Member States and their public authorities. They are aimed at overcoming the problems of the system of allocating the supply of housing on demand through the free working of the market, problems that result from a structural deficit of decent and affordable housing.”

C. Comparison of social housing with other housing policy instruments

When considering the need for additional social rental housing, one should first examine how well the existing housing stock and the present tenure models, such as owner-occupied housing, cooperatives and ordinary private rental dwellings, can satisfy the housing needs and requirements of the population.

First of all, the need for new social rental housing declines as market rents and housing prices fall and as people with middle and low incomes become more satisfied with ordinary owner-occupied, cooperative and rental dwellings. This is the situation in many areas outside growth centres all over Europe.

The situation is much more complex in areas where housing is expensive and in very short supply. A widely held view is that there should be dwellings with different types of tenure so that different types of demand can be met. A certain number of rental dwellings are necessary both for social reasons and for employment policy reasons, to facilitate labour mobility. The number of rental dwellings can be increased by building more private or social rental dwellings or by acquiring them from the existing housing stock.

Social housing may be needed if the rent levels of ordinary privately owned rental dwellings are so high that people on low incomes cannot afford them. Here, an alternative means is housing allowances, which make it possible to lower the effective rent to a level residents can afford, even in private rental dwellings. A relatively high level of housing allowances would, however, lead to higher demand for housing and would also result in higher rents, particularly if the supply of housing were, for various reasons, unable to respond to rapidly rising demand.

Another problem with housing allowances is that, particularly in countries with a large grey economy where the authorities do not know enough about actual income levels, it may be difficult to build a sufficiently effective and fair housing allowance system. Likewise, housing allowances are not particularly effective when the main objective is to increase housing production and renovation.

On the other hand, housing allowances may be an efficient way of targeting the support needed for lowering housing expenditures, particularly in countries with sufficiently reliable tax registers.

Experience in Western Europe suggests that production support should be used when the need to increase housing production and renovation is at its peak, and that it should be gradually lowered and the proportion of housing allowance increased as the overall housing market situation changes.

The role of housing allowance in social rental buildings is demonstrated by the fact that in some countries, namely Denmark, France and the United Kingdom, 50 per cent or more of all households living in such accommodation are receiving this form of support.

Where production support is low or non-existent, there is less need to favour low-income groups in the selection of residents than in a situation where production support is the most important way of lowering rents. Where there is no production support, rents can be higher and most of the affordability problems of low-income groups can be solved through housing allowances. Solutions like this help to diversify the resident structure and to prevent housing segregation.

A gradual increase in housing allowances would probably boost the construction of ordinary private rental dwellings. However, it is possible that, even if housing allowances were introduced, most of this production would be relatively high-rent dwellings. Even if this were not the case, the process of selecting residents for ordinary private rental dwellings would be biased, as landlords would usually favour tenants able to pay the higher rent.

Social rental buildings usually apply different resident selection criteria, targeting the neediest. For example, in England the homeless resided in as much as 25 to 46 per cent of all local authority lettings in 1986–2001 (Wilcox 2002: 188, Table 94b). Even though these figures are probably exceptionally high by European standards, the basic difference is that in social rental buildings it is possible to give higher priority to social considerations than in ordinary private rental or owner-occupied housing.²⁴

In this respect the situation in many Central and East European countries is worrying because, if up to 95 per cent of all housing is in private hands, there are no actors who are genuinely concerned about the neediest population groups. This alone makes it essential to have a debate about the need for social housing in these countries. The need to boost the countries' economies by promoting labour mobility is an added factor necessitating rental housing.

The system of social rental housing has other housing policy advantages. One of these is the previously mentioned fact that the surpluses and profits of social rental housing companies stay inside the organizations and can be reinvested in repairs and improvements, for example.

The owners of social rental dwellings may also play a positive role in the housing market in other respects. Experience in many West European countries shows that these owners are often highly professional landlords who, partly as a result of the size of their housing stock, have been able to introduce sophisticated systems in a number of areas – for example, rent collection, daily maintenance and repairs, tenant participation, energy savings, organization of tendering in construction projects and consideration of life-cycle aspects in the planning of new investment.

Experience gathered from different countries shows that competition in the housing market is always beneficial. In practice this means that social rental housing should be seen as just one of several types of housing. Furthermore, housing policy support can be effectively targeted only if the relationship between production support and housing allowances is continuously assessed.

The implementation of social rental housing projects often involves difficult compromises. One concerns the extent to which it is necessary to incur low housing costs at the expense of quality. Another consideration is to what extent new construction should be used to continuously modernize the housing stock so that it can meet the ever-increasing requirements.

²⁴ See also Stephens et al., 2003, pp. 774–776 and 783.

Many experts are inclined to select the latter. Consideration should be given to such matters as, for example, targets regarding the mix of different types of housing, energy savings and the issue of providing dwellings that meet the requirements of the growing numbers of elderly people.

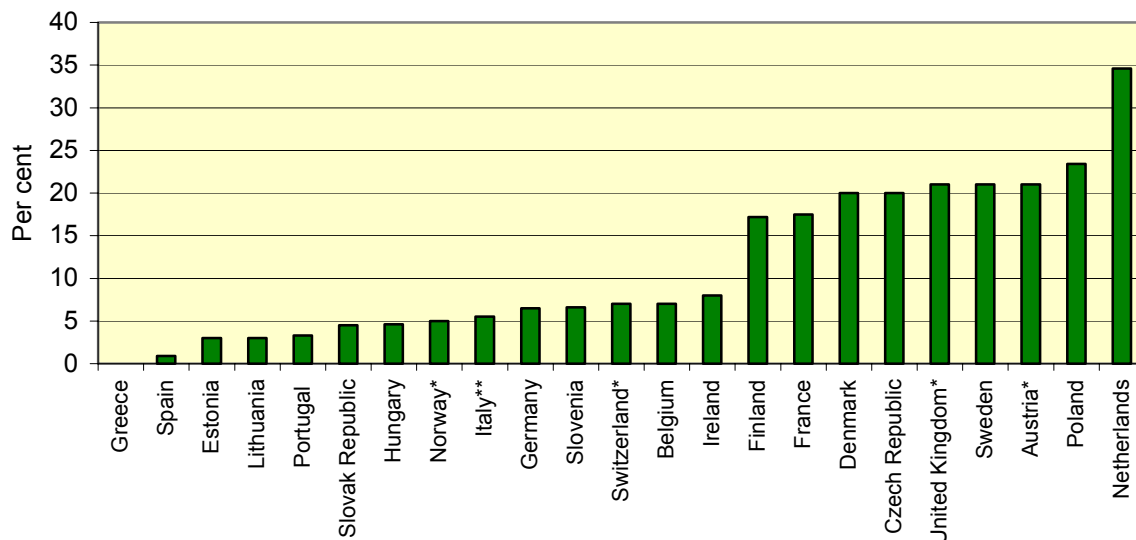
One possible option, particularly for Central and East European countries, might be that new social housing units are of relatively high quality and supplement the existing range of housing types. At the same time, the existing housing stock should include low-cost dwellings for low-income households.

Finally, thought should be given to the rapid increase in social segregation. On the one hand, occupants of the current housing stock in Central and Eastern Europe come from a wide variety of social classes, and the serious problems resulting from this social mix may lead to difficulties in such matters as the administration of privatized owner-occupied dwellings. On the other hand, experience in many West European countries shows that residential areas with little variation in the type of buildings and population structure can develop into costly trouble spots, and thus every effort should be made to prevent them from emerging.

D. Statistical analysis

To understand the role of social housing in overall housing policy, it is useful to examine the share of social housing in the housing stock.

Figure 1. Share of social rental dwellings in the housing supply, circa 2000



Sources: The main source is *Housing Statistics in the European Union 2004*. For other countries marked with * figures are provided by authorities in these countries. For Italy ** the figure is provided by other international sources. For some countries the figures refer to occupied dwellings, for other countries to whole dwelling stock. There are also differences in how "social rental dwelling" is defined.

As Figure 1 indicates, there are great differences among European countries. In many West and North European countries, specifically the Netherlands, Austria, Sweden and the United Kingdom, the share of social rental housing is high. In most South European countries this share is much lower.

This situation can be explained first by the fact that in many South European countries housing policies have traditionally focused on owner occupation, which means that the social rental housing sector has played a less visible role. (See chapter I.)

For countries in transition, public rental housing used to play a major role in the socialist system. As of today, an overwhelming part of the public housing stock has been privatized, mainly sold to sitting tenants. The previously huge public rental sector has almost disappeared,²⁵ so there are few publicly owned rental flats which could be used for social purposes. As a result of this process, the owner occupancy rate in most countries in transition is over 90 per cent. (By comparison, in Western Europe and North America the rate is generally 60–70 per cent, and very rarely over 80 per cent.)

Exceptions to the mass privatization trend are the Czech Republic, Poland and the Russian Federation. The non-privatized housing stock, which is mainly in municipal ownership, still amounts to about 30 per cent of the housing stock in the Russian Federation, 17 per cent in the Czech Republic and around 11 per cent in Poland. The role of this housing stock is still rather vague, since it is inhabited mainly by “old” tenants who benefit from rent regulation irrespective of their incomes.²⁶

Also, the share of social rental housing in newly completed dwellings differs greatly from country to country. The statistics show that the share of social housing production in 2003 was high in Denmark (40 per cent) and 10–28 per cent in France, Finland, Sweden, the Netherlands, the Czech Republic and Slovakia.²⁷

In countries in transition, the drastic reduction in state support for new housing construction caused a drop in housing construction output. Although public financial resources have recently been more or less replaced by private investment, private investors concentrate only on private home construction for well-off households. Construction of affordable/social rental flats is very low and limited or does not exist at all, since public funding for this purpose is scarce.

E. Conclusions

The most difficult issue in housing policy is how to ensure, in the most purposeful way, satisfactory development of housing for low-income and generally disadvantaged households.

Many West European countries consider social rental housing a key instrument in this context next to, for instance, the housing allowance system.

The extent to which social rental housing is needed depends basically on how well the rest of the housing stock can satisfy social housing needs. In addition to social housing, the stock includes owner-occupied dwellings, cooperative housing and ordinary rental dwellings.

A scarcity of reasonably priced rental housing is a particular reason for making social rental housing available.

It should be stressed that the role of social housing is not limited to concerns regarding the quantitative shortage of housing or affordability problems. Other related concerns include, for instance, the need to enhance the quality of buildings and housing environments, to promote energy savings, to combat segregation, to increase the productivity of the building sector and to smooth out business cycles in housing production.

²⁵ Bozena Valentova. A paper presented to the UNECE Task Force.

²⁶ Bozena Valentova. See above.

²⁷ *Housing Statistics in the European Union 2004*.

F. Recommendations

- The role of social housing should not be seen as limited to the provision of affordable housing to those who need it. In designing social housing policies, consideration should be given to how social housing projects could benefit the housing sector as a whole – for example, through the accumulation of management expertise.
- To contribute to social inclusion, social housing should be integrated with other policies, notably those governing employment, urban planning and transport.
- Social housing should be developed with a long-term perspective, taking into account demographic trends. In this connection the rapidly growing numbers of the elderly should be given due attention.
- Social housing should be integrated with other forms of housing to prevent segregation in housing areas. For this reason the architectural quality of social housing should also be emphasized.
- In choosing instruments for meeting the housing needs of the socially disadvantaged, the overall housing situation in a country should be taken into account. For example, experience in Western Europe suggests that production subsidies should be used especially when the need to increase housing production and renovation is at its peak, and that they should be gradually reduced and the proportion of tenants receiving a housing allowance increased as the overall housing market changes.

Chapter III

THE INSTITUTIONAL FRAMEWORK

This chapter describes some common features of the institutional frameworks for social housing in the UNECE region. This is based on definitions of the principal institutional processes and how these are distributed between various types of institutions in different parts of the region. Findings and conclusions are then presented in relation to each of the principal processes that are illustrated with examples from various UNECE countries, including recommendations about the organization and management of institutional frameworks.

A. Differing institutional frameworks

The details of the institutional framework of each country are unique, reflecting its particular circumstances and history. Despite this, there are similarities in much of Europe in the broad allocation of responsibilities for providing social housing between the public sector (national and local levels), the private sector, voluntary organizations and households (acting individually or cooperatively).

The effective provision of social housing depends on a transparent and well-constructed set of institutional arrangements, with the links between the different actors clearly understood and coordinated. Institutional arrangements are rarely static and will continue to evolve and develop in all countries. What is essential is that, at any stage of development, all of the actors consider not only the technical policy aspects of social housing which need to be developed but also the adequacy of the institutions necessary for delivering social housing policy. Where there is a deficit in this respect, strategies and plans need to allow for the necessary mechanisms and resources to develop those institutions (capacity-building).

Each section of this chapter notes where these considerations will be relevant and some of the key questions to be addressed. Institutions have developed over many years – in some cases, decades. Where these institutions have to be established from scratch, the immediate objective will be to ensure that they are properly supported and can adequately fulfil their purpose as quickly as possible, while acknowledging that they will require time to develop to the same capacity as in countries where equivalent institutions have matured over many years.

The following overview considers the social housing participants that are responsible for particular activities required for the delivery of social housing. They may be institutions, households or individuals. Here is a list of the activities along with working definitions:

Development: The commissioning of construction of social housing, usually on land owned by the developer, or available to the developer from the State or through the agency of the State (for example, through compulsory purchase of privately owned land or zoning controls on land use).

Construction: The physical construction of social housing, usually under contract to the developer. Development and construction are often carried out by the same participant.

Financing: The financing of social housing is dealt with in more detail in chapter VI. Various forms of financing to support social housing exist. The following are examples of the principal forms of capital and revenue finance included in the financing activity:

- *Capital*, which may take the form of a public-sector grant, a private-sector loan, reinvestment of a participant's accumulated surplus, or remission of capital costs (e.g. reduction of land costs by imposition of planning controls);
- *Revenue* to an owner, manager or household, which can take a variety of forms, including a direct subsidy to occupants of social housing to meet rental costs, or a revenue or tax subsidy to social housing owners to support actual costs net of rental income (particularly where rent is controlled by legislation).

Ownership: Legal ownership of the physical social housing structure, often including the land on which it is built. The responsibilities of ownership usually include the financial liabilities of the property (including debt servicing and maintaining the property in a habitable condition), and compliance with legal and regulatory requirements applicable to social housing (although these may be wholly or partially delegated to management agents under contract). Ownership of social housing may include individual households. Ownership also includes cooperatives, where the occupants of social housing are collective owners of their homes.

Management: The responsibility for ensuring that social housing activities, including the administration of service provision to residents, the collection of rental income and the allocation and letting of vacant units, are effectively carried out. Maintenance of the physical fabric of social housing is included in the management task in this analysis. It is clearly a distinct activity, which can itself be subdivided into the requirements for day-to-day maintenance and longer-term cyclical maintenance and major repairs. Maintenance itself will, like construction, often be carried out by separate private-sector organizations, but the planning, funding and procurement of this work are part of management.

The management activity is commissioned by the owner of the social housing, and the roles of ownership and management are often combined. However, management can be contracted out to a range of organizations, including private- or voluntary-sector organizations with the capability to act as professional managers, or to cooperatives or other types of tenant management organizations.

Strategy/regulation: This task concerns the approach to planning the social housing strategy, including the determination of the amount of social housing requirements and how these should be funded and delivered. Regulation often exists to set standards of performance or other requirements which are binding on the institutions or individuals performing the abovementioned social housing roles, and to monitor and enforce their performance.

1. National government

The national government is responsible for establishing the national housing strategy and the policy requirements which underpin the delivery of the strategy. The national government's role in financing is dealt with in a separate chapter, but the viability of any national strategy and policy for social housing depends on a robust analysis of funding requirements and how they will be met.

The lack of funding to support social housing strategies is one of the main challenges to a sustainable social housing system. In particular, in some countries in transition, the capacity of the state budgets is very limited relative to the size of the total housing stock. Some countries, such as Ukraine and Georgia, have adopted social housing strategies with no funding capacity.

In countries where there is little social housing or where institutions are clearly inadequate to enable the achievement of strategic objectives for social housing, national governments will have an essential role in building the capacity of local state and private- or voluntary-sector organizations. In such cases, it will generally be more effective in the long term to invest effort and resources in developing a framework within

which a diverse range of organizations can carry out the different roles, and not to reserve all of the tasks for the national or municipal government. Particular attention should be paid to identifying the potential for local community and cooperative organizations to develop to carry out these roles. Sound governance arrangements need to be established at the outset to ensure the probity and transparency of all institutions participating in the provision of social housing.

Where social housing provision has been largely absent or where fundamental changes are proposed to ownership or management arrangements for social housing, the national government will need to pay particular attention to first establishing the legal framework within which institutional arrangements for social housing will function.

The state also exercises a regulatory function in the provision of social housing, predominantly through rent control (regulation of the price to the consumer) and the establishment of minimum standards for a building to be considered habitable. Examples of state regulation of the quality of service provision (operation and maintenance) and social housing standards (beyond minimum habitable standards) are less common.

Box 1: Far-reaching state regulation: Austria and the United Kingdom

The United Kingdom and Austria provide examples of a social housing policy where state regulation goes beyond rent control and the mere setting of minimum standards.

Vienna has introduced compulsory developers' competitions, with interdisciplinary juries judging each new project against three sets of criteria (planning qualities, ecology, costs), thus replacing strict regulations by more market-oriented procedures (see chap. VIII).

The Audit Commission and the Housing Corporation in England (and their equivalents in Scotland and Wales) consider the quality of service as experienced by the tenant (and measured by inspections by the Audit Commission) and the competence and viability of the organization (regulation of housing associations' governance and finance by the Housing Corporation).

The Austrian example demonstrates how regulation can be used to ensure that new social housing incorporates design standards and other features which reflect social housing policy objectives. The administration and decision-making are in this case devolved to local governments, which is particularly appropriate where local governments are responsible for planning and land-use control, and for administering any subsidy regime for social housing.

The UK approach to regulation is useful where independent private or non-profit organizations are performing a development or management function. This approach to regulation can be used to maintain minimum standards of performance, and to act as an incentive to make improvements in quality and efficiency. The costs of this type of regulation are more suited to situations where social housing is well developed.

2. Regional/local government

The role of regional and local governments is largely determined by the legal and constitutional position in different countries. This will determine the legal powers and responsibilities that are devolved to different tiers of government.

These powers will usually include planning and land-use control. This makes it possible to incorporate social housing into broader planning processes, and to establish or enforce design or other requirements for social housing development.

In some countries responsibility for delivery of social housing strategy is given to regional and local government within an overall policy framework determined at the national level. This arrangement provides enough flexibility to adapt social housing strategy to the conditions in local housing and employment markets. This devolution often includes the administration of any subsidy arrangements for social housing, whether these are funds from national government or, less commonly, from local or regional budgets, if there is devolved tax-raising power.

In a number of West European countries, the national government determines the overall housing policy framework, which is then in Austria and Germany implemented by the *Länder* under agreements with the federal government, and in France, the Netherlands and Switzerland by local authorities, with each country having distinct policy priorities. In France, the task of distributing subsidies is expected to be devolved to *départements* or to *établissements publics de coopération intercommunale*.

In Austria, France, Germany and the Netherlands, local authorities (or the German *Länder*) have a development role that is primarily expressed through the operation of local authority land-use planning controls.

Box 2: Social housing and land-use planning: Italy, Switzerland and Austria

Italy has long integrated social housing into land-use planning, which includes compulsory land purchase procedures in some regions. This enables the region to acquire land for social housing at far-below-market prices. Similar regulations exist in some Swiss cantons, and some regions in Austria have established public institutions which have a sort of monopolistic – and therefore price-reducing – role in the local land market.

These examples demonstrate how regional and local governments can act directly to secure the development of new social housing, and to reduce the costs of doing so through land-use controls. Provided that there is an effective regional or local legal framework to do so, this approach can be widely used. There must be competent organizations present to carry, own and manage the social housing.

In the United Kingdom, national housing policy increasingly emphasizes separation of the local authority's management role from a local strategic and enabling function. In Ireland, local authorities remain the predominant developers and owners of new social housing and have a distinct financing function.

In a number of Central and East European countries, the responsibility of local authorities often includes the development, ownership and management of social housing. In countries where this is the case, it has been observed that the ownership and management organizations in the non-profit sector that are present in other areas of Europe have hardly developed, with the exception of Poland and, to a lesser degree, Bulgaria.

Where municipal or local government institutions are new, or where their role in social housing provision is new, capacity-building will be required as for any other type of institution. In particular, municipal and local government may need to recruit and develop the necessary professional staff for a range of functions. Where there are already established professional staff – for example, in planning – they will need to develop their skills in relevant areas to ensure that the design and planning requirements for social housing, as set out in subsequent chapters of these *Guidelines*, can be competently managed.

If public funds are being used to support the development or management of social housing, both national and municipal government will, according to their allocated responsibilities, need to make sure that safeguards are in place to ensure that public funds are applied to meet social housing objectives in as cost-effective and transparent a way as possible. Where funds are applied as object subsidies, the mechanisms for allocating funds will need to ensure safeguards to prevent any loss of public funds due to the non-completion of social housing development or to its not being completed to specified standards.

3. *The private sector*

The private sector is an important source of funding for social housing, whether through capital markets (with or without intermediation structures), bilateral lending or the provision of capital to individual households.

The private sector is also present as a manager through the provision of professional management services. This is usually done under contract – for example, where owners have competitively tendered for the provision of such services. The extent to which this role has been developed varies across the UNECE region.

A common role for the private sector in most of the UNECE region is to carry out construction. (Some managers, often local authorities, retain their own labour organization to provide maintenance and repair services.)

In England, for example, the private sector has an extensive role in financing social housing. Private-sector participation in financing social housing is also important in Finland. The Housing Fund of Finland (ARAVA) provides substantial capital subsidy, but primarily through an intermediation role with private-sector investors. The state does not guarantee loans to social housing developers from ARAVA.

Throughout Western Europe, the private sector carries out construction and financing roles. In Germany and Switzerland, for example, it also carries out development, ownership and management. In these countries, subsidies are not specifically allocated to local authorities or non-profit landlords. Private-sector housing companies, particularly in Germany, perform a role equivalent to that of the *habitations à loyers modérés* (HLM) in France and the *woningcorporaties* in the Netherlands.

4. *The voluntary/non-profit sector*

The existence, form and relative importance of non-profit organizations are not directly determined by the state. The pattern of their development is usually the result of historic and social circumstances in different countries. However, the public sector, especially at the national level, can influence the rate of growth and the role played by this sector, particularly through the funding arrangements that it establishes for social housing.

Where the non-profit sector is not well established, the state can legislate to establish certain legal forms suitable for this type of organization, and it can provide support to establish and increase the capacity of these organizations, particularly community-based ones.

Rapid expansion of such organizations carries risks, especially where new organizations are quickly increasing their turnover from housing management activities or are receiving large sums of money, particularly from public funds, to develop new social housing. It is imperative that governments establish programmes to support and monitor the development of such organizations to prevent loss of public funds and confidence.

One advantage of these organizations is that they are often formed by local communities as a response to specific local needs. In such circumstances the organizations can be natural partners for government agencies in areas where the need for social housing is acute. This is particularly important where the market for development and management of social housing has not developed sufficiently to attract private-sector participants.

The voluntary sector as developer, owner and manager of social housing is most common in Western Europe, the United Kingdom and Scandinavia. There is recognition of its value as a vehicle for non-state provision of social housing by organizations whose goal is to improve social welfare rather than to maximize and distribute profits.

The non-profit sector is the main agency through which new social housing has developed in England over the past 20 years. The sector has increased substantially with the transfer of ownership of local authority social housing to new housing associations.

Box 3: Financing social housing: Austria, England and the Netherlands

In Austria, most new housing construction is financed by state (provincial) capital subsidies to non-profit housing associations under very clear conditions concerning quality, costs, maximum rent level, income levels of tenants, and so on. Giving subsidies in the form of long-term low-interest loans (instead of the former non-repayable grants) creates revolving funds. Consequently, a rapid rate of social housing construction can be maintained, while public expenditures (including indirect subsidization via tax losses) are in fact lower than in many other countries.

England saw fairly extensive deregulation of housing association rents for new social housing in the 1990s. Rents were largely determined by each association's rent-setting policy and the cost structure of new and historical development. This created local pricing anomalies between different social housing providers in markets where there is limited choice for consumers. This disproportionately affects working households, but those who receive 100 per cent housing allowances have these cost differences borne by the state, which creates a disincentive to work. The Government has implemented a rent restructuring framework to minimize historical anomalies in rent setting as a precursor to the introduction, over the medium term, of flat-rate housing allowances.

In the Netherlands, the Government radically restructured housing association financing so that associations were effectively privatized by writing off historical grants against future liabilities. At the same time, the state ended its capital subsidy programmes for social housing. The state has, however, maintained a residual role, mainly through capital financing by organizing a structure for cross-collateralization of borrowing by the housing associations in order to secure private funding.

These examples illustrate the diversity of financial arrangements through which non-profit organizations can be funded and supported as independent from the state sector, while they operate so as to support and advance national social housing policy objectives. These approaches are suitable in settings where the non-profit sector is relatively well developed.

In both England and Ireland, the non-profit sector has assumed responsibilities for development, ownership and management, along with local authorities, of the vast majority of social housing. The non-profit sector in England and Scotland is regulated by public-sector agencies operating at arm's length from government.

In Sweden, non-profit organizations in the form of municipal housing companies, which own and manage social housing, are closely linked to the local authorities in whose area they operate.

The non-profit sector in Austria, France, the Netherlands and Switzerland has assumed a clearly defined role as developer, owner and manager of social housing, accounting for the largest share of social housing in France and the Netherlands (which themselves have among the largest social housing stock in the European Union as a proportion of total stock).

5. Cooperatives/local self-government

Collective ownership or control of social housing by residents exists in a number of European countries, but this is often dependent on the political and historical conditions under which this model has developed.

One pattern of privatization has been the sale of former state-owned rental property to cooperatives (as well as to individual occupants), as in Poland and the Czech Republic.

This model can be attractive where there is an existing community or social housing stock with residents willing to take on the ownership of their homes on a collective basis. As was noted above, the government needs to support such organizations as they are forming and ensure that they have the resources to manage the risks of owning and managing social housing.

Box 4: Tenant participation: England and Austria

Local authority tenants in England have a statutory right to establish management organizations, with finance and management functions (particularly estate management) delegated to them by the local authority as owner. A similar arrangement exists for housing association tenants, but as a regulatory requirement rather than a statutory entitlement.

Vienna has introduced a model tenant participation statute governing public rental housing, which has also become compulsory in most of the non-profit housing association sector. The statute gives tenants' representatives a strong role on the housing board, which makes decisions about maintenance, repairs, improvements and day-to-day management.

These examples demonstrate the potential to integrate tenants on a collective basis into the decision-making processes which affect the development, ownership and management of their homes. In these cases, the requirements have been incorporated into the legal framework or regulatory arrangements. This approach can be developed in social housing arrangements in most circumstances, but it often requires capacity-building or support from the state to sustain its effectiveness.

In England and Scotland in particular, there is a relatively strong cooperative tradition. There are many full social housing cooperatives in which households are collectively responsible for ownership and management. There are also a number of resident management organizations which have taken on some management responsibilities from the social housing owner.

As in all cases, the primary role of tenants and households is as occupants and consumers of social housing. However, particularly in Denmark and Sweden, housing cooperatives have developed as a vehicle enabling households to take on collective ownership and management of their homes. In Sweden, this is primarily a legal arrangement enabling owner-occupiers of condominium-style buildings to trade their ownership of flats on the market.

6. Households

The role of tenants/households is primarily that of occupants or owners of social housing. Tenants are predominantly consumers of social housing. As in other categories, some of them perform an ownership and management role through cooperatives.

In many East European countries, there has been a shift in ownership from state-owned social housing to individual households, which has effectively partially privatized social housing for those households. Privatization of this type has in many cases transferred financing, ownership and management responsibilities to households that often do not have sufficient resources to manage and maintain their own homes or contribute to the maintenance of condominium-style social housing.

In England and Ireland shared ownership of social housing is widespread, with the ownership and management roles likewise being shared. Shared ownership allows households to purchase a share of the equity in a home either from a housing association (England) or from a local authority (Ireland). The household pays rent on the proportion of the equity retained by the housing association or local authority. This form of social housing has a number of benefits, including:

- Increased outputs from a given amount of capital subsidy compared with rental housing;
- Transfer of risk to the occupant along with the potential benefits of growth in equity value; and
- The potential for social housing as a mechanism for household economic improvement – namely, occupants are entitled to buy more equity shares as their circumstances improve, and these payments are returned to the developer for recycling into further social housing development.

On the other hand, micro-privatization (transfer of state housing assets at minimal cost to the sitting tenant) has created problems, particularly in Eastern Europe. The transfer of ownership of homes, in most cases condominium-style dwellings, to sitting tenants has included the transfer of repair obligations. These liabilities are often substantial, particularly where the state, as the former owner, has been managing housing finance by deferring normal maintenance.

This approach to privatization also exists in a more managed form in the United Kingdom, where many local authority tenants have exercised their right to buy the homes they occupied. The market-value discounts to tenants are not as large as in some East European countries and depend on the type of dwelling (for example, they are larger for flats and condominium-style dwellings) and the length of residence of the sitting tenant. In condominium buildings, homeowners share responsibility with the landlord of the remaining tenants for funding communal and structural repairs, but the manager (who is usually the underlying owner, being the local authority or housing association) is responsible for overseeing and procuring maintenance services. There is a legal obligation to consult on the timing and cost of maintenance and repair work with tenants and leaseholders. For some types of system-built dwellings, there is no cost-effective long-term structural maintenance system.

In countries where there is limited social housing, the government needs to carefully consider which types of households will be the primary beneficiaries of new social housing provision to ensure that systems are established to ensure equitable, non-discriminatory access. Those processes will have to be operated by the appropriate agency so as to promote access by those target groups. The government must also ensure that it

provides housing of adequate quality which is affordable to these groups, taking account of any financial subsidies available.

B. Conclusions

To succeed, social housing policies must be embedded in a sound and efficient institutional structure which allows for the effective functioning of all government institutions as well as for cooperation between them and other actors.

The allocation of roles between different levels of government as well as developers, owners, managers and investors will depend on existing arrangements at the national, regional and local levels. Roles must be clear and must reflect the most effective allocation of responsibilities and risks. Appropriate distribution of responsibilities and resources is a key feature of an effective social housing policy.

Social housing policies have tended to be successful where governments sought the involvement of all stakeholders and were actively engaged in building partnerships. This involves establishing cooperation between all government levels and encouraging participation by the private sector and civil society organizations in the design and implementation of local and national policies.

C. Recommendations

1. Strategy/regulation

A strategy for housing, including social housing needs, should be developed by the government at the national level. This is essential in order to:

- Identify the objectives for the development of housing markets;
- Identify the purpose and scale of social housing activity within this market development;
- Identify the state funding requirements for delivery of the strategy, including both the development of new social housing and investment in the maintenance of the fabric of existing social housing, and the priorities;
- Provide clear signals to all housing market participants about the planned approach, the state's role in supporting it, and what is required of other participants for the strategy to be effective;
- Identify areas where government needs to legislate for the strategy to be effective.

To develop realistic strategies, governments must have reliable information and models concerning the functioning of national, regional and local housing markets and their links to economic activity and development. This should provide clear views about the optimal mix of funding instruments for implementing the national social housing strategy. These should provide a balance between maintaining and improving the condition of the existing housing stock and developing new stock for renting and for owner occupation. The strategy should ensure that the full costs of social housing, both short- and long-term, are understood. This issue is covered in more detail in chapter V.

The national housing strategy should take account of the support required to develop and sustain a range of actors to carry out the various social housing roles, particularly non-profit and community-based organizations. This will be particularly important in countries where those organizations are not already present or do not yet have the capacity to take on the roles intended for them. In such countries, this aspect of

strategy will underpin the effectiveness of all work to deliver the other recommendations in these *Guidelines*, and it should be treated as a high priority.

The national government should be responsible for defining how the regulation of the provision of social housing should be carried out (e.g. by which body, through which system) and the standards required for each of the key institutional processes.

2. Development

Local authorities play a critical role in development, and specifically in the following:

- Provision of land
- Land-use planning
- Providing infrastructure and supporting sustainability requirements
- Securing other social policy objectives
- Facilitating the involvement of local communities in influencing development proposals.

It is important that, where development is part of a broader regeneration initiative, current tenants and residents be fully integrated into the development of housing proposals, particularly where new housing is to replace existing housing provision.

3. Construction

Social housing construction should be carried out mainly by the private sector, under contract to developers. This approach is generally viewed as an effective stimulus to both price competition in procurement of social housing and the development of the local and national economy.

The government should set clear technical standards for construction which are linked with more efficient and sustainable methods of construction.

The government should also consider working with the private and non-profit sectors to support innovative methods of construction and improvements in the supply chain.

The government may consider supporting – usually on a small scale – developers/owners and provide for their own housing needs to take on the construction role, both through technical support (as in England) and through fiscal support (as in Greece).

In planning social housing, public authorities should focus on the whole-life costs of construction methods and materials. This may result in higher initial capital costs (and risks) for developers, which they need to recover through higher sales or rental values (against which they can borrow) or state financial assistance. However, this approach can reduce long-term maintenance costs.

4. Financing

Following are the key issues that governments will need to address:

- Balancing priorities with other areas of public expenditure, and the extent to which housing expenditure is required to make other areas of expenditure effective (e.g. affordable housing is required to support labour mobility).

- Balancing capital and revenue subsidies, and the extent to which their effects are equitable and, where necessary, redistributive, so as to provide the greatest level of output for a given level of expenditure, for example by allocating capital subsidies through competitive tender processes.
- Sustainability of the housing market, and the extent to which expenditure on housing is required to prevent intergenerational inequity by under-investing in housing as a long-term asset.
- Maximizing the scale of private investment.

There are opportunities for attracting private-sector investment and other funding to develop social housing. This can be expensive compared with state funding, but the cost can be reduced by:

- Supporting the long-term stability and borrowing capacity of social housing providers, including by developing effective regulation;
- Maintaining a balanced subsidy regime; and
- Ensuring that there is a robust legal framework, particularly in relation to property ownership and the ability of funders to use social housing as collateral for borrowing.

5. Ownership and management

Combining the role of owner with that of developer fosters a sustainable approach to development where ownership entails responsibility for effective long-term asset management.

If circumstances warrant it, the management of social housing can be contracted out to a range of organizations that in effect act as professional housing management organizations. These include private firms, tenant-controlled organizations, voluntary non-profit organizations and companies owned by local authorities but managed somewhat independently from local political control.

Detailing the management task through a contracting arrangement helps to ensure that a systematic view is taken of all the necessary activities for the effective operation of the social housing stock, and that responsibility for these is clearly allocated between participants. When contracting out, owners should:

- Ensure that (a) long-term and short-term requirements for maintaining the physical condition of the buildings and (b) efficient administration of rent collection and maintenance are clearly established as part of management practice;
- Regularly evaluate the desirability of improving the effectiveness or reducing the cost of housing services by contracting with specialist firms (which may come from the private or non-profit sector or representative tenant groups).

Whichever management option owners choose, arrangements should be in place giving tenants influence over the specifications and quality of services provided by the manager, if they are not themselves carrying out this task through cooperative or collective management arrangements.

The costs of management and maintenance activities should generally be funded from rental income or charges for services and utilities. If rents and other charges do not suffice, the quality of services will be inadequate without some form of government subsidy.

D. Case studies

1. Austria

Housing remains under the responsibility of the *Länder*, but the central state has overall control over housing policy (coordinated in particular by the Ministries of Economic Affairs and Justice) and a number of other aspects, in particular the financing of social housing. There are five main housing policy instruments: the Tenancy Law, the Viennese Municipal Housing Schemes, the Non-Profit Housing Law (WGG), the Flat Property Law and the Housing Construction Subsidy Acts. The *Wohnrechtsnovelle* of 2000 amended the Civil Law of Housing, the Landlord and Tenant Law, the Flat Property Law and the Non-Profit Housing Law.

2. Germany

The social rental housing sector is based on conventions. A convention is a social and economic agreement freely entered into by developers or investors over a fixed time period for an indemnity fee. Conventions exist between municipalities and a wide range of developers or investors (housing companies belonging to the municipalities or industrial groups, cooperatives, institutional or private investors or ordinary households). The *Länder* are responsible for the “convention rules” for housing; implementation of these rules is delegated to the municipalities. Essentially, in return for helping to satisfy the demand for housing, the developer is granted assistance by the *Land*. After verification of the criteria, a social housing voucher may be granted. During the first 20 years of the convention, the municipality can propose three candidates per dwelling to any developer. The investor can then refuse the candidate on grounds such as insolvency or anti-social behaviour. Following this, the municipality can propose individual solutions such as rent guarantees. Certain municipalities can acquire additional occupation rights from the developers. This is done case by case and is subject to a fee, which itself depends on factors such as the profile of the households to be housed and the duration of the convention.

3. Italy

IACPs (*Istituto Autonomo per le Case Popolari*) are public-sector organizations that construct and manage social housing. Overall responsibility for social housing lies with the regions, as stipulated in Legislative Decree No. 112 of 31 March 1998. However, the Government is still responsible for determining principles and general objectives, as well as establishing (with the regions and administrations) social housing programmes of national interest. The duties of the regions and local authorities include planning financial resources, selecting allocation criteria for social housing and rent. Finally, there are also housing cooperatives, but they build mainly for their members.

This system is currently undergoing changes. Continuous decentralization of the management of the public rental housing stock is under way, mainly through the creation of municipal housing enterprises and companies composed of municipalities and other private and public entities. Housing cooperatives may soon have a major role to play in this field. However, this decentralization requires significant improvements to increase efficiency and strengthen cooperation between management bodies and residents. The housing stock held by the central administration is currently being transferred, at no cost, to municipalities and social organizations.

4. Sweden

The state is responsible for the main housing policy. Homeowners, cooperatives and rental housing corporations borrow the capital they need on the capital market at market prices. Municipalities decide when and where housing should be built. Regional authorities have very little to do with the housing sector. Housing organizations decide whether to construct or renovate housing. Housing is allocated by the housing organization itself or by a housing association run by the municipality. Almost every municipality has its own independent not-for-profit housing organization. SABO is the 300-member federation of municipal housing organizations. Its members own and manage around 900,000 dwellings all over the country (22 per cent of the total stock) and can compete on the housing market on the same terms as privately owned housing. However, they are often set specific targets by their municipal owners. Their main task is to produce decent housing for all kinds of households.

Sweden also has a very particular system of housing cooperatives. The leading ones are HSB and Riksbyggen, which represent 700,000 apartments, or 17 per cent of the housing sector. HSB currently has close to half of this market.

5. United Kingdom

Social housing is mainly managed by the local authorities, by housing associations and by the Northern Ireland Housing Executive. The Government ensures that local allocation plans and housing strategies, which are drawn up by local authorities and by landlords, correspond to national directives.

Even though housing associations are increasing their share of the national stock, local authorities still possess almost twice as many properties as housing associations in England. Housing associations are independent not-for-profit organizations that are registered with the English Housing Corporation, the Welsh Assembly Government Housing Directorate and Communities Scotland. Registered associations are known as registered social landlords (RSLs). Local authorities have no control over these organizations.

In England, regional development agencies have been introduced by the Government in regeneration areas. The Housing Corporation receives regular reports from housing associations and has a range of statutory powers to ensure good governance, financial transparency and performance. Similar powers are exercised by Communities Scotland, the Welsh Assembly Government and the Northern Ireland Housing Executive.

6. Portugal

The municipalities together with social solidarity private institutions are responsible for the construction of most social housing (44 per cent). Private companies are responsible for building 42 per cent of social housing, with 12 per cent coming from cooperatives. Voluntary associations have become increasingly active in housing the homeless.

Chapter IV

THE LEGAL FRAMEWORK

The “right to housing” is established and safeguarded differently in various parts of Western and Eastern Europe. Not all countries have included the right to housing in their constitutions. In countries that have done so, such as Finland, Poland, Portugal and Spain, constitutionally safeguarded rights may differ: constitutions may establish the duty of the public authorities to ensure everyone’s right to housing and to undertake certain activities, or they may enshrine an individual’s right to housing. An example of the latter approach is the Portuguese constitution of 1976. Its article 65 stipulates: “Everyone shall have the right to a dwelling of adequate size, satisfying standards of hygiene and comfort and preserving personal and family privacy.” The right to housing may be limited to a country’s own nationals, as by article 47 of the Spanish constitution: “All Spaniards are entitled to decent and adequate housing. The public authorities shall promote the necessary conditions and shall establish appropriate standards in order to make this right effective.”

A. The right to housing and its application

The public responsibility with regard to housing and homelessness can be exercised in different ways. In many countries, federal or regional legislation (depending on how the state is organized) covers various housing and housing-related issues. The most important are the laws or legally binding regulations regarding the financing of social housing and access to social housing. Nearly every country has a housing act. In Denmark it is the 2001 housing package and in Germany the 2001 Law on Financial Support for Social Housing. The latter guarantees, among other things, the right to housing allowances and welfare benefits. In the Netherlands, building regulations and standards, as well as subsidies for housing and housing allocation, are regulated in two housing laws, the *Woningwet* and the *Huisvestingwet*. Based on provisions in the constitution, the Polish parliament has passed several acts covering tenants’ rights and housing financing (TBS Law). The United Kingdom’s Housing Act obliges local councils to house the homeless. These examples indicate the sheer variety of legal regulations at the constitutional, federal and regional levels.

Along with federal or regional legislation, national and regional housing policy schemes reflect countries’ efforts to assume responsibility for housing, including social housing.

Financing provisions play a key role in social housing. Many countries have financing acts; examples are Austria, Denmark, Finland, Germany, Italy, the Netherlands, Poland and Portugal.

The groups targeted by social housing schemes vary widely from country to country. As defined by law, these range from “the whole population,” “everyone” or “every national” to specified groups such as pregnant women, families with children, the elderly, the disabled and the homeless. Several regulations incorporate related issues such as sustainability, energy efficiency, equality and gender. For financial reasons there is a tendency to specify and restrict the target groups.²⁸

Facilitating social housing and preventing homelessness require housing financing regulations, but they also need more. A fully elaborated legal framework consists of housing-related laws and sub-laws on social

²⁸ A good example is Germany’s 2001 Housing Financing Act. Whereas formerly broad categories of the population were eligible for public support, under the new law only “those households who cannot find decent housing on the free market” and defined target groups are eligible.

housing, including financing laws (on subsidies, tax relief, loans and programmes for special target groups – see chap. VII on social cohesion), rental laws and rent control regulations, land and mortgage laws, condominium laws and housing cooperative laws, health and safety standards and energy-saving standards.

B. Major trends

As chapter III indicated, central governments are increasingly withdrawing from housing policy and shifting the tasks and responsibilities to the local level. Housing legislation and policy are applied locally. While this is not new for federal systems like those in Austria and Germany, it is new for a number of formerly centralized countries such as all the countries in transition.

The many tasks and problems to be tackled locally lead to increased cooperation between various local actors, such as municipalities, housing companies, housing cooperatives, private developers, non-governmental organizations (NGOs) and citizens. Financial cooperation may take the form of co-financing involving different administrative levels (central, regional and local). This is the case, for example, in Austria, Germany, Italy and Sweden.

Despite the overall trend towards devolution, decentralization and privatization, a clear structure of competences and a clear distribution of tasks between the central level and the local level remain vital. The central level still needs to establish the overall framework, while the regional or local level takes charge of execution and adapting the framework to regional or local needs. The distribution of competences and tasks must go hand in hand with the allocation of resources from state, regional or local budgets.

C. A growing emphasis on contractual agreements

As public tasks and public funding are reduced, private cooperation is growing by means of contractual agreements. The emphasis is no longer on state regulation but on public-private partnerships and on contracts. Currently full-service housing companies are still considered the norm for handling everything from planning, construction and maintenance of the stock to renting or selling flats. Contractual agreements establishing a public-private partnership are entered into by a public body and a private counterpart. The arrangements may cover housing supply by private entities for households with access problems; housing construction and housing stock management; tenant and rental administration; and services supporting tenants with financial, social, health or other problems which may affect the rental agreement.

Contractual agreements should be handled in the context of housing stock privatization. Privatization in countries in transition has meant the transfer of ownership mainly to sitting tenants or the transfer of the state's housing stock to municipalities. Privatization in Western Europe has entailed the large-scale sale of the public (state or municipal) housing stock to private companies. Both forms of privatization reduce the influence of public bodies, mainly that of municipalities. In the long run, privatization is likely to cause problems as the social housing stock disappears while demand for affordable housing increases along with the above-mentioned target populations.

D. Recommendations

1. In designing or improving the legal framework for social housing, all legal aspects need to be taken into account, in particular the following:
 - **Financing:** The legal framework for (social) housing should include financing laws (covering subsidies, tax relief, loans, programmes for special target groups, etc.), land and mortgage laws,

home saving bank regulations and administrative and procedural laws, as democratic and transparent procedures contribute greatly to the implementation of rights.

- **Rental law:** Rental law should cover rent setting, security of tenure for tenants, distribution of running costs, costs for maintenance, repair and management.

The legal framework might also foresee rent control. From a market economy viewpoint, it is advisable to use rent control laws as a supplement to civil-law-based contractual agreements. Only if there rent limits exist will tenants have the right to reduce the rent. Procedural law might foresee a landlord's right to challenge a rent reduction requested by the tenant.²⁹ State or municipal authorities should restrict their intervention to extraordinary situations such as exorbitant rent or dangerous or unhealthy housing conditions.

Rental law understood as a market-economy-based legal tool must also provide for the landlord's right to give notice (especially in cases of non-payment of rent or of serious misbehaviour by the tenant) and to evict on the basis of a court ruling. In principle, if a court rules for eviction, the tenant has to leave the flat and look for new accommodation. Social protection mechanisms are essential in this context to prevent homelessness.

The legal tradition (common in Central and Eastern Europe) of approving an eviction only if the landlord can provide alternative accommodation makes eviction an ineffective legal tool.

- **Laws on homelessness and its prevention:** Often local authorities are in charge of preventing homelessness or taking care of the homeless. Traditionally they have also borne the financial burden of housing homeless people. Municipalities can use as a legal instrument the right to reinstate a tenant in the same flat by paying the rent (unless the tenant is able to pay). Alternatively, the municipality can cover the rent arrears to avoid eviction (as is foreseen, for instance, in the German rental law). Municipalities may either run their own shelters for homeless people or cooperate on a contractual basis with landlords of social housing (often municipal housing companies). More recent is a broad and integrated approach involving not just offering accommodation but also helping with other problems such as debt, unemployment, illness and addiction. The legal instruments on which such activities are based may be set out in housing laws, welfare laws or public security and order laws.
- **Condominium laws and housing cooperative laws:** These are important not only in countries in transition, where large-scale privatization has taken place, necessitating new forms of organizing the privatized stock (through condominium laws or a revival of housing cooperative laws), but also in Western Europe, where condominiums and cooperative ownership and the management of housing stock are increasingly important issues.
- **Planning, construction, urban renewal and building laws and standards on safety, minimum floor space, equipment and energy consumption:** While the federal/state level normally sets the overall standards, detailing and execution are increasingly becoming local tasks.³⁰ Recent examples are the elaboration of municipal concepts of social housing supply and demand in order to better foresee population trends, supply and demand, and where and how to allocate the means.
- **Contractual agreements for public-private partnerships under various laws (planning law, civil law):** The importance and range of applications under contractual agreements based on planning and civil law are increasing. The "traditional" field has been and remains (social) housing

²⁹ The design of the legal procedure illustrates the importance of procedural rights: is it the tenant who can reduce the rent and the landlord who has to challenge this in court, or does the tenant need a court ruling before being allowed to reduce the rent? The quality of the court system also influences the implementation of rights.

³⁰ For UNECE member States with a federal tradition this is nothing new. However, even in very centralized countries the local level is burdened (or even overburdened) with tasks, often without receiving the necessary financing.

construction by a private landlord or housing company with public funding, access rights and allocation rights for the municipality. Recent forms of partnership have spread to the infrastructure sector, to activities adjacent to housing such as integration and neighbourhood activities (see chap. VIII). Cash and in-kind contributions from private partners seem to be increasing, as often municipalities can no longer afford to invest in the assets.

2. Each national legislation will choose different legal tools, such as constitutional rights, federal acts, decrees or civil law agreements between actors. What matters for social housing is less the formal legal tool than the distribution of competences, tasks and financial means.
3. A functioning institutional framework (see chap. III) is a prerequisite for the implementation of any legislation.
 - The increasingly important role of the local level (municipalities together with local operators – housing companies, housing cooperatives, NGOs, private households, etc.) should be accompanied by appropriate legal provisions.
 - Housing legislation is no longer a simple question of building and financing decent homes but is intertwined with social issues (see chap. VII). The question is how prepared local authorities are to tackle housing in this broader sense: municipal self-binding laws on cooperation and on financing; state and regional legal provisions allowing for merged funding from various budgets (social, labour, housing, etc.); provisions for legally binding and formalized cooperation between public and private actors – these are all requirements for the implementation of housing laws (see chap. III). To succeed, social housing policies need to be embedded in a sound and efficient institutional structure which enables all government institutions to function effectively and fosters cooperation between them and other stakeholders.
 - Municipalities already act as facilitators and enablers to bring together housing companies, NGOs, housing cooperatives, private landlords, private investors, enterprises and banks not only for the supply of flats and houses but also for the sustainable upkeep and improvement of municipal quarters. The allocation of complementary financial means parallel to the legal allocation of competences, responsibilities and tasks is an indicator of the successful implementation of any legally imposed task or goal (see also chaps. III and V).

THE MACROECONOMIC FRAMEWORK

A. The economic framework for decision-making in social housing

The economics of social housing studies the economic principles of efficient allocation and management of public resources for meeting people's housing needs, including investment in social housing. From a macroeconomic perspective, social housing implies housing provision to eligible population groups on non-market or not-only-market terms. The economics of social housing is closely related to the studies of effects of various models of consumer subsidization in the housing sector (tax credits for home purchasers/mortgage borrowers, home purchase subsidies, housing allowances, etc.). In fact, social housing (associated with supply subsidies) and housing allowances (associated with demand subsidies) form the two pillars of public housing policies.

Based on its assessment of the housing needs of low-income households (and those from other vulnerable or priority groups), a government has to analyse the economics of investing in and/or maintaining existing social housing in comparison with other ways of making housing affordable for them (such as housing allowances). In this analysis, the government has to include the cost of investing in and administering the social housing as well as the direct and indirect benefits to households, communities and society as a whole. The need to ensure a minimum level of housing consumption in society may justify the existence of a social housing sector in most of the countries under consideration.

The economics of social housing covers the following:

- Market failures justifying the need for social housing
- The comparative effectiveness and efficiency of various models of subsidizing
- Redistributive aspects of social housing policies
- Social housing externalities (neighbourhood effects, disease prevention, etc.)
- Other social values of housing that are inadequately reflected by its market value.

The most serious market failures are:

- Lack of housing investments due to inadequate information about their risks and long-range effects. (Also, because of income distribution patterns, often many people are unable to devote adequate resources to investment in housing.)
- Difficulty responding in an adequate and timely way to market price dynamics (including the risk of geographical imbalances between supply and demand), due to the duration of the investment cycle and peculiarities of decision-making on housing investments and changes in housing consumption, both by households and by legal entities.
- The risk of adverse externalities associated with housing sector development in the free market (slums and homelessness) that may distress the community and require huge public spending to mitigate them.

The most serious risks caused by housing market failures and by the market's relatively slow ability to adjust, which constitute the rationale for social housing, are:

- Inadequate supply of housing (long-term risk)
- Sharp price variations (short-term risk)
- Negative side effects

Housing shortages in Western Europe following the Second World War have greatly influenced decisions to expand social housing since the 1950s.

National social housing policies (social housing sector size, subsidies, allocation and targeting models, etc.) usually reflect national and regional characteristics of the market failures and "pricing" of the risks associated with them.

Social housing is related to the general housing market in a number of ways:

- It may contribute to growing competition in housing production and to the implementation of new standards and technologies. However, at some point, competition for limited resources may result in higher prices.
- Social housing increases supply, thus pushing down prices in the private rental market; at some point, this may discourage private investment.
- By establishing certain standards, social housing may stimulate private owners to push "substandard" housing out of the market.

As long as policymakers have a certain degree of flexibility, managing social housing cycles may alleviate some adverse effects of housing market cycles. For example, maximizing social housing construction during a recession has at least two positive results: the construction industry is kept alive, and social housing is built at a lower cost (see, for example, the Finnish experience of "counter-cycling").

Social housing is also related to a wider range of economic and public expenditure issues. First of all, the size of the social housing sector is a considerable economic factor. According to statistics, public expenditures on housing policies vary from a low of 0.1 to 0.3 per cent of GDP in Southern Europe (Italy, Greece) to a high of 1.2 to 1.4 per cent of GDP in some North European countries (Finland, Denmark) and Austria. These numbers include tax and interest deductions for private investments and direct support to social housing, and they include public expenditures that do not benefit only low-income citizens. Though there is a considerable downward bias in numbers due to methodological deficiencies (e.g. only Germany and Portugal include revenue forgone), a conservative generalization indicates that social-housing-related expenditures amount to 0.1 to 1 per cent of EU countries' GDP. In several countries in transition, social housing constitutes an even bigger share of public expenditures. For example, in the Russian Federation in 2003, subsidies for the operating costs of housing and utilities alone were assessed at 3 per cent of GDP (including subsidies to homeowners). Overall public expenditures related to housing in the Russian Federation may be 5 to 6 per cent of GDP.

While some of the links to macroeconomic issues may be regarded as general characteristics of the housing sector, social housing has its specific features. Among these, economic research has identified the following:

- ***Housing and labour markets.*** Housing clearly affects both labour costs and labour productivity. Social housing lowers the housing costs of consumers and alleviates pressure to increase wages. There is reported evidence that policy decisions on social housing have been largely intended to stimulate the competitiveness of national export industries. Labour productivity in industries requiring less skilled labour is more dependent on accessible (and affordable) social housing.

- **Housing and employment.** Access to affordable housing (usually with adequately protected tenancy rights) provides important protection in cases of temporary job loss. Job loss followed by a need to move to a different home may lower a household's social status and reduce its opportunities. As long as labour markets in the global economy are fragile, this role of social housing will remain important.
- **Housing and labour mobility.** An important component of labour mobility is that it enables inhabitants of regions suffering from economic depression and unemployment to seek work elsewhere. However, mobility may be inhibited by a growing gap in housing prices between the run-down region and other territories, which may exacerbate the economic crisis and poverty in the region (lock-in effects) and require more government spending on regional recovery programmes. Social housing may play an important role in lowering barriers to labour mobility. In general, social housing tenants tend to be relatively mobile. Estimates of labour mobility rates (percentage of residential changes associated with the acceptance of a new job) from a sample of households in the five largest EU countries during 1995–97 supported this hypothesis: 1.2 per cent for social housing compared with a 0.8 per cent average, 0.4 per cent for homeowners and 2.6 per cent for private tenants.
- **Housing and health.** Inadequate and substandard housing provides a breeding ground for a range of dangerous diseases. Social housing itself is associated with an acceptable level of sanitary standards and by different means contributes to the acceptance of such standards as uniform and compulsory. This saves public funds, which would otherwise have to be channelled to public health programmes (for more details, see chap. VIII).
- **Housing and economic stability.** Social housing may act as an anchor to decrease fluctuations in the open housing market. Extreme fluctuations within the housing market may cause instability in other sectors of the economy. Stable housing costs in the social sector stabilize the demand for other goods and services. On the other hand, the need for more social housing arises in periods of economic crises, when fewer resources are available and “competition” for those resources is stronger.

In short, in most cases social housing produces significant positive externalities from which other sectors may benefit. In addition, social housing is a sector with its own income- and tax-generating capacity.

European countries show great variety in their methods of defining those groups that are eligible for social housing, and in their methods of estimating the percentage of such groups in the total population. For instance, today 15 to 20 per cent of Ukrainian and Russian citizens are eligible for social housing, while in Bulgaria and the Republic of Moldova those eligible make up only 0.5 to 2 per cent.

A key characteristic of social housing is that its entry point is determined by administrative processes rather than by price rationing, which makes it vulnerable to administrative failure. One of the main tasks of a social housing policy is to alleviate the adverse effects of bureaucratized administrative rules and procedures. Great differences are observed between Western Europe, where social housing policies have developed efficient mechanisms to manage such risks, and much of Eastern Europe, where such risks still constitute serious challenges to national housing policies.

There are two trends in government policy towards social housing.

Curtailement of the social housing sector is a recent trend common to Western and Eastern Europe. In Western Europe the reasons were threefold:

- The perception that there was enough housing, combined with enforced health standards combined and general improvement in welfare
- A population decline in several regions or countries and a decrease in the number of younger households, which are statistically overrepresented among social housing dwellers

- Encouragement of home ownership by most countries (as a result of changes in ideological and political priorities and concerns about the long-term competitiveness of the European economy, as well as the need to comply with the Maastricht Treaty's rigid budget deficit targets); this has led to rapid shrinkage of the private rental sector, which has even outpaced the decrease in the social rental sector.

In Eastern Europe and the former Soviet Union, the reduction of the social housing sector resulted from the general reduction of governments' involvement in national economies and their withdrawal from many of their social obligations during the transition, together with acute public deficits. The most serious problems that many of these countries faced were administrative failures such as:

- Lack of incentives to manage resources efficiently
- Inclination of social housing organizations to serve their own interests rather than public interests or interests of specific groups
- Risk of higher management and maintenance costs due to monopolistic position of social housing organizations.

Consequently, some former Soviet countries (Armenia, Kazakhstan) have withdrawn from almost all social housing, while in the Russian Federation and Ukraine – where it historically predominated – it now accounts for less than in some West European countries.

These trends result both in decreasing public funds devoted to social housing policies and in a change of balance between demand and supply subsidies. For example, in the United Kingdom expenditures associated with social housing dropped between 1980 and 1997 from 61 to 20 per cent of total housing policy expenditures and those related with housing allowances grew from 11 to 58 per cent.

However, economic and social problems addressed by social housing did not vanish or diminish. The other trend in social housing is a growing interest in social housing as a complement to the private housing market. To perform its functions efficiently in a changing economic and political environment, social housing needs to be modernized.

Several trends may contribute to the social housing sector's ability to respond to the challenges of contemporary society.

First, over the past decade countries have used more efficient ('quasi-market') mechanisms to improve stakeholders' motivation:

- Competitive selection of private contractors for municipal housing management (see also chap. IX on the important role of competition within the social housing sector);
- Introduction of performance measurement instruments into the practice of social housing management (for more details, see chap. IX).

Second, while in some countries social housing still includes only state-owned or municipal housing (former Soviet Union), the general trend is to more variation of institutional forms, e.g. non-profit or limited-profit housing associations, housing cooperatives (Austria, Poland, Sweden) or even privately-owned housing whose landlords conclude agreements with municipalities or regions (Germany, Switzerland).

Third, the coordination of policies related to social housing with local territorial planning and zoning has paid off. Social housing, which might contribute to more segregation in society, now in fact increasingly contributes to promoting an effective social mix and social cohesion (see also chap. VII).

Economies in transition are also more exposed to the risk of market failures mostly caused by a systematic lack of private investment in the housing sector, resulting in a deterioration of its physical and engineering infrastructure. The following factors are responsible for this:

- New homeowners have neither the knowledge and skills in efficient decision-making nor the necessary information support. In particular, regional housing markets are mostly composed of multifamily estates that are difficult to manage by co-owners (UNECE 2003b).
- State/municipal and homeowners' obligations related to housing are not properly formalized. As a result, many homeowners still expect local government assistance when the situation becomes dangerous or critical.
- Most households on low incomes cannot afford housing repairs and maintenance. In fact, this is a consequence of the more general problem of inadequate traditional consumer choices and available economic capacities typical for many countries.

The combination of these factors in economies in transition has given rise to a practice usually described as "owner-occupied social housing", which may be a reasonable response to these economies' challenges. However, it is only an interim remedy and cannot solve the lack of investment in housing stock maintenance.

In terms of housing economics, any privately-owned residential property for which there is no reliable financial mechanism of maintenance is a source of imminent social problems that local communities and the public in general will have to face up to, thus forcing governments to apply social housing policies to this sector as well.

The levelling-out of differences between social housing and other types of tenure has brought total rent and other contract terms offered to tenants of social housing closer to those of private rental dwellings. This narrowing gap is a result of the real growth in social rents (curtailment of direct subsidizing). Consequently, several governments have launched or extended programmes of housing allowances in an effort to subsidize tenants of both social and privately owned housing. In addition to often being more efficient, housing allowances also make it easier to solve the problem of local concentration of socially vulnerable households. The main disadvantage of housing allowance programmes – they cannot boost supply – is currently mitigated by the high level of supply in the housing market in several countries.

Curtailment of explicit subsidizing of social tenants does not obviate the need to make an inventory of hidden subsidies that are apparently still provided in most countries. Hidden or indirect subsidies include the provision of land or tax exemptions to developers or to individual households. Such policies may eventually favour higher-income households rather than the poor (who pay little or no income tax). At the same time, overall public expenditures for housing are lower and more transparent in countries (like Austria) where subsidies are given in a direct form (see also chap. VI).

In most of Eastern Europe and in particular in the countries of the former Soviet Union, charges for social rental dwellings cover only operating costs and not capital costs. As a result, payments associated with housing (symbolic rent, maintenance and repair) constitute only from one fifth to one third of housing expenditures – the rest are utility charges. Thus, the task of making an inventory of all indirect and hidden subsidies is particularly important for economies in transition, as a large portion of these resources goes to groups other than those targeted by the social housing policy.

Below-market rents are a key feature of social housing. Housing economics suggests that rent differentials should still reflect the relative value of (and hence demand for) the property. However, in almost all countries mechanisms of rent pooling (flat rents) or cost-rent systems (rents set on the basis of actual costs) are used. This often results in adverse distributional implications with, for example, tenants in better and more attractive properties paying lower rents than tenants living on less popular estates. This gives wrong

signals to both tenants and landlords (particularly in the case of decisions about the use/demolition of various properties). It also makes it more difficult to set efficient and transparent allocation procedures.

B. Conclusions

Social housing is related to a wide range of economic issues. The size of the social housing sector is a considerable economic factor per se. Social-housing-related expenditure amounts to 0.1 to 1.5 per cent of GDP in Western Europe and 4 to 6 per cent of GDP in former Soviet countries. While some of the links to macroeconomic issues may be regarded as general characteristics of the housing sector, social housing has its specific features. Among these links are:

- Housing, labour market and employment
- Housing and labour mobility
- Housing, public health and social behaviour
- Housing and economic stability.

Social housing has many important links with the general housing market. Efficient policy should use social housing as a tool to balance or stabilize the situation of the whole housing market. However, mismanagement in this sector may result in an unbalanced housing market.

The economic behaviour of large population groups may be seriously influenced by messages given to them in the development of social housing policy, labour policy, migration policy and so on.

The most important message is the official registration of citizens' need for social housing (on waiting lists). In this context, it is essential to be transparent in order to prevent false messages from emerging when social housing policy targets are set. This is particularly important for Eastern Europe and for the countries of the former Soviet Union, where public expectations of social housing are traditionally very high and the "new rules of the game" set by the economy in transition are still immature.

At present, the world economy is characterized by controversial factors that may either enhance or deteriorate the significance of social housing. On the one hand, the economic globalization and the growing reliance on welfare due to both the situation of regional and world markets and acute fluctuations of income and employment rates demand better protection of citizens' interests in the housing sector. On the other hand, the inert and localized nature of social housing makes it difficult to keep pace with general economic development. Under these circumstances, consumer subsidies (housing allowances) are increasingly used.

These trends may result in the marginalization of the social housing sector and the stigmatization of its inhabitants. Marginalization of social housing may in turn deter private businesses from getting involved in public-private partnerships. Subsequently, this may increase the burden of the public sector and especially of municipalities in their role as key decision makers and administrators of social housing. This implies possible growth risks associated with inefficient bureaucratic procedures.

Various social housing sectors in the region have demonstrated their ability to cope with the new challenges; sector management has become much more efficient, especially in Western Europe.

At the same time, economies in transition are exposed to the specific risk of systematic gaps in the financing of great parts of their housing stock, which over a time may substantially increase the importance of their social housing stock. At present these countries are expecting that with the end of the transition their output per man-hour will rise to a level enabling them to have the same housing consumption rate as they had before the transition (evidently at present this level is unaffordable and may be maintained only at the

expense of future generations). These economies also have to face much greater risk resulting from the inefficient management of social housing because of the lack of both public control mechanisms and efficient bureaucracy in the sector.

The social housing policy of the twenty-first century will depend more on local externalities and the impact of past policies, as well as the strength of organizational, regulatory and market frameworks.

C. Recommendations

- The development of a social housing policy should be based on a comparative assessment of risks caused by market failures, on the one hand, and explicit and implicit costs of social housing sector administration on the other.
- Policies for social housing should be developed and assessed on the basis of criteria which are not limited to the immediate tasks of social housing, but rather take into account more general positive externalities.
- More active cooperation between public and private actors in the social housing sector should be encouraged in an effort to use the potential of the latter for providing a more flexible response to the rapidly changing needs of citizens. The search for new models and terms of cooperation should include more involvement of non-profit organizations and “non-professional” landlords (households that enter the private rental market for a certain period of time and for whom rent is not the main source of income) in order to meet the social housing demands.
- The private and public sectors should share their experience of good housing management policies and practices, including performance measurement to reduce the risk of inefficient decision-making.
- Countries in transition where the state has largely withdrawn from social housing and much public housing has been privatized need to develop an all-inclusive social housing policy based on their economic and fiscal capacities and their historical and cultural traditions.
- In these countries, it may also be advisable, in certain cases, to extend the concept of social housing by providing assistance to homeowners who will not, in the foreseeable future, be able to adequately finance their home maintenance costs. This should be done in a manner consistent with the capacities of the national economy.
- Housing-related obligations of states and municipalities, including implicit forms of subsidies, should be clearly defined. Assessment of the total costs of social housing for a community, including its opportunity costs, should become a mandatory input for housing policymaking.
- As long as countries in transition face a much greater risk of inefficient management of social housing, typically because of the lack of public control mechanisms and of efficient bureaucracy, they should draw on the positive experiences of West European countries which have reached high standards of management of social housing (Austria, the Netherlands, Scandinavian countries).
- For policymakers to be able to adequately judge the efficiency of their country’s housing sector, the regular collection of a number of social housing indicators is recommended. These indicators include:
 - The number of newly completed social rented dwellings (as a percentage of total newly completed dwellings per year)
 - The full cost of constructing one unit of social housing (including opportunity cost)
 - Rent per unit of social housing as a percentage of rent for comparable housing on the private market
 - The average share of the annualized cost of social housing to a landlord covered by rent

- Rent per unit as a percentage of (a) average household income, (b) the average income of targeted households, and (c) the median income of social housing tenants versus the median income in a community
- Indices of localization of social housing in particular communities within metropolitan areas (social housing in a community as a percentage of total social housing in the metropolitan area).

Chapter VI

FINANCING OF SOCIAL HOUSING

Social rental housing includes various forms of subsidized housing. Although its role and definition are different across the UNECE region (see chap. II), it may be regarded as housing stock whose access is not based on market rules (supply and demand), but is defined by a number of criteria (maximum income, target groups) and modes (allocation procedures); most often, a maximum rent is also in use.

There are a large variety of social landlords (see chap. III); they may be public (state, local authority, public company) or private (non-profit organizations; property companies of various forms, quoted or not, in partnership or not; even individuals). The landlord tends to be public in the former socialist economies or in those where social housing is intended for the poorer people. When the social housing stock is widely open, all cases can be met; however individual investors are rare (except in Germany and Switzerland). Also, the commitments that define social housing may be for a short or long, or even indefinite, period; they can be imposed by law or result from a contract.

It is thus logical to come across a wide variety of financial solutions for social housing. They range from centralized budgetary approaches to privately financed solutions. As with any long-term investment with public support, social housing finance is a mix of loans or bonds, subsidies and own funds. Many combinations are possible; subsidies can be granted through tax relief or direct support from a national or local budget, once for all upon agreement of the investment, or year after year; they are often linked to a long-term loan, under the form of interest rate rebate or access to off-market resources, or through free guarantees and so on.

A fundamental issue is whether social housing finance should be merely a part of the housing finance system or needs a fully separate treatment. This issue is embedded in a broader one: should the housing finance system itself be a part of the financial system? Most West European countries have been striving to integrate housing finance more and more into their financial markets; social housing is sometimes the only sector remaining off-market.

The question of financial resources for social housing is also linked to the rent policy and the respective share of object and subject subsidies, through the economic balance of the programmes. Indeed, the financial dimension of a social housing policy consists in finding the best possible combination between private and public funds, object and subject subsidies and so on. Extreme solutions and their drawbacks are well known, as already experienced:

- heavy allocation of funds from the state budget, with very low rents regardless of operating and maintenance costs (East European countries before transition);
- fully private rental housing, with rent controls which eventually discourage investors.

Initially, there is the problem of how to bridge the gap between a market rent and a rent affordable to low-income households? This problem has a wide range of solutions; many countries in Europe and North America have experienced several of them, at different times in their history. The main factors influencing their choice are:

- **Importance of housing needs:** State involvement and emphasis on object or subject subsidies are not the same when the volume of new construction is large or small compared to the stock.

- **Availability of long-term private finance to the housing sector.** This depends greatly on the degree of development of national financial markets.
- **Availability of public funds for social housing.** This is both a technical (tightening of budgets) and a political problem, at national and local levels. The political aspects will of course not be considered here, save to say that they include national trends such as emphasis on home ownership and local issues such as the NIMBY (not in my backyard) syndrome.

A. Generation of resources

1. Financial balance of social rental housing programmes

The financial balance of the two phases, investment and operation, is shown in Table 1.

Table 1. Financial balance in investment and operation phases

Investment account		Operation account	
<i>Investment costs</i>	<i>Investment finance</i>	<i>Expenses</i>	<i>Revenue</i>
Developers' profit	Direct subsidies	Maintenance costs	Chargeable rents
Loan takeout costs	Loans	Management costs	Billable charges
Construction costs	Own funds	Utility costs	Operating subsidies
Land improvement costs		Property tax	
Land costs		Loan repayment	
		Losses due to vacancy	
		Losses due to unpaid rents and charges	
		Equity rebuilding	

Those in charge of housing policy have to decide who (that is, people with up to what income level) can be housed in the social rental sector. Starting from this point, they have to make the best choices concerning:

- rent setting in the social housing sector;
- the most efficient ways of financing investment in this sector;
- the balance between housing allowances and object subsidies.

They also have to see that investment and operation costs are under control, which refers to various aspects such as quality standards (chap. VIII) and rent collection and management (chap. V). Developers' profits can be saved when a social landlord is also the developer.

Rent setting is a key element, as choices in this field heavily influence the other items in the accounts. The balance of the operation account implies that lower rents should be associated either with higher operating subsidies or with lower loan repayments (or both). Lower repayments mean a smaller loan (in a given social housing finance system); the balance of the investment account then requires that either investment subsidies or own funds (or both) should be increased.

Setting rents at the lowest possible level is a way to avoid paying housing allowances, but investment and operation must then be highly subsidized. Generation of resources for investment and operation can be considered independently. This method was used by socialist economies. It is very inefficient from an economic viewpoint as households are not encouraged to adapt their housing consumption to their needs. Also, some households that do not need subsidies will receive them.

Nonetheless, in Western Europe, rents are most often calculated according to cost rent principles, which means the calculation is based on the total cost of the programme. Thus the cost of rent is, in principle, the rent which balances the investors' account over time if it is non-profit or, in other cases, provides them with the return they expect. This is why it is sometimes called "equilibrium rent". Various "object subsidies" are used to reduce investment and operation costs, hence "cost rent". Cost rent before object subsidies is here called "gross cost rent"; cost rent including the impact of object subsidies is called "net cost rent".

To make rental housing affordable to low-income households, it is necessary to fill the gap between the rent they can "afford" (frequently set at 30 per cent or so of their net income) and the "gross cost rent" for a unit that meets state-prescribed standards. Almost all of the important subsidy policy aspects of social rental housing revolve around how this gap is closed.

Two types of instruments can be used, separately or in combination: "subject subsidies," usually in the form of "housing allowances," and "object subsidies." They play a symmetric role:

- A *housing allowance* is a payment designed to increase the rent that a given household is able to pay. "Rent affordable with a housing allowance" is the rent that target groups benefiting from this subsidy can afford.
- *Object subsidies* are a combination of production and investor subsidies that enables eligible landlords to offer a lower rent for a given housing unit. Object subsidies are sometimes called "bricks-and-mortar subsidies" or supply-side subsidies (see glossary at the end of this chapter).

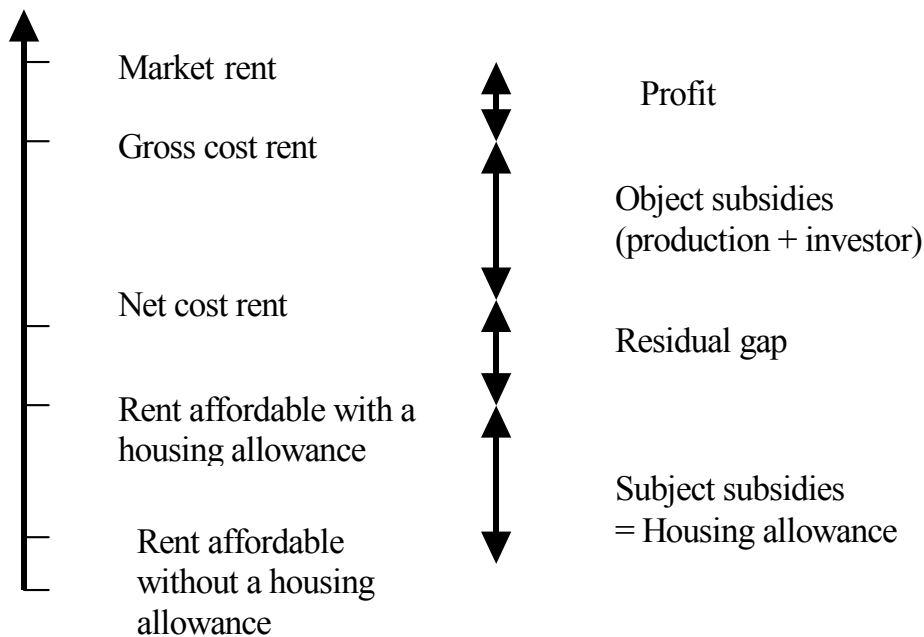
A perfect balance between "net cost rent" and "affordable rent" for any housing unit and any household is out of reach. Housing policy aims at bringing "net cost rent" and "rent affordable with housing allowance" as close as possible for the largest number of tenants. In reality, there will often be a remaining gap for certain categories of households (not necessarily the poorest). There are different ways of making the necessary adjustments, for instance by reducing the size of the dwelling. For others, on the contrary, the "object subsidies" alone will increase their affordability beyond the necessary, by lack of initial targeting or because their income rose over time without (enough) impact on their rent.

Access by target groups to social housing is thus possible whenever the total gap between (market or) gross cost rent and rent affordable without housing allowance is closed, using object and subject subsidies. This condition is necessary; in most dynamic urban areas it is not sufficient because demand exceeds supply, so that waiting lists and priority rules have to be applied.

Austria, Denmark, Finland, France, the Netherlands and Sweden are using cost rent methods. Another way of setting the initial rents is according to tenants' income (Germany). Belgium, Luxembourg and Portugal first calculate a cost rent, which they then adjust to tenants' income. Rent setting is decided by local authorities and housing associations in the United Kingdom (subject to limits on increases) and Ireland. Italy sets rents according to local market rent levels.

A drawback of the cost rent method is that the subsidization may increase the estimated construction and administration costs. This is why Germany dropped it in 2001.

Figure 2. Affordable rent and subsidies



Another drawback of this method is that the rent level depends only on the way the programme has been financed and subsidized, regardless of the value of the service rendered to tenants. Moreover, the rents are disconnected from local market values. Partial remedies are:

- **Evening out:** Rents in new programmes may not cover their costs provided that rents in amortized properties allow landlords to balance their overall accounts;
- **Rent pooling:** Rents in existing properties may be restructured in order to bring them into line with market levels, so that the cash loss on new property would be offset by cash surpluses being made on old property; such a rent restructuring policy is under way in the United Kingdom using criteria of both affordability and market value and is also being experimented with in France.

2. Financing new investment

New investment is not limited to investment in newly built housing; it also includes the purchase of existing property such as private housing stock belonging to insurance companies or non-housing buildings. The latter is more and more frequent in the largest urban areas, in which little land is available in the centre, when social mix policy is a priority.

Specific requirements for loans to social rental housing

Most often, the major part of investment costs is financed through credit, and the key issue is to ensure social housing landlords a stable access to long-term credit with a low interest rate and necessary guarantees. Very few countries have been able to provide market resources for such loans, only those with a long tradition of low inflation (Japan, Switzerland). Many have thus developed off-market finance for social housing, sometimes using direct state loans (as did France and the Netherlands after the Second World War).

In some economies in transition, the state has been providing housing loans by establishing a public fund to promote housing construction and purchase. Typical of such funds are the Housing Fund of Slovenia (created in 1991), the State Fund for Housing Development of Slovakia (1996) and the National Housing Fund in Poland (1995). In 1999 Slovakia adopted a programme to support housing construction by providing state guarantees on construction loans in order to allow the use of private finance in the housing sector; this programme gives priority to the construction of rental apartments for lower-income groups (OECD 2002; Hegedüs 2002).

The shift from state or, more generally, off-market loans towards market lending was made possible in Western Europe by the development of the financial sector and its liberalization in the 1980s. The macroeconomic stability required in order to enter the Eurozone and decreasing interest rates since the euro's introduction further encouraged social landlords to turn to market finance. France and Austria are the only countries in the Eurozone which still use a state subsidiary to finance the social rental sector. Austria has developed a mixed system of grants and low-interest state loans to non-profit developers which results in revolving funds at the provincial level and at the level of non-profit housing associations.

Germany also uses public banks, but only partly and as secondary lenders. Outside the Eurozone, the Norwegian State Housing Bank provides loans, grants and housing allowances to the whole housing market (which is dominated by ownership home). The loans are funded by the treasury. Examples show the variety of financing systems in Europe and their efforts to use market finance (see case studies). However, specific intermediaries are needed (as in Finland, the Netherlands and the United Kingdom) to help smaller investors access capital markets and secure loans.

Financing loans to social rental housing by market actors, commercial banks or specialized lenders poses a number of problems as these loans are specific; they are (very) long-term, often more than 30 years, which makes it difficult to raise matching funds; in addition, in some countries they have a high LTV (loan-to-value) ratio, both factors that increase the risk premium. On the other hand, part of the rent is usually paid by the state through housing allowances, which, on the contrary, reduces the risk to the lender. Moreover, unlike for an individual investor, the risk is spread over a number of properties. Hence the risk of such loans is often overestimated; more precisely, whereas the loss given default (LGD) is high, the probability of default (PD) is low.

Securing these loans requires special mechanisms, as mortgage guarantees may simply not be used (when the landlord is public, repossession of a public property is often impossible), and when it can be used, the valuation of properties is not easy. As a consequence, guarantees are often provided by public entities, often local authorities, or by ad hoc mutual funds. Future rents can also be used as collateral; recent loans to housing associations (United Kingdom) were secured by legal mortgages over social housing properties and cash reserves in favour of the issuer and bond trustee; in the event of non-payment, the bond trustee will have the right to collect the rents and manage the secured property of the housing association.

An increasingly important issue, under the new (Basel 2) approach of banking solvency ratios, is the recognition of these distinctive features of social landlords, 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 programmes. It is important that loan conditions remain the same regardless of the financial rating of the investor and the characteristics of its investment.

Mobilizing savings for social housing

Any finance system needs to mobilize private and institutional savings. Whenever the social rental sector is not directly financed by the state (or local authorities), it has to find resources, directly by issuing bonds, or through the finance institutions, should be they commercial banks, public finance institutions or other intermediaries. Due to the nature of the financial needs of the social sector (large volumes and long-term

finance), institutional savings will be favoured. The main sources of institutional finance will therefore be pension funds and insurance companies. In other words, “wholesale funding” is preferred to “retail funding.”

France’s funding system of *Caisse des dépôts* provides a rare example of private savings being used to finance social housing. Short-term deposits are used to fund loans of up to 50 years, which is an extreme case of maturity mismatch. The interest rate of the loans fluctuates with the interest paid to the savers (now indexed on the average of the Euribor-1 year and annual variation of consumer price index), which eliminates the interest rate risk. Prudential ratios limit the liquidity risk; moreover, the deposits are guaranteed by the state.

Institutional investors, such as pension funds and insurance companies, will finance housing through lending, buying bonds, including mortgage bonds, and mortgage-backed securities. The same instruments can be used to finance social housing, but the peculiarities of this sector result in two major differences. Firstly, unlike individual investors, social landlords may borrow money directly from pension funds; they may also issue their own bonds on the capital market. Secondly, some specific needs of social housing (low interest, equal access, specific guarantee) impose constraints that may not easily match the demand of investors, whereas other features are, on the contrary, favourable (long-term and low-risk).

There are three different wholesale funding models (UNECE 2005):

- ***The mortgage or bank bond model.*** The interest rate risk is shifted to investors by the direct issuance of bonds by the lender (Danish or German mortgage banks).
- ***The secondary mortgage facility, or liquidity facility, model.*** A separate agency provides liquidity for mortgage lenders against a collateral and issues uncollateralized bonds (CRH in France, FHL in the United States).
- ***The secondary mortgage market model.*** In addition to providing liquidity, the agency buys the assets according to pre-specified standards; the asset will be “securitized.” This technique is the privileged way of funding home loans in the United States, where the secondary mortgage market is organized by two Government-sponsored agencies (Fannie Mae and Freddy Mac). In Western Europe it has been unevenly successful, depending on the country and the type of loans (commercial, inter-bank, credit card, consumer, etc.).

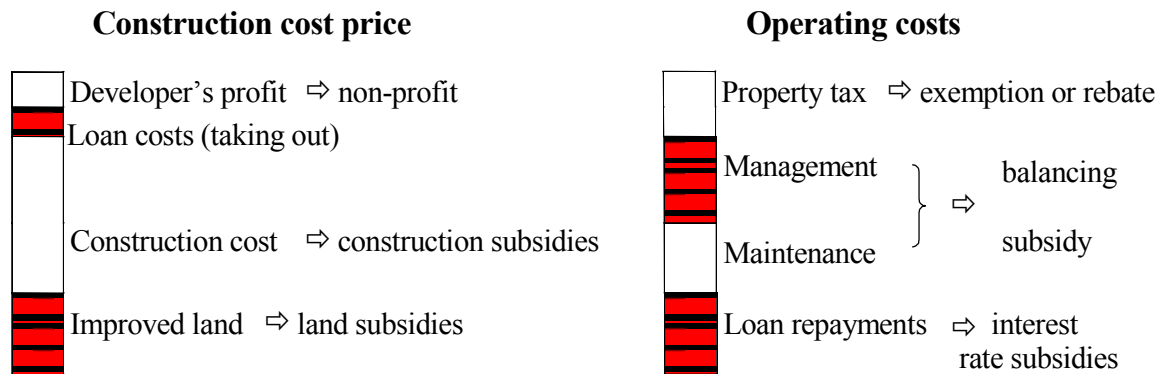
Some countries in transition have already introduced wholesale funding and others should consider doing it in the medium term. The spread analysis shows favourable results for the performance of the secondary mortgage market model and the mortgage bank model (Diamond and Lea 1992). In situations involving severely underdeveloped capital markets or a regionally strongly segregated banking system, a central liquidity facility could serve as an interim wholesale funding source.

Object subsidies

Object subsidies aim at lowering the cost of supply on the rental market. They can intervene through construction costs or operating costs (see Figure 3).³¹

³¹ See also Donner 2000.

Figure 3. Construction and operating costs



When cost rent principles are used, two methods can be met:

Ex ante subsidies: For each programme, the equilibrium rent is calculated from the existing subsidies; if it turns out to be higher than the maximum level permitted by legislation, additional funds, such as other subsidies from local authorities or more own funds must be found. *Ex ante* subsidies can be “one time for all subsidies” (Austria, United Kingdom) or a combination of direct and tax subsidies (France); they may include balancing subsidies. This was the case in the “dynamic cost price” method used in the Netherlands between 1974 and 1988.

Ex post subsidies: After a first set of subsidies has been granted, in order to cover at least the investment cost, operating subsidies are added in order to balance the accounts whenever necessary.

In practice, the *ex ante* calculation does not exclude the granting of *ex post* balancing subsidies or specific subsidies for renovation. No unanticipated subsidy will have to be added if the initial hypotheses are accurate. In every case, indeed, a number of hypotheses must be made concerning the discount rate, the depreciation of the property, the evolution of rents, the vacancy and default rates and so on. An accurate estimate of these parameters in a period of time spreading over several decades is of course out of reach. Moreover, most rents in social housing are set through a political process and the landlords whether non-profit or not, are under pressure to keep the rent increases within bounds. These bounds are often not the same as agreed upon when the original profitability calculations were made.

The nature and amount of object subsidies are very diverse and depend on the nature of the investors and landlords involved. Direct subsidies remain important in Austria and the United Kingdom, whereas the Netherlands has cancelled almost all object subsidies.

A long-term trend in the European Union is to shift from object to subject subsidies. Central or federal states try to limit the amount of object subsidies that are direct budget expenses by:

- Reducing the number of new programmes;
- Demanding greater contributions from the local authorities (land provision, loan guarantee) and from landlords (own funds);
- Searching for additional contributors such as employers' funds (“1 per cent levy” in France).

Own funds

As states are reducing their subsidies, they urge landlords to increase self-financing of their new investments. This makes sense in most of Western Europe because the amortized stock is large compared to the flow of new investment and there is no political will to significantly increase these flows.

Landlords in the social housing sector usually have low equity (compared to the amount of their investments). However, those who have a significant proportion of amortized property may generate cash flow, provided they have been allowed to raise rents and this cash flow is not absorbed by the renovation of these properties.

This cash flow can be injected into new investment by two different means: first, by using equity to contribute to financing new investment; second, by accepting that actual rents in new programmes are lower than cost rents. In the former case, equity rebuilding should be introduced in the operation account.

Sales to sitting tenants can also provide own funds to finance new investment in social housing. This can be justified when tenants' mobility is low; their dwelling is therefore never offered on the rental market. The property must be amortized enough for its sale to provide a positive net income, and the number of sales in a given programme large enough to cover the cost of creating and managing a condominium.

Landlords are often reluctant to resort to this solution and, whether they are free to use it or not, the sales of the units they are prepared to sell and those which tenants are willing to buy seldom coincide: individual houses are sold more easily than apartments in large buildings. Only in the United Kingdom have sales reached a high level (apart from mass privatization in countries in transition, of course), because the decision lies with the tenant ("right-to-buy") and because he benefits from huge rebates. This is not a good example, however, as the main goal of the Government was not to raise funds for new investment but to encourage home ownership and to reorganize the social rental sector by reducing it.

Annual rates of sales vary between 1 to 2 per cent of the social housing stock in Ireland, the Netherlands and Sweden to 0.5 per cent in Germany and less than 0.2 per cent in France and Belgium (see chap. V).

Other ways of generating resources

Low-cost resources can be generated through ad hoc "revolving funds". These funds receive subsidies which are later transformed into long-term low-interest loans to social housing. The repayments of the loans increase the resources of the fund, so that the subsidies may be reduced and eventually suppressed. Such revolving funds exist in Austria at the regional level (see case studies) and in France at the national level. The "1 per cent levy" system consists of a tax amounting to 0.45 per cent (initially 1 per cent) of salaries in the private sector (for companies employing at least 10 persons). This resource, increased by returns from previous loans, provides additional long-term, low-interest and long-delayed amortization loans for social housing programmes; in return, a number of dwellings are reserved for the contributors' employees.

International financial institutions, the European Investment Bank (EIB) and the Council of Europe Development Bank (CEB) can contribute to financing social housing. Within the European Union and in its new member countries, projects considered for financing by EIB, among other objectives, must contribute to "strengthening economic and social cohesion", "human capital formation" or "preserving the environment and improving the quality of life" (EIB Group 2003). Up to now, EIB has been more involved in housing renovation in the context of urban renewal, but it considers a wider opening to social housing finance in general, mainly using the argument of social cohesion. In the "Partner countries," which include the Balkans, EIB participates in implementing EU development aid and cooperation policies through long-term loans from own resources or subordinated loans and risk capital from EU or member States' budgetary funds. On the other hand, CEB finances not only renovation but also new social housing programmes. In the past five years, it has intervened in 17 countries, including four new EU members and two other countries in transition.

3. *Financing maintenance and renovation*

Financing maintenance, renovation and improvement (energy saving, “residentialization”, etc.) is a major issue in many countries, from a financial viewpoint, as tenants are often unable to participate through rent increases and new solutions are often to be found. From a political viewpoint inhabitants are also frequently encountering financial and social difficulties. There is a wide range of cases, from a mere delay in maintenance of a single programme to a complex need for urban renewal at the scale of a whole “underserved” district. In some East and South-East European countries, there is also the problem of maintenance of privatized buildings occupied by poor owners, in particular in multi-family buildings (UNECE 2003b).

Adapting or adopting cost rent principles

When cost rent methods are used, there should be no need for additional financing of the maintenance and operation of social housing buildings. However, this may not be the case, since:

- The *ex ante* calculation may not correspond to reality after time, because of changes in the macroeconomic environment or rent policy.
- A frequent behaviour of social housing landlords is not to spend enough money on current maintenance, which, after time, increases the need for major renovation.

Also, even well-maintained properties will probably need major renovation after a number of years of use. National regulations normally require that lenders (in the social or private sector) make provisions for major renovation. Buildings also need to be adapted to new standards, for example in terms of energy saving and security equipment. More and more, landlords also have to face problems deriving from an ageing population and have to finance adaptation of buildings and housing units for disabled tenants.

Cost rent methods were not used in the past in countries in transition. In these countries, therefore, social housing usually has low rents that do not allow cost recovery of management and maintenance works. More renovation and modernization of the social housing stock is a priority but it requires a huge financial effort. As a preliminary, accurate information on the condition of the housing stock and on necessary improvement is needed.

It will be necessary to increase rents and introduce (or improve) housing allowances, but probably other forms of revenue, such as maintenance subsidies, will be needed to cover at least maintenance costs. This is of course a tough political issue. From a technical viewpoint, this section will refer only to the general discussions on the economic balance of social housing programmes and on the respective advantages and drawbacks of object and subject subsidies.

Specific financial needs for renovation

Financial needs for renovation should normally be smaller than for new investment. On the other hand, they usually benefit from smaller subsidies, and the participation of sitting tenants, through rent increases, is limited by their affordability, which obviously depends on their income, but also on the scales of housing allowances.

As a result, under normal circumstances, renovation also requires lending, but the need for lending will be smaller than for new investment. Therefore, loans may have shorter terms and smaller amounts, so that they will be more easily provided by financial markets. It can be recommended that loan duration fit the length of the maintenance cycle.

This is unfortunately not the case in several economies in transition, where maintenance has been neglected for many years; neither is it the case in underserved areas in some West European countries, where ad hoc urban renewal policies are under way, combining renovation, demolition and increasing social and tenure

mix. These policies require specific financial solutions, sometimes including large amounts of subsidy (for example, the *Loi d'orientation et de programmation pour la ville* in France) or other models (such as contractual saving schemes in the Czech Republic).

B. Forms of financial support

1. Loans

Various kinds of loans are usually available in most countries (see glossary at the end of this chapter). The main choices are between fixed rates and adjustable rates on the one hand, and between constant, graduated and indexed repayments on the other. The best solutions for social rental housing are influenced by two specific features:

- Loans are often long-term or very long-term.
- Borrowers' resources consist mainly of rents, which are more or less indexed to inflation, but are subject to state intervention.

An important factor of choice between various kinds of loans is their respective behaviour under high inflation (UNECE 2005). In particular, the longer the term, the bigger the risk that significant variations in interest rates or inflation will occur.

Dual-indexed mortgages are frequently advocated. In such loans, borrower repayments are pegged to one index whereas the interest rate or the loan balance is linked to another. When rents are pegged to the same index as repayments (example: a construction cost index), using such loans enables the borrower to match the variation of his main resource (rents) and that of an important part of its costs (incidentally, maintenance costs will also vary in accordance with the construction cost index).

2. Securities

The technique of selling loan packages to investors has been used for decades by housing finance institutions in developed economies. It increases their liquid resources and may also reduce their exposure to risk. "Covered bonds" (or mortgage bonds) have been issued in Europe for more than 200 years. At present, mortgage legislation exists in 19 European countries (including five new EU member States), among them Germany (*Pfandbriefe*), Austria, Denmark, Spain (*cedulas hipotecarias*) and France (*obligations foncières*). Mortgage bonds are based on specific features safeguarding the bondholder against a default of the issuing credit institution. Following the "cover principle", the mortgage bond outstanding must be secured at all times by first-ranking mortgages or by claims against public authorities or governments (European Mortgage Federation 2003).

Securitization consists in packaging and selling mortgages themselves (instead of bonds guaranteed by the mortgages); ownership of these packages, called "mortgage-backed securities" (MBS), passes from the primary lender to the investor. This system is used (in the social rental sector) in the United Kingdom, Finland and Sweden. Of the numerous different types of instruments used to tap the capital markets, the most common are the following:

- **Whole loan sales:** The sale of whole loans can be an important way for primary lenders to raise funds and manage risk. They involve the sale of mortgages, either individually or more commonly in pools, to other lenders or investors.

- **Agency bonds:** These are bonds issued by agencies specializing in mortgage finance at a secondary (that is, not the loan origination) level. Issuers include liquidity facilities which refinance primary market lenders and the mortgage GSEs.
- **Mortgage pass-through securities and mortgage pay-through securities** (see glossary at the end of this chapter).

Increases in mortgage bonds and MBS funding are expected to reduce funding costs and allow lenders in some European markets to widen their product range. Lenders are of course looking for the lowest funding cost, but they must pay attention to the currency risk and to the high origination cost, which only large volumes can amortize. They are also driven by a number of other factors: the need to diversify their funding, a reduction in deposit volumes, risk transfer and regulatory capital arbitrage.

Securitization of rents is a technique that can be compared to the securitization of mortgages; future flows of rents from a given programme and for a limited period of time are sold to an investor, like future loan repayments. The default risk is also transferred to the investor. As was already mentioned, in the case of social housing, the fact that a part of the rent is paid by the state through housing allowances reduces the risk for the investor. The investors (and the rating agencies) will be concerned with the prospects of the programme, such as expected evolution of rents and allowances and vacancy rates.

3. Subsidies

Choosing between housing allowance and object subsidies

Compared to object subsidies, housing allowances are indeed:

- Better targeted, as they are (more or less) directly linked to the income and other characteristics of the household;
- More flexible, as they can vary upward or downward with changes in income or family size, which in particular helps to amortize the impact of economic crises on households.

They also have a few drawbacks, such as the following:

- They are a counter-cyclical burden on the budget: an economic downturn increases the number of beneficiaries and the average subsidy amount. Attempts to reduce the allowance programme result in making low-income tenants insolvent; this is the negative side of their flexibility.
- They may have a “poverty trap” effect when they compensate too generously for the decrease of income due to unemployment.
- They may have inflationary effects on rents when they are used in the private (free) sector (in the same way that incentives to investors may influence housing prices). This cannot occur when rents are under strict control, which is normally the case in the social sector; it also should not occur when the households benefiting from these subsidies are a small proportion of the demand. However, when a large number of tenants are eligible, price increases may be observed when the subsidy is introduced or improved (as was the case for students in France in 1993).
- They are complex to administer, as this requires accurate and updated information on income and household composition.
- They have a limited impact on the quantity and quality of housing construction for moderate-income households; they are closely linked to the income level, not to prioritizing housing need.

On the other hand, subsidies to investors are often poorly targeted, as it is difficult to design the target properly in terms of eligibility and priority:

- If it is too broad, it may create lifelong benefits (additional rent is seldom used) for tenants.
- If it is too narrow, there is a risk of subsidized programmes turning into ghettos.

The main advantage of object subsidies is that they more efficiently increase the supply of affordable housing in general and for specific target groups (refugees, the disabled) in particular. Also, they can be used as a counter-cyclical instrument to boost the economy or, on the contrary, be reduced when housing needs are lower or budgets tighter.

If a country considers introducing housing allowances, the best timing would probably depend on the general level of housing needs and their concentration on low-income households. Other factors are the ability of social landlords to self-finance their production (the proportion of the amortized stock) and liberalization of private rents (the subsidization is transferred from the landlords to the government).

Many countries use both housing allowances and aid to bricks-and-mortar in varying proportions, but the general trend is towards more housing allowances and less object subsidies, since needs are nowadays usually less important than in previous decades, because of their technical advantages.

Can social rental housing do without object subsidies? As housing allowances have more advantages than drawbacks, why not rely solely on housing allowances whenever possible? It may be considered that, with a combination of housing allowances to tenants, tax incentives and insurance for investors for the default risk of tenants, private investors should be able to provide rental housing to anyone.

However, most mature market economies still have some kind of object subsidies to the social rental sector (sometimes of a very small volume, as in the Netherlands or Spain) in addition to a more widespread housing allowance.

Indeed, the amount of rental housing supplied by private investors is often small; not only is it concentrated at the top end of the sector, but is also very volatile. A majority of investors are individuals, as institutional investors prefer to invest in commercial property, which is more profitable and easier to manage than housing. As for individuals, they are often reluctant to house tenants whom they cannot choose themselves or who belong to a different social group, or to invest in poorly valued areas, or to accept long-term commitments. Germany provides a rare example of a social rental sector with a significant number of individuals as landlords, but the size of the sector is rapidly decreasing, as is the term of their commitments.

Table 2. Object and subject subsidies in selected countries

		Object subsidies	
		Yes	None or little
Housing allowance	Yes	EU countries (15 members)	Canada, ³² Netherlands, Spain, United States
	No	Belgium, Luxembourg, Portugal	Greece

Finally, the choice between object and subject subsidies is not only a technical choice but also has an important political dimension. In many countries, object subsidies have been distributed for decades only by specific agents as a special agreement is necessary for entitlement to such subsidies. These agents represent a political force, especially when they are well-connected local authorities or organizations. This means that changing an existing system is far more difficult than creating a new one.

³² None at the federal level; varies by province.

The scales of housing allowance

There are a great variety of housing allowance schemes. In its simplest form, the “voucher” is a standard contribution, independent of the rent, to be used, under certain conditions, at the tenant’s discretion. More elaborate scales aim at keeping the rent-to-income ratio below a maximum level, more or less explicitly.

In Austria, France, Germany and the Russian Federation, the amount of the allowance is directly based on a calculation of the part of the housing expense to be paid by the household; a “rate of participation” is applied to its resources. The amount of the subsidy is thus equal to the difference between the eligible expense (the rent up to a maximum level plus a lump sum for utilities in France, the “maximum social rent” in the Russian Federation) and the household’s participation:

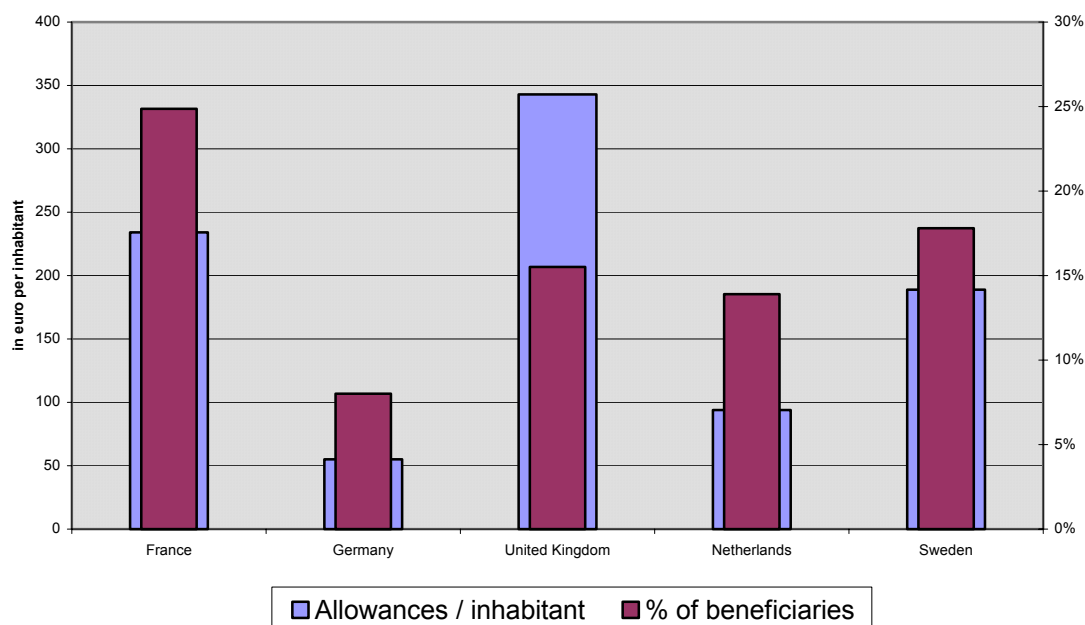
$$\text{Allowance} = \text{Rent} + \text{Charges} - \text{Participation.}$$

In the United Kingdom, the “housing benefit” is equal to the rent for households with very low incomes (under income support level). For those with a higher income, the allowance is reduced by £65 for every additional £100. Such a system is not only a poverty trap, but also inflationary (*Observateur de l’immobilier* 1997).

In the Netherlands, the allowance is granted only if the rent does not exceed a certain level; households are thus encouraged to adapt their housing consumption to their income (*Observateur de l’immobilier* 1997).

There are great differences between countries (see figure 4); the United Kingdom has the higher allowance per inhabitant, whereas in France there are a large number of beneficiaries (home owners are eligible and more than 50 per cent of all tenants receive it).

Figure 4. Housing allowance: proportion of beneficiaries and average amount per inhabitant (2002–2003)



Source: Fribourg 2002.

Forms of object subsidies

Object subsidies can be delivered in monetary form; examples are:

- Direct grants from the budget (United Kingdom);
- Tax subsidies: reduced VAT rate, income or profit tax rebate or exemption, property tax rebate or exemption;
- Direct low-interest public loans (Austria: revolving provincial funds; Norway: Norwegian State Housing Bank);
- Subsidized loans, through subsidies paid to lenders or use of off-market resources.

They can also be given in kind:

- Municipalities provide land for social housing programmes, through sale or long-term lease, for free or at a low price;
- The state or local authorities provide investors with free guarantees for their loans.

Subsidies are adapted to the nature of investors; not only the financial objective, but also the form of object subsidies are different when the investor is public/non-profit or market/private:

- Registered social landlords often have a special (non-profit) status including profit tax exemption; tax rebates which reduce the taxation of rental income are thus applicable only to the private rental sector.
- Budget subsidies, direct or through subsidized loans, are often reserved to specific actors such as registered landlords, either for moral reasons or because the control of social commitments is difficult when the landlord is a natural person or a private limited company, and it is conveniently delegated to the tax service.
- As budgetary money is scarce, other forms of support such as off-market loans and public guarantees are still used, despite a general trend towards finance standardization.

Subsidies may be granted once or spread over time; interest subsidies, income or property tax rebate or exemptions are granted for a limited or indefinite period. A simple case is when operating subsidies are spread over time and investment subsidies are given once, but various combinations can be found. When subsidies are spread over time, the duration of the payment and the amount can either be variable or fixed in advance.

C. Conclusions

1. *Generation of resources*

Economic balance of social rental housing programmes

- Both stages, investment and operation, are linked, as a loan is usually the most important part of investment finance and the loan repayment a (decreasing) part of operating expenses;
- In this global approach, which is used in Western economies, rent setting is a key element. Rents are then often calculated according to cost rent principles, which means that the rent calculation is based on the actual cost of the investment;
- In addition to rent setting, housing policymakers have to make the best choices concerning:
 - The most efficient ways of financing social housing investment;
 - The balance between housing allowances and object subsidies;

- With regard to finance for new investment, a loan is usually the most important part; next come object subsidies and own funds, generated by benefits from amortized properties and sales to sitting tenants. Bond issues and securitization of rents are also sometimes used.

Financing new investment

Specific requirements for loans to social rental housing

- Macroeconomic stability and the establishment of a well-functioning financial system are necessary to develop market finance for housing in general and the social rental sector in particular. As long as these conditions are not met, resort to special housing funds is a second-best solution;
- Specific solutions are required both for raising matching funds for market lending to social rental housing and for the securing of these very long-term loans. Efficiency of loan guarantee systems is of major importance, although this lending is low-risk and guarantees are seldom called for on an individual basis.

Mobilizing savings for social housing

- As social housing finance requires long-term resources, wholesale funding is more appropriate than retail funding. Hence, institutional investors are a privileged source of funding for social housing.

Object subsidies

- A wide range of subsidies have been used over time in many countries and are used at the same time in different countries; this proves that there is no single best way of subsidizing social rental housing;
- The ex ante calculation of subsidies does not guarantee that an anticipated additional subsidy will ever be necessary in the future. However, it helps to keep this risk within reasonable bounds;
- Direct subsidies from the state budget tend to be more and more limited, which increases pressure on local authorities to resort to tax rebates; it also increases rents, which, in turn, raises expenditure on housing allowances.

Own funds

- As states reduce their subsidies, cash flow generated by rents from amortized properties and sales to sitting tenants are used more and more by landlords to finance new investment;
- This can be done more easily when the amortized part of the stock is large compared to the flow of new investment.

Other ways of generating resources

- Low-cost resources can be generated through ad hoc “revolving funds.” The repayments of previous loans increase the available resources for new finance;
- International financial institutions, EIB and CEB, can contribute to the financing of social housing programmes.

Financing maintenance and renovation

Adapting or adopting cost rent principles

Adapting or adopting cost rent principles does not obviate the necessity to face the costs of major renovation.

Specific financial needs for renovation

- Financial needs for renovation are usually smaller than for new investment, and shorter-term loans may be used.

- In several countries in transition and some West European countries where ad hoc urban renewal policies are under way, the needs are higher and require specific solutions.

2. Forms of support

Loans: An important factor in the choice between the various kinds of loans available is their respective performance under high inflation. Dual-indexed mortgages in which repayments and rents vary according to the same index are more likely to balance the operation account of the landlord.

Securities: Selling loan packages to investors increases the liquid resources of lenders and may also reduce their exposure to risk. The main instruments in use are “mortgage bonds” and “mortgage-backed securities”.

Choosing between housing allowance and object subsidies

- Housing allowance has been playing an increasing role in most developed countries, and in some cases (North America) object subsidies have even disappeared;
- It is frequently argued that housing allowance has more advantages (better targeting, flexibility) than drawbacks (poverty trap and inflationary effects);
- However, many countries use object subsidies since relying solely on housing allowances might result in a shortage of affordable housing;
- Object subsidies can also be better targeted in the case of special needs.

The scales of housing allowance

- Most elaborate scales of housing allowance aim at keeping the rent burden under a given proportion of a household’s disposable income. The calculation must therefore include the income, but also the rent and the family size;
- The allowance decreases when income rises, and reaches zero at some point. Higher rent payments entail a small or large increase in the rent burden; eligibility may also be limited to a maximum rent level.

Forms of object subsidies

There are several ways of reducing investment or operating costs through subsidies: money or in kind, direct grant, tax subsidy, subsidies attached to loans (reduced rate or free guarantee). They can be granted immediately or spread over time.

D. Recommendations

1. Generation of resources

Economic balance of social rental housing programmes

- Financing new investment in social rental housing requires a long-term view; thus a global approach, including investment and operating costs, should be used;
- In order to keep investment and operating expenses under control, social rental housing needs professional management, self-discipline and control by authorities;

- Rents should be made affordable to low-income groups by making proper use of object and subject subsidies, not by being arbitrarily set at a low level;
- Too much difference between social rents and market rents has negative effects on mobility and housing consumption: over time, rent restructuring must be considered in order to reduce the main distortions.

Financing new investment

Specific requirements for loans to social rental housing

- Market finance is generally more efficient than public finance when the financial markets are well developed. Public financing may be less costly if the funding cost of the public sector is lower than the cost of the private sector but it may entail hidden costs (linked to various risks) and distortions that have to be carefully evaluated.
- Public solutions must be used as long as the above prerequisites are not fulfilled.
- Even so, attention must be paid to guarantee access to credit in similar terms to all social landlords, which is in contradiction to normal market behaviour and thus requires that special guarantee funds should be used.
- The “mutual fund approach” used in the Netherlands and, on a smaller scale, in the United Kingdom, is a good way to secure such loans; however, providing inexpensive access to market finance without leaving anybody out remains a difficult challenge.

Mobilizing savings for social housing

Wholesale funding is more appropriate to financing social housing than retail funding (when it is available). Hence, institutional investors should provide a beneficial source of funding.

Object subsidies

- Subsidies are the counterpart of the social commitments of the landlord and should be proportionate to these commitments;
- They should also be associated with controls on various costs;
- The *ex ante* calculation of object subsidies is recommended because it provides a good overview of present and future balances of investment and operation accounts. Too strict an application of this method should, however, be avoided as it may result in mismatches.

Own funds

- Injecting equity into new investment finance can help in particular circumstances, such as when housing needs are important and land costs are high (central metropolitan areas), when it is necessary to limit lending, when subsidies are scarce; however, this is not a sustainable policy;
- Landlords may be given general objectives in terms of volume of sales, but the choice of the programmes to be sold should preferably be left to them, instead of introducing a general right-to-buy to tenants;
- Attention must be paid to avoiding increasing windfall profits for well-off tenants by selling at below-market prices regardless of the tenants' income.

Other ways of generating resources

- Creating revolving funds, mixing external resources (such as earmarked taxes) and internal resources (loan returns), is another way of providing low-cost finance. The sustainability of such funds should be carefully planned and monitored;

- Banks or funds that finance social housing are advised to check whether their programmes are eligible for funding from international banks (EIB and CEB) as these may provide low-cost finance.

Financing maintenance and renovation

- Adapting or adopting cost rent principles. Landlords using cost principles should finance maintenance according to the initial planning (cost rent calculation takes into account the future cost of maintenance), in order not to accumulate needs for heavier renovation in the future;
- Specific financial needs for renovation. The need for substantial renovation exists not only in countries with transition economies but also in Western Europe; they require specific financing solutions.

2. Forms of support

Loans: “*Inflation-proof*” loans are recommended as social rental housing needs long-term loans. Among these loans, dual-indexed mortgages with repayments pegged to the same index as rents reduce the risk of mismatch between expenses and revenue for the landlord.

Securities: “*Mortgage bonds*” and “*mortgage-backed securities*” are two types of vehicle to be developed in order to increase wholesale funding; they also provide opportunities for transferring risks to investors.

Choice between allowance and object subsidies

- Housing allowances are the most flexible way to make rental housing affordable to low-income households. They should be introduced in every country provided the administration is able to obtain relevant and up-to-date information on household composition and income.
- However, object subsidies are more selective, and housing allowances have little impact on housing supply.
- Therefore, housing allowances and object subsidies should be used in parallel, in particular in countries where housing needs remain important.

The scales of housing allowance

- Scales of housing allowance should depend closely on the household’s income and composition; they should be adjusted accordingly without delay, especially to compensate for major losses of income (through death, illness, unemployment).
- They should be carefully designed so as to prevent the creation of poverty traps, inflationary effects and a lack of incentive to adjust the size of the unit to the real needs of the household. Their linkage with social benefits must also be carefully considered.
- They should remain simple and transparent so that beneficiaries can understand how they are calculated.

Forms of object subsidies

- Subsidies which create long-term liabilities should be avoided. Subsidies should be transparent and measurable; hidden or unpredictable subsidies should be avoided.
- Direct subsidies should be preferred to subsidized loans; subsidy and finance are distinct fields (need for transparency) and subsidized loans create long-term liabilities; moreover, if the subsidized loan

has a guaranteed fixed rate (instead of a rebate such as market rates minus x points), the future amount of the subsidy cannot be anticipated.

- Public guarantees to loans are often necessary but the risk taken by the state or the local authority should be measured and limited by strict financial control of landlords.
- Guarantees brought by a mutual fund should be preferred, provided this does not entail selection between members.

E. Case studies

1. Austria

Austria has a large rental sector: 18 per cent of main residences are private rental and 22 per cent may be regarded as social rental housing, among which 9 per cent are municipal dwellings and 13 per cent are managed by housing associations and cooperatives. Almost all new housing construction is subsidized (in Vienna, the proportion is 90 per cent). Investors in social rental housing are mostly non-profit housing associations, in some cases municipalities, or private developers.

The housing subsidy scheme was shifted to the provinces (*Länder*) in the late 1980s, but the federal state still plays an important role, for instance in housing legislation.

The non-profit housing law regulates the activities of housing associations, including the calculation of the rent (according to the cost rent principle).

Housing subsidy schemes differ from region to region but in most cases subsidies are given in the form of long-term, low-interest public loans (formerly non-repayable grants). The main source of financing is earmarked taxes (from income and corporate taxes). Loan repayments create revolving funds at provincial level. Investors are free to choose any form of additional financing (own funds, bank loans) but are subject to strict maximum rent levels, which must not exceed cost-covering rents. Non-profit developers benefit from tax exemptions.

In Vienna, all subsidized new housing is subject to compulsory tender procedures and to compulsory developers' competition to improve quality while reducing construction costs (see also chap. VIII).

In the context of substantial public intervention, the case of Austria is a mix of classical social rental housing finance, with off-market funding, and modern trends: decentralization (subsidy schemes vary according to region) and cost reduction through competition.

2. Finland

The social housing sector in Finland accounts for 17 per cent of the housing stock. Investors are either municipalities or non-profit organizations.

The Housing Fund (ARA) provides them with:

- Direct subsidized financing (ARAVA housing);
- Subsidization of privately financed loans.

In both cases, the loan period is 35 years, the LTV ratio between 90 and 95 per cent.

The Housing Fund is managed by the central Government but receives no budget assistance; it was provided with a portfolio of loans (state housing loans) without the matching funding liabilities. Its other sources of funding are direct borrowing on the capital market and securitization (which is not accounted for in the Government debt). Securitization has been an important source of finance for ARAVA since 1995 through the Fennica programme. The Housing Fund diversified its funding sources in 2001 by negotiating and signing two loan agreements with EIB and CEB.

Subsidized rental housing is allocated on social criteria and the rent is determined according to the cost price principle. Rent pooling is used between the different properties owned by one owner.

Social housing finance in Finland tries to cumulate the benefits from the public sector (ARA has a good credit rating thanks to backing by the Ministry of Finance) and from the use of modern financial market techniques, including securitization.

3. France

One out of six households lives in social rental housing. This sector has existed in France for more than a century, but the massive financial involvement of the state only started after the Second World War. At the time, the financial needs were huge and the private sector was unable to provide long-term credit. Thus very long-term (60 years) and very-low-interest loans (2 per cent) were directly provided by the Treasury to social landlords, mainly *habitations à loyers modérés* (HLM).

Now the direct involvement of the state has decreased. However, most current loans to finance social rental housing remain off-market. For new investment, they are:

- Very long-term (up to 35 years for construction and up to 50 years for land purchase);
- Distributed only by a state subsidiary multifunctional financial institution, the Caisse des dépôts et consignations;
- Funded by (short-term) deposits on “A” saving booklets;
- At a uniform rate which only depends on the interest paid to “A” booklet owners.³³

These loans are guaranteed by the local authorities in 95 per cent of cases. In the other 5 per cent of cases, they are guaranteed by a mutual fund (CGLLS) for a 2 per cent fee.³⁴

In addition, the present system of object subsidies for new investment in the social sector includes:

- Reduced VAT on land purchase and construction works (5.5% instead of 19.6%);
- A grant upfront, totalling between 3% and 6% of the cost (up to 20% for programmes targeted to very-low-income households);
- A 25-year property tax exemption (any housing is exempt for 2 years).

Renovation costs benefits from a specific subsidy (“PALULOS”) and a loan from the *Caisse des dépôts et consignations* also funded by deposits on “A” saving booklets, but with a shorter term (20 years).

³³ Deposits on “A” booklets are indirectly subsidized twice: they are tax-free and are guaranteed by the state.

³⁴ In practice, none of these guarantees is ever called on an individual (programme) basis. CGLLS and all local authorities involved may be called on a general (institution) basis to rescue a landlord in financial difficulty.

The French way of financing social rental housing is characterized not only by the use of an off-market state subsidiary body but also by the massive transformation of short-term savings into very long-term loans. It works well but cannot be recommended as a model.

4. Germany

The responsibility for housing policy in Germany is shared between the federal state, the regions (*Länder*) and the municipalities. Regional and local authorities often have a share in the limited-profit housing companies that have been involved, along with cooperatives in social rental housing since the nineteenth century.

The Limited-Profit Housing Act was abolished in 1990; the companies lost their privileged fiscal status and were allowed to drop social allocation rules at the end of the subsidization period. Consequently, the social rental housing stock has decreased sharply in recent years (from 8 million to 2.5 million units) as the commitments of landlords result from an agreement and investment in social rental housing is now open to all private investors. All investors in rental housing benefit from a generous income tax rebate based on accelerated depreciation.

Investors in social rental housing are financed using one of the following methods:

- By a mortgage bank (market loan); they receive an operating subsidy or tax relief from federal and regional governments; or
- Through a subsidized loan (0 per cent interest) from a regional public bank (which has no direct access to the market and is funded by mortgage banks).

Germany applied the cost rent system until 2001. There was a long debate about the effectiveness of the cost rent principle: empirical evidence showed that the gross cost rent was often higher than rents for comparable dwellings on the free market, because subsidization tended to push costs up. The system was therefore abolished and rents in the social sector are now set by using cost control mechanisms and competition between developers.

The way that Germany finances social rental housing is flexible, as it may vary between *Länder* and also be adapted to the types of investors. However, since the specific status of social landlords ended, the size of the sector has been severely reduced, as private investors are reluctant to accept long-term commitments.

5. Netherlands

The Netherlands is the EU country with by far the highest proportion of social rental housing (35 per cent). Most social rental housing belongs to building associations. These are independent, non-profit organizations with a public responsibility, comparable with the housing associations in the United Kingdom. After the Second World War, and until 1988, the Netherlands used mainly state loans to finance social rental housing. An operating subsidy was added to balance the accounts; it was designed to disappear after 15 to 20 years when the balance became positive thanks to increasing rents and debt amortization.

In 1974, the system was reformed to reduce the cost of these subsidies. In the new “dynamic cost price method”, the *ex post* subsidies were replaced by *ex ante* subsidies. However, this system was ended in 1989 as it was perceived as too costly and a much simpler system was introduced.

In 1988, in another attempt to reduce the financial burden, the Government ended the system of subsidized state loans. Instead, bank loans were granted with the guarantee of the *Waarborgfonds Sociale Woningbouw* (WSW) or social housing guarantee fund, which had been created a few years before to secure housing

improvement loans. The WSW guarantee is not automatic: the landlord has to provide evidence of a healthy financial situation. It is counter-guaranteed by the state and the municipality in which the project is located.

A drastic change occurred in 1995; mutual commitments between the state and social landlords were cancelled, as the amount of subsidies due to landlords and their outstanding loans were estimated to be equivalent. Since then, social landlords have no longer been subsidized; they finance themselves through commercial banks or directly on the open market. However, the main lender is a bank with public capital, which proposes uniform rates, and the loans are guaranteed by WSW. Rent increases in zones where housing demand is strong were supposed to compensate for the end of the subsidies, but these increases result in higher personal allowances and pressure from tenants to buy their homes. Hence, landlords are urged by the state to increase invested own funds and, in particular, to accelerate sales to sitting tenants.

The end of the subsidies and the resort to market finance do not mean that all links with the state have been severed; the main lender remains a public bank and the mutual fund has a public guarantee. Doing without subsidies may be viable because the Netherlands has a large social rental sector and there is a political will to reduce it by selling units to sitting tenants; in other circumstances it would surely not be sustainable.

6. Poland

The rental sector in Poland has decreased over the past 15 years because of the privatization of existing units (sales to sitting tenants) and the domination of owner occupancy in new construction. The rental stock is approximately 25 per cent of the total; it includes public housing (municipal and “institutional”), cooperative housing and new social housing association lost-cost housing.

A specific type of social landlord, a social housing association (TBS), was established in 1995–96; most TBSs are municipally owned companies.

The National Housing Fund provides preferential long-term credit to TBSs and housing cooperatives.

The Fund was initially financed by the central budget and still depends on the budget (61 per cent of its resources in 2004), but is now also acquiring resources from CEB, EIB and the financial markets (28 per cent); the rest (11 per cent) comes from its own revenues. The Fund’s loans are long-term (35 years), dual-index, at subsidized interest rates (half the market level) and their amount may reach 70 per cent of the construction cost.

In TBS programmes, rents should not exceed 4 per cent of the replacement value.

State-supported credit arrangements are also available for housing renovation. A grant from the Thermal Modernization Fund pays the remaining 25 per cent of the loan principal if the project meets certain thermal and economic efficiency criteria. Subsidized loans for general repair are also granted to owners of multifamily housing: the state covers 50 per cent of the interest on commercial loans (up to 10 years).

Like other countries in transition, Poland is having difficulties finding low-cost, long-term market finance. The choice of a single financier to provide subsidized loans, using national and international resources, is therefore logical, as is the use of the dual index with regard to inflation.

7. United Kingdom

The social rental sector in the United Kingdom was developed long before those in France and Germany: it had already reached 10 per cent of the housing stock by 1939. It also started shrinking before Germany’s social rental sector, but in a quite different way. However, despite two decades of decrease, it still amounts to

21 per cent of the housing stock, totalling 5.3 million units, and is the second biggest in the European Union after that of the Netherlands.

Since the early 1980s, the profile of the social rental housing sector has changed dramatically, having been reduced in size through sales to sitting tenants (at highly discounted prices, through the right –to buy) and changed in ownership by transfer from the local authorities to housing associations, which are now the only investors in social rental housing. Housing associations are non-profit organizations regulated by the Housing Corporation, which is also in charge of distributing subsidies.

The way that social landlords are financed in the United Kingdom is unique: it rests on direct subsidies instead of subsidized loans. Since 1988, housing associations have been encouraged to borrow from the market: only an investment subsidy from the Housing Corporation (social housing grant) is added to the market loan. It is a “once only” subsidy given to the most efficient investor, based on a framework of cost indicators and grant rates (revised annually), for which associations bid competitively. The average resulting grant rate declined steadily until 1997–98, but has subsequently risen and is now around 50 per cent. The rest of their finance comes from their own funds and market loans. However, there are no state guarantees, though the activities of the Housing Corporation provide some comfort to lenders in the market.

Smaller landlords, who do not have direct access to market lending, may use the Housing Finance Corporation as an intermediary. This is an independent, specialist, non-profit organization; and which funds itself through the issue of bonds and by borrowing from banks. It was created after some housing associations faced difficulties in securing individual market funding for their most social projects.

The British case illustrates a sound principle: transparency of subsidies, clearly separated from the finance, which is provided by the market and uses all the potential of developed financial markets such as bond issue, loan and rent securitization. However, very few European markets are as deep as that of the United Kingdom.

Glossary of Housing Finance Terms

Affordability. The financial capacity of a household to purchase or rent a housing unit. A common measure in the rental sector is the ratio of the monthly rent to the tenant's monthly income. For homebuyers with access to credit, the equivalent ratio is that of the monthly repayment to the monthly income. Housing allowances are usually deducted from the rent or loan repayment, while other social or familial benefits are added to the income.

Agency bonds. Bonds issued by agencies specializing in mortgage finance at a secondary (i.e. not the loan origination) level. Their bonds are not specifically backed by mortgage loans, but the assets of the issuers are almost entirely mortgages or loans backed by mortgages.

Bond. A financial instrument, often negotiable, used to borrow funds, with a maturity of more than one year.

“Bricks-and-mortar” or “object” or “production” subsidy. Subsidy to the construction industry through direct funding or subsidized raw materials. These expressions also cover specific subsidies to developers, but they do not normally cover subsidies to private investors. As social landlords are usually their own developers, their subsidies (such as tax benefits or subsidized loans) are included.

Collateral. Asset pledged as security to ensure payment or performance of an obligation.

Consumer or “subject subsidy. Subsidy to the consumer on the property market (homebuyer) or the rental market (tenant). Direct consumer subsidies, delivered on a regular basis to reduce the rent burden and paid to the occupants, or sometimes to their landlord, are called housing allowances. Other direct subsidies may be available in particular circumstances, such as cash advances to help pay the deposit on a property or temporary allowances to help face a loss of income. Other types of consumer subsidies are tax subsidies (e.g. value-added tax or income tax rebate on maintenance work).

Cost rent. Rent based on the actual cost of the programme (investment and operation). The cost rent is, in principle, the rent that balances the investor's account over time if it is non-profit or, in other cases, provides him or her with the expected return.

Covered or mortgage bond. Mortgage bonds are bonds issued by a credit institution and covered by mortgage loans or, in certain countries, by public-sector loans. They remain on the balance sheet of the issuer but are based on specific features safeguarding the bondholder against default by the issuer.

Demand-side subsidies and supply-side subsidies. The rental housing market comprises the housing property market, in which the supply comes from developers or owners and the demand from investors, and the housing rental market, in which the supply comes from landlords and the demand from users (tenants).

This duality does not exist in the home ownership market, where the investor and the user are the same person. Consequently, three different levels of subsidies should be considered: production subsidies, investor subsidies and consumer subsidies. The terms *supply-side subsidy* and *demand-side subsidy* should be avoided whenever the market concerned is not mentioned.

Direct and indirect subsidies. A subsidy is a means used by an authority to lower the price of a good or service to its consumer. A direct subsidy is a lump sum or a regular payment from the budget to the consumer (e.g. housing allowance). Subsidies paid to the producer (e.g. upfront grants to social housing programmes) or an intermediary (e.g. subsidies to lenders so that they provide low-interest loans) are indirect

subsidies. Tax rebates or exemptions are also indirect subsidies. Off-market funding resulting in low interest rates, free guarantees to loans or provision of land at a below-market price are examples of implicit subsidies. Rent control is an implicit subsidy provided to tenants by landlords.

Dual-index loans. In such loans, borrower repayments are pegged to one index (a consumer price index or a construction cost index), whereas the interest rate or the loan balance is linked to another.

Equilibrium rent. When the investor is non-profit, the cost rent is the rent that balances the investor's account over time; for that reason, it is sometimes called *equilibrium rent*.

Housing allowance or housing benefit. A subsidy paid to households to cover a share of their rent or their loan repayment. It is usually higher when their income is lower and may be paid to the household or to its debtor (landlord or lender).

Mortgage-backed securities. Securities backed by a pool of mortgages or trust deeds. Principal and interest payments on the underlying mortgages are used to pay principal and interest on the securities.

Mortgage pass-through securities. Securities issued against a specific collateral pool subject to cash flow matching. The balance on the pass-through is always equal to the balance on the mortgages in the pool, and the cash flows received from borrowers are passed through to investors, with a delay and deduction for servicing and guarantee fees.

Mortgage pay-through securities. Multiple securities issued against a single collateral pool. They may be closed-ended, where there is a fixed collateral pool and all securities are issued at the outset of the transaction, or open-ended, where the collateral pool and securities can be increased over time (subject to constraints). These securities modify cash flows between borrowers and investors to meet the needs or requirements of investors.

Secondary mortgage market. A set of mechanisms available for the buying and selling of loans.

Securitization. The issue of securities in exchange for debt; the technique of selling loan packages to investors.

Chapter VII

THE ROLE OF SOCIAL HOUSING IN SOCIAL COHESION

The importance of social housing for social cohesion has been acknowledged in key international and European laws and policy statements. Article 34 of the Charter of Fundamental rights recognizes the right to housing assistance: “Access to decent housing” has been made one of the objectives in the fight against social exclusion. It has been estimated that 3 million Europeans are homeless and more than 15 million are inadequately housed.³⁵ The UK government, for example, has stated that achieving the goal of a decent home “will promote social cohesion, well-being and self-dependence” (DETR 1998). According to Whitehead (2002), this reflects the government’s understanding that ‘home’ is wider than the dwelling and that proper housing can impact favourably on individual and neighbourhood outcomes (Social Exclusion Unit 1998).

But what exactly is meant by all these rather abstract notions such as “social cohesion” and “social exclusion”? What concrete impact do the actions of policymakers and practitioners have on achieving these goals? While other chapters of these *Guidelines* have touched on the links between social housing and social cohesion, this chapter will try to unravel these connections. It will start by defining what the authors understand by social cohesion, including a review of the most commonly used definitions in academic, policy and practitioner circles. It will also try to clarify the relationship between social cohesion and related terms, such as “social exclusion”, “social inclusion” and “social capital”, among others, which are frequently, sometimes interchangeably, used in the context of social policy.

To understand the links between social housing and social cohesion in the European context, it is useful to have a brief look at the definition and purpose of social housing. As was explained in chapter II of these *Guidelines*, “social housing” has no unique definition. Its meaning varies across nation-states and time. As chapter I indicated, social housing in Europe emerged as an instrument to tackle massive housing shortage, first as a result of mass industrialization and urbanization processes taking place in the beginning of the twentieth century, and later as a consequence of the destruction left by the Second World War. In both cases, the target population were not always the poorest households, but the better-off working-class and middle-class households. Nowadays, however, social housing faces very different challenges. Since the mid-1970s in Western Europe (and since the 1990s in countries in transition – see chap. I), housing has become increasingly market-oriented, competitive and open to economic pressures. Investment in new social housing in many countries decreased in real terms (Priemus et al. 1993). This fact, together with social housing privatization in some countries, has resulted in a reduction of the share of social housing in the total housing. Consequently there is a trend towards tenure segmentation by income, with an increase in the number of low-income households in the social rental sector across Europe. This has brought about unintentional consequences, such as social and spatial polarization and segregation. Thus, the social housing sector has gradually become stigmatized.³⁶

As was stated in Chapter II, 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 decent quality at

³⁵ See FEANTSA (European Federation of National Organisations Working with the Homeless) www.feantsa.org.

³⁶ As is explained in more detail in Chapter I, the situation in the post-Soviet countries diverged from that in Western Europe in the period between the Second World War and the fall of communism. Since 1989, however, economic liberalization in those countries has brought about many common challenges for housing policy and social cohesion with regard to the Western European countries.

reasonable cost.” To accomplish this goal, each country has established a specific pool of instruments and institutional arrangements. In the context of market economies, “social housing policies” can be defined as housing policies which deal specifically with those households for which market instruments are unable to fulfil the above goal.

Despite the uniqueness of the institutional framework in each country (see chap. III), there are similarities in much of Europe in the broad allocation of responsibilities for providing social housing between the state, the private sector, voluntary organizations and households.³⁷ While in the past these objectives were the direct responsibility of the state, in most European countries there is a “growing acceptance that these objectives may be effectively met through private provision and a wide range of social agencies, albeit with continuing large scale government assistance.” (Whitehead 2002: 65)

Nonetheless, what is called “social housing” in the UNECE region nowadays is a combination of public housing stock (owned and managed by central or local governments, depending on the country) and a range of voluntary, not-for-profit and cooperative organizations that provide social housing.

The European Liaison Committee for Social Housing (CECODHAS),³⁸ a network which brings together the majority of social housing providers in the European Union, considers that, despite the great diversity of forms of social housing, the primary role of social housing is to help households, with problems in gaining access to decent housing on the market, to find accommodation in an adequate social and urban mix.³⁹ This chapter uses the term “social housing providers” to refer to organizations whose main purpose is to accomplish this mission. Despite the lack of a single definition of social housing,⁴⁰ there is consensus among social housing providers that the common feature of social housing is the existence of rules for allocating housing to benefiting households. Defining these rules for allocating housing is the responsibility of the States and their public authorities. They are aimed at overcoming the problems of allocating the supply of housing on demand through the free working of the market, problems that result from a lack of decent and affordable housing.⁴¹

It is worth noting that “social housing” is only one of the possible instruments for implementing “social housing policies”. Therefore, the ability of social housing providers to accomplish their role is restricted by structural, economic and social conditions and by the overall housing policy framework of a given country. Thus, the effect of the actions of social housing providers on social cohesion should be assessed in the context of this “structural framework” within which it operates. For this reason, this chapter will present key aspects of the role of social housing in social cohesion, taking into account both the structural context in which social housing providers operate and the obstacles and possible solutions that the latter face/can implement in order to contribute to social cohesion. In this way, the authors of these *Guidelines* expect to equip policymakers at the national, regional and/or local levels with analytical tools and practical examples to help them work together with providers to successfully implement social housing policies.

³⁷ See Chapter III of these *Guidelines*.

³⁸ CECODHAS brings together nearly 23,000 organizations which own and manage social housing in the European Union (European Social Housing Observatory 2005).

³⁹ See www.cecodhas.org.

⁴⁰ See Chapter II of these *Guidelines*.

⁴¹ See www.cecodhas.org.

A. Social cohesion: Towards a meaningful definition from the perspective of social housing

In recent decades, the concept of social cohesion has been one of several related welfare concepts which have gained popularity in academic and policy circles to deal with the relationships between individuals and society. For example, the European Commission has strongly emphasized the economic and social cohesion of the European Union as a main policy goal⁴² and the Organisation for Economic Co-operation and Development (OECD) warns of “the need to balance attention to economic restructuring with caution about societal cohesion in order to sustain that very restructuring” (Jenson 1998: 3)

Since its very origin, the concept of “social cohesion” has been linked to the question of social order: “the basic question is: in view of the constant competition between human beings for scarce resources, what makes it possible for people to live together peacefully in a civil society?” (Cope et al. 1995: 39). **Emile Durkheim**, who is usually identified as the first to popularize the concept (in the late nineteenth century), considered it an ordering feature of society. Durkheim defined social cohesion as the interdependence between the members of the society, shared loyalties and solidarity. Many of the core elements of the concept survive in more recent definitions (Jenson 1998); as **Berger-Schmitt** (2000) points out, aspects often associated with social cohesion are the strength of social relations, shared values and communities of interpretation, feelings of a common identity and a sense of belonging to the same community, trust among societal members and the extent of inequality and disparities. According to **Rosell** (1995), for example, social cohesion involves “building shared values and communities of interpretation, reducing disparities in wealth and income, and generally enabling people to have a sense that they are engaged in a common enterprise, facing shared challenges and that they are members of the same community.” (Rosell et al. 1995).

1. Social cohesion, social exclusion and social capital

The concept of social exclusion is often associated with social cohesion. For **Dahrendorf et al.** (1995), for example, social cohesion exists in societies which prevent social exclusion: “social cohesion comes in to describe a society which offers opportunities to all its members within a framework of accepted values and institutions. Such a society is therefore one of inclusion. People belong; they are not allowed to be excluded (Dahrendorf et al. 1995: vii). Furthermore, **Berger-Schmitt** (2000) believes that social cohesion incorporates two main dimensions:

- reduction of social exclusion (disparities and inequalities)
- strengthening of social capital (social relations, interactions and ties)

As for the concept of **social exclusion**, its origin can be traced back to France, where the term was used in the context of debates on a “new poverty”. It was defined as a rupture of the relationship between the individual and the society due to the failure of societal institutions to integrate individuals. The European Observatory on National Policies to Combat Social Exclusion implicitly relied on this notion of social exclusion and defined it in terms of the denial of citizenship rights – civil, political and social rights – which major societal institutions should guarantee (Berger-Schmitt 2000).

Social exclusion is a *multidimensional* concept, different from “poverty” because it refers not only to material poverty, but also to other dimensions such as the social and cultural. As Atkinson et al. (2000) point out, “the term social exclusion has provided a useful concept in drawing attention to changes in contemporary European societies [as it] shifted the debate from merely focusing on the issues of income inequality and material exclusion, to incorporating the social and cultural dimensions of the exclusionary processes. The effect was to emphasize the need to create social solidarity and to ensure that individuals are integrated into the social and moral order”(Atkinson and Davoudi 2000: 438).

⁴² See, for example, the Draft Constitutional Treaty.

Social exclusion can be considered a *relational* concept, since it involves not just the individual but his or her relation with society. As an individual attribute, social exclusion is defined as a low level of welfare (economic disadvantage) and the inability to participate in social life (socio-political disadvantage). As a societal characteristic, the term social exclusion refers to the impairment of social cohesion caused by the way in which institutions regulate and thereby constrain access to goods, services, activities and resources which are generally associated with citizenship rights. Therefore, while the impact of social exclusion on people is observable in the form of poor living conditions, the causes might be attributed to societal institutions and can then be described by the concept of social exclusion as a property of societies. In this sense social exclusion represents a characteristic of individuals and corresponds to the concept of poverty in a multidimensional notion. (Berger-Schmitt 2000).

However, as the Council of Europe (2004) points out, social cohesion is not only a matter of combating social exclusion and poverty. It is also about creating *solidarity* in society such that exclusion will be minimized. At the same time, insofar as poverty and exclusion continue to exist, there is also a need to take specific measures to help vulnerable members of society.

Another concept frequently linked to social cohesion is *social capital*. Social capital, as defined by its principal theorists (Coleman 1990; Putnam 1993a, b), consists of those features of social organization such as networks of secondary associations, high levels of interpersonal trust and norms of mutual aid and reciprocity which act as resources for individuals and facilitate collective action. According to Robert Putnam (1993a), the level of social capital in society can be measured by indicators such as the density of membership in voluntary associations of all kinds, the extent of interpersonal trust between citizens, and their perceptions of the availability of mutual aid (Putnam 1993b, 1995). Other authors have elaborated further on this notion, for example, distinguishing between “bonding” capital (social ties between primary groups) and “bridging” capital (cross-cutting ties or linkages between social groups) (Narayan 1999).

According to the *World Bank*, the social capital of a society *includes* “the institutions, the relationships, the attitudes and values that govern interactions among people and contribute to economic and social development. Social capital, however, is not simply the sum of the institutions which underpin society; it is also the glue that holds them together. It includes the shared values and rules for social conduct expressed in personal relationships, trust, and a common sense of ‘civic’ responsibility that makes society more than a collection of individuals” (Social Capital Initiative 1998: 1).

Although several other definitions of social capital exist (Loury 1992; Bourdieu and Wacquant 1992), most authors agree that social capital is a collective dimension of society external to the individual. Social capital is a feature of the social structure, not of the individual actors within the social structure (Lochner et al. 1999; Berger-Schmitt 2000).

2. *Social cohesion and housing: towards a meaningful definition*

The reason behind the resurgence of interest in social cohesion lies in the perception of a *crisis of social cohesion* (Forrest and Kearns 2001; Jenson 1998). As Jenson (1998) explains, attention to social cohesion can be considered a reaction to the paradigm shift in economic and social policy towards neoliberalism in the 1980s and 1990s, which is now identified as having provoked serious structural strains in the realm of the social and political. Indeed, the OECD recognizes that “although these policies have been generally successful in supporting economic growth (...) there is now pressure on many governments to take stock of the longer-term societal implications that are beginning to emerge. In part this is because of a growing political disenchantment arising from the increasing income polarization, persistently high levels of unemployment, and widespread social exclusion that are manifesting themselves in varying ways across North America, Europe and the OECD Pacific” (OECD 1997: Foreword).

In fact, the market has become the central point of integration in most democratic societies, and particularly across the UNECE region. The key problem of this model, however, lies in the over-optimistic evaluation of the market's capacity to achieve this integration because, due to the mechanism of competition, the market necessarily divides society into winners and losers, thereby creating serious imbalances in the socio-economic potential for action of the actors (Czasny 2004). The Council of Europe (2004) also recognizes that, although in all societies there are disparities of wealth, when these disparities are excessive or tending to increase, cohesion is put at risk. Moreover, the current pressures imposed by globalization and international competitiveness generate a number of "potential threats" to social cohesion. For example, changing employment patterns and doubts about the sustainability of social security systems (including housing provision) give many the feeling that their future welfare is becoming more uncertain. Social and crime problems in run-down areas of cities may make people feel less secure in their daily lives. Others might see growing multiculturalism as a threat to traditional identities (CDCS 2004).

These developments, together with current trends of demographic change, pose new challenges to social housing. European society has changed greatly in the last 20 years. Families are now smaller, people live longer, more people get divorced, immigration continues to increase, and so on (European Communities 2004b). Despite the general rise in affluence, persistent unemployment figures are threatening to generate increasing inequality and polarization.⁴³ Today, Europe is witnessing the emergence of what one could call "slums" in many cities – for example, in southern Spain, Portugal, Paris and Lyon. (see e.g. European Communities 2002) – for the first time in decades. Many countries, and especially large cities, experience rising homelessness (FEANTSA 2005; Edgar et al. 2004), precarious accommodation and "hot-bedding" - especially for newly arrived low-income immigrants (Edgar 2004). Meanwhile, massive privatization of the housing stock in most post-soviet countries has given rise to the phenomenon of "poor owners" in these countries, a situation which has been widely acknowledged as calling for appropriate legal and institutional frameworks to be put in place to tackle this situation.

Moreover, the middle classes can no longer find affordable housing. As so called "key workers" (i.e. nurses, police, teachers, care workers, etc.) are unable to find affordable accommodation close to their work places, there is a shortage of these services in some urban areas and cities with high living costs (e.g. London, Milan, etc.). In addition, work patterns have also become diverse; people are more mobile and flexible working means that individuals and their families move between neighbourhoods, cities and countries more often. Therefore, the provision of more affordable rental housing is required to allow for this mobility (see, for example, Barcelo 2002).

In this context, international organizations such as the UNECE Committee on Human Settlements⁴⁴ and the European Commission have recognized the need for governments to compensate for the deficiencies of the unregulated housing market to combat exclusion, which is illustrated through statements such as the following: "All Member States, because of the deficiencies in their housing markets, need to intervene in order to combat the exclusion of persons or families affected by social problems or living in certain geographical areas. Such state aid, although not allocated on a non-discriminatory basis, is a legitimate element of public policy" (European Communities 2004a: 61).

Therefore, a comprehensive concept of cohesion must enable the integration effects of the market to be compared with those of public and cooperative organizational models. Czasny (2004) distinguishes between two levels of social integration of the cohesion which is thereby created:

⁴³ In the United Kingdom, for example, average incomes have risen significantly while income distribution has worsened, with the result that those with the capacity to pay have moved out of the social sector, generating tenure, if not necessarily locational, polarization (Whitehead 2002).

⁴⁴ See, for example, the "ECE Strategy for Sustainable Quality of Life in Human Settlements in the Twenty-First Century" at www.unece.org/env/hs/sessions/ministerial.htm.

1) a **macro level of integration and cohesion** based on a particular mix of state, municipal as well as market and cooperative regulating mechanisms which form the basic conditions for the solution of the social problems of the production and distribution of goods and services. If one applies this to the housing system, the mechanism to cope with exclusion from the unregulated housing market due to price levels would be for a household to turn to social housing.

2) a **micro level of integration and cohesion** on which the individual is integrated in networks of personal interaction within the framework of neighbourhood, friendship, family, membership, educational and work relationships. At this level, a household which suffers exclusion would cope by developing adaptation strategies at the micro level of interactions (e.g. several households in a social network living together in a single dwelling if there is no other macro-level solution).⁴⁵

In sum, one can conclude that a cohesive society is one which has developed satisfactory ways of coping with these and other strains in an open and democratic manner. Following this view, the Council of Europe defines social cohesion as “the capacity of a society to ensure the welfare of all its members, minimising disparities and avoiding polarization. A cohesive society is a mutually supportive community of free individuals pursuing these common goals by democratic means.” The authors believe this definition of social cohesion captures the key challenge for social policy, and for social housing in particular, namely: how to ensure that everyone enjoys a decent standard of living so as to avoid social polarization and achieve peace and prosperity.

B. Social housing and social cohesion: Role, challenges and possible solutions

As the above review of the concept of social cohesion and related terms reveals, a number of key elements are common to all definitions. For analytical purposes, it is useful to identify key elements which would have to be present in a society to achieve social cohesion:⁴⁶

- Reduction of social exclusion
- Capacity to reduce disparities in wealth and income
- Prevention of social polarization
- Mutual support to achieve common goals
- Feeling of belonging to the same community
- Strengthening of social ties and trust among people (“social capital”)
- Solidarity and civic responsibility.

1. A role for social housing

How can social housing contribute to achieving these goals? Bearing in mind the structural framework within which social housing operates, the following are some of the key aspects⁴⁷ of the way in which social housing can achieve social cohesion:

⁴⁵ This example of adaptation strategy refers to the *compensatory* role of social networks at the micro level. That is not to say that this type of strategy might be considered a suitable alternative to adaptation strategies at the macro level.

⁴⁶ This chapter tries to simplify the concept of social cohesion for the purposes of the discussion, so as to illustrate some of the possible links to social housing. While there is a need to conduct an in-depth discussion of these relationships, that task is beyond the scope of this paper.

⁴⁷ The aspects presented in this paper are just a selection of all possible ways in which social housing can contribute to greater social cohesion. The European Social Housing Observatory is currently conducting a more in-depth discussion on the subject (see www.cecodhas.org/observatory).

Box 5: Examples of social housing for the improvement of living conditions	
<i>Project name and place</i>	<i>Description</i>
Scharnhorst-Ost, Dortmund, Germany	The renewal process concentrated on community work with children, direct employment of young people and healthy living via information campaigns. A key to successful renewal is based on close dialogue with the residents. The networks involved in this project include Dortmund City Housing Associations and a group of representatives from schools, kindergartens, churches, businesses and the police force.
Prague, Czech Republic	In Prague, a Public/Private Partnership resulted in the construction of a private company's premises on the top floor of a cooperative apartment block in exchange for the financing of internal and external renovation of the block.
The Italy-based "Sustainable Housing Europe" or SHE project	This project brings together partners from Italy, Denmark, Portugal and France, to build new European social housing according to rigorously ecological guidelines. For example, a development in Ringaarden-Aarhus, Denmark provides 70 wooden dwellings which make optimal use of natural ventilation, heating and cooling techniques.
The WAC Best Practice of The Netherlands for UN Habitat	The Women's Advisory Committees (WAC) in the Netherlands are residential consumer organizations of volunteers that make an important contribution to the quality and sustainability of housing and the residential environment. Plans are scrutinized and clients advised by trained volunteers of different political and social backgrounds. The chief activities of WAC at present are the assessment of plans for dwellings and the residential environment (land-use plan, traffic plans etc.), and giving advice on them. In this connection, the WAC forms part of construction and planning teams and maintains a regular dialogue with the local authorities, builders and housing associations. The organization now comprises a national network spread over 170 municipalities and which is coordinated by a central office in Utrecht. Advice on housing construction varies from a list of requirements for design to specifications, implementation and management.

Source: CECODHAS Exchange and UN Habitat.

a) Social housing contributes to tackle exclusion by providing affordable homes of decent quality standards in accessible places. Social housing, and specifically social rental housing which is well connected to areas with employment opportunities, can have a crucial impact on the possibility of households to achieve social integration through the labour market (Stewart, 1992; Kingsley and Turner 1993). Furthermore, studies show that not only the provision of a dwelling, but its location and context (i.e. close to facilities, amenities, transport nodes, etc.) can have a determinant impact on successfully tackling exclusion (DETR, 1999; Rogers, 1997). Additionally, in many European countries, the middle class is now suffering housing exclusion given that it can neither afford a home in the market nor have access to it via public subsidies. This is why some governments are putting in place specific policies to house "key workers" (e.g. teachers, nurses, policemen).⁴⁸

⁴⁸ See, for example, UK housing policies on affordable housing for key workers (www.odpm.gov.uk).

b) Social housing can reduce disparities in wealth and income in different ways. Firstly, it has a redistributive effect. Given the low incomes of poorer households, the proportion of their income spent on housing is much higher than for more affluent households, which increases inequality. The lower rents of the social rental housing sector help reduce this disparity, as poor households can now enjoy more disposable income. Secondly, social housing can improve quality of life through its potential to increase energy-efficiency. Poor housing quality means high energy bills and “fuel poverty”, bad health and poor living conditions. Buildings account for 40 per cent of energy consumption in Europe. Social housing represents 20 per cent of the residential sector in the European Union and can have a major impact in the reduction of energy consumption if adequate measures are implemented. Furthermore, increasing energy efficiency in the residential sector would lead to massive creation of employment.⁴⁹

c) Social housing can prevent social polarization by combating spatial segregation: Concentration of social housing, often reserved for the most vulnerable households, has created ghettos of poverty and social exclusion. In the United Kingdom, for example, privatization of much of the better social sector stock through the Right-to-Buy, together with far greater targeting in the allocation of social housing to those most in need, has resulted in heavy concentrations of poverty, unemployment and non-participant households in the social sector, especially in the post-war estates. (Whitehead, 2002) Life chances can be damaged when people are concentrated in areas of high social deprivation. Socially excluded areas have been seen as a problem to be controlled instead of an opportunity for economic and social development. Moreover, social segregation notably increases the vulnerability of recent waves of in-migrants, for whom this has accentuated the problems they face in accessing decent housing. Social housing can help to reverse social segregation and achieve social inclusion by, for example: running integrated programmes to prevent crime, encourage local employment, provide housing and childcare; creating neighbourhoods with mixed-tenure housing (rented, owned and subsidized ownership) at different rents and price levels with no apparent physical differences; and giving access to social housing for all and not simply for the most vulnerable.

d) Social housing provides mutual support to people with special needs by delivering a social service. In order to provide adequate dwellings to people with special needs – such as young households, the elderly or people with disabilities – social housing organizations have become social service providers. Today, in Europe and in many parts of the UNECE region,⁵⁰ demographic change is leading to an ageing population with an increasing need for social care. In the European Union, for example, the current trend is towards smaller households and it is predicted that in 2010 around one third (32%) of the EU-15 elderly population (aged 65 and over) will be living alone (European Communities 2004b). The same trend applies to most parts of the wider UNECE region, as illustrated by the findings of the Council of Europe’s latest demographic report: “Slow and declining population growth signals the onset of population decline as an overall outlook for Europe’s population. (...) this process is already in full swing at the national level in Central and Eastern Europe. At the regional level population decline is increasingly evident throughout Europe. How to cope with declining populations will be a major policy issue for the coming decades” (Council of Europe 2004: 1).

⁴⁹ For example, in the European Union, implementation of the energy efficiency directive would, if extended to all buildings, create 250,000 full-time jobs.

⁵⁰ See, for example, Council of Europe 2004 (Executive Summary).

Box 6: Examples of social housing for socially integrated communities	
<i>Project name and place</i>	<i>Description</i>
Hvidovre, Denmark	Running integrated programmes to prevent crime, encourage local employment, provide housing and childcare. An example of this is the Programbestyelse in Hvidovre, Denmark. A no-go area in 1980s, it now has waiting lists of people who want to live there.
Pikku Huopalahti in Helsinki, Finland	Creating neighbourhoods with mixed-tenure housing (rented, owned and subsidized ownership) at different rents and price levels with no apparent physical differences, e.g. in Finland. (While the different tenures can be identified on a map of Pikku Huopalahti in Helsinki, on the ground one cannot distinguish between homes which are owned, part owned or rented.)
Globaler Hof project in Vienna, Austria.	Giving access to social housing for all and not simply to the most vulnerable. In Austria, social segregation is relatively low because they provide a large stock of affordable homes and their policies encourage social mix and cohesion. For example, in the Globaler Hof project in Vienna (one of several such “integration projects” in Austria), the caretaker looks after the property and acts as a mediator between tenants from 17 different countries.
EQUAL programme implemented in France by “Union Sociale pour l’Habitat”	Training social housing employees to adapt services to meet the needs of all, in particular for migrants, as in France with the EQUAL programme. “Union Sociale pour l’Habitat” initiated an innovative training programme for staff in France.

Source: CECODHAS Exchange.

Consequently, the housing stock does not correspond anymore to the size and needs of these households. Adapting the homes of older people and providing them with access to good services is required. In addition, one in four families in the European Union has a family member with a disability. They need accessible homes and extra support to allow them to remain independent in their own homes. Moreover, support services and shelters are needed to enable people who have experienced personal breakdown to reintegrate into community life. It is crucial that this service be provided while avoiding the “ghettoization” of groups such as the elderly or the disabled; their homes must be integrated into socially mixed housing schemes and neighbourhoods. Social housing has been created to facilitate access to decent and affordable housing for the most vulnerable. It is unlikely that market housing will cater for the special needs of these groups, as their relative small size and high risk make this unprofitable. As the fundamental task for social landlords is to serve the needs of vulnerable households in the housing market, they are not allowed to engage in negative risk selection of tenants. Private landlords try to give priority to families who do not pose a risk, which is detrimental to vulnerable groups. Furthermore, if the social housing sector remains committed to its traditional task of providing housing (including housing services), it will be available as a housing provider even when the economy is in recession (Priemus and Dieleman 2002).

Box 7: Examples of social housing for special needs	
<i>Project name and place</i>	<i>Description</i>
Award-winning accessible housing project in Leuven, Belgium	A local housing association converted a nineteenth century school where 5 of the 28 flats are adapted for people with disabilities. The flats have power-assisted doors, hoists in the bathrooms and alarm systems. They are within 500 metres of shops and public transport routes and a medical centre. A ground floor childcare centre serves the neighbourhood, and a meeting hall and office units are also available.
Health services provided in Nasby Park, Stockholm, Sweden	The Swedish cooperative housing organization, HSB, is working with welfare organizations to provide new homes for older people, people with disabilities and children with learning difficulties. Staff members are qualified in the treatment of Parkinson's and other neurological diseases. Each resident's care needs are assessed and a customized schedule for treatment and activities is drawn up.
Newly built homes in La Louvière, Belgium	In this project, 12 houses have been specially adapted for people with disabilities. Four of these are fitted with solar panels which provide warm water and meters which allow inhabitants to manage their own energy consumption. A team of seven staff are based within the complex to cater for the residents' needs 24 hours a day, 7 days a week.
Finiskillen Housing Association in County Sligo, Ireland	The Finiskillen Housing Association in County Sligo provides hostel accommodation and transitional housing for homeless people. The accommodation is open to both men and women and people who have addiction problems. Both housing and support services are offered to tenants.
"House for the Generations", Stuttgart West Germany	This project has been built as a house for all seasons of life. The house is officially supervised by the City's Department of Youth and run by the institutions represented within the house like the day-care centre for 120 children (age 0–14 years), the Centre for Parents and Children (Family Selfhelp) and the Cafe Ludwigslust, a meeting place and a second-hand shop.

Source: CECODHAS Exchange and www.eltern-kind-zentrum.de.

e) Social housing can foster a feeling of belonging by stimulating social empowerment and the participation of residents (Dandolova 2003). Residentially based networks perform an important function in the routines of everyday life, which are the basic building blocks of social cohesion given that through them we learn tolerance, cooperation and acquire a sense of social order and belonging (Forrest et al. 2001). These ties are particularly important for vulnerable groups such as poor pensioners, new immigrants, lone parents, disabled people, etc. who tend to spend more time in their local areas than do wealthier residents. The involvement of tenants in decisions about their housing and their neighbourhood is crucial to improve housing management services and service standards in general, to generate more community ownership and to improve their quality of life. As part of the social service they provide, social housing organizations have played a crucial role in steering these processes and enabling the participation of residents in improving their living conditions. Some of these initiatives include the creation of local employment opportunities for young people; the implementation of anti-social behaviour programmes; provision of training opportunities for local residents, and so on. In sum, tenants and residents should be at the centre of debates about community involvement in regeneration, service provision, management and future organizational structures. It is vital for lessons to be shared about how to devise, promote and review strategies for fostering tenant participation at the local level.

Box 8: Examples of social housing and residents' empowerment

<i>Project name and location</i>	<i>Description</i>
Ameixoeira Quarter, Portugal	In Portugal, social housing organizations are improving living conditions by re-housing disadvantaged groups. Such schemes are planned in collaboration with residents. As a result, the amphitheatre included in the project was designed to cater for family meetings, parties and dances of the community living in this area and it has become a central feature of this new development.
Almánjayar neighbourhood, Grenada, Spain	In Spain, neighbourhoods have been developed and revitalized by programmes promoting social and economic development through, for instance, employment and training opportunities. The key to the success of these projects is close cooperation with residents. Almánjayar is a neighbourhood of state-subsidized housing that suffered from serious problems of marginalization and community breakdown. Rehabilitation work was carried out in close collaboration with the local Gitano Association.
Northern Ireland Housing Executive	The active participation of inhabitants should be a key feature of social housing providers' work. The Northern Ireland Housing Executive works to engage with communities at the local level, with over 500 community and tenants' organizations and over 150 voluntary groups representing minority interests.

Source: CECODHAS Exchange.

2. Social housing and social cohesion: Challenges and current debates

However, there are a number of challenges that social housing providers and policy makers have to face in order to fulfil their full potential in fighting exclusion and achieving cohesion. Following is a list of some of these challenges and the current debates surrounding them, as well as possible responses – both at the structural level (i.e. what institutions and policymakers can do) and at the level of social housing providers.

Targeting

Some actors believe that the social housing sector would be more efficient by targeting the lower-income groups (see for example FEANTSA 2005). While it is true that the main goal of social housing is to house the most vulnerable, evidence shows that, by focusing on low-income groups, this type of housing becomes increasingly stigmatized (Priemus and Dieleman 2002; Kingsley and Turner 1993; Stewart 1992). To prevent stigmatization and spatial segregation, it is advisable to have a broad-based social rental sector with a diverse dwelling stock and a differentiated resident profile (Priemus 1997). In addition, there are contextual specificities which make the issue of targeting a more complex one. It is the task of broader housing policies (i.e. public policy) to set a coherent framework for tackling the various degrees of housing exclusion. Given that social housing providers respond to national and local-specific contexts and needs, no one-fits-all formula can or should be recommended. In particular, Eastern and South European countries which aim to build a social housing sector, should start by assessing their particular context and problems, and then choose the most suitable combination of policy measures to address the housing needs of their population (a combination of demand and supply subsidies, targeting specific groups, public-private partnerships, etc.).

Home ownership policies

There is a trend nowadays in some countries in the UNECE region to increase home ownership. This can be seen not only in the political discourse, but also in the dynamics of the housing market (Priemus and Dieleman 2002). Home ownership is often presented as opposed to the social rental housing sector. This is certainly the case in countries where the continuing increase in the rate of owner occupation has been accompanied by a decline in the market share of social rental housing (for example, as expressed in the zero-sum game resulting from “right-to-buy” policies in the United Kingdom) (Priemus et al. 2002). While affordable home ownership is a part of the objectives of any comprehensive social housing policy,⁵¹ the lack of enough choice with regard to tenure is detrimental to households who cannot afford (or are unwilling) to buy a house. In addition, as many studies show, too much home ownership can have a negative influence on mobility. Low mobility is a determining factor in the creation of “poverty traps”; on the one hand, it means that there is less inclination to change jobs, thereby reducing the scope of a household to take advantage of opportunities to improve or secure income levels. On the other hand, reducing housing costs by moving into cheaper accommodation can be an important individual strategy for absorbing temporary or permanent reductions in income. In addition, evidence shows the undesirable consequences of the disproportionate rise in “poor homeowners”, households which have acquired a home either through mass privatization programmes (such as in most countries in transition) or through right-to-buy policies but do not have the financial resources to invest in housing improvements, among others.⁵² For all these reasons, while it is important to fulfil the aspirations of households wishing to own a home, it is also necessary to ensure that there is a pool of affordable rental housing for those who cannot afford to buy a home, as well as to give less well-off households greater flexibility and mobility.

Social mix

There is currently a heated debate among supporters and detractors of social mix as a means to foster social cohesion. On the one hand, some believe that enforced social mix might prevent the formation of support networks among disadvantaged people such as the poor, newly arrived immigrants and ethnic communities. However, although “there is considerable social capital in ghetto areas, (...) the assets obtainable though it seldom allow participants to rise above their poverty...” (Portes and Landolt 1996: 20). In practical terms, social mix is difficult to achieve, and social housing providers often face the difficulties of trying to introduce social mix into already established communities with a shared identity. Nonetheless, supporters of social mix argue that the creation of large and dense social housing areas should be avoided in order to prevent stigmatization (Dandolova 2003). Furthermore, “peer group pressures and networks, which are seen as particularly important in the context of education and employment opportunities, have clear links to neighbourhood and the concentration of exclusion, if not specifically to housing”. (Kleinmann and Whitehead 1999; Social Exclusion Unit 2001, cited in Whitehead 2002: 67). Therefore, the authors believe that, while preserving the value of strong ties between established communities, a cohesive society needs to foster the values of tolerance and respect for diversity. In order to devise the best strategies to achieve this, there is a need for more empirical evidence on what types of social mix works and under which conditions (for example, when is ‘mix of tenure’ a possible answer?). There are currently a number of ongoing research initiatives on the subject⁵³, whose results should be discussed by all relevant stakeholders – residents, social housing providers, academics, policymakers, etc.

Integrated policies

Housing is embedded in a wider system of infrastructure, planning and public service provision. Unfortunately, there is often insufficient coordination (or sometimes even contradiction) between these

⁵¹ In fact, a large number of social housing organizations across Europe provide affordable housing for home ownership as well as for rent (see www.cccodhas.org).

⁵² See, for example, Chapter I of these *Guidelines* or Douglas 1997.

⁵³ See, for example, Joseph Rowntree Foundation at www.jrf.org.uk.

different policies. In order to fulfil its full potential, social housing should be integrated with a broader range of public policies, such as employment, transport, urban planning, health, education, etc. For example, the employment and housing market are closely linked and so should be their respective policies. In the United Kingdom – as in many European countries – much of the employment base in the major urban areas has disappeared, as heavy industry and traditional transport industries have closed down and unskilled manual work has declined, to be replaced mainly by service sector employment. As a result, much of the available housing is no longer located near appropriate employment opportunities (Whitehead 2002). The lack of affordable housing restricts workforce being mobile and flexible. All large European towns and cities are facing a housing crisis in which low-wage earners are having big problems finding affordable, decent housing close to their place of work. However, the difficulty in accessing land in many regions prevents social housing organizations from answering these needs. Integrated policies – in this case, with land/urban planning, for instance – play a key role. An integrated approach to housing and urban development is also necessary to create neighbourhoods with access to facilities, amenities, transport links, health, schools and to retail units catering to local needs (Burdett et al. 2004), where social housing units and adjacent territories are integrated into coherent housing areas (Dandolo 2003).

C. Conclusions

As this chapter has shown, the role of social housing in social cohesion has been widely acknowledged in national and international laws and policy statements. Moreover, social housing has historically been a key element of what has been called the “European social model”, devised to maintain a prosperous and cohesive society. Housing, as one of the essential parameters in the measurement of individual well-being, is a fundamental part of the struggle to balance economic growth with social well-being. However, there is a widespread perception of a crisis of social cohesion in large parts of the developed world. Since the 1980s, Europe has seen increasing market liberalization, pressures to dismantle the welfare state and the gradual privatization of housing provision, which have all meant that the traditional role of social housing is changing and the sector is facing new challenges. At the same time, however, the market is unable to cater for the special needs of vulnerable groups, especially during economic downturns.

While there is a need for the social housing sector to rethink their role and the best ways to respond to emerging needs, particularly with regards to social cohesion, it goes beyond the remit of this chapter to carry out that discussion. Our purpose, however, has been to try and illustrate some possible ways in which social housing providers and policymakers can contribute to achieve greater social cohesion. Among these are tackling exclusion through the provision of affordable, good quality housing close to job opportunities; reducing disparities in wealth and income through redistribution by means of lower rents and the improvement in the quality of life of poorer households; preventing social polarization by combating spatial segregation through fostering socially mixed communities; providing mutual support to people with special needs by delivering social services appropriate to their needs; and fostering a feeling of belonging by stimulating social empowerment and participation.

However, social housing providers operate within a wider social and political framework. Therefore, their ability to fulfil their potential to achieve social cohesion will depend on a number of structural measures, such as the best combination of housing policies to tackle housing needs in each country (e.g. housing provision, targeting, home ownership, housing allowances/subsidies); and the design and implementation of integrated policies (to ensure coordination and synergies between different policy fields, e.g. between housing, employment, urban planning, health and education). Finally, there are a number of conceptual debates surrounding social cohesion and the role that housing can play in it, which require further study and discussion – for instance, the debate on social mix. More research and more discussion among stakeholders (e.g. residents, social housing providers, policymakers, academics and local authorities) are needed in order to clarify these concepts and to devise the best strategies for achieving goals.

D. Recommendations

On the basis of the ideas developed in this chapter, the following recommendations are aimed at enhancing the role of social housing in fostering social cohesion across the UNECE region:

- Social housing should be integrated with a broader range of public policies, such as employment, transport, urban planning, health and education. For example, social rental housing should be well connected to areas with employment and training opportunities in order to facilitate the integration of low-income households into the job market.
- Land-use policies should be coordinated with housing policies to ensure that enough land is available for the construction of affordable housing in areas connected with employment and education opportunities for low-income groups.
- To prevent stigmatization of social housing tenants and spatial segregation, it is advisable to have a broad-based social rental sector with a diverse dwelling stock and a differentiated resident profile.
- Policies and programmes aimed at reversing social segregation and stigmatization of social housing tenants are, for example, running integrated programmes to prevent crime; encouraging local employment; providing housing and childcare; creating neighbourhoods with mixed-tenure housing (rented, owned and subsidized ownership) at different rents and price levels with no apparent physical differences; and giving access to social housing to all, not simply the most vulnerable.
- To devise the best strategies to avoid the “ghettoization” of social housing, research should be undertaken on what types of social mix work well, and under what conditions.
- Housing policies should respond to the aspirations of households which want to own a home, while ensuring that there is a pool of affordable rental housing for those who cannot afford to buy a home. This allows for greater flexibility and mobility for less well-off households.
- Social housing provision for people with special needs (e.g. the disabled and the elderly) should avoid the “ghettoization” of these groups, which can be achieved by integrating their homes into socially mixed housing schemes and neighbourhoods, thereby ensuring a mix of age groups, type and size of households, and so on.
- The implementation of social housing policies should enable the participation of residents in improving their living conditions, for example, through the creation of local employment opportunities for young people; the implementation of anti-social behaviour programmes; and the provision of training opportunities for local residents, etc.
- Policies and programmes focused on increasing energy efficiency in the social housing sector should be put in place in order to alleviate “fuel poverty” (reduce energy bills for low-income households) and improve health and living conditions.

Chapter VIII

SOCIAL HOUSING DESIGN

A. Quality and standards

The quality and standards of social housing are related to a range of fundamental requirements within national and local policies. They refer both to spatial planning issues and to the architectural design; at the same time, they are closely linked to the planning and maintenance of technical and social infrastructures, as well as to health aspects. Moreover, in recent years, other topics have also been discussed within social housing frameworks, among them the challenges and opportunities produced by cultural diversity and different lifestyles in social housing areas, gender aspects in planning, ecology, energy consumption, and questions relating to management and maintenance. A number of countries have therefore developed more flexible planning tools, introducing, for example, market elements and competition as well as experimental housing programmes in order to find new solutions.

Ownership of, or control over, land is crucial in the implementation of urban planning, especially of master plans for new (housing) areas and of related infrastructure. Some West European countries have developed quite sophisticated instruments either for the purchase of designated building land by public bodies (Austria, Italy and others) or to exercise strong control rights over building land in housing areas. Countries in transition do not, on the whole, have such instruments, while countries in Eastern Europe, the Caucasus and Central Asia (EECCA) rely largely on low levels of private ownership of land.

It is generally accepted that adequate spatial planning and architectural design contribute greatly to the sustainability of social housing and are important for the success of housing policies. Social housing construction has not always, however, been developed within the framework of a city's overall urban planning strategy. This may be due to the marginal role which social housing has been given in some countries, especially in countries which have privatized most of their former public rental sector and have not yet introduced new social housing programmes on a significant scale, or to a lack of integrated administration procedures. The goal must therefore be to prevent urban development from becoming too diffuse or too monofunctional.

Spatial planning is increasingly connected to social planning; those countries which have a longer and continuous tradition of social housing policies (such as the Scandinavian countries, Austria or the Netherlands) aim at using social housing as a way to foster social cohesion by spatial inclusion into larger housing areas. At the same time, the model of a "compact city" is strengthened to provide a better basis for social sustainability, to create more self-contained, socially mixed urban communities, and to improve a mix of uses and the quality of community activities and services. This emphasis on social and spatial integration becomes even more important when building for the most vulnerable groups (see, for example, the success of the housing estates for displaced families in Cyprus).

The standard of social housing will always reflect specific national conditions; however, there is a general agreement among experts that social housing standards have to be similar at least to the average housing quality in the country, in order to avoid stigmatization and consequently social segregation, and also that social housing has to be placed among other residential buildings (Lujanen 2003). In other words: "A social rented sector designed for the poor will be poor by design" (Priemus 2003). Generally today, social housing

qualities are higher in North European countries, and some countries, such as Denmark, the Netherlands, Luxembourg and Austria, reach almost exemplary standards (Healy 2003).

Social inclusion in housing estates can be supported by the design and the layout of the immediate housing environment, by offering user-friendly shared indoor or outdoor spaces, and by communication areas. The immediate housing environment can also facilitate access for disabled persons and for parents with prams (Lawrence 2002: 65).

Privacy is equally important; it is understood as a multidimensional phenomenon that supports social interaction and self-identity.⁵⁴ The layout and design of social housing can encourage personal control of accessibility and visibility with others, avoid conflicts between different groups of users, and reduce maintenance costs. “There is empirical evidence that controlled access to shared spaces and facilities, as well as visual overlooking of residents – ‘the community of the eye’ – are likely to reduce littering, anti-social behaviour, damage to property, or theft” (Lawrence 2002: 62).

Architecture plays an important role in achieving social cohesion, as a good design helps to prevent stigmatization of certain housing areas as happened in many large housing estates all over the UNECE region within the mass housing production of the 1960s and 1970s. Functional and architectural monotony can be avoided, and the overall image of a housing area can be improved, by a mix of developers and/or architects within one area, and by more competition (see chap. VII).

The architectural layout also greatly influences the feeling of security within large housing estates. Empirical studies show that social housing residents, particularly women, are very sensitive to problems of insufficient lighting or dark staircases or courtyards and so on. Identification and social control by residents can be increased by creating smaller units and by dividing large estates into separate buildings – see, for example, new planning concepts for housing estates at La Plaine in France or at the Rennbahnweg social housing estate in Vienna.

The quality of the architecture and standards of social housing can also greatly influence the integration of in-migrants. Social housing design must, however, respect cultural diversities and different lifestyles. Experience with housing projects focussing on integration – for example, in Austria, Germany and the Netherlands – indicates the importance of flexible or open floor plans and of low-barrier communication areas. With in-migrants from various cultures, separate meeting facilities for women can be an option, for example. Similarly, within apartments, non-defined “neutral” rooms allow for increasingly diverse lifestyles.

New forms of living and working under one roof are already acknowledged in many new social housing estates. These include, for example, special spaces for homeworking or separate rooms to be rented temporarily within the same building. Floor plans of existing social housing estates are being evaluated to respond to these new challenges. New solutions include “smart homes” with new technical features which, in the case of social housing, may also contribute to closing the “information gap,” that is, to providing access to new sources of information and communication for low-income and vulnerable groups.

Flexibility of floor plans may contribute to coping with future demands in housing. Such buildings have been built in several countries (for example, the Netherlands) since the 1960s, and are part of experimental programmes in various parts of the UNECE region (see also chap. IX). Experiences show that flexible layouts may also help tenants to identify with their own living environment.

⁵⁴ See, for example, Halpern 1995; Lawrence 1987; McCarthy and Saegert 1978.

B. Health aspects

Health considerations may be seen as one of the driving forces of the development of social housing in Europe. In fact, the fight against such illnesses as tuberculosis or cholera in the nineteenth century focused on the improvement of housing conditions as such epidemics were seen as a threat not only to the poor, but to society as a whole.

According, to the World Health Organization, health is “not merely the absence of disease and infirmity but a state of optimal physical, mental and social well-being” (WHO 1946). Health is the result of the direct pathological effects of chemicals, some biological agents and radiation, and the influence of the physical, psychological and social dimensions of daily life. These dimensions can be considered in relation to the characteristics of housing units, the immediate housing environment, the residential building and the neighbourhood. These aspects are even more important in social housing as the poorer or more vulnerable households often have no alternative to staying on their estate.

Health aspects, which were the focus of the late-nineteenth-century social housing programmes, have primarily included sanitation and natural lighting and ventilation of rooms. Protection against noise was added later, mainly as a reaction to increasing vehicle traffic. But health in housing estates is also connected to the structural safety of buildings and to fire safety.

Another potential threat to health is overcrowding, which has been shown to be linked to increased rates of various viral and bacterial infections (Healy 2003). Studies found the worst levels of overcrowding in Southern Europe, but even some North European countries show high percentages – more than 10 per cent – of overcrowded dwellings. Most social housing programmes aim therefore at reducing overcrowding, with the ideal of providing one room per person. Some countries, such as Austria, allow one more room for younger families, for example those with two adults aged under 35.

Damp walls or floors or insufficient heating are clearly potential health threats. Some 13 per cent of all European dwellings contain damp patches, which are strongly associated with respiratory diseases (Healy 2003). Insufficient heating rates are even more alarming, reaching up to 74.4 per cent in Portugal (45 per cent in Greece, 55 per cent in Spain, 21 per cent in Italy) (Healy 2003). There are no comparable data available for a number of countries, including EECCA countries, where the situation is probably even worse. While such “fuel poverty” is not a problem in Central and Northern Europe, these countries have also made considerable efforts to reduce dampness, especially in larger housing estates. Social housing programmes have been used to replace old dwellings posing health risks, giving residents of such buildings priority access to social (subsidized) housing.

Most social (or subsidized) housing estates include green spaces and open areas; their maintenance and accessibility may, however, differ. This is closely connected to the quality and structure of the overall management, and to the degree of responsibility that residents themselves feel – or are given – for their immediate housing environment. Some social housing programmes have therefore focused on integrating environmental improvement through relevant treatment of outdoor spaces and through stronger partnerships of all stakeholders – such as efficient cooperation with the tenants, which can reduce the costs stemming from vandalism. This has, for example, been successful in the requalification of large social housing estates in France. It can also be used to establish or improve playgrounds.

Most European countries are facing new challenges as a result of their ageing societies. While there is a general agreement to prevent, as far as possible, any kind of institutionalization, new solutions for care and for the provision of daily goods to senior residents, as well as for disabled persons, have materialized. In the best examples these new solutions are being integrated into “normal” housing estates, and home

modifications are carried out – and are subsidized by the state for those who cannot afford them – in existing social housing (the “easy house”).

Health monitoring and rating systems – for both the public and the private housing sectors – have been established in some countries, notably in the United Kingdom (Ormandy 2002) and in France (Bretin/Louis 2002). They may be seen as early warning systems for potential health risks and as indicators for public intervention, primarily in social housing estates.

C. Ecological aspects and energy saving

Environment-friendly construction practices have grown dramatically over the past 20 to 30 years, with strong impacts on land use, coastal areas and water resources, forest resources, air pollution, and health hazards. Such positive changes have always been accompanied by major public interventions (direct or indirect regulations), and they have been implemented or at least planned in connection with social housing.⁵⁵ Suggestions refer to the functional and spatial planning of sustainable neighbourhoods, with a special emphasis on Central and Eastern Europe.⁵⁶

Environmentally friendly planning strategies try to strike the right balance between the principles of the compact city with higher densities and shorter daily commuting distances and those of the green city.⁵⁷ There is also a clear connection between the urban form and the level of energy consumption; compact buildings with volumes of more than 6,000 cubic metres, with at least three floors and built within closed blocks, need significantly less energy for heating than any other type of building. But energy consumption is also influenced by the thermal qualities of outer walls and roofs, by the “thermal zoning” of different rooms, by solar architecture, by building techniques – for example, the recovery of heat from air ventilation, and by the right use of flats (heating, regular opening of windows and so on). In the case of social housing, this requires sufficient information to all stakeholders, especially to the tenants.

Building regulations and subsidy conditions have greatly contributed to energy reduction in several countries. While “low-energy buildings” have, in many cases, become the norm in new housing (as in Sweden, Finland, Germany, Austria), new solutions aim at the “passive house” (which needs no additional heating energy under normal circumstances). Such solutions are even more interesting in the case of low-income target groups in social housing, where energy costs are often higher than the rent.

Where additional energy for heating is still needed, it is increasingly provided from renewable sources: solar energy, wind energy, natural soil heat, use of warm air from industry or even from the subway system (Vienna), hot thermal water, waste incineration or timber.⁵⁸

Social housing can act as a model for ecological, energy-saving construction as it is clearly connected to public regulations, that is, the state or city can bind its subsidies to conditions concerning the use of certain materials; to thermal qualities; to energy contracting models and so on. Such pilot projects within social housing have already been carried out or planned in a number of countries (among them Germany, Austria, France, Belarus, the Czech Republic, Ireland, Poland and Romania).⁵⁹ Pilot projects in European social housing include such experiments as car-free housing estates (Hamburg, Vienna and others). Vienna has also established rules for the recycling of leftover building materials and wrapping materials and has carried out experiments with the environmentally friendly transport of building parts by inner-city trains.

⁵⁵ UNECE Report on the Workshop on Social Housing, Prague, 2003, annex, para. 24.

⁵⁶ UNECE Guidelines on sustainable human settlements planning and management, 1996, p. 42.

⁵⁷ Proceedings of the Workshop on Social Housing, Prague, 2003, para. 40.

⁵⁸ Ecological Building Practices in Europe, 2001.

⁵⁹ Questionnaires to the Prague Workshop on Social Housing, 2003.

New housing estates are increasingly characterized by ecological optimization based on a set of indicators such as the sustainable process indicator (Krotschek/Narodoslawsky 1996), which works along the lines of the “ecological footprint”. Such life-cycle aspects – including energy balances of building materials, repair cycles and so on – have been employed by social housing associations much more frequently than by private developers. At the same time, consumer information concepts include “building passports” or “energy passports” to provide future residents with appropriate comparable data on ecological qualities and energy consumption.

D. Competition among developers

Social housing has often had a pioneering role, resulting in new standards in housing in general. This can be shown by such developments as the English garden city movement; the buildings of the Amsterdam school in the Netherlands; the housing estates from the 1920s in cities like Berlin, Frankfurt (Germany) or Vienna; the HLM estates in France; or the social housing estates in post-war Sweden and Finland. New building methods were in many countries closely connected to social housing programmes, and in most cases this meant more than simply building a large number of individual dwellings: such estates were being planned together with public infrastructure and communal facilities, and within an overall urban concept.

On the other hand, quality has been insufficient in those cases where social housing was left to monopolistic types of developers or where public regulations were too tight. This has often resulted in high construction costs while it has also hampered the development of innovative and flexible solutions to cope with new challenges. Consequently, such social housing estates have received a poor image, and “solutions” have been sought in the abolition of social housing as a whole.

Today, the introduction of certain market elements into social housing development and construction is widely seen as a means to achieve flexible and more diverse solutions. The aim is to promote the competition between developers, which originally emerged in the home ownership sector and has been taken over by governments within their public management reform efforts. This has clearly been the case in the United Kingdom (Walker 2003) with extended compulsory competitive tendering procedures. Other countries have introduced such forms of quality competition for public subsidies without changing their social housing policies as a whole.

For example, in 1996, Vienna introduced compulsory competitions for all new subsidized housing. Since then an interdisciplinary jury, consisting of independent experts (with the city itself in a minority role), has been judging each project along three sets of criteria: planning qualities; ecology and costs, including guarantees by the developer concerning rent levels; and maintenance costs. These competitions have led to a significant increase in quality while reducing construction costs by almost 15 per cent. This experience can be seen as a successful way of introducing market elements into a social housing system.

Experiences in all West European countries show that it is essential to divide the roles of developers and constructors; that is, developers normally do not have their own construction units but choose the architects and the construction companies according to compulsory public bidding procedures. This results in a network of different actors with different responsibilities: developers, constructors, local administration and so on.

Parallel with such regular competition procedures, special competitions have been announced within national or European experimental programmes. These include, for example, the Danish “Ecohouse '99” project with its innovative indicator system and several EU programmes aiming at increased transnational competition within the housing construction sector.

E. Conclusions

The quality and standards of social housing refer both to spatial planning and to the architectural design. Social housing construction has to be seen within the framework of a city's overall urban planning strategy. As spatial planning is increasingly connected to social planning, countries that have a longer and continuous tradition of social housing policies aim at using social housing to foster social cohesion by spatial inclusion into larger housing areas. The implementation of spatial planning on the scale of master plans and of related infrastructure requires appropriate instruments of public ownership and/or control of designated building land, which have been developed by a number of UNECE countries.

Architecture plays an important role in creating good housing areas. Monotony can be avoided by a mix of developers and/or architects within large housing areas.

The standard of social housing will always reflect specific national conditions; however, experience all over the region indicates that social housing standards have to be at least similar to the average housing quality in a country, to avoid stigmatization and social segregation. In most countries social housing is therefore placed among other residential buildings.

The architectural layout very much influences the feeling of security within housing estates; it can therefore help to increase residents' identification with their housing environment and to decrease vandalism and related costs. Standards of social housing can also greatly support the integration of in-migrants and of other vulnerable groups.

Health considerations may be seen as having been one of the driving forces behind the development of social housing in the past, including sanitation, ventilation of rooms and noise protection, but also structural safety and the fire safety of buildings. Health is also connected to sufficient green areas and open spaces, the quality of which is closely related to the quality and structure of the overall management of housing estates. Stronger partnerships between all stakeholders, such as efficient cooperation with tenants, can help to reduce costs arising from negligence or vandalism.

Most European countries are facing new challenges as a result of ageing societies. In order to prevent institutionalization of aged or disabled persons, new solutions are being developed for care and for the provision of daily goods, especially on social housing estates.

Social housing can act as a model for ecological, energy-saving construction as it is closely connected to public regulations. Therefore, new social housing estates all over Europe include pilot projects aimed at "ecological optimization" in construction and maintenance.

Social housing has often had a pioneering role, resulting in new standards in housing in general. New building methods have been closely connected to many social housing programmes, and in most cases this has meant, and means, more than simply building a large number of individual dwellings, such estates being planned together with public infrastructure and communal facilities, and within an overall urban concept.

The introduction of certain market elements into social housing construction is focusing on more flexible and more diverse solutions, for example by promoting stronger competition between social housing developers. Experience in many countries shows that it is essential to divide the roles of developers and constructors, resulting in a network of different actors with their own responsibilities: developers, constructors, local authorities and so on.

F. Recommendations

1. *Quality and standards*

- Social housing should be developed within the framework of a city's overall urban planning in order to prevent diffuse or monofunctional urban areas. Appropriate instruments to foster public ownership of, or control over, designated building land should be developed.
- Diversity of architecture should be encouraged by a mixture of developers and/or architects within large housing areas.
- Social housing should be used to foster diversity and social cohesion in urban areas by spatial inclusion into larger housing areas. Social housing should therefore be placed among other residential buildings or even integrated into the same buildings.
- The standards of social housing estates should not be lower than the average housing standards in a country, to avoid stigmatization and social segregation.
- User-friendly shared indoor or outdoor spaces should be part of such housing schemes, in order to provide communication areas for residents.
- Identification and social control by residents should be facilitated by appropriate planning to increase the feeling of security and responsibility, and to decrease maintenance costs.
- Social housing should be used as a means of integrating immigrants but it should also respect cultural diversity and different lifestyles. This can, for example, be achieved by means of flexible floor plans and low-barrier communication areas.
- Teleworking should be supported by the layout of housing estates, and new technical features should be used to give vulnerable groups efficient access to information.

2. *Health aspects*

- Health aspects should be considered in all stages of planning, making use of existing sources such as the UNECE Compendium of Model Provisions for Building Regulations.
- Residents of old health-risky dwellings should be given priority access to social housing.
- Environmental improvement in the immediate housing area should be enforced through relevant treatment of outdoor spaces and stronger cooperation with all stakeholders, particularly residents.
- The challenge of ageing societies should lead to new integrative solutions for care and for provision of daily goods, instead of any form of institutionalization of aged or disabled people.
- Health monitoring and rating systems should be applied to all forms of social housing.

3. *Ecology*

- Social housing should be regarded as a model for ecological, energy-saving construction which can be strongly influenced by public regulation.
- Energy consumption should be much reduced by appropriate building techniques, by "thermal zoning" of rooms, by the planning of compact buildings, and by sufficient information to all stakeholders.
- As far as it is still needed, energy should come primarily from renewable sources.

- Social housing estates should be characterized by ecological optimization based on clear indicators, and consumers should be given comprehensive information about ecological qualities and energy consumption.

4. Competition among developers

- Monopolistic structures in social housing development should be replaced by new forms of competition. The introduction of market elements into social housing development should therefore promote competition between developers, with compulsory competitive tendering procedures.
- Public regulations should be reconsidered with an eye to greater flexibility in order to achieve innovative solutions and reduce construction costs.
- The roles of developers and constructors should be divided, resulting in a network of different actors with different responsibilities.

PILOT PROJECTS AND RESEARCH INVOLVING SOCIAL HOUSING

A. Pilot projects and experimental programmes

The social housing sector provides an excellent basis for experimental programmes, as public subsidies can easily be subject to particular conditions. Such conditions can concern technical innovations (new building techniques, use of specific materials, industrialized building, ecology, etc.); new social approaches (social mix in housing estates, building by and for special interest groups, integration of vulnerable households); and new economically oriented solutions (e.g. new financing methods and cost reduction by self-construction).

In all these fields, pilot projects have delivered valuable results, while risks have been minimized. Germany had already adopted such policies in the 1960s. In more recent times, Vienna, for example, set up a programme of “theme-oriented housing estates,” where the city first defines a certain topic (such as car-free housing areas; solar energy housing areas; or estates with a focus on immigrant integration, on gender aspects, or on new forms of living and working under one roof) and then gives its construction-side subsidies on these clear conditions.

Building exhibitions have been another successful instrument for experimenting with new technologies or planning methods, aiming at prototypes for future regular use. Such exhibitions were organized as long ago as the 1920s (for example, by the various *Werkbund* societies in Germany, Austria, Switzerland and Czechoslovakia) and again after the Second World War. Exhibitions also promote international exchange of experience and can be supported by national or international programmes.

National experimental housing programmes often focus on specific issues and may concern either quality aspects or cost aspects (or both). The Netherlands, for example, has supported such activities in the social housing sector by defining a certain percentage of the total subsidized housing construct as experimental projects, and France has recently carried out a special pilot programme on low-cost housing.

B. Evaluation and research

Countries that have a social housing policy have usually also set up special evaluation systems. These may be part of the administration in charge of the housing subsidies, or they may be carried out by independent research institutes. In either case, the evaluation has to be regular and enable both long-term surveys and cross-sectoral comparisons.

Features of efficient evaluation include independent research bodies, stable research budgets, effective procedures for self-assessment, the use of comparable codes of governance, and benchmarking. Medium-term housing research programmes enable the public administration and the research institutes to plan their activities and their resources ahead and to establish partnerships.

Social housing research may deal with all housing- and building-related topics but in all countries they include investigation into the supply-demand ratio (Lawrence 2002), the affordability of social housing for

the main target groups and means testing. New research fields – and possibly new job opportunities – occur in housing counselling (such as sanitary and health advice) and auditing, especially with vulnerable groups.

Performance measurement has become central in social housing policies as, due to budgetary restrictions, the cost-quality ratio of social housing suppliers has to be analysed on a continuous and comparative basis. Performance reports are also given to social housing tenants in some countries, as in the United Kingdom (Walker 2003). This requires new formats of reporting and the replacement of a “culture of statistics” with a performance culture using everyday language. In some cases, regular reports are even demanded by law (tenants’ legislation) or by subsidy regulation.

The direct involvement of social housing tenants in the evaluation can produce good results. For example, inhabitants from certain social housing neighbourhoods have been invited by the Citizens’ University of Marseilles to establish a dialogue with researchers in order to explore the constraints of and possibilities for collective action in their areas.

Housing research, as a comparatively new field of scientific work in most countries, has already led to the organization of national and international transfer of know-how and of research results, for example within the European Network for Housing Research or in cooperation with existing international organizations such as CECODHAS. The European Union is supporting such activities within its sixth Research Framework Programme.

C. Conclusions

The social housing sector provides an excellent basis for experimental programmes, as public subsidies can easily be subject to particular conditions. In many cases, pilot projects have delivered valuable input to housing programmes.

Countries which have a social housing policy have usually also set up special evaluation and research programmes, evaluation being carried out regularly and in a way that enables both long-term surveys and cross-sectoral comparisons. This includes new methods of performance measurement, which in some cases involve social housing tenants directly in the evaluation.

D. Recommendations

1. Pilot projects, experiments

- Public authorities should establish experimental housing programmes within their overall social housing policies.
- Public subsidies for new social housing projects should be connected to conditions regarding technical innovation, new social approaches, and new economically oriented solutions.
- Pilot projects and building exhibitions should be organized to profit from experiments and from international know-how transfer.

2. Evaluation and research

- Special evaluation systems on a regular and comparative basis should be set up within the framework of social housing policies.
- Evaluation should be enhanced by the creation of independent research bodies and by stable budgeting. Medium-term housing research programmes should lead to close partnerships between the scientific community and social housing institutions.
- Regular social housing developers' performance reports in a non-expert language should be made available to the public, particularly to the social housing tenants.
- Concerning the transfer of know-how and of experience, countries should make use of existing international research networks and of NGOs.

Bibliography

- Arthurson, K. (2002). "Creating Inclusive Communities through Balancing Social Mix: A Critical Relationship or Tenuous Link?" *Urban Policy and Research* 20 (3): 245–261.
- Atkinson, R., and Davoudi, S. (2000). "The Concept of Social Exclusion in the European Union: Context, Development and Possibilities." *Journal of Common Market Studies* 38 (3): 427–448.
- Balchin, P., ed. (1996). *Housing Policy in Europe*. London: Routledge.
- Barcelo, C. (2002). *Housing Tenure and Labour Mobility: A Comparison across European Countries*. CEMFI and Universidad Complutense.
- Berger-Schmitt, R. (2000). *Social Cohesion as an Aspect of the Quality of Societies: Concept and Measurement*. EuReporting Working Paper No. 14. Subproject "European Systems of Social Indicators". Mannheim: Centre for Survey Research and Methodology.
- Boelhouwer, P., and van der Heijden, H. (1992). *Housing Systems in Europe*. Part 1. The Hague: Delft University Press.
- Boelhouwer, P., van der Heijden, H., and van de Ven, B. (1997). "Management of Social Rented Housing in Western Europe." *Housing Studies* 12 (4).
- Bourdieu, P., and Wacquant, L. (1992). *Invitation to Reflexive Sociology*. Chicago: University of Chicago Press.
- Burdett, R., Travers, T., Czischke, D., Rode, P., and Moser, B. (2004). *Density and Urban Neighbourhoods in London*. London: Enterprise LSE Cities.
- CECODHAS European Social Housing Observatory (2005). *Social Housing in the EU: Time for Legal Certainty for Local Authorities, Social Housing Providers and Millions of European Households*. Report to the European Commission, March. Brussels.
- Cope, B., Castles, S., and Kalantzis, M. (1995). *Immigration, Ethnic Conflicts and Social Cohesion*. Sydney, Australia: NLLIA Centre for Workplace Communication and Culture.
- Cole, I., and Goodchild, B. (2001). "Social Mix and the 'Balanced Community' in British Housing Policy – A Tale of Two Epochs." *GeoJournal* 51: 351–360.
- Coleman, J. S. (1990). *Foundations of Social Theory*. Cambridge, MA: Belknap Press/Harvard University Press.
- Council of Europe (2004). *Recent Demographic Developments in Europe*, Strasbourg.
- Council of Europe Development Bank (2004). *Report to the Governor 2003*, Paris.
- Czasny, K., ed. (2004). *The Importance of Housing Systems in Safeguarding Social Cohesion in Europe*. Vienna: SRZ Stadt + Regionalforschung GmbH
- Dahrendorf, R., (1995). *Report on Wealth Creation and Social Cohesion in a Free Society*. Xenogamy, London.
- Dandolova, I. (2003). "Policy Issues for Social Housing in South-Eastern Europe." Presentation at the High-Level Housing Conference, Paris, 23–24 April.
- Department of the Environment, Transport and Regions (DETR) (1999). *Towards an Urban Renaissance: Report of the Urban Task Force*. Office of the Deputy Prime Minister. London.
- Donner, C. (2000). *Housing Policies in the European Union: Theory and Practice*. Vienna.

- Diamond, D., and Lea, M. (1992). "Housing Finance in Developed Countries: An International Comparison of Efficiency." *Journal of Housing Research* 3 (1).
- Douglas, M. J. (1996). "Comments on 'The Role of Housing Policy in the Transformation Process in Central-East European Cities': Is Economic Efficiency the End-All?" *Urban Studies* 33 (1): 111–116.
- Douglas, M. J. (1997). *A Change of System: Housing System Transformation and Neighbourhood Change in Budapest*. Utrecht: Urban Research Centre.
- Edgar, B. (2004). *Policy Measures to Ensure Access to Decent Housing for Migrants and Ethnic Minorities*. Joint Centre for Scottish Housing Research. Dundee.
- Edgar, B., Meert, H., and Doherty, J. (2004). *Third Review of Statistics on Homelessness in Europe*. FEANTSA European Observatory on Homelessness.
- EIB Group (2003). *Activity Report 2002*. Luxembourg: EIB Group.
- European Central Bank (2003). *Structural Factors in the EU Housing Markets*. Frankfurt.
- European Committee for Social Cohesion (CDCS) (2004). *Revised Strategy for Social Cohesion*. Approved by the Committee of Ministers at the 878th meeting of the Deputies on 31 March 2004, Strasbourg.
- European Communities (2002). *Joint Report on Social Inclusion*. DG Employment and Social Affairs.
- European Communities (2004a). *Joint Report on Social Inclusion*. DG Employment and Social Affairs.
- European Communities (2004b). *Fifth Annual Report on the Social Situation in the European Union*. DG Employment and Social Affairs and Eurostat.
- European Mortgage Federation (2003). *Mortgages Banks and the Mortgage Bond in Europe*. 4th edition. Brussels.
- FEANTSA (2005). "Policy Statement: The Role of Social Housing for Social Cohesion." www.feantsa.org
- Forrest, R., and Kearns, A. (2001). "Social Cohesion, Social Capital and the Neighbourhood." *Urban Studies* 38 (12): 2125–2143.
- Fribourg, A. M. (2002). *Le logement en Europe*. Paris: DGUHC.
- Gibb, K. (2000). *Trends and Change in Social Housing within the European Union: Financing the New Challenges*. Social Housing in Europe. International Workshop, Prague.
- Green, R. K., and Malpezzi, S. (2003). *A Primer on U.S. Housing Market and Housing Policy*. Urban Institute Press. Washington D.C.
- Halpern, D. (1995). *Mental Health and the Built Environment: More Than Bricks and Mortar*. Taylor and Francis. New York.
- Harloe, M. (1994). "The Social Construction of Social Housing." In Danermark, B., and Elander, I., *Policy, Tenure and Design*. The Hague: Delft University Press.
- Harloe, M. (1994). "Social Housing – Past, Present and Future." *Housing Studies* 9 (3).
- Healy, J. D. (2003). "Housing Conditions, Energy Efficiency, Affordability and Satisfaction with Housing: A Pan-European Analysis." *Housing Studies* 18 (3): 409–424.
- Hills, J. (2001). "Inclusion or Exclusion? The Role of Housing Subsidies and Benefits." *Urban Studies* 38 (11).
- Housing Statistics in the European Union 2002*. Edited by Walloon Region of Belgium, Department of Housing.
- Housing Statistics in the European Union 2003*. Edited by National Agency for Enterprise and Housing, Denmark.

- Housing Statistics in the European Union 2004*. Edited by National Board of Housing, Building and Planning, Sweden and Ministry for Regional Development of the Czech Republic.
- Jenson, J. (1998). *Mapping Social Cohesion: The State of Canadian Research*. Canadian Policy Research Networks Study F/03. Ottawa: CPRN.
- Kemp, P. (1997). *A Comparative Study of Housing Allowances*. Centre for housing research and urban studies, University of Glasgow.
- Kingsley, G. T., and Turner, M. A., eds. (1993). *Housing Markets and Residential Mobility*. Washington, D.C.: Urban Institute Press.
- Kleinman, M. (1998). "Western European Housing Policies: Convergence or Collapse?" In Kleinman, M., Matznetter, W., and Stephens, M., *European Integration and Housing Policy*. London and New York: Routledge.
- Kleinmann, M. P., and Whitehead, C. M. E. (1999). "Housing and Regeneration: The Problem or the Solution?" *National Institute Economic Review* 170 (4): 78–86.
- Krotschek, C., and Narodoslowsky, M. (1996). "The Sustainable Process Index: A New Dimension in Ecological Evaluation." *Ecological Engineering* 6/4: 241–258.
- Laferrère, A., and Le Blanc, D. (2001). "How Do Housing Allowances Affect Rents? An Empirical Analysis of the French Case." *Journal of Housing Economics*, December.
- Lawrence, R. J. (1987). *Housing, Dwellings and Homes: Design Theory, Research and Practice*. New York: Wiley.
- Lawrence, R. J. (2002). "Putting the Immediate Environment on the Health-Housing Agenda." In WHO, *Proceedings of the International Convention Casa e Salute, Forli*, pp. 60–69.
- L'Observateur de l'immobilier* 35, March 1997. "Les aides à la personne en Europe."
- Lochner, K., Kawachi, I., and Kennedy, B., (1999). "Social Capital: A Guide to Its Measurement." *Health & Place* 5: 259–270.
- Loury, G. (1992). "The Economics of Discrimination: Getting to the Core of the Problem." *Harvard Journal of African American Public Policy*. Vol. I, Fall 1992.
- Lujanen, M. (2003). "The Role of Social Housing in Housing Policies." UNECE/CECODHAS Workshop on Social Housing.
- Lux, M. (2001). "Social Housing in the Czech Republic, Poland and Slovakia." *European Journal of Housing Policy* 1 (2).
- Lux, M. (2003). "Public Housing Policies: Economic and Social Perspectives." In *Housing Policy: An End or a New Beginning?* Open Society Institute. Budapest.
- Maclennan, D. (1982). *Housing Economics*. London and New York: Longman.
- McCarthy, D., and Saegert, S. (1978). "Residential Density, Social Overload and Social Withdrawal." *Human Ecology* 6: 253–272.
- Musil, J. (1995). "The Czech Housing System in the Middle of Transition." *Urban Studies* 32 (10): 1680.
- Narayan, D. (1999). *Bonds and Bridges: Social Capital and Poverty*. Washington, D.C.: World Bank Poverty Group.
- Organisation for Economic Co-operation and Development (OECD) (1997). *Societal Cohesion and the Globalising Economy*. Paris: OECD.
- Organisation for Economic Co-operation and Development (OECD) (2002). *Housing Finance in Transition Economies*. Paris: OECD.

- Pichler-Milanovich, N. (2001). "Urban Housing Markets in Central and Eastern Europe: Convergence, Divergence or Policy 'Collapse'?" *European Journal of Housing Policy* 1 (2).
- Portes, A., and Landolt, P. (1996). "The Downside of Social Capital." *American Prospect* 26: 18–21.
- Priemus, H. (1997). "Growth and Stagnation in Social Housing: What Is 'Social'?" *Housing Studies* 12 (4).
- Priemus, H., and Dieleman, F. (1997). "Social Rented Housing: Recent Changes in Western Europe." *Housing Studies* 12: 421–425.
- Priemus, H., and Dieleman, F. (1999). "Social Housing Finance in the European Union." *Urban Studies* 36 (4).
- Priemus, H., and Dieleman, F. (2002). "Social Housing Policy in the European Union: Past, Present and Perspectives." *Urban Studies* 39 (2): 191–200.
- Priemus, H., Kleinman, M., MacLennan, D., and Turner, B. (1993). *European Monetary, Economic and Political Union: Consequences for National Housing Policies*. The Hague: Delft University Press.
- Putnam, R. (1993b). "The Prosperous Community: Social Capital and Public Life." *American Prospect* 13: 35–42.
- Putnam, R. (1995). "Bowling Alone: America's Declining Social Capital." *Journal of Democracy* 6: 65–78.
- Putnam, R. (1993a). *Making Democracy Work: Civic Traditions in Modern Italy*. Princeton, NJ: Princeton University Press.
- Renaud, B. (1995). "Housing Finance in Transition Economies: The Early Years in Eastern Europe and the Former Soviet Union." *Housing Finance International*, December.
- Roberts, A. (2003). "Privatization and Rent Deregulation in Eastern Europe." In S. Tsenkova and S. Lowe, eds., *Housing Change in East and Central Europe: Integration or Fragmentation?* Ashgate. Aldershot.
- Rogers, R. (1997). *Cities for a Small Planet*. London: Faber and Faber.
- Rosell, S., ed., (1995). *Changing Maps: Governing in a World of Rapid Change*. Ottawa: Carleton University Press.
- Social Capital Initiative (SCI), World Bank (1998). *The Initiative of Defining, Monitoring and Measuring Social Capital: Overview and Program Description*. Social Capital Initiative Working Paper 1. Washington, D.C.: World Bank.
- Social Exclusion Unit (1998). *Bringing Britain Together: A National Strategy for Neighbourhood Renewal*. Cmd 4045. London: The Stationary Office.
- Social Exclusion Unit (2001). *A New Commitment to Neighbourhood Renewal: National Strategy Action Plan*. London: Cabinet Office.
- Stephens, M., Burns, N., and MacKay, L. (2003). "The Limits of Housing Reform: British Social Rented Housing in a European Context." *Urban Studies* 40 (4).
- Stewart, M. (1992). *Mobility and Housing Needs in Urban Europe: Report to the European Commission (DGV)*. Bristol: SAUS Publications.
- Tosics, I. (1998). "European Integration and the East-Central European 'Outsiders'." In M. Kleinman, W. Matznetter and M. Stephens, *European Integration and Housing Policy*. London and New York. Routledge.
- Tosics, I., and Hegedüs, J. (2003). "Housing in South-Eastern Europe." In S. Tsenkova and S. Lowe, eds., *Housing Change in East and Central Europe: Integration or Fragmentation?* Ashgate. Aldershot.
- Tsenkova, S. (2000). *Housing in Transition and Transition in Housing*. Sofia. K reklama.

- Tsenkova, S. (2003). "Housing Policy Matters: The Reform Path in Central and Eastern Europe." In S. Tsenkova and S. Lowe, eds., *Housing Change in East and Central Europe: Integration or Fragmentation?* Ashgate. Aldershot.
- Tsenkova, S., and Lowe, S., eds. (2003). *Housing Change in East and Central Europe: Integration or Fragmentation?* Ashgate. Aldershot.
- UNECE (1996). *Compendium of Model Provisions for Building Regulations*. ECE/HBP/81/Rev.1.
- UNECE (1996). *Guidelines on Sustainable Human Settlements Planning and Management*. ECE/HBP/95.
- UNECE (1998). *Housing Finance: Key Concepts and Terms*. Geneva: United Nations.
- UNECE (2003a). *Sustainable Development of Human Settlements in the UNECE Region: Progress and Challenges*. Geneva: United Nations.
- UNECE (2003b). *Guidelines on Condominium Ownership of Housing for Countries in Transition*. Geneva: United Nations.
- UNECE (2005). *Housing Finance Systems for Countries in Transition: Principles and Examples*. Geneva: United Nations.
- UNECE/Ministry for Regional Development of the Czech Republic/CECODHAS (2003). Proceedings of the Workshop on Social Housing, Prague.
- M. Meunier, "The Council of Europe Development Bank Perspective"
 - A. Dench, "Social Housing Developers and Financers"
 - Z. Slabkowicz, "TBS Urban Renewal, Structural Funds and Enlargement"
 - M. Stephens, "Social Housing Financing: A Comparative Perspective"
 - J. Hegedüs, "Social Housing Policy in Hungary"
 - C. Taffin, "Sustainable Development of Social Housing: Financial Sustainability"
 - A. Muziol-Weclawowicz, "The Role of the National Housing Fund in Financing Social Rental Housing"
 - M. Borer, "Stock Transfer – Making UK Social Housing Sustainable?"
 - A. Elbers, "Financing of Social Housing in the Netherlands"
- Whitehead, C. (2002). "Response: Housing, Tenure and Opportunity." *Housing Studies* 17 (1): 63–68.
- Whitehead, C. (2003). "The Economics of Social Housing." In T. O'Sullivan and K. Gibb, eds., *Housing Economics and Public Policy*. Blackwell. Oxford.
- Wilcox, S. (2002). *UK Housing Review 2002–2003*. Published for the Joseph Rowntree Foundation by the Chartered Institute of Housing and *Council of Mortgage Lenders*.
- World Fire Statistics Centre. Annual Reports.*
- World Health Organization (1946). *Constitution*.