**Social Housing Programme 1 in South-western Europe – Social Housing Loan**
***Ex post evaluation Abstract***

In 2004, the Council of Europe Development Bank (CEB) approved a 20 m€ loan to a commercial bank in a south-western Member State to provide long-term financial resources at advantageous rates to municipalities within the framework of the national policy to increase the supply of affordable social housing. The total cost of the programme was estimated at 40 m€. The structure of the municipalities' funding mechanism for social housing construction was as follows: for each housing project, the intermediary bank provided a subsidised loan of up to 40% of the total cost, the state provided grants for another 40%, and the municipalities supplied the remaining 20%.

The findings of the ex post evaluation point to a successful implementation. The programme was very relevant from the viewpoint of its overall objectives – to remedy poor housing conditions – and in its design – using a private financial institution as the intermediary between the CEB and the municipalities; it remains relevant today through the private/public partnership it initiated. The programme was also very effective in reaching its objectives and target groups: surveys with beneficiaries confirmed that they belonged to the low-income strata; the quality of the construction is satisfactory; and tenants expressed their satisfaction with the programme. Implementation was carried out efficiently, and relevant technical and social controls were in place, i.e. adequate oversight by the national housing agency, and adequate risk appraisal, screening processes and selection by the intermediary bank. Significant positive social and institutional impacts were noted. Sustainability, however, remains uncertain: cost recovery for the municipalities appears to be quite poor because of the largely subsidised rental fees, which are sometimes not even paid. This jeopardises the availability of municipal resources to ensure maintenance, and calls into question the cultural and environmental involvement of the tenants in their community housing issues. With regard to cost control and reporting on the CEB side, the evaluation found that the full financial planning of the programme was not adequately investigated at appraisal – the extent of the state grants had not been assessed – while completion reports from the Borrower were not found in the CEB files.

The social added value of the programme was very high: 1 009 dwellings of good quality were constructed and allocated to low-income tenants who were, on the whole, satisfied with their homes. The choice of the intermediary bank as an alternative to the national housing agency provided additional value, for it helped widen the opportunities for municipalities to access financial sources, while the intermediary bank represented an adequate vector for government subsidies. From a purely financial perspective, the CEB added value is less clear: the intermediary bank has a longstanding relationship with the European Investment Bank for amounts up to 500 m€; moreover, the CEB loan had a much shorter tenor than the intermediary bank's loans to the municipalities. The intermediary bank indicated, however, that the CEB loan was nonetheless key to its efforts to meet, as much as possible, the requirements of municipalities that needed long tenors, at a time when long-term loans were not readily available on the market.

The recommendations that are derived from this evaluation are related to programme preparation and reporting: at programme appraisal, it is important, on the one hand, to fully investigate all financial sources and mechanisms that are involved in the loan, i.e. other financiers as well as state subsidies and, on the other hand, to systematically receive the borrower's monitoring reports, as stipulated in the Framework Loan Agreement, and duly register them, along with internal completion reports, in the CEB database.

This programme is complementary to the two other programmes financed with the national housing agency within the framework of the national housing policy aimed at providing loans and grants to local authorities (see "Social Housing Programme 2 in South-western Europe – Social Housing Loan"). Each programme had a distinctive loan mechanism to help the municipalities acquire social dwellings, and together they contributed to the construction and acquisition of 4 185 homes. The three programmes have a high positive social impact and added value. They received roughly similar ratings for the five evaluation criteria and raised the same doubts regarding their sustainability. Notwithstanding the drawbacks mentioned above, which can easily be remedied, the ex post evaluation of these social housing programmes makes it rather clear that this sector is a very relevant one for CEB: its activities in this field have significant social added value, positively impact the living standards of vulnerable populations, and are likely to help strengthen social cohesion in Member States. However, the effect of the heavily subsidized system on public debt would warrant more attention in the future.



*Ratings are on a four-point scale: poor-marginal-satisfactory-very satisfactory*