

Social Housing Programme 2 in South-western Europe– Social Housing Loan

Ex post evaluation Abstract

In 2003, the CEB approved a loan of 50 m€ to the national housing agency (NHA) in a Member State for the partial financing of a sector-based multi-project programme for social housing, followed by a second loan in 2004 of 40 m€ with similar objectives. The Borrower/implementing agency (the NHA) changed its name and also partly changed its mandate in 2005. Both CEB loans were aimed at contributing to the alleviation of the chronic housing problem through national programmes: the first loan financed projects for the construction of new dwellings and rehabilitation of existing units, which were undertaken by municipalities, cooperatives, and private-sector developers; the second loan, complementary to the first, financed programmes for the acquisition of new dwellings to be resold to municipalities. National fiscal policy prevents municipalities from increasing their indebtedness for the purchase of already constructed dwellings. To surmount the problem, the NHA temporarily substituted for the municipalities as the acquirer of the housing units, thereby permitting their delivery to the intended beneficiaries. Both programmes were in line with the CEB's social cohesion objectives. The two loans contributed to the construction and rehabilitation of 1 676 dwellings and to the purchase of 1 500 dwellings, respectively, which were allocated to lower-income households according to national eligibility criteria.

The overall rating of the programmes is satisfactory: the CEB has made a substantial contribution to the improvement of social housing in the country. The two programmes proved to have affected the lives of some 11 000 people in providing them with better housing at low and affordable costs. The programmes were relevant and very much in line with the CEB's social vocation. The effectiveness, efficiency and impacts of the programmes are rated "satisfactory" to "very satisfactory". The added value of the CEB is considerable from the financial and social perspective. These social housing programmes led to very positive results and confirmed the role of the CEB as a relevant financier for this line of action.

The CEB has been flexible in dealing with the Borrower, and these programmes were a win/win situation: for the CEB, which provided a loan congruent with its mission, and for which monitoring was effectively carried out by the NHA; for the municipalities which, despite cash shortages, could pursue their social housing projects; and for the NHA, as the financial intermediary, which found the necessary resources for its activities as well as the specific scheme designed to overcome the municipalities' constraints.

All in all, the evaluation results confirm the technical mission completion report, although some reservations are expressed regarding the sustainability of the programmes. The evaluation raises three issues that may jeopardise sustainability: (i) notwithstanding the lack of financial means of some municipalities and the unknown impact of the financial crisis, the municipalities nonetheless have to partly finance the dwellings for low-income persons and ensure their maintenance; (ii) by not paying their rental fees, some tenants do not feel that they "own" their dwelling, and may be less committed to proper maintenance; and (iii) while the mechanisms used partly allowed municipalities to sidestep regulations aimed at limiting their indebtedness, their future debt will nonetheless increase.

Recommendations

These programmes were very successful despite the above-mentioned reservations on sustainability, and led to the following recommendations:

- As shown by the Audit carried out in 2006, the NHA had rather poor loan and implementation procedures due, in part, to an inadequate IT system. At the time of the name/mandate change, a new IT system helped remedy these inadequacies. It is thus recommended that the relevant CEB directorates make a thorough analysis of the borrower's implementing capacity at programme approval. If such an assessment had been made at the time of approval of the first loan it may have helped remedy the NHA's inadequacies earlier.
- With regard to the risk of double counting of constructed and purchased dwellings, the evaluation showed that this was only a reporting issue that could have been avoided through better reporting from the Borrower. It is thus advised for this type of programme to closely monitor borrower reports and to require that they be sent regularly and within the expected and agreed time frame. Technical advisory monitoring should also be carried out at least once during the life cycle of a sector-based multi-project programme.