Sustainable Housing and Urban Development: the CEB's Contribution

Synthesis



CEB

COUNCIL OF EUROPE DEVELOPMENT BANK
BANQUE DE DEVELOPPEMENT DU CONSEIL DE L'EUROPE

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EXECUTIVE SUMMARY

1. Endowed from its inception more than fifty years ago with an exclusively social mandate, the Council of Europe Development Bank (CEB) has dedicated € 16 billion, i.e. more than half of its total lending, to housing and associated infrastructure projects towards building sustainable communities in urban areas across Europe. This amount includes projects for housing and housing-related infrastructure (€ 10 billion) and also covers cross-sector operations with housing and urban components (€ 6 billion). The leverage effect of CEB financing is considerable and can be estimated at a factor of 2.5, given that the amounts approved by the CEB represent on average 40% of the total volume of the actual investments. It can be assumed that CEB loans of € 16 billion have mobilised at least € 40 billion of total investments.

2. The main purpose of CEB loans is to finance projects for the construction of housing, renovation or refurbishing of the existing housing stock and for the conversion of buildings into housing so as to provide decent and affordable housing for low-income population groups. As discussed in the study, the CEB's approach takes into consideration housing in its social, environmental and economic dimensions.

3. In order to encourage an integrated approach in its operations, the CEB includes housing in a larger cross-sector perspective, such as in the case of reconstruction of housing destroyed by natural disasters, provision of housing for refugees, displaced persons or migrants, and children in vulnerable situations, construction of accommodation for the elderly or persons with disabilities. The financing of housing is also considered a part of comprehensive urban renovation programmes and the CEB pays particular attention to the residential sector as a potential vector of environmental sustainability through improvements in energy efficiency.

4. Demographic, socio-economic and environmental developments will have an immediate and medium-term impact on housing markets throughout Europe in terms of diversified demand with significant investment needs. Furthermore, the financial and economic crisis has engendered a greater vulnerability, both on economic and social grounds, within CEB's countries of operation. This is especially the case in "emerging Europe", which is most affected both by the social consequences of the crisis and by the drying-up of supply in financing.

5. Environmental concerns will undoubtedly constitute a challenge in the vast majority of integrated urban renewal programmes to be implemented in the years to come. As a unique social development bank in Europe, the CEB will be expected to include and promote environmental and energy efficiency standards in all its activities, and to seize the opportunity to invest in the "green" housing and urban sectors in particular.

6. In general, the CEB should see a rise in demand for its financing in the housing sector. CEB will continue to support public and private investments, with areas of intervention and beneficiaries clearly targeted according to the needs of the country concerned and thus consistent with trends affecting the local housing market.

7. In order to best meet the significant needs, the CEB is likely to develop its activities along three main lines: (i) provide decent, affordable and adapted dwellings for those whose needs are not met by the general housing market; (ii) develop cross-sector operations; (iii) promote energy-efficient housing and sustainable urban development.

8. Current trends and implications for the CEB open the way for ambitious programmes which are likely to involve diverse borrowers and partners. The CEB will broaden its co-operation with national, local or regional government authorities, financial institutions, as well as social housing agencies or other public bodies entrusted with responsibilities in the field of housing.

9. Traditional lending instruments will generally remain the main tool for the CEB's intervention. In view of growing demand, one of the key challenges for improving the quality and successful implementation of the CEB's projects will be to increase financial resources for technical assistance and other grant resources for specific cases.

10. Further opportunities may arise from institutional co-operation initiatives. Indeed, co-operation with European institutions may be part of the development of both projects and financial coordination, as it ensures more efficiency, complementarities and sharing of experience. CEB will also seek to strengthen co-operation with individual donor countries and thereby to increase external sources of financing for technical assistance.

1. INTRODUCTION

Housing is a basic need for every human person. As a decisive factor in social cohesion, housing is a condition for access to employment and the realisation of fundamental human and social rights. Housing represents one of the main areas of expenditure of European households. Affordable and decent housing constitutes an essential part of quality of life.

Endowed from its inception more than fifty years ago with an exclusively social mandate, the Council of Europe Development Bank (hereafter CEB or "the Bank") has dedicated an important part of its lending to housing and associated infrastructure within an integrated approach towards building sustainable communities in urban areas across Europe. The CEB considers this sector to be of fundamental importance for strengthening social cohesion and ensuring the well-being of the population.

Many aspects of housing and urban issues are related to the broad concept of sustainability, which can be addressed from various angles. Sustainable urban communities are based on an approach that links economic, social and environmental issues and solutions. They are designed to be socially and economically viable, environmentally sustainable and equitable places where urban dwellers can have access to appropriate and decent dwellings, and be guaranteed to live in communities where social realisation is possible. This challenging framework requires taking into consideration not only the needs of people facing difficulties to find decent and affordable dwellings on the general housing market, but also environmental requirements, demand for spatial integration through urban infrastructure and social measures so as to reduce existing inequalities and thus strengthen social cohesion. The CEB's multi-sector and integrated approach combines, therefore, housing components with broader social perspectives.

This document summarises the work of reflection undertaken by the CEB in a more extensive analysis presented in a study entitled ***Sustainable Housing and Urban Development: the CEB's Contribution.***

The present synthesis focuses on the CEB's specific approach and experience in supporting housing and urban development. It also offers a brief overview of future trends and needs, widely examined in the study, affecting housing markets and shaping demand for housing and urban infrastructure across Europe. Finally, it provides some reflexions on CEB's activities in the coming years, with particular attention being paid to the residential sector as a potential vector of environmental sustainability through improvements in energy efficiency.

The full text of the study ***Sustainable Housing and Urban Development: the CEB's Contribution*** is accessible on CEB's website.

About the CEB

Set up in 1956, the CEB (Council of Europe Development Bank) is a multilateral development bank comprising 40 member states.

As a major instrument of the policy of solidarity in Europe, the Bank finances social projects by making available resources at financial terms that reflect the quality of its rating (AAA with Standard & Poor's, Fitch Ratings and Moody's). It grants flexible long-term loans to its member states, to public or private financial institutions and to local authorities for the financing of projects in social sectors, in accordance with its Articles of Agreement. Since its inception in 1956, the CEB has granted € 30 billion in loans.

2. THE CEB's APPROACH TO HOUSING AND URBAN DEVELOPMENT

Since its creation in 1956 as *the Council of Europe Resettlement Fund for National Refugees and Overpopulation in Europe*, the CEB has played a key role in the financing of housing and urban renewal projects and has become a reference in this sector. The Bank considers this sector to be of fundamental importance for strengthening social cohesion and ensuring the well-being of the population.

One of the specific characteristics of the housing sector is that it covers several of the Bank's missions. Beyond the obvious objective of improving living conditions for those who are poorly housed, the construction of housing is also part and parcel of the Bank's mission to provide shelter to refugees, migrants, victims of natural disasters or other vulnerable populations such as the elderly, ethnic minorities or handicapped persons. Housing is considered a key factor for stabilising population movements and is a starting point for labour activities.

From a broader perspective, the Bank also plays a role in urban renewal and in the "sustainable communities" agenda through the financing of housing-related municipal infrastructure, including investments linked to environmental sustainability and energy efficiency.

The CEB's approach takes into consideration housing in its social, environmental and economic dimensions, which are closely interrelated. Firstly, housing plays a central role in the lives of individuals as a condition for access to employment and the realisation of fundamental human and social rights. Secondly, sustainable housing makes an important contribution to addressing environmental challenges on local, national and global levels. Thirdly, housing generates substantial local economic activity, including new income and jobs, and additional revenue for local governments.

Overall, the CEB lending is demand-oriented and based on the borrowers' needs. However, the value added by CEB activities goes further than providing long-term loans on favourable terms for the borrower ("financial added value"). As in other sectors of action, CEB projects have not only material added value by responding to the lack of housing but also a qualitative aspect and a strong "social impact" through improved living conditions and enhanced integration into society of the final beneficiary groups. The CEB also provides its sector expertise and delivers advice and support at all stages in the project cycle ("non-financial benefits").

The CEB's specific approach in the multi-sector and integrated support for urban renewal involves projects in:

- **Housing for low-income persons** as a principal activity (section 2.1.);
- **Housing for vulnerable groups of population** such as refugees, displaced persons and migrants; victims of natural or ecological disasters; ethnic minorities; the elderly; the disabled (section 2.2.);
- **Housing-related and municipal infrastructure** aimed at improving living conditions in urban areas (section 2.3.);
- "**Green housing**", i.e. integrating energy efficiency objectives (section 2.4.).

The financial resources engaged by the CEB have been considerable. Financing of housing and urban renewal projects represents a major share of the Bank's activity: between 1957 and 2009, an overall amount of **€ 16 billion** (out of a total of some € 30 billion) has been made available for diverse categories of beneficiaries in housing-related, municipal infrastructure and "green housing" projects. The leverage effect of CEB financing is considerable and can actually be estimated at a factor of 2.5, given that the CEB's participation in financing may not exceed 50% of the total project cost and the amounts approved by the CEB represent on average 40% of the total volume of the actual investments. As a result, it can safely be assumed that CEB loans of € 16 billion have mobilised at least **€ 40 billion** of total investments.

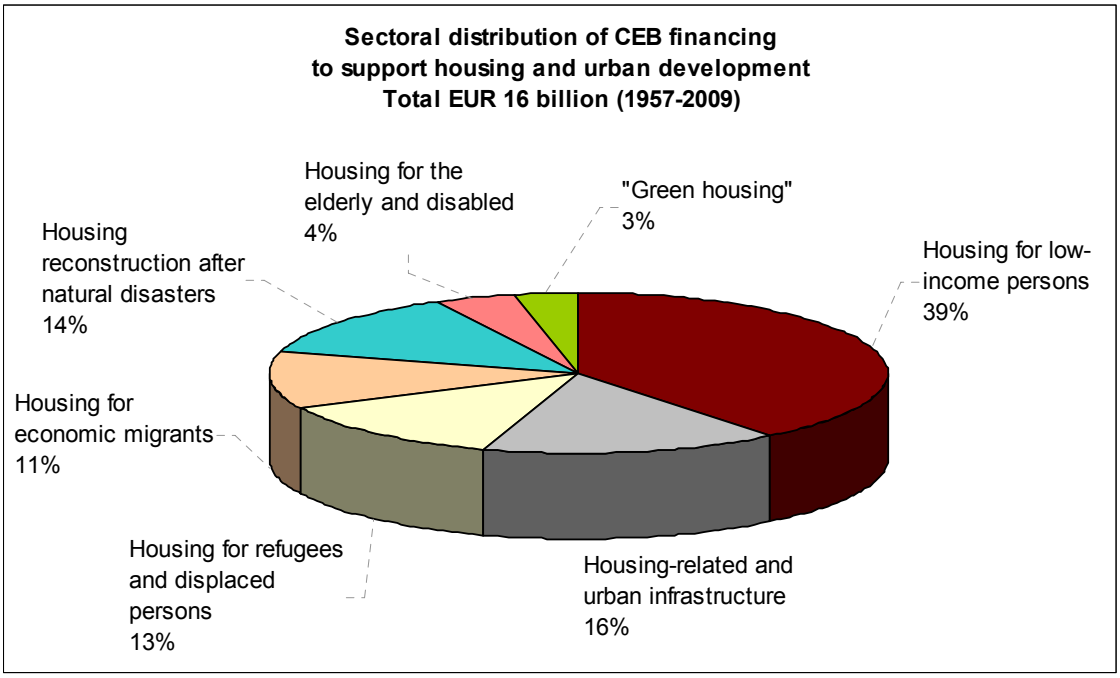
In a cross-sector approach, these figures include various categories of projects which cover housing and urban issues. On the one hand, the CEB has financed projects specifically considered as housing and housing-related infrastructure (**€ 10 billion**). On the other hand, the Bank has reacted to broader sectoral problems through projects across its sectors of action, such as aid to refugees and

displaced persons, natural disasters, environment, health and education (**€ 6 billion**). While the latter are not explicitly labelled as projects in favour of housing, their main goal was to address specific social objectives by providing housing and related infrastructure.

As can be seen in Figure 1, a total of € 16 billion in loans has been distributed as follows:

- **Housing for low-income persons** (more than € 6 billion) has been the most important sector to which CEB funds have been allocated.
- A similar amount has been devoted to financing **housing for vulnerable groups of populations** including refugees and displaced persons (€ 2 billion); ethnic minorities; migrants (€ 1.8 billion); victims of natural or ecological disasters (€ 2 billion); the elderly and disabled (€ 660 million).
- Another € 2.5 billion has been allocated to projects for the development of **housing-related and urban infrastructure**.
- Lastly, financing for "**green housing**" projects, although less significant in terms of the amounts involved (€ 525 million), has contributed to improving environmental sustainability.

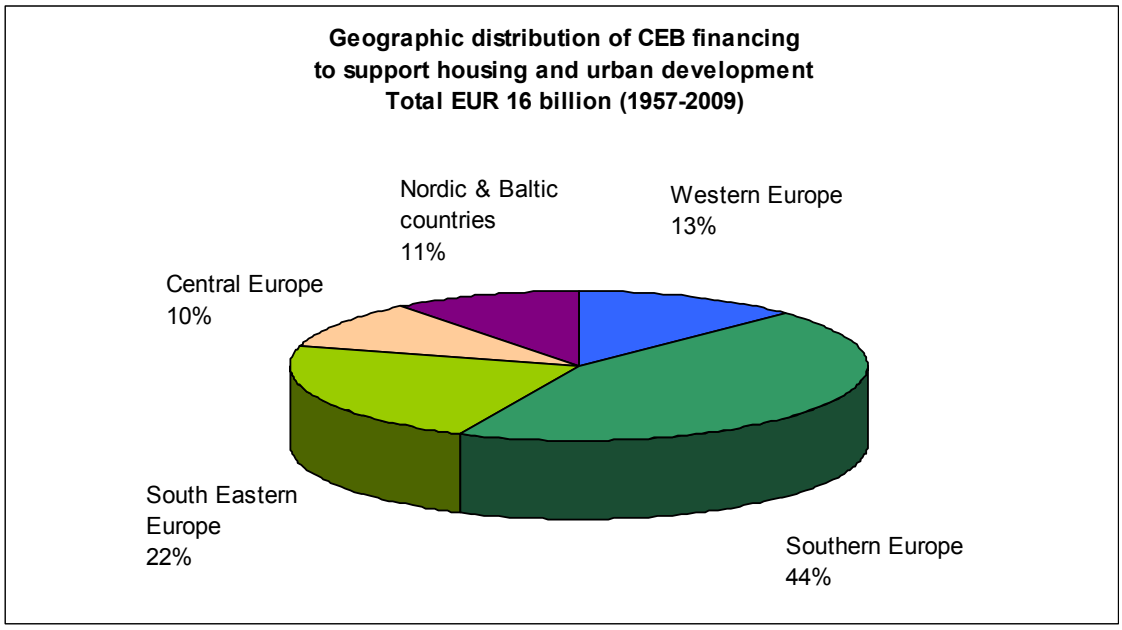
Figure 1: Sectoral distribution of CEB financing to support housing and urban development



The geographic distribution of CEB's interventions in the sectors of housing and urban development, over fifty years of experience, is widespread (see Figure 2), with some major poles of concentration in Italy, Spain, Turkey, Germany, France, Greece, Finland, Portugal, Cyprus and certain countries in Central and Eastern Europe (Poland, Hungary, Romania). The geographic diversification of loans in favour of housing and urban actions confirms the emphasis placed on a balance to be gradually achieved between the Bank's support in its "traditional" areas in Western[1] and Southern[2] Europe, its presence in the North[3] and the new priority given to Central[4] and South Eastern[5] Europe. Indeed, the increasing focus of the Bank's activities in favour of Central and South Eastern European countries has strengthened its visibility as the European financial institution devoted to social development. In parallel, the Bank has enhanced the added value of its contribution in favour of Western European countries of operation.

[1] Belgium, France, Germany, Ireland, the Netherlands
[2] Cyprus, Greece, Italy, Malta, Portugal, Spain
[3] Nordic and Baltic countries: Denmark, Finland, Norway, Sweden, Estonia, Latvia, Lithuania
[4] Czech Republic, Hungary, Poland, Slovak Republic
[5] Albania, Bosnia and Herzegovina, Croatia, "the former Yugoslav Republic of Macedonia", Moldova, Montenegro, Romania, Serbia, Turkey

Figure 2: Geographic distribution of CEB financing to support housing and urban development



2.1. Housing for low-income persons as a principal activity

Since its establishment over fifty years ago, the CEB has extensively supported the housing sector. The CEB's experience covers the financing of projects that address the constraints on access to housing, especially for the less well-off parts of the population, by facilitating their access to home-ownership or rental housing. The CEB uses different means to achieve this objective.

- **"Low-income" persons**

The "*Overall Policy Framework for Loan and Project Financing*" (Resolution 1522 (2009)) defines the basic principles for the selection and implementation of the CEB's investment projects in eligible sectors of action, including "housing for low-income persons". The CEB operates within national housing policies and gives priority to the relevant national legislation defining criteria for housing for low-income, i.e. socio-economically disadvantaged, persons.

A word of caution is called for on the term of "low income", which could in fact be misleading. "Low income", as used in the context of housing, does not refer to classification by income of CEB member countries. The term attempts to capture various "social realities" across European countries: different national definitions of income thresholds in different countries imply various categories of beneficiaries in CEB projects. The profile of beneficiaries in CEB housing projects may therefore differ across countries in terms of income. Low-income persons, the ultimate beneficiaries of CEB housing projects, are not necessarily the poorest population groups in CEB member countries.

- **"Social housing" in Europe**

The more specific segment of "social housing" in Europe is characterised by a wide diversity of national housing policies across CEB member states and thus by the lack of a common definition of "social housing" at European level. However, it is possible to identify some core elements of what constitutes "social housing" across CEB member countries. "Social housing" can be defined as "housing for households whose needs are not met by the open market and where there are criteria for allocating to benefiting households"[6].

[6] Source: European Liaison Committee for Social Housing (CECODHAS)

In the case of the less well-off parts of the population in the CEB's approach, "social housing" is taken to refer to housing provided to persons experiencing difficulty in obtaining a dwelling, as a tenant or owner, on the real estate market, due to lack of resources. This mission hence translates into the construction or rehabilitation of housing, both for rent and for ownership, with a view to increasing the supply of affordable housing. The areas of action specific to "social housing" thus become: supply, accessibility, security of tenancy of housing units to low-income groups.

- **Decent and affordable housing**

In a demand-driven context, the Bank's activity, while supporting national housing programs, is not limited to providing housing for the poorest strata of the population. The social mandate of the CEB provides a rationale for the Bank to finance housing for a broader range of persons. Indeed, facilitating access to home-ownership as well as rental housing contributes to strengthening social cohesion for people having revenues around the national average and thus keeping them out of vulnerable groups.

The scope of action of the CEB is thus wider than "social housing" per se, even though the latter constitutes a priority. Indeed, several projects financed were aimed at lower and middle-income persons who may be at risk on the housing market, and not only at low-income persons who are included in this category. These projects are targeted at those who can service a mortgage and therefore seek to increase owner-occupied housing stock by facilitating access to credit. The objective is therefore to finance projects for the construction of housing, renovation or refurbishing of the existing housing stock and for the conversion of buildings into housing for lower and middle-income persons.

Taking into account household income as a primary factor in housing affordability, affordable housing describes dwelling units whose total housing costs are deemed "affordable" to those who have a sufficient income to service a mortgage or regularly pay a rent, as low or subsidised as they may be. The concept is applicable to both purchasers and renters in the lower income ranges of a geographic area.

- **Integration within national sectoral policies**

The CEB's housing projects are, to the extent possible, designed and implemented within national sectoral policies. The CEB's role is not to define national policies, but to help implement them. The CEB thus contributes to existing policies which in turn provide a coherent framework for its interventions.

- **Project portfolio in the housing sector for low-income persons**

Since 1956, the CEB has disbursed a cumulative amount of more than € 6 billion in loans for the housing sector for low-income persons, making the Bank a leading financier in this field across a number of countries in Europe. Housing for low-income persons has represented approximately 20% of the Bank's financing since its creation and this percentage has remained stable throughout its fifty years of activity.

From a geographic perspective, the Bank's largest borrowers in this sector are Italy, Spain, France and Finland. Central and South Eastern European (CEE) countries' less significant representation in the portfolio of housing projects in comparison with Western European countries is explained by the fact that co-operation between the CEB and these countries only dates back to 1994, when the first country from the CEE region joined the Bank. However, developing operations in the CEE region has been a priority for the Bank in the last years. In concrete terms, the Bank devoted some 50% of its loans to these "target group" countries[7] in the last five years (2005-2009). The new Development Plan (2010-2014) foresees a continued effort in favour of target group countries in order to reach loans outstanding that could represent up to 60% of the total outstanding by 2014.

[7] Albania, Bosnia and Herzegovina, Bulgaria Croatia, Cyprus, Czech Republic, Estonia, Georgia, Hungary, Latvia, Lithuania, Malta, Moldova, Montenegro, Poland, Romania, Serbia, Slovak Republic, Slovenia, "the former Yugoslav Republic of Macedonia", and Turkey.

Considering the type of borrower, the CEB's portfolio is quite diversified. Depending on the type of tenure (access to home-ownership vs. rental housing), CEB's intermediary borrowers include the banking sector, national or local authorities and local or regional government funding agencies. Indeed, borrowers such as the banking sector, may be considered as "intermediaries" distributing mortgages to final beneficiaries in order to help them purchase their dwelling. On the contrary, public authorities or other public bodies entrusted with responsibilities in the field of housing, when borrowing from the CEB, generally aim at providing housing for rental purposes.

2.2. Housing for vulnerable populations within a cross-sector framework

In order to encourage an integrated approach in its operations, the CEB includes **housing in a broader cross-sector perspective**, such as the reconstruction of housing destroyed by natural disasters, the provision of housing for refugees, displaced persons or migrants, children in vulnerable situations, the construction of accommodation for the elderly or persons with disabilities. It provides support for housing projects for the benefit of these populations defined as **vulnerable**.

The statutory priority of the Bank was initially and still is to provide assistance to populations forced to flee from regions affected by political or economic upheavals, and to help those driven from their homes by natural disasters. The Bank has specifically participated in housing and related infrastructure (re)construction in favour refugees, displaced persons or migrants and victims of natural disasters in the aftermath of crisis situations.

- **Refugees and displaced persons**

A total of € 2 billion was specifically lent to refugees over fifty years. The projects financed provided housing solutions for those in temporary accommodation and concretely involved the construction and repair of reception structures (such as reception centres, temporary and permanent housing) and other infrastructure (such as health and school facilities) destroyed by conflicts, education and vocational training, as well as the technical infrastructure and basic equipment necessary to meet the immediate needs of populations that were victims of exceptional situations. These projects allowed the (re)integration of thousands of refugees or displaced persons in different contexts across Europe.

- **Migrants**

A total of € 1.8 billion has been specifically lent for housing for economic migrants since the Bank's creation. Three countries - Italy, Spain and Turkey - have received 90% of this amount, so as to enable the resettlement of migrants returning to their countries of origin or to facilitate immigrants' access to decent housing in the host countries. Several projects for the provision of housing for vulnerable migrant groups have also been financed in South Eastern Europe.

- **Victims of natural or ecological disasters**

The Bank also provided financing of some € 2 billion to projects related to housing reconstruction in order to facilitate the return of victims forced to abandon areas affected by natural or ecological disasters. Reintegration of displaced persons thanks to the rebuilding of housing and other infrastructure in disaster-stricken areas represents another statutory priority for the Bank. These loans were concentrated in Greece, Italy, Romania, Serbia and Turkey. In most cases, priority has been given to inhabitants whose houses were completely destroyed and who did not have access to temporary shelter and could not afford to build new houses. These projects have had major social and economic effects in the affected region by providing normal living conditions and preventing, especially through relocations and rehabilitation of infrastructure, further damages and disturbances to economic activities for inhabitants.

- **Other vulnerable groups of population**

Other vulnerable groups of beneficiaries of housing construction and rehabilitation projects are the elderly and persons with disabilities. In the CEB's nomenclature of sectors of action, these can be labelled either as health or housing projects.

Due to the ageing of the population in many CEB member countries, there has been an increasing need for housing for the elderly. The Bank financed projects for some € 660 million mainly in the Nordic countries, Belgium, France, Germany, Italy, Portugal and Spain. The Bank also participated in housing provision for the disabled, particularly in Germany, Hungary, Lithuania, Romania, the Slovak Republic and "the former Yugoslav Republic of Macedonia".

2.3. Development of housing-related and urban infrastructure

In the CEB's approach, the financing of housing is considered a part of comprehensive urban renovation programmes. The housing sector constitutes an efficient vector of sustainable urban development and support to the Bank's mission of strengthening social cohesion within its member states. The CEB has developed an integrated and multi-sector approach to urban actions which places housing in a broader perspective.

An integrated approach for sustainable urban development comprises a system of interlinked actions which seek to bring about a lasting improvement in the economic, physical, social and environmental conditions of an urban area. The objective of the CEB is the establishment of sustainable communities in urban areas that would represent areas of solidarity and a balance between economic development, social equity and urban setting. The CEB therefore provides support for urban renewal and regeneration strategies that include projects in housing and infrastructure rehabilitation while seeking to tackle economic, social and environmental challenges of urban areas.

By facilitating access to credit for modernising local infrastructure, CEB projects, financed in conjunction with national or local authorities and/or transiting via the banking sector, can involve the construction or rehabilitation of:

- Economic infrastructure: urban transport, development of industrial zones, rehabilitation of industrial brown-field sites;
- Social infrastructure: basic educational and medical infrastructure, playgrounds, green areas;
- Utilities: water supply, wastewater treatment, electricity and gas provision.

The CEB finances projects in priority in run-down urban areas and neighbourhoods lacking in urban infrastructure and/or public amenities. Several housing-related and urban infrastructure projects financed by the CEB are part of larger sector-based multi-project programmes, which can include other components designed to promote urban development, such as infrastructure related to health, education, environment, historical heritage, administrative and judicial public services.

Since 1995, the CEB has financed a cumulative amount of € 2.5 billion in loans for development of housing-related and urban infrastructure. From a geographic perspective, the Bank has been particularly active in this sector in Spain, Finland, France, Germany, Italy, Portugal, Sweden and in several Central (Hungary, Poland, Czech and Slovak Republic, Slovenia) and South Eastern European countries (mostly in Albania, Bosnia and Herzegovina, Croatia, Romania, Serbia), as well as the Baltic States.

2.4. Towards "green housing"

For a number of years, the CEB has included an environmental dimension in its housing construction and rehabilitation projects. More recently, the CEB has been working on a future concept of "green housing". By virtue of its social mission, and as a signatory of the EPE (European Principles for the Environment), the CEB has been committed to promoting best practices regarding sustainable development. Thus, the Bank requires that housing projects comply with energy efficiency criteria and construction material use in accordance with European Directives[8] or national legislation for non-EU Member countries.

[8] EU Council Directive 89/106/EEC of 21 December 1988 on the Approximation of Laws, Regulations and Administrative Provisions of the Member States relating to Construction Products; Directive 2006/32/EC of the European Parliament and of the Council of 5 April 2006 on energy end-use efficiency and energy services and repealing Council Directive 93/76/EEC of 13 September 1993 to limit carbon dioxide emissions by improving energy efficiency.

Although the term is not officially recognised, "green housing" can be defined as homes that meet the requirements of sustainable development and, more particularly, the challenges of climate change and the exhaustion of natural resources. More specifically, "green housing" is housing that consumes limited amounts of energy, has a small carbon footprint and is built from sustainable materials. In its ideal configuration, it is self-sufficient and consumes only energy from renewable sources. In addition to its contribution to preservation of the environment, "green housing" has advantages for occupants in terms of savings and comfort.

In the CEB's integrated approach towards sustainable urban development, the financing of "green housing" is considered in a larger "green building" framework. The financing of "green buildings" can cover both residential dwellings and non-residential buildings (such as education and health facilities, etc.) as well as different components of urban infrastructure. Also, in addition to housing projects, the Bank also finances initiatives in the areas of renewable energy production and collective urban heating. It is therefore well-positioned to intervene in projects combining energy retrofits in homes and, further upstream, renovation of urban heating networks.

In the sector of "green housing", the CEB has intervened through **energy efficiency investments** in Central and South Eastern Europe and in the Baltic States. Indeed, the panel buildings built in the 1960s and 1970s are in a poor state and are consequently highly energy-consuming. The CEB mainly finances projects in these priority countries, where renovation or construction of housing units that are energy-efficient have a large impact. The projects chiefly concern thermal rehabilitation, as well as modernisation of heating, sanitary hot water and ventilation. In general, the estimated reduction of energy consumption is between 30% and 50%. Consequently, the final beneficiaries enjoy a substantial reduction of their energy bills and carbon footprints, while the country reduces its energy dependency.

Since 1997, the Bank has financed some € 525 million to "green housing" in the framework of projects located in Belgium, Hungary, Poland, Slovak Republic, Estonia, Latvia, Lithuania, and within the EU's "Energy Efficiency Finance Facility" in Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Montenegro, Romania, Serbia, "the former Yugoslav Republic of Macedonia" and Turkey.

2.5. Examples of CEB projects

The following project examples (year of approval) attempt to illustrate the wealth of the CEB's intervention in housing and urban development to date:

- **Housing for low-income persons**

France	Increase in the supply of social housing and access to home-ownership for families in the lowest income categories eligible under French social housing legislation, implemented with Caisse Nationale du Crédit Agricole (1998, 2001, 2007).
Germany	Participation in the "Social housing and dwellings units in North Rhine-Westphalia" programme designed by NRW.Bank to provide decent rental housing for low-income persons, people living in socially and economically disadvantaged urban areas and families in financial distress (2009).
Poland	Construction and modernisation of 26,000 social dwellings for low- and middle-income families, giving them access to decent and affordable housing in the regulated rental sector, in co-operation with the Government and Bank Gospodarstwa Krajowego (2001, 2002).
Portugal	Construction and rehabilitation of some 2,700 dwellings undertaken by municipalities, municipal enterprises, cooperatives and housing associations as well as private-sector developers, together with Instituto Nacional de Habitação, in order to promote access to home-ownership or rented housing for low-income families (2003, 2004).
Romania	Construction and rehabilitation of the rental social housing sector throughout the country, especially for young people in the 18-35 year age bracket living on low income, within a large-scale national housing programme (2001, 2002, 2005).
Serbia	Provision of mortgages to low- and middle-income households (via Intesa Sanpaolo Group) to finance the purchase of primary residences, especially in the main cities of Serbia (2007).

- **Energy-efficient housing**

Belgium	Construction of energy-efficient housing units, renovation of the existing social housing stock and "green" renovation of public rest homes and clinics for the elderly or the disabled (5% of the programme), in conjunction with the Brussels Centre Public d'Action Sociale (CPAS) (2009).
Estonia	Energy efficiency investments in multiple-unit residential buildings, implemented with KredEx, EU Structural Funds and with technical assistance provided by KfW. KredEx will on-lend CEB funds through selected Estonian commercial banks to the final beneficiaries, i.e. Estonian housing associations, co-operatives, communities of apartment owners (2008).
Hungary	Participation in the Government's "Energy saving and energy efficiency improvement programme (2000-2010)" implemented with the Government, municipalities, condominiums and housing co-operatives. The final beneficiaries are some 200,000 poorly-housed and low-income households, and to a lesser extent, certain vulnerable populations such as the elderly and disabled (2002, 2006, 2007).
Romania	Rehabilitation of the Bucharest district heating system network to reduce energy losses, lower operating costs, raise energy efficiency and largely increase the heat supply and its quality for 567,000 apartments (1997).

- **Housing for vulnerable populations**

Albania	Provision of housing for vulnerable persons such as poor persons, victims of violence, migrants, people with disabilities, and orphans that have no access to the formal housing market (2006).
Croatia	Reconstruction of damaged houses and basic municipal infrastructure, in collaboration with local authorities and UNHCR, in order to help the return and resettlement of refugees and displaced persons (2000, 2003).
Denmark	Construction and rehabilitation of approximately 6,500 housing units, benefiting some 10,000 persons, in the form of assisted housing, residences with services and care, and in particular nursing entities for the most dependent elderly; implemented through KommuneKredit (2002, 2005, 2006, 2007).
Moldova	Provision of rental housing units to some 900 socially-vulnerable segments of the population (including some 300 registered refugees), within the framework of a national strategy (2006).
Slovak Republic	Construction and rehabilitation of buildings and infrastructure in 23 centres that provide social services for people suffering hardship or social exclusion because of mental or physical disabilities, implemented under the "National Programme for Improving the Living Conditions of People with Disabilities" (2003).
Spain	Financing of mortgage loans, through the local banking sector, for the purchase of principal residences by legal immigrants (2005-2007).
Turkey	Reconstruction of some 17,000 housing units in the aftermath of a severe earthquake which occurred in the Marmara region in August 1999 (1999-2001).

- **Housing-related and urban infrastructure**

Estonia Latvia Lithuania	Rehabilitation of municipal social infrastructure through a programme implemented with Skandinavian Enskilda Banken (SEB)'s subsidiaries in Estonia, Latvia and Lithuania, channelling loans to local authorities, municipal companies, public utilities, public-private partnerships or social housing providers in the countries, to the benefit of local populations (2006, 2009).
Finland	Participation in social infrastructure investment programmes, in co-operation with Municipality Finance, implemented by municipalities or municipally-controlled companies in the fields of education, health, environment, social housing and related infrastructure (1997-2007).
Hungary	Participation in several social and environmental municipal infrastructure projects with the Government, Magyar Fejlesztési Bank (MFB - Hungarian Development Bank) and Erste Bank Hungary. Projects located in the North, the South Great Plains and the South Transdanubia regions are partially co-financed with EU Structural Funds (2005-2009).
Poland	Modernisation of public amenities mainly in the areas of health, education, urban transportation and environmental protection, in co-operation with Region of Małopolska, Region of Mazovia, City of Krakow and City of Warsaw (2005-2009).
CEB/EU/KfW Municipal Finance Facility	Tripartite co-operation programme in Central and South Eastern Europe aimed at inciting local banks to expand their lending to municipalities for smaller projects for public and private social infrastructure construction and rehabilitation, including in the sectors of environmental protection, health and education (2003-2009).

3. HOUSING AND URBAN DEVELOPMENT IN EUROPE: THE WAY FORWARD

The new social reality calls for thinking of housing provision as part of a wider social framework. Demographic, social, economic and environmental trends will have, in the coming years, an impact on housing and urban development in terms of diversified demand with significant investment opportunities. In this respect, ambitious housing and cross-sector programmes in an environmentally-responsible perspective are to be implemented in urban areas. This implies a reinforced role for international financial institutions, such as the CEB, in supporting considerable investments needed in the urban and housing sectors. In the current context of the financial and economic crisis and therefore reduced available public and private resources, international financial institutions should see a rise in demand for their financing.

3.1. Factors shaping growing demand

Among the profound social and demographic transformations currently taking place in Europe, the key demographic dynamic is the **ageing of populations**. The phenomenon of a "greying" population will increase dramatically and have significant impact both on social and health policies and on the housing market. All CEB member countries will have to deal with the ageing challenge but not at the same time and not to the same degree. Simultaneously, younger cohorts of the population will notably decrease. Due to this evolution in the age structure of the population, the needs in the future will have to focus increasingly on the most vulnerable groups, which consist of (i) elderly people living alone and (ii) people aged over 80 who may be considered as a new category of vulnerable groups of populations. Translated into housing needs, this process will increase demand from a new segment, characterised by specific needs in terms of accessibility, design, infrastructure, technologies, etc. but also with regard to health conditions, culture and income level.

Another general observation about demography is that trends show an important **modification of households' structure**, i.e. the decrease in household size and a large and increasing proportion of single person households. This directly translates into a need for smaller dwellings and/or their increased supply on the market. Also, future **migration flows**, although uncertain to what extent, may have an impact on demography and housing demand in several countries.

In view of higher life expectancy and changing lifestyles across Europe, the housing cycle has become longer and subject to greater variability than before. Hence, housing needs are expected to change to a greater extent at different stages of the cycle. New social and population trends are shaping a new demand for housing in general, and for "social housing" in particular. Consequently, adequate housing provision should be aimed at diverse products for the benefit of a wider range of household types and needs, in terms of size of dwellings and tenure diversity, located in larger urban areas with affordable housing in short supply and/or including dwellings specifically designed to suit needs of the elderly in terms of accessibility, infrastructure and services.

Over the last couple of years, economic disparities have translated into widening income distribution, and hence, increasing social inequalities and worsening housing affordability for lower income persons. As a consequence, a widespread trend common to most European countries has been the spatial and social segregation and stigmatisation of urban areas with a high concentration of relatively poor households. The sharpening of **socio-spatial stratification** is likely to continue in the near future. More than ever, strengthening social cohesion depends on the development of sustainable urban communities which includes both affordable housing for socio-economically vulnerable households and renovation of urban infrastructure.

Throughout Europe, the general challenge to be addressed is the energy-efficient refurbishment and retrofitting of existing buildings. Although some progress has been made recently, the existing situation in CEB member countries leaves much room for improvement. Even those that are considered to have advanced building standards in place are far from fully realising the potential for the sector. Central and South Eastern European countries, the CEB's target countries, in

particular, lag behind and have the greatest unexploited potential for energy-efficient housing: their housing is characterised by low energy-efficiency standards, especially in panel-built housing of the period between the 1960s and 1980s.

Environmental concerns will undoubtedly constitute a challenge in a vast majority of the integrated urban regeneration programmes to be implemented in the years to come. As a unique social development bank in Europe, the mission of the CEB will hence be twofold: firstly, the Bank will be expected to include and promote environmental and energy efficiency standards in all its activities, alongside the opportunity to invest in "green housing" and sustainable urban development in particular. Secondly, the CEB will enhance its co-operation with other national and international partners so as to share, exchange and acquire knowledge and experience in this field.

3.2. Potential implications for the CEB

The challenge for the CEB is to adapt its activities to demographic, socioeconomic and environmental trends. In order to best meet the significant needs in housing and urban development, the Bank could develop its activities along three main lines:

- provide decent, affordable and adapted dwellings for those whose needs are not met by the general housing market;
- develop cross-sector operations;
- promote energy-efficient housing and sustainable urban communities.

The core mission of the CEB in the housing sector will remain the same: its priority will be to provide **decent and affordable dwellings** for economically and/or socially disadvantaged groups of populations and for persons defined as vulnerable. In a demand-driven approach, this will concern the financing of projects for construction, i.e. to increase the stock, of new housing in countries where the market is not saturated; renovation or refurbishing of the existing housing stock; and conversion of buildings for housing purposes. The objective concretely translates into increasing housing supply in larger urban areas, while adapting size of dwellings and/or encouraging tenure diversity by fostering the rental sector in general and the "social rental" sector in particular.

Second, when considering its role to provide adapted and decent dwellings for vulnerable people, the CEB will continue its support for housing provision for the benefit of vulnerable groups of beneficiaries eligible for CEB financing, such as victims of natural or ecological disasters, refugees, displaced persons or migrants, abandoned children, children in vulnerable situations, the elderly or persons with disabilities. In the particular case of vulnerable beneficiaries, the CEB can also intervene beyond the simple provision of dwellings, i.e. through **cross-sector operations**. New cross-sector programmes comprising different but concurrent sectoral components, involving job creation and preservation, education and vocational training, health or environment, could be developed. These would include targeted and sustained support through comprehensive programmes and thus put CEB in a position to address more complex social issues.

Third, the CEB could also respond to environmental requirements for promoting **"green buildings and infrastructure"**, including energy-efficient housing and environmentally friendly urban infrastructure. CEB financing can cover energy-saving and efficiency investments in both the rehabilitation of existing buildings and the construction of new buildings. In this perspective, the CEB can intervene in the residential building sector and partially finance a large spectrum of energy-saving and efficiency investments, including thermal rehabilitation, heating systems, water supply and electrical/lighting system, installation of solar, photovoltaic, biomass, geothermic or wind devices for heating and electricity generation purposes.

Last but not least, the CEB will continue its support for **urban renewal programmes** that involve energy-efficient measures in construction or rehabilitation not only of housing but also other urban infrastructure. Energy-saving and efficient investments could therefore concern social and cultural infrastructure; urban transport, the residential environment, public spaces; utilities or electricity and gas provision. CEB's projects are thus implemented in an environmentally sustainable way in a broader urban context while taking into consideration a number of global challenges in their

ecological, social and economic dimensions. Especially as part of an integrated, cross-sector approach, energy-saving and efficiency interventions in housing, as well as other urban infrastructure, can contribute to sustainable urban development, improving the quality of life of citizens and combating energy poverty and exclusion.

Current trends and implications for the CEB open the way for more ambitious programmes which are likely to involve diverse borrowers and partners. The CEB will mainly continue its **co-operation with national, local or regional government authorities,** and **public or private financial institutions**.

Traditional lending instruments will generally remain the main tool for CEB's intervention. The CEB support will primarily be channelled through the provision of **flexible long-term loans at favourable interest rates.** In view of growing demand for CEB financing in housing and urban development, one of the key challenges for improving the quality and the successful implementation of CEB's projects will be to increase financial resources for (i) **technical assistance** for the identification, preparation and/or implementation of projects, as well as (ii) **subsidies and grants** extended in very specific cases.

Efforts to intensify co-operation with other financial and non-financial international institutions, either in the form of joint operations or through the exchange of expertise and best practices, should enable the CEB to increase the added value of its actions, especially for the benefit of vulnerable groups of population. In particular, the CEB is increasingly seeking to (i) **develop co-financing opportunities with the European Union** through EU Structural Funds in EU-27 countries; EU grant facilities for pre-accession, candidate, potential candidate and neighbourhood countries; JESSICA initiative, as well as further opportunities of co-operation , under the aegis of the EU, with the other IFIs active in its countries of operation; and to (ii) **strengthen co-operation with individual donor countries,** and thereby to increase external sources of financing for technical assistance.

The CEB, as the social development bank in Europe, will remain committed to its social mandate and will be part of the necessary international support designed to improve living conditions of urban dwellers throughout its member countries. Finally, sustainable housing and urban development may be an efficient means of achieving its mandate of strengthening social cohesion in Europe within an integrated approach.



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