

Social Housing Programme in South Eastern Europe – Social Housing Loan

Ex post evaluation Abstract

Background. The social housing programme was approved by the Administrative Council in 2001, with the objective of providing access to rental housing units for young people/families with low income. The initial loan amount was 60 m\$, increased by 40 m\$ with Addendum 1. According to the National Housing Agency's (NHA) final report, the total cost of the programme, implemented between 2003 and 2006, was 280 m\$ of which the CEB contributed 100 m\$ (36%), the remainder being financed by the government (53%) and municipalities (11%). This allowed for the construction of 12 874 housing units, spread over 40 different counties and in the capital. The Ministry of Public Finance was as the Borrower was ultimately accountable to the CEB. The funds were passed on, as a grant, for the programme, managed by NHA, an independent public interest institution placed under the supervision of the Ministry responsible for housing issues.

Main evaluation findings. The social housing programme was relevant, effective and efficient in achieving its objectives and reaching the target group at reasonable cost. Sustainability of the programme is likely, although the continuation plan based on the "revolving fund" is not clear. The socio-economic impact is sustained, as the programme contributed to accession to decent housing conditions for young families, stabilization of young professionals in the communities where they had their jobs, building up of new public housing rental stock and additional employment of the labour force (temporary jobs in housing construction). Rent levels are affordable and tenants tend to report a relatively high degree of satisfaction, in line with the real-life context which, for them, is one with very few other options. In terms of the CEB mandate, the social aim of the programme might be arguable to a certain extent because it did not address the housing needs of the most vulnerable groups, but this is in fact not the case: the programme addressed a major need for housing for a population group which, in the national socio-economic context, would not have had any other housing alternative. The possibility of purchasing the dwellings was later introduced as an option for tenants upon reaching the 36 age ceiling. The initial hypothesis whereby the programme would provide the possibility for beneficiaries to save up in order to buy their own home (including the one they rented within the programme, if so desired) is not sustained by the current economic situation. Cost recovery issues were not addressed at the local level (municipalities often do not even recover maintenance costs from rents) nor by the Borrower. Presently, the scheme is maintained, in principle, by virtue of the recently-introduced procedure to sell the NHA dwellings, consequently reducing, however, the overall public housing rental stock by as much.

CEB added value was high because of the preferential terms of the loan and because the CEB is the only IFI co-financing the programme. The CEB loan enhanced long-term funds availability for the social housing programme in the country; in the absence of the loan, social housing construction would have been hampered.

Lessons and recommendations

Recommendations to the CEB

- Given the CEB's experience in the domain of social housing in different countries in Europe, the CEB may consider encouraging learning from the diversity of European practices, through knowledge sharing and dissemination of evaluation findings.
- In order to increase both the utility of the evaluation findings and to ensure a better documentation of the evaluation process, evaluation of such programmes should be considered upfront and planned together with the Borrower from the early stages of the project cycle.
- Social housing programmes might be approached from the perspective of sustainable development principles, including economic impact (fiscal aspects, maintenance of buildings) as well as social and environmental effects.
- In the planning phase of other similar programmes, the CEB is advised to look at how, and to what extent, the recommendations addressed to the Borrower and municipalities under previous evaluations have been incorporated in the appraisal documentation.

Recommendations to the Borrower

- In future, the Borrower should be requested to provide more clarification on how the programme fits into overall national housing policy.
- The Government should abandon the idea currently being promoted of trying to incentivize local governments to sell the NHA units by promising to put those municipalities that have generated the most funds in the privatization process on top of the list for future programmes.
- Misunderstandings around the programme (communication with both intermediary and final beneficiaries) might be addressed, at least partially, by increasing the transparency of programme implementation, which might be done easily at reduced cost by using NHA's website.
- In order to align incentives at the central and local levels, and help local governments make rational decisions, the Government should consider sharing the proceeds from the sale of NHA apartments with the municipalities, in direct proportion to the value of the land and utilities' grids brought into the programme by each of the latter.
- With an overall strategy that is more clearly shaped, the beneficiaries should constantly be reminded of the finality of the programme and rational behaviour should be encouraged, i.e. savings to enable them to buy a home.
- Housing needs should be assessed ex-ante in order to ensure more equitable targeting and distribution of the programmes among localities and within the confines of each locality.

Recommendations to the municipalities

- Municipalities should play a more active role during the building phase of the housing programmes, for example by appointing their own works supervisor to collaborate with NHA's local supervisor.
- There is a strong need and potential for local knowledge sharing with regard to local implementation of the programme. NHA, in collaboration with the local authorities' associations (association of the municipalities and association of towns, or the Federation of the Local Authorities), could address this need in a joint initiative.
- The participation of stakeholders should be ensured at all stages of the project cycle.