



Housing investments supported by the European Regional Development Fund 2007-2013

Housing in sustainable urban regeneration



September 2013

Acknowledgements

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List of Abbreviations and Acronyms

ASAP	Amsterdam Special Action Programme
CCP	National Climate Change programme
CEB	Council of Europe Development Bank
CECODHAS Housing Europe	European Federation of Public, Cooperative & Social Housing - a network of 45 national and regional federations which together gather about 41 400 public, voluntary and cooperative housing providers in 19 countries.
CEE	Central and Eastern Europe
CESP	Community Energy Saving Partnership
CHP	Combined heat and power
CODES	Comité local des acteurs de l'économie solidaire
DDT	France: the devolved element of the Ministry for Ecology, Sustainable Development and Energy – Departmental Directorate of the Territories
JESSICA	Joint European Support for Sustainable Investment in City Areas
EIB	European Investment Bank
EPBD	Energy Performance of Buildings Directive
ERDF	European Regional Development Funds
ESF	European Social Fund
GHGs	Greenhouse Gas Emissions
IEE	Intelligent Energy Europe
INTERREG	An initiative that aims to stimulate cooperation between regions in the European Union. It started in 1989, and is financed under the European Regional Development Fund (ERDF).
KfW	Kreditanstalt für Wiederaufbau (DE)
LED	Light-Emitting Diode
NHF	National Housing Federation (UK)
OPs	Operational Programmes
PLU	Local housing plan (Plan Local Urbain)
PPS	Purchasing Power Standards
PROGRESS	Financial instrument supporting the development and coordination of EU policy in the following five areas: Employment, Social inclusion and social protection, Working conditions, Anti-discrimination and Gender equality (DG EMPL)
REECH	Renewables and Energy Efficiency in Community Housing
Scot	Schema de Cohérence Territoriale or Local integrated urban planning framework
SGEI	Services of General Economic Interest
SSGI	Services of Social General Interest
TBE	Tiles and Bricks Europe
URBAN I / II	The Urban programme was a European Union Community Initiative which targeted at sustainable economic development in the most deprived urban areas of the EU.
URBACT	URBACT is a European exchange and learning programme promoting sustainable urban development. URBACT is jointly financed by the European Union (European Regional Development Fund) and the Member States.

Executive Summary

Housing problems: deep-seated, complex and diverse

Across the EU, significant challenges remain in dealing with poor quality, unaffordable and low energy efficiency housing. Such problems tend to be deep-seated and complex, and differ between Member States. Housing problems in Western European cities tend to focus on high-rise building blocks, stemming from poor materials and design; wider urban issues such as traffic problems and social problems linked to poverty and unemployment, and inadequate management of housing estates. Housing problems in Central and Eastern Europe are similar, but have developed through different processes. A range of factors, including state-led allocation mechanisms and a state-controlled economy were followed by a transition period during which an aversion against collective forms of ownership emerged. The resulting problems are centered on the large scale deterioration of urban peripheral housing estates or traditionally built inner city areas. This report also notes that problems of segregation are present not only in big cities but also in middle-sized and smaller cities.

Aim of the study: understanding how ERDF is used in housing projects

The aim of this study (initiated by the European Parliament) is to improve the understanding of how the European Regional Development Fund (ERDF) is used in housing projects in the 2007-2013 funding period. It also explores how ERDF has fostered integrated approaches which address simultaneously housing, energy and socio-economic needs of deprived communities. The study helps to inform the use of ERDF in the 2014-2020 programming period. The research is based on three overarching questions:

1. To what extent is there evidence of ERDF housing investments contributing to integrated sustainable urban regeneration of the target areas i.e. highly populated deprived neighbourhoods?
2. What are the main challenges encountered in the preparation and implementation of these regeneration projects?
3. What lessons could be learned from the current ERDF Regulation framework regarding housing interventions and its practical implementation?

These questions have been tackled through two main steps in the research. 1) A literature and document review provided a broad and deep understanding of the concepts surrounding sustainable regeneration and housing in Europe. This review also allowed insight into the development of EU support for housing over time, and the housing challenges across Member States. 2) Ten in-depth case studies across the EU, which look in detail at ERDF-supported housing interventions to answer the three main questions of the study.

An overview of the case studies is presented below:

Case study project title	Project description
REECH (Renewable Energy and Energy Efficiency in Community Housing) Project (UK)	REECH will help drive up domestic demand for installing low carbon technologies by working with Registered Social Landlords (RSLs) on 2000 homes in North West England. By creating demand for new green technologies, the project aims to reduce fuel poverty while stimulating a new growing market for local businesses.
Chemnitz Sonnenberg (Germany)	The project aims to make the area more attractive and address further decline. ERDF funding is targeted at a range of measures including neighbourhood management and energy efficient renewal of a child care facility. ERDF funding complements a wider set of policies and measures in the Sonnenberg area, designed to promote an integrated approach to regeneration.
Integration in social housing and orphanages (Estonia)	The city of Tallinn is using ERDF for the renovation of social housing and orphanages. The projects have two aims: to improve social infrastructure in an innovative way and to introduce energy saving measures as well as the use of renewable energies in those facilities.
Quartier La Forêt, Cambrai (France)	The ERDF project aims to rehabilitate 446 social flats with high energy consumption in order to reduce energy usage, improve the quality of life and safety of residents as well as the overall image of the neighbourhood.
Improved energy efficiency of blocks of flats (Latvia)	The aim is to contribute to improved energy efficiency of multiple apartment buildings in order to ensure sustainability of the housing stock and the efficient use of energy resources. The project should also help to diminish social tension and improve housing conditions of low income inhabitants.
Socially sensitive rehabilitation of Ady housing estate (Hungary)	Project activities centre on creating new public spaces and infrastructure and reducing the maintenance costs of private (occasionally social) housing. There is also a strong social focus with ESF used to fund activities designed to reintegrate residents into the labour market.
IPRM Mostu – DEMOS Development of Deprived Residential City Zones (Czech Republic)	This ERDF project combines investments in the refurbishment of 4 blocks of flats in Chanov and some other blocks in Stovky, with improvements to public spaces, public facilities (education, social services, health services, culture), employment, training and transport. Part of the refurbished flats will be used as social housing within an integrated three-level system of passable housing (which includes private renters).
Energetic Requalification of Social Housing (Italy)	The aim is to make social housing in the most deprived parts of Piedmont more energy efficient and therefore sustainable in the long term. This is being done to improve the social conditions of specific marginalized and risk groups, such as single parents. There is a particular focus on utilising renewable energy sources.
The renovation of multi-family apartment blocks through the Jessica Holding Fund (Lithuania)	The first aim is to invest in projects designed to create new business opportunities, better public spaces, and improve physical and mental health as well as overall quality of life. The second aim is to improve energy efficiency and reduce energy consumption across Lithuania by investing in improvements to multi-family apartment buildings.
Old town in Sieradz as a historical and cultural heritage of the region (Poland)	The overall aim of this ERDF project is to regenerate housing in the oldest part of the city. Intermediary aims concern the improvement of living conditions, the attractiveness of the area, and conditions for habitation and boost economic activity. Integrated actions are focused on improving the quality of life of inhabitants, reducing poverty and rearranging land management in the area of the Old Town of Sieradz.

1) How do ERDF housing interventions contribute to integrated sustainable urban regeneration?

The more complex problems an area has, the more integrated measures are needed. The study therefore looked carefully at the relationship between these funds and national schemes and existing integrated regeneration strategies on the ground. Key findings are that:

- The ERDF housing interventions provided tangible and often high levels of positive benefits in terms of energy efficiency and energy bills.
- Housing problems have an economic, social and sustainability (energy) dimension. Stakeholders were relatively positive about the impacts of the projects on related aspects such as job creation and health.
- However only few projects managed to address all of these three problems at the same time- in a truly integrated way. Some of them are "one-dimensional", aiming just for energy improvement; some have a clear energy efficiency aim while including some social elements; and a small number of projects managed to integrate all three dimensions.
- Addressing the various dimensions of housing problems proves difficult for housing practitioners who are often not familiar with soft or people-oriented measures. Projects are better at an integrated response when national policies encourage ERDF schemes to be linked to other interventions. Local and regional political leadership at helps too.
- The type of housing organisation affects the actual ability to use ERDF housing funds: more deprived areas typically have weaker private housing management organisations. This is also true for social housing, especially in the newer Member States.

As identified in this case study work linked to this report, good practice in terms of true integrated sustainable development in ERDF housing projects comes from Germany (among others) – in which however, ERDF was not used for housing purposes. Here the project linked a range of social and energy actions together to maximise

impact and importantly linked into a wider set of policies and measures in the Sonnenberg area to ensure a true holistic approach to sustainable development.

2) Main challenges faced in ERDF housing projects

The research identified and explored a series of challenges that occurred in the preparation and implementation of the housing projects.

- Limited integration of different policy areas and limited cooperation of different administrative levels. This can be caused by low levels of cooperation between different government organisations, local governments and their departments in the Member State on regeneration issues in general. But it can also be caused by incompatibility of different sectorial plans (housing policy, energy policy, rehabilitation policy) at national and local levels. It can be caused also by incompatibility of rules and targets for different funding streams (including difficulties in linking ERDF and ESF).
- In some Member States there is increased difficulty in working with private owner associations as compared to more concentrated leadership in others (particularly those in public ownership). Owners have to opt in to receive support from ERDF - this often takes the form of vote by individual apartment owners. Those who are able to reach majority approval - and contribute substantially with co-financing – are able to use the ERDF support. But such achievements are often hardest to get in projects focussed on residents with lower incomes, often living in the worst housing conditions.
- A lack of sufficient match funding for ERDF housing projects. The public, private and residential sectors (who would traditionally match ERDF funding) are all struggling to provide match funding. This leads to an increased need for new or different forms of finance beyond traditional grants. However, loan based ERDF projects have their limitations in terms of how much they can support those most in need (who are less able to finance a long term loan).

- The difficulty in increasing affordability. Affordability is a key issue for marginalised communities in particular. However in many cases the net result of the interventions (residents' payment versus energy savings) did not lead to increased affordability in overall terms.
- The administrative schedule is a challenge. The timeframe for planning and implementing integrated projects was often too short, leading to projects in deprived neighbourhoods not having enough time to develop effective integrated, long-term and sustainable activities. This was partly down to housing being introduced part way through the 2007-13 period for the old Member States.

Good practice on helping address challenges around the implementation of ERDF housing projects came from a number of case studies including the Czech Republic. The national government provided technical assistance throughout the Agency for Social Inclusion on a range of issues linked to promoting strong implementation, particularly around developing integrated projects. The support covered how to target marginalised communities (Roma), how to develop community empowerment activities as well as how to establish a multi-agency partnership- all pre-requisites of an integrated approach. Providing this 'framework' for implementation was identified as good practice by local housing practitioners.

3) Lessons learnt from the current framework 2007-2013

Energy efficiency-related interventions are often positive from a social perspective as they help to reduce energy bills.

The integration of different policy areas and the cooperation of different administrative levels are important when designing national and regional schemes which allow for a higher take-up of ERDF funds and enable local players to implement integrated projects on the ground.

Integrated interventions targeting deprived areas can be less popular at local political level when conflicting priorities arise. Specific promotion through funding schemes, higher subsidy rates and additional mechanisms are needed in support of less organised, financially weaker layers of the residents, and transforming the image and

conditions of more deprived areas. This type of intervention requires area-based and socially targeted approaches.

Stronger cooperation, more efficient and wider partnership and participation proved to be more efficient than strict administrative requirements and hierarchical structures in producing integrated projects which are tailored to the real needs of local residents. In this respect sufficient time for planning and implementation is also a crucial factor.

ERDF support for housing which started in the current funding period 2007-2013 has made a positive difference on a number of fronts. The next funding period can be more successful if the flexibility of 2014-2020 cohesion policy legislation is combined with an effective framework, forward planning and active involvement at all levels of government.

1. Introduction

The primary aim of this study is to improve understanding of European Regional Development Fund (ERDF) use in housing projects, and how ERDF has fostered integrated approaches addressing housing, energy and socio-economic needs of deprived urban areas and communities. The study draws together information from all stages of policy and project development concerning the programming period 2007-2013 to help inform the use of ERDF in the 2014-20 programming period and the new Operational Programmes (OPs).

The study was initiated by the European Parliament.

The research is based on three overarching questions:

1. To what extent is there evidence of ERDF housing investments contributing to integrated sustainable urban regeneration of the target areas i.e. highly populated deprived neighbourhoods?
2. What are the main challenges encountered in the preparation and implementation of these regeneration projects?
3. What lessons could be learned from the current ERDF Regulation framework regarding housing interventions and its practical implementation?

In the course of answering these questions, research has been guided by a series of implicit sub-questions:

Research Question 1: To what extent is there evidence of ERDF housing investments contributing to integrated sustainable urban regeneration of the target areas, i.e. highly populated deprived neighbourhoods?

Sub-questions:

- What models of integrated sustainable regeneration are used in the EU and how can they be measured?
- How do ERDF-funded projects tackle integrated sustainable regeneration?

- What impacts did ERDF housing programmes have on housing?
- How were the two main aims of the ERDF Regulations: energy saving and social targeting connected to each other in ERDF funded housing initiatives?
- How many countries have used ERDF resources for housing measures and to what extent?

Research Question 2: What are the main challenges encountered in the preparation and implementation of these regeneration projects?

Sub-questions:

- What are the national specificities in designing and implementing ERDF programmes for housing?
- What practical challenges were encountered in selected projects?
- Was governance effective and how did approaches differ?
- Did projects focus on participation in project development and implementation?
- Do ERDF structures and procedures lend themselves to supporting an integrated approach?
- To what extent has JESSICA (and other financing schemes) been used to fund housing projects?
- Did the development of an integrated approach present challenges?

Research Question 3: What lessons could be learned from the current ERDF Regulation framework regarding housing interventions and its practical implementation?

Sub-questions:

- What are the barriers to the use of ERDF for housing interventions?
- What are the factors that make a project successful in implementing housing elements from ERDF? (How can the challenges be turned to success factors?)
- What is the main role of the European level in housing?
- How does governance affect projects?

1.1 Research methodology

The research undertaken to prepare this synthesis report has been twofold. First, a literature and document review provided a broad and deep understanding of the concepts surrounding sustainable regeneration and housing in Europe. This review also allowed insight into the development of EU support for housing (specifically ERDF), and the housing challenges across Member States. Second, a series of ten in-depth case studies was undertaken across the EU amongst the first housing interventions of 2007-2013 programming period, nine of which involve ERDF support. These case studies provide a detailed analysis of all aspects of particular interventions, from national and regional policy contexts to end implementation. A German case study was included in the ten, providing a comparator that details a well-established integrated approach in which ERDF funds are being used for urban regeneration and housing-related measures but not housing as such.

These ten case studies all entailed three interrelated stages:

1. Preparatory phase. Including analysis of strategic and project level documentation, background quantitative analysis, and developing contacts with key stakeholders.
2. Fieldwork phase. Including a week-long visit to projects allowing for face-to-face interviews with project and government stakeholders, and site visit.
3. Analytical phase. Detailed analysis of all evidence to set up stand-alone case study fiches, and to draw key lessons and evidence for final reporting.

Taken together the documentary and case study research provides a comprehensive evidence base for this final synthesis report, combining new and historic information to give new insights into the use of ERDF.

1.2 Structure of this report

This final synthesis report serves to outline the key lessons learned from both elements of the research. The report is in three parts:

- Part 1 deals with contextual and policy issues;
- Part 2 deals with thematic issues arising from the primary and secondary research stages
- Part 3 deals with overall conclusions and recommendations.

For a complete and detailed explanation of each case study please see complementary document which provides information on each case.

PART 1: CONTEXTUAL AND POLICY ISSUES

Chapter 2 reviews the policy context of the current use of ERDF to support housing projects, and explores some key policy drivers for regulatory changes in the 2007-13 period. Analysis is based on relevant literature and policy documentation as well as interviews with EU officials and the President of the Urban Intergroup of the European Parliament. The literature and policy review recognises that long-standing debates and policy development around environmental and social issues have shaped the use of ERDF, as much as a need to address housing as an end in itself. The section is based on an appreciation that housing is not directly addressed through ERDF in isolation, and that integrated development approaches underpin the most successful urban development interventions. Housing is linked to numerous other thematic areas such as energy and social inclusion, and for this reason the concept of integrated and sustainable development in EU policy is discussed alongside associated policy agendas.

Chapter 3 sets out the wider context of urban deprivation and energy efficiency in the EU with particular reference to the case study countries and their use of ERDF funds to address these issues. It also reviews the use of national funding instruments and other EU-wide instruments including EIB loans as well as the application of JESSICA.

Chapter 4 analyses the impacts of interventions on energy efficiency, social inclusion, and employment. It is based on a set of intervention logic diagrams, and explores what can be said about the impact in each of the case studies. Since many of the projects have not been completed, there is a limited amount of information about impacts at this stage. Some of the energy efficiency impacts can be measured objectively, but this requires a period of bedding in

after completion of the works; and some of the wider social benefits of such improvements (such as on health or from reducing fuel poverty) also require a reasonable lead time before being visible. Nevertheless it is still important that this study tries as far as possible to document the outputs and impacts which can be seen at this stage. The main evidence presented in this chapter comes from the case studies themselves, supplemented by wider evidence from relevant literature.

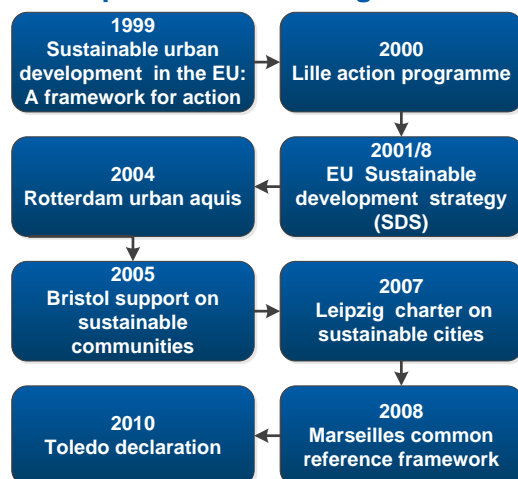
2. The Policy Context

2.1 European integrated urban development and housing

There is no EU level competence for housing policy, although European legislation does have a significant influence on housing. Housing interventions undertaken at the national level sit within wider sustainable development that is a fundamental principle of the EU, set out in article 3 (3) of the EU Treaty.¹ Sustainable development aims at continuous improvement of the quality of life and wellbeing of present and future generations. Over time there has been a shift to 'a more integrated approach to urban redevelopment, which links the stimulation of economic activities and environmental improvements to wider social and cultural elements'.²

This thematically-integrated approach has a long political history that can be traced back to the origins of European Regional Policy, but it is the past 15 years that has seen the formalisation of the approach at the EU level through several milestones.

Figure 2.1 European integrated urban development and housing: milestones



¹ Consolidated version of the Treaty on European Union. <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2010:083:0013:0046:en:PDF>

² Colantonio, Andrea and Dixon, Tim (2011) *By making 'local' and 'more inclusive' the focal point of our policies, we can achieve lasting social sustainability in our communities.* *British Politics and Policy at LSE* (29 Jun 2011) Blog Entry, p. 4

It was in 1997 that the European Commission launched the debate with its Communication "Towards an Urban Agenda in the European Union", followed by a proposal for a policy framework "Sustainable Urban Development in the European Union: A Framework for Action" in October 1998³.

A number of initiatives (some stemming from Member State collaboration, and some from the direct initiative of individual EU Presidencies) later drove urban development approaches. The Lille Action Programme of 2000⁴ was followed by the Rotterdam Urban Acquis of 2004.⁵ The latter considered that including numerous types of actions in integrated programmes or urban plans would be particularly effective when intervening in the most deprived neighbourhoods. The Bristol Accord on Sustainable Communities of 2005⁶ later highlighted eight characteristics of sustainable communities. The Leipzig Charter on Sustainable Cities of 2007⁷ was a watershed in setting out the preferred approach to integrated urban development. Leipzig was a political declaration stemming from an Informal Ministerial meeting that argued for deprived neighbourhoods to receive more attention in integrated urban development policy. The Charter promoted cross-thematic integration, reinforcing approaches adopted by URBAN II programmes and preceding initiatives. There was also a call to invest in housing within physical environment investment. A commitment to continue the development and testing of the European Reference Framework for

³ CEC, (1998) Urban Sustainable Development in the EU: a Framework for Action COM (98) Commission of the European Communities, Brussels. <http://aei.pitt.edu/6794/1/6794.pdf>

⁴ Lille Action Programme – A multi-annual programme of co-operation in urban affairs in the European Union, adopted at the Informal Meeting of Ministers dealing with urban affairs in Lille on 2 November 2000.

⁵ Urban Acquis, Conclusions of the Ministerial Meeting on Urban Policy 'Cities empower Europe' in Rotterdam on 30 November 2004.

⁶ Bristol Accord, Conclusions of the Ministerial Informal Meeting on Sustainable Communities in Europe in Bristol on 6 December 2005.

⁷ Leipzig Charter on Sustainable European Cities, agreed on the occasion of the Informal Ministerial Meeting on Urban Development and Territorial Cohesion in Leipzig on 24/25 May 2007.

Sustainable Cities followed at the Toledo Informal Ministerial of Urban Development Ministers of 2010⁸, where the Framework was seen as a 'tool for cities helping them on a voluntary basis to develop better integrated sustainable urban development strategies, policies and projects'.⁹ Beyond physical and environmental considerations, the Ministers argued that from a social aspect:

'Housing policies are particularly important: on the one hand, decent and affordable housing can be considered as one of the cornerstones of social inclusion strategies, especially for those at the greatest risk of exclusion; while on the other hand, housing and building renovation, retrofitting and upgrading can provide tangible and considerable improvements in its inhabitants' daily lives; and last but not least, socially balanced housing policies allow to reduce social polarization at neighbourhood level.'

Although political debate and related strategies are important, it is in practical programmes that we see the true operationalization of integrated development. Key milestones¹⁰ include:

- **Urban Pilot Programmes (1989-1999)**

Between 1990 and 1993, 33 Urban Pilot Projects were launched in 11 Member States. This was followed by 26 projects in 14 Member States covering 1997-1999. Aimed at implementing approaches for further reaching redevelopment projects, these pilots addressed economic development in areas with social problems; environmental action linked to economic goals; the revitalisation of historic centres; and the exploitation of the technological assets of cities.

- **URBAN Community Initiative I and II (1994-2006)**

Between 1994 and 1999, URBAN I financed 118 urban programmes totalling €900 million EU funding, followed by €730m to 70 urban areas during the URBAN II 2000-2006 programme. Again the emphasis here was to implement integrated approaches to urban development by concentrating funding on key target areas, with high levels of participation, and horizontal coordination of regeneration policies, plans and interventions. The experience of the URBAN initiative was integral in leading to and informing the Urban Acquis of 2004. Although the Community Initiatives did not continue into the 2007-13 period, lessons learned were transferred into mainstream Operational Programmes which had the opportunity to support integrated urban development approaches.

- **URBACT I and II (2002-2013)**

URBACT is a European exchange and learning programme providing ERDF support to city networks aimed at building capacity and knowledge in the field of sustainable urban development. The programme facilitates the practical implementation of integrated urban development through individual and organisational learning based on principles of sharing good practices and collaboration.¹¹

These initiatives have relied on voluntary participation, meaning that implementation is dependent on the will of local and regional stakeholders.

⁸ Toledo Informal Ministerial Meeting on Urban Development 22 June 2010.

⁹ Toledo Informal Ministerial Meeting on Urban Development, Conclusions. http://www.efap-fepa.eu/wiki/images/b/b5/2010_04_09_toledo_draft_v1.pdf, p. 4.

¹⁰ Adapted from European Commission (2009), Promoting sustainable urban development in Europe, Achievements and opportunities. http://ec.europa.eu/regional_policy/sources/docgener/presenta/urban2009/urban2009_en.pdf

¹¹ <http://urbact.eu/>

2.2 The wider European policy context for EU housing interventions

Energy efficient buildings

Integrated development and housing practice do not operate in a vacuum however, and other factors have driven the EU to intervene in housing as well. A particularly important issue linked to housing interventions is that of energy efficiency, partly because of the significant emissions savings that can be made through retrofitting existing housing, and ensuring new housing is of a high standard.

EU energy policy was made highly visible through the 20/20/20 commitments enshrined in the 2008 EU Climate and energy package – calling for a 20% reduction in greenhouse gas (GHG) emissions by 2020 compared with 1990 levels, a 20% cut in energy consumption through improved energy efficiency by 2020 and a 20% share of renewable energy by 2020. Housing is an important focus of attention, given estimates that buildings account for around 40% of final energy consumption and some 36% of carbon emissions.¹²

In 2009, European households were responsible for 68% of the total final energy use in buildings¹³, and estimates show potential for saving 20 megatonnes of energy using existing initiatives, a figure increased to 80 million megatonnes with new mechanisms.¹⁴ Housing of course requires heating, and the mix of fuels (from sustainable to traditional fossil) used varies across Europe.

Energy and the link to buildings and housing was an important issue already before the 20-20-20 package. The 2002 Energy Performance of Buildings Directive (EPBD) required:

- *A calculation methodology in Member States to calculate the energy performance of buildings, taking account of all factors that influence energy use;*
- *Regulations that set minimum energy performance requirements for new buildings and for large existing buildings when they are refurbished;*
- *Energy performance certificates made available whenever buildings are constructed, sold or rented out;*
- *Regulations to require inspections of boilers and heating systems and inspection of air conditioning systems.*¹⁵

In 2006, the Directive on Energy End-Use Efficiency and Energy Services¹⁶ provided an added driver to improve energy efficiency. Measures included energy auditing on energy use in buildings, and cross-sectoral measures to improve end energy efficiency of buildings.¹⁷ The Energy Performance of Buildings Directive was revised in 2010, requiring Member States to establish and apply minimum energy performance requirements for both new and existing buildings, certify building energy performance and require the regular inspection of boilers and air conditioning systems in buildings. Member States must also ensure that all new buildings are nearly zero-energy buildings by 2021.

¹² European Commission (2012), Consultation paper, financial support for energy efficiency in buildings. http://ec.europa.eu/energy/efficiency/consultations/20120518_eeb_financial_support_en.htm

¹³ BPIE, (2011), Europe's building under the microscope. http://www.europeanclimate.org/documents/LR_%20CbC_study.pdf

¹⁴ European Commission (2012), Consultation paper, financial support for energy efficiency in buildings.

¹⁵ Directive 2002/91/EC of the European Parliament and of the Council of 16 December 2002 on the energy performance of buildings. <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2003:001:0065:0065:EN:PDF>

¹⁶ 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. <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2006:114:0064:0064:en:pdf>

¹⁷ Directive 2006/32/EC on energy end-use efficiency and energy services provided an added driver to actions to improve energy efficiency.

Further recognition that housing plays an important role in achieving energy aims is highlighted in the 2010 recast of the Energy Performance of Buildings Directive that calls on the Commission to determine 'the effectiveness, the appropriateness of the level, and the actual amount used, of structural funds and framework programmes that were used for increasing energy efficiency in buildings, especially in housing'.¹⁸

Given that much of the EU's housing stock was built in the early part of the last century, there is real value in EU policy and interventions to drive energy efficiency measures. In some Member States there was no regulatory framework for key issues such as insulation. Since the implementation of the EPBD, there have been dramatic changes due to transposition in such countries. For example in Portugal, a 50% reduction in the U values¹⁹ has been applied over the past five years.²⁰

Over time, Member States and stakeholders have been required to increase their investment in housing stock to meet new legal requirements. This in itself may have been a driver for utilising ERDF, but an important additional factor in utilising ERDF was the recognition that 'lack of funds and/or inability to secure finance on acceptable terms is generally one of the most cited barriers to investing in energy efficiency measures. This applies at the level of the individual householder, businesses (large or small), social housing providers and the public sector, particularly in the aftermath of the credit crunch.'²¹

The latest major change was the adoption of the new Energy Efficiency Directive in October 2012.²² This Directive requires that Member States set out clear strategies to identify where action is most needed, to provide information to actors so that demand is created and then ensure

that the right policy instruments are established and any remaining obstacles are removed. In particular, it requires Member States to establish, by April 2014, a long-term strategy for mobilising investment in the renovation of the national building stock, including policies and measures to stimulate cost-effective deep renovations.

Support for marginalised communities

A second aspect of ERDF utilisation in housing is to support marginalised communities, in line with the amendment to the ERDF Regulation. This sits within a wider context than regional policy. Indeed, marginalised communities and the requirement to address their needs can be seen as a stronger driver for related ERDF housing amendments than an explicit desire to change housing per se - the common factor is that marginalised communities tend to be spatially concentrated, and subject to poor quality housing.²³

The position of housing in EU policies against social exclusion is actually fundamental. For example, the Charter of Fundamental Rights adopted in Nice is included in the EU Treaty, and has within it a right to housing assistance. Similarly, the Revised Social Charter includes the right to housing.

In 2000 the European Council of Lisbon launched the EU Strategy against Poverty and Social Exclusion. The Council conclusions emphasised the broad nature of social exclusion and the importance of housing, calling for the 'Commission and the Council to mainstream the promotion of inclusion in Member State's... housing policies, this being complemented at the level of the EU by action under the Structural Funds within the present budgetary framework.'²⁴ In the same year, the Directive on Discrimination Based on Race and Ethnic Origin was adopted. This included access to and supply of goods and services which are available to the public, including housing.²⁵ The subsequent European

¹⁸ Directive 2010/31/EU on the Energy Performance of Buildings. <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2010:153:0013:0035:EN:PDF>

¹⁹ Measure of heat loss in a building element.

²⁰ BPIE, 2011, Europe's building under the microscope. http://www.europeanclimate.org/documents/LR_%20CbC_study.pdf

²¹ BPIE, 2011, Europe's building under the microscope, p. 56.

²² http://ec.europa.eu/energy/efficiency/eed/eed_en.htm

²³ Interview with CECODHAS June 2012.

²⁴ European Council Lisbon 2000, Presidency Conclusions. http://www.europarl.europa.eu/summits/lis1_en.htm

²⁵ Council Directive 2000/43/EC of 29 June 2000 implementing the principle of equal treatment between persons irrespective of racial or ethnic origin. http://eur-lex.europa.eu/smartapi/cgi/sga_doc?smartapi!celexapi!prod!CELEXnumdoc&lg=EN&numdoc=32000L0043&model=guichett

Council decided that Member States should 'implement policies which aim to provide access for all to decent and sanitary housing' and to 'put in place policies which seek to prevent life crises, which can lead to situation of social exclusion, such as indebtedness, exclusion from school and becoming homeless'.²⁶ The Commission Communication 'Building an inclusive Europe' also pointed to the importance of housing in relation to exclusion as a whole:

*'...exclusion goes beyond issues of unemployment and access to the labour market. It is evidenced by several types of deprivation and barriers, which alone or together prevent the full participation in areas such as education, health, environment, housing, culture, access to rights or family support, as well as training and job opportunities.'*²⁷

Housing was therefore an important pillar of addressing exclusion, which remains an important dimension of improving cohesion across the EU. Subsequent social initiatives including National Action Plans and their assessment incorporated housing as a consideration. But social exclusion was not to be addressed in isolation, and it was the development of the Sustainable Development Strategy (see figure 2.1) that explicitly tied together the economic, environmental and social, with housing at the centre. The associated Communication argued that social cohesion is one of six key elements of sustainable development, and housing is in turn a key sub-element.

The secondary effects of housing investment, including improvements in health and employability, and increases in employment meant the Lisbon Strategy for Growth and Jobs was supported by housing interventions. Europe 2020 made the link to housing more explicit, particularly through the «Platform against Poverty» flagship initiative which includes improving access to services including housing as a key aim. In addition, the initiatives "Resource Efficient Europe" and "Agenda for New Skills and Jobs" can both be directly and indirectly supported

²⁶ European Council Nice 2000, Presidency conclusions. http://www.europarl.europa.eu/summits/nice1_en.htm

²⁷ Communication from the Commission of 1 March 2000, Building an inclusive Europe [COM(2000) 79].

through housing investments producing higher quality, efficient buildings and inclusive workforces.

Discrimination has continued to be an issue of concern however, with numerous studies and policy positions highlighting the gap between migrant communities and ethnic minorities, in particular the Roma community, and the rest of the EU population regarding access to housing. In 2011, the Commission issued a call to 'close the gap between the share of Roma with access to housing and to public utilities, and that of the rest of the population ... action on housing needs to be part of an integrated approach including, in particular, education, health, social affairs, employment and security, and desegregation measures'.²⁸ In this context the Commission declared that it would work with Member States to maximise the utility of ERDF for supporting housing interventions, based on 2010 amendments to Regulation. Yet Member States are free to define marginalised communities, which in much of Europe stretches beyond the Roma communities.

Housing as a Service of General Economic Interest

Public and Social Housing fall under legal provisions about state aid for services of general economic interest (SGEI).²⁹ Social housing, defined here as "the provision of housing at below market price to a target group of disadvantaged people or socially less advantaged groups as well as to certain categories of key workers"³⁰, is regarded as a Social Service of General Interest (SSGI) and therefore can be exempt from competition law and internal market rules. Under certain conditions, compensation for housing providers can be granted without prior notification to the Commission. Articles 106 and 107 of the Lisbon Treaty settle the conditions under which granting state aid for housing provision is possible.³¹ The use of ERDF for housing

²⁸ European Commission, 2011, An EU Framework for National Roma Integration Strategies up to 2020, p.7.

²⁹ European Commission (2012): EU Competition Law – Rules applicable to State Aid, Situation as at 2 October 2012, Competition Handbooks, Brussels.

³⁰ European Commission DG Employment and Social Affairs (2011): Study on Social Services of General Interest, p. 10.

³¹ Further information: EUROPOLITICS (2011): EU rethinks role of social housing, supplement to No 4328.

interventions therefore sits within a wider policy context. Also, as recently as 2011 a Committee of the Regions discussion paper entitled 'Towards a European Agenda for Social Housing' reiterated the social, environmental and economic benefits of investing in housing interventions.

2.3 ERDF support for housing

Although the wider policy context indicates EU interest in housing extending back many years, ERDF eligibility for housing interventions was introduced in 2007. From 2007 the Member States which had acceded the EU in 2004 or after (the "new Member States") were able to use ERDF to fund housing-related projects, and all EU Member States have been able to do so since 2009 for investments related to energy efficiency or renewable energy. The debate on specific ERDF support to housing began in 2004, driven by the EU enlargement. New Member States argued that housing, especially large post-war estates was one of the main urban problems. The countries demonstrated that without comprehensive interventions many estates would quickly deteriorate, creating both ghettos for the urban poor, and large demand for suburban single-family housing. Early progress to allow housing eligibility for ERDF spending were initially stalled, based on views that many housing problems were a private landlord issue and therefore not suitable for EU intervention partly because of state aid.³² Efforts to gain EU funding to support housing interventions were supported by CECODHAS³³ and other organisations, although the European Commission was cautious about any proposals which could pose a budgetary threat through an increased demand for EU money – reflecting the continued Member State responsibility for housing.

After significant negotiation, an agreement was reached in 2006 which gave the new Member States flexibility in the spending of their Structural Funds allocations on housing issues:

'...it is considered necessary to support limited actions to renovate housing in areas experiencing or threatened by physical deterioration and social exclusion in the Member States that acceded to the European Union on or after 1 May 2004.

It is necessary to establish that the contribution from the ERDF to housing expenditure should concern the provision of good quality accommodation for lower income groups, including recently privatised housing stock, as well as accommodation for vulnerable social groups.³⁴

Initial provisions under Article 7

This declaration opened the way for the Regulation to allow tightly controlled types of housing intervention through Article 7. Only existing housing stock would be eligible, and new construction was excluded. Interventions were limited to instances where an integrated urban development operation or priority axis for areas experiencing or threatened by physical deterioration and social exclusion were in place. Only 3% of the Operational Programme's ERDF allocation or 2% of the total ERDF allocation could be used. And spending was limited to multi-family housing, or buildings owned by public authorities or non-profit operators for use as housing designated for low-income households or people with special needs, in Member States that had acceded the EU in 2004 or after.

The definition of eligible housing reflected concerns over plans to use the term social housing as a defining characteristic. In most of the old Member States, a clearly defined but complex social housing sector existed which in some countries covered the poorer strata of society (residual approach), in others reached well into the middle class (universal approach) and included public housing as well as publicly supported private accommodation and housing cooperatives. The situation in new Member States was again different, with large variations in the share of public rental housing which itself could not be clearly identified as social housing. Given the variation of approaches, social housing

³² Interview with Jan Olbrycht MEP, President of the Urban Intergroup, European Parliament.

³³ CECODHAS Housing Europe is the European Federation of Public, Cooperative & Social Housing - a network of 45 national and regional federations which together gather about 41 400 public, voluntary and cooperative housing providers in 19 countries. <http://www.housingeurope.eu/about>

³⁴ Regulation (EC) No 1080/2006 of the European Parliament and of the Council of 5 July 2006 on the European Regional Development Fund and repealing Regulation (EC) No 1783/1999, p.1. <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2006:210:0001:0001:EN:PDF>

does not simply refer to housing for the poor, which challenges and blurs the social inclusion target.

Consequently, a more specific wording was sought, and the final version of the Regulation guards against the speculative use of ERDF (“making home owners richer with EU funded renovation”³⁵) through a focus on deprived areas or areas threatened by deprivation. The application of a targeted, area-based approach minimised the potential for speculation and also helped to avoid the implication of strict State Aid Regulations. Limited housing support, strictly targeted areas in which housing had already undergone substantial decline, and focus on low income areas of cities or areas threatened by rapid decline (e.g. large housing estates, or highly deprived urban areas) should mitigate against poor outcomes of ERDF intervention.

2009 Energy-related ERDF regulatory amendment

As a reaction to the financial crisis, the European Commission set up the European Economic Recovery Plan (European Commission, 2008)³⁶. The plan focused on smart investment, and contained interventions related to infrastructure and energy. The improvement of energy efficiency in buildings was important. Addressing housing tackled two key issues. First it allowed an economic stimulus through targeted spending in a key sector that created new jobs. Second the spending itself would allow tackling existing energy targets towards which variable progress had been made. Indeed there is recognition that the economic challenges posed by the recession cut through political barriers to extending and widening ERDF support for housing.³⁷

Member States were asked to ‘re-programme their structural funds operational programmes’ to devote a greater share to energy-efficiency investments, including where they fund social housing. Emphasising the challenges on funding streams, and the context within which ERDF

operates, it was stated that ‘the Commission will work with the EIB and a number of national development banks to launch a 2020 fund for energy, climate change and infrastructure to fund equity and quasi-equity projects’. The Commission also called on ‘Member States and industry urgently to develop innovative financing models, for example, where refurbishments are financed through repayments, based on savings made on energy bills, over several years.’

The result was a 2009 amendment to the ERDF Regulation (Article 7.1 a):

‘In each Member State, expenditure on energy efficiency improvements and on the use of renewable energy in existing housing shall be eligible up to an amount of 4 % of the total ERDF allocation.

*Member States shall define categories of eligible housing in national rules, in conformity with Article 56(4) of Regulation (EC) No 1083/2006, in order to support social cohesion.*³⁸

The amendment’s impact was significant. ERDF could be used in all Member States to support housing-specific interventions. However, there were limitations. First, a maximum of 4% of the total Member State ERDF allocation could be used. Second, Member States had already drafted and adopted their funding frameworks and Operational Programmes. Third, Member States could only fund interventions to support social cohesion.. The theoretical result of the latter point is that Member States would focus on housing for vulnerable people. Yet the broad nature of the term social cohesion and the fact that Member States were able to determine eligible housing types meant that a variety of interventions could be eligible, without any predetermined restriction to social housing or low income areas.

The impact of this amendment was different for EU15 and EU12 Member States. The EU12 had already had the opportunity to invest up to 2% of their total ERDF allocation in the field of housing. Such actions were broader than energy efficiency

³⁵ Interview with Jan Olbrycht MEP.

³⁶ COM(2008) 800 final. Communication from the Commission to the European Council, A European Economic Recovery Plan. http://ec.europa.eu/economy_finance/publications/publication13504_en.pdf

³⁷ Interview, see ref. 35.

³⁸ Regulation (EC) No 397/2009 of 6 May 2009, amending Regulation (EC) No 1080/2006 on the European Regional Development Fund as regards the eligibility of energy efficiency and renewable energy investments in housing <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2009:126:0003:0004:EN:PDF>

alone, and included refurbishment of the common parts of the building, energy-efficiency actions, and the transformation of buildings owned by non-profit or public bodies into affordable housing. The new opportunity to use 4% of ERDF allocations on energy-related actions in housing did not replace this earlier provision. Rather it added to it, as the EU12 could use up to 2% of ERDF allocation for housing actions within integrated urban plans, and also up to 4% of ERDF allocation for energy-related housing actions for social cohesion. The result was that the EU12 could use up to 6% of ERDF, whilst the EU15 could use 4%.

2010 Marginalised communities-related ERDF regulatory amendment

The issue of marginalised communities, especially Roma, has been addressed through numerous studies and reports, and has, for example, formed a significant element of the funding programme to support the EU Social Inclusion Agenda, PROGRESS, since 2007. The intergovernmental initiative “Decade of Roma Inclusion 2005-15” has seen countries with large Roma populations partner with numerous organisations to tackle Roma exclusion.

An important aspect of the segregation faced by Roma is housing, acknowledged by the Fundamental Rights Agency in 2009: ‘many Roma and Travellers live in substandard, segregated housing and accommodation’, often ‘in isolated neighbourhoods near or outside the boundaries of cities’. The effects of such housing segregation include not only health and social dimensions, but also a negative effect on access to the labour market for Roma.³⁹

In 2010 a Commission Staff Working Document acknowledged that the social exclusion of Roma was not being adequately addressed: ‘the current economic and financial crisis exacerbates already existing structural problems of Roma inclusion (such as access to quality education and jobs,

mainstream housing, financial services, efficient public service etc.)’.⁴⁰

In this context of on-going discrimination and segregation, amendments to ERDF were proposed. Drawing from and building on the Common Basic Principles aimed at avoiding discrimination, ERDF would be used to address Roma and marginalized communities’ access to housing. ERDF should be eligible for use in the areas where Roma and other communities lived – not always the same urban areas covered by existing ERDF eligibility, which excluded ‘many of the poorest communities in the EU’⁴¹, but also rural areas and old Member States.

In 2010 the latest housing-related amendment was made to the ERDF Regulation:

‘In several Member States, for marginalised communities living in urban or rural areas, housing constitutes a decisive factor of integration. It is therefore necessary to extend the eligibility of expenditure on housing interventions in all Member States to communities living in urban or rural areas.’⁴²

Housing interventions should:

‘...take place within the framework of an integrated approach, which includes, in particular, actions in the fields of education, health, social affairs, employment and security, and desegregation measures.’

The actual regulatory amendment extended housing eligibility to all Member States – allowing the EU15 to extend beyond energy-related issues. ERDF could be used in this context by: *‘...all Member States...within the framework of an integrated approach for marginalised communities’*

⁴⁰ European Commission(2010). Roma in Europe: The Implementation of European Union Instruments and Policies for Roma Inclusion – Progress Report 2008-2010. ec.europa.eu/social/BlobServlet?docId=4823&langId=en p.3

⁴¹ Council of the European Union (2010). Council facilitates ERDF housing interventions for marginalised people. http://www.consilium.europa.eu/uedocs/cms_data/docs/pressd/ata/en/lisa/114011.pdf

⁴² Regulation (EU) No 437/2010 amending Regulation (EC) No 1080/2006 on the European Regional Development Fund as regards the eligibility of housing interventions in favour of marginalised communities. <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2010:132:0001:0002:EN:PDF>

³⁹ European Commission (2010). Improving the tools for the social inclusion and non-discrimination of Roma in the EU. <http://www.errc.org/cms/upload/file/improving-the-tools-for-the-social-inclusion-and-non-discrimination-of-roma-in-the-eu-2010.pdf>

It has been argued that this change was originally proposed for the EU12 with a specific focus on Roma, but the amendment filled a wider 'gap to tackle housing exclusion outside urban renewal integrated programmes as the current rules help to cover in particular rural and peripheral areas'.⁴³

An important aspect of the amendment is that it allows the construction and purchase of new residential buildings (albeit with clear rules to ensure long-term public ownership). This was the first time that EU money was allowed to be used for the construction of new social housing, provided that it replaced housing which was demolished in marginalised housing areas. This was also a novelty for the EU12, as the original Regulation did not allow new construction or purchase. Furthermore, the new measure of 2010 allows the replacement housing to be outside the action area (desegregation) and does not even require to be built in urban areas. This means that rural areas – where most of the Roma population live in the Central and Eastern European countries – could become targets for renovation.

2.4 Beyond 'traditional' ERDF grants: the role of EIB and loans

It is important to note that ERDF is not the only source of European funding for housing. The EIB has provided own-resource financial support to housing in the EU for some time. After the 1997 Amsterdam European Council resolution on Growth and Employment of June 1997, the EIB set up the Amsterdam Special Action Programme (ASAP), covering an initial period of three years. Examples of subsequent funding include the Bank Gospodarstwa Krajowego Loan Facility set up in 2001 to finance social housing, and over €175 million lent to support Flemish social housing in 2003.

EIB support for social housing is based on an increased demand for social and affordable housing, particularly in large cities, where access to decent housing helps promote social inclusion and urban regeneration, and housing for low income households assists in poverty alleviation and job creation. The financial support contributes to attaining the bank's objectives of

promoting cohesion and convergence, protecting and improving the environment, promoting sustainable energy, and also supporting human capital.

The EIB has supported large scale regeneration schemes as the EU's long-term lending bank for many years, and also provides funding through third party banks. Investment funds can be provided at AAA rates for, amongst other purposes, investment in housing regeneration, main emphasis being with energy efficiency interventions. Whilst direct support is often provided to large scale initiatives, the EIB does work through intermediary bodies to introduce EIB investments into smaller housing regeneration schemes, often totalling less than €50m.

Funding is loan-based, with money brought forward in specific tranches. Money is used for urban regeneration, within which social housing is an important aspect because of social and environmental aspects therein. Key considerations include that:

- Schemes should be ideally part of a published regeneration plan for an area;
- The EIB only funds 50% of the cost of a scheme and does not fund any elements of land or for sale;
- If the grant element of a scheme is more than 50% of cost then EIB will fund the balance of the cost less grant.

Wider aspects of EIB support for social housing include that:

- Policies are geared towards the urban environment and social cohesion;
- Sites are brownfield sites, or greenfield sites if part of urban regeneration and/or local housing plan;
- Works are of an investment nature and not maintenance;
- As above, there is a well-defined strategy, with clear objectives and procedures;
- There is a strong legal context, planning and implementation structure.

Building on a history of investing in social housing, the EIB also participated together with the CEB (Council of Europe Development Bank) in the JESSICA (Joint European Support for Sustainable

⁴³ CECODHAS (2010). <http://www.housingeurope.eu/policy-actions/cohesion-and-urban-policies/erdf>

Investment in City Areas) initiative that was launched by the European Commission to promote the use of financial instruments to support urban development and regeneration in the 2007-13 period. JESSICA is discussed in more detail below.

Despite the advent of ERDF support for housing projects across the EU, the EIB is still an important source of finance, given the low cost and large scale nature of support. For example, in 2011 the EIB signed off support for €125m to help implement the Catalan housing plan, and in 2010 and 2011 support was provided to Flanders for social housing activities. In this sense ERDF complements rather than replaces EIB financing.

The Territorial Cooperation Programmes, which are ultimately funded by ERDF, also have priority fields which can lead to housing-related activities. For example, the INTERREG IVB programme for the Baltic Sea Region has an “Attractive & competitive cities and regions” priority under which an energy-efficient housing project covering 7 countries was selected.⁴⁴

The original ERDF Regulation allowed for financial engineering through Article 44 that states:

‘Structural Funds may finance expenditure in respect of an operation comprising contributions to support financial engineering instruments...such as venture capital funds, guarantee funds and loan funds, and for urban development funds, that is, funds investing in public-private partnerships and other projects included in an integrated plan for sustainable urban development.’⁴⁵

The potential for housing-related activities was implicit in the sustainable urban development dimension of this clause, but subsequent amendments made housing a more explicit focus:

⁴⁴ CECODHAS, (2009). Housing and the EU Structural Funds in action: A CECODHAS information leaflet on opportunities for the use of the European Regional Development Fund in the field of housing. [http://www.em.gov.lv/images/modules/items/0625%20JD%20C%20CODHAS_Housing%20&%20Structural%20Funds\(1\).pdf](http://www.em.gov.lv/images/modules/items/0625%20JD%20C%20CODHAS_Housing%20&%20Structural%20Funds(1).pdf), p.15.

⁴⁵ Council Regulation (EC) No 1083/2006. <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:32006R1083:en:NOT>, p.48.

‘Funds or other incentive schemes providing loans, guarantees for repayable investments, or equivalent instruments, for energy efficiency and use of renewable energy in buildings, including in existing housing.’⁴⁶

JESSICA

JESSICA is a European Commission initiative developed in cooperation with the EIB and the CEB (Council of Europe Development Bank), with the aim of supporting sustainable urban development and regeneration through financial instruments. Under procedures applicable in the 2007-2013 programming period, Managing Authorities in the Member States are offered the possibility to invest some of their Structural Funds allocations in revolving instruments supporting urban development and so recycle financial resources in order to enhance and accelerate investments in urban areas. The scope of projects supported may include housing interventions whenever eligible for a contribution from the ERDF. Indeed the Working Group on the implementation of the JESSICA Initiative⁴⁷ concluded that ‘modernisation of the existing housing stock (including measures to improve its energy efficiency) in the new EU Member States’ may be a valuable use of the tool.⁴⁸

But as only new Member States could use ERDF for housing at the beginning of the programming period, it was only in relation to those countries that the French Presidency concluded:

‘Loan and guarantee funds offering mainly long-term loans at favourable interest rates are particularly suitable for financing investments in the existing housing stock in the new Member

⁴⁶ Council Regulation (EU) No 539/2010 amending Council Regulation (EC) No 1083/2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund as regards simplification of certain requirements and as regards certain provisions relating to financial management. http://eur-lex.europa.eu/smartapi/cgi/sga_doc?smartapi!celexplus!prod!CELEXnumdoc&lg=EN&numdoc=32010R0539

⁴⁷ Membership of working group included the Member States, the European Investment Bank, the Council of Europe Development Bank, the European Parliament and the European Commission.

⁴⁸ French Presidency (2008). Conclusions and Recommendations of the Working Group on the implementation of the JESSICA Initiative. http://www.eib.org/attachments/JESSICA_marseille_conclusions_en.pdf

*States. By providing special financial products...complementing the services offered by private banks and building societies, urban development funds can contribute to a broader use of private loans for housing investments.*⁴⁹

The ultimate recommendation was that:

*'The new EU Member States should consider establishing JESSICA housing funds...they could offer financial instruments not available on the market, e.g. (low-interest) loans with a long duration (about 20 years), guarantees and junior loans on favourable terms. The funds could further offer financing advice for owners.'*⁵⁰

Given the challenges facing public funding, the revolving models promoted by JESSICA provide an important and flexible tool to fund housing interventions. JESSICA itself was an innovation at the beginning of the 2007-13 period, to promote mechanisms to finance urban renewal.. The initiative allows Member States to utilise Structural Funds to make repayable investments in projects that form part of an integrated plan for sustainable urban development. These investments, which can be equity, loans and/or guarantees, are delivered to projects through either Urban Development Funds or if required, Holding Funds.

The scope of supported projects through Urban Development Funds includes, among others, brownfield regeneration, sustainable urban infrastructure (e.g. waste-to-energy projects) and energy efficiency interventions in the existing housing stock. By June 2011, of the total 22 JESSICA operations, ten included an energy component amounting to a maximum of €1,008 billion of possible investments in energy efficiency measures and renewable energies infrastructure in cities (the scope of investments can range from urban infrastructure developments to the retrofitting of housing stock).⁵¹

⁴⁹ French Presidency (2008). Conclusions and Recommendations of the Working Group on the implementation of the JESSICA Initiative. http://www.eib.org/attachments/JESSICA_marseille_conclusions_en.pdf

⁵⁰ Idem

⁵¹ JESSICA implementation in the EU Member States, State of play http://ec.europa.eu/regional_policy/thefunds/doc/instruments/JESSICA/20111019_JESSICA%20_state_of_play.pdf

Recent research has highlighted a small number of examples where JESSICA has been used to support housing interventions.

According to the report on Housing in JESSICA Operations, the areas where JESSICA can work most easily are those with a defined revenue stream related to the investment, and where there is capacity to replicate relatively small scale projects – as in energy efficiency. Equally JESSICA should have a role in large-scale urban redevelopment projects with mixed use and mixed income developments.⁵² The mechanisms are therefore in place for JESSICA-type instruments (and other similar financing mechanisms) to play a key role in supporting housing in the future.

This is pertinent as the proposed Regulations for 2014-2020 Structural and Investment Funds place greater emphasis on financial mechanisms beyond grants: 'Member States should make a decisive shift from grant-based to financial instruments'.⁵³ Indeed the Common Strategic Framework contains an entire section devoted to financial instruments, where their scope is extended. It has been suggested that three main mechanisms may help achieve revenue generation and therefore make JESSICA type investments in housing sustainable:

- Over time as rents rise and interest payments fall, the rents on older properties can be used to cross-subsidise new building and regeneration;
- Existing units can be sold either to tenants or investors (as in Germany) to provide funds to replace the stock;
- Many providers have large financial reserves built up from subsidies and from rental income. They could use these to provide internal subsidies for new investment .

⁵² Housing in JESSICA Operations (2013) http://ec.europa.eu/regional_policy/thefunds/instruments/doc/jessica/jessica_housing_study_final_report_en.pdf

⁵³ European Commission Staff Working Document. SWD (2012) 61 final, Part II. Elements for a Common Strategic Framework 2014 to 2020, the European Regional Development Fund the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund, Annexes, p.11.

3. The Housing Situation in the Member States

3.1 Urban deprivation

Much of the poor quality housing in deprived neighbourhoods dates from the post-war period between 1946 and 1970, although the amount of housing stock built across this period ranges from 16% in Ireland to 46% in Germany.⁵⁴ After 1945 the collective legacies of war damage, deteriorating estates of the industrialisation period, economic reconstruction, mass migration, and political realignment led to massive investment in housing and urban infrastructure. This came along with a new planning philosophy that promoted the idea of a “functional city” paving the way for mono-functional housing estates at the edges of a city.

‘During the 1950s, reducing the housing scarcity was given the highest priority in all [European] countries’⁵⁵, action on which resulted, amongst other things, in the era of “high rise” housing in Europe and the many socially and physically isolated estates which continue to be the focus for much of the contemporary urban regeneration projects (as documented in, for example, Turkington et al (2004) or Power (1993 and 1997)). In eastern Europe “socialist new towns” (van Kempen 2005 p.2) were built, often far from existing urban centres but near industrial sites, comprising larger estates of 12-15,000 dwellings housing 40-50,000 people (in the case of Hungary as an example, cited in Turkington et al (2004) p. 235), built to a low-quality by prefabricated concrete panel construction.

Western Europe: Here the post-war period of mass industrialised building and slum clearance ended in the early 70s, with a growing awareness of the failure of these policies to provide the type of homes and urban infrastructure needed. Problems of these high rise neighbourhoods across Europe were structural, stemming from: untried construction methods and poor materials; internal design problems; wider urban issues of excessive density, poor location, and traffic problems; high rents, arrears, vacancies, and high

maintenance costs; poor image; inadequate management of the estates; legal problems about ownership of the flats and surrounding land; and social-economic problems including anti-social behaviour, unemployment, poor schooling and drugs, intensified by similar households being concentrated together. The continuing problems of pre-war inner city slum housing and concentrations of poverty and unemployment had been re-created in these new estates, compounding the spatial and social segregation in major urban areas, with many of the problems identified in the list being already prevalent in those older slum areas. New housing developments were now part of the problem, not the solution.⁵⁶

Central and Eastern Europe: Similar problems of social and physical segregation and disadvantage developed differently in Central and Eastern Europe, though with similar outcomes in terms of social segregation. A range of factors including state-led allocation mechanisms, a state-controlled economy, and a lack of alternatives led to the popularity of large housing estates with minimal social segregation. However, the transition from socialism to capitalism brought an aversion against collective forms of ownership and in the transition period between the end of state socialism and the entry of eastern European countries to the EU, social problems and their spatial expression in segregation increased. The resulting problems, affecting mostly slums located in deteriorated areas at the edge of the cities or traditionally built inner city areas, have been identified in a study by Gerohazi et al (2009).⁵⁷

⁵⁴ Housing statistics in the European Union, 2010. http://abonneren.rijksoverheid.nl/media/00/66/040531/438/housing_statistics_in_the_european_union_2010.pdf

⁵⁵ Helleman 2004, p. 4.

⁵⁶ Priemus 2004, p. 233.

⁵⁷ Gerohazi et al 2009 *How to tackle extreme deprivation and socio-spatial segregation? Policy efforts and their results in Hungary* (Urban Research and Practice 2009 Volume 2 Issue 2), in cooperation with Iván Tosics and Eszter Somogyi.

'In segregated neighbourhoods the housing stock is usually badly maintained and overcrowded. Apartments are often situated in areas with health risks...Often these areas are far from the main parts of settlements and transport services are limited...spatial segregation leads in most cases to...lower quality education....Furthermore students attending the segregated schools may not receive adequate forms of socialization that would allow them to adjust to the expectations of the rest of the society'.⁵⁸

This report also notes that these problems of segregation are present not only in big cities but also middle-sized and smaller cities, and rural areas. But the intensity of segregation seems to be less than in Western Europe. A specific problem is the "hyper-segregation" of the Roma population in some cities, as they were pushed into sub-standard and deteriorating peripheral neighbourhoods with neither sufficient services nor connections to surrounding areas.

Differentiation by building types

Just over 40% of the EU population lives in flat/apartment accommodation, over one third lives in detached houses and less than one quarter lives in semi-detached housing. However, these figures disguise a broad variation in the type of residential accommodation across Member States. For instance, the proportion of the population living in a flat or apartment accommodation ranges from around 5% in Ireland to 66% in Latvia. Slovenia has the highest proportion (69%) of the population living in detached housing compared to just 5% in Malta, whilst the Netherlands and UK have the highest proportion of the population living in semi-detached housing of all EU Member States. In Hungary, semi-detached housing is rare, with only 1% of the population living in this type of accommodation (Eurostat, 2009).⁵⁹ The reasons behind housing market and type variations across the EU are complex with supply and demand for particular housing types reflecting market dynamics, structural economic issues as well as national cultural identities and aspirations.

⁵⁸ Gerohazi et al 2009, p.3, see ref. 57.

⁵⁹ Eurostat 2009, Housing Statistics http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Housing_statistics

Differentiation by tenure

In terms of tenure, we see a wide variation between Member States that reflects cultural norms and the role of housing in the respective welfare systems. Taking the EU as a whole, 73% of the population live in owner-occupied dwellings, with a smaller proportion living in rented property (27%) (Eurostat, 2009).⁶⁰

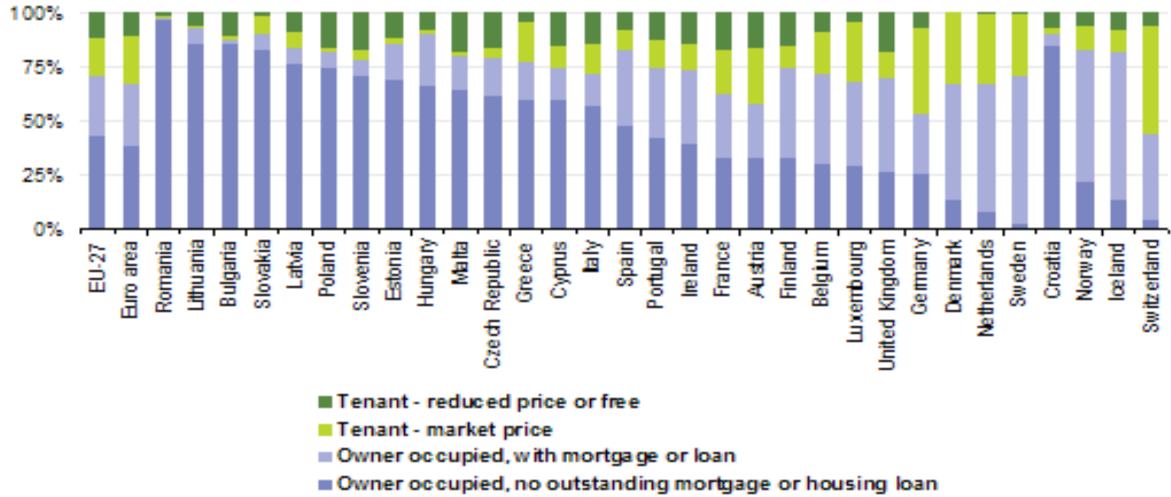
Romania has the highest level of the population in owner-occupation in the EU (97%). Within these figures just over one quarter (27%) of the population lives in a home which is 'owner-occupied' through the means of mortgage borrowing - over half of the population in the Netherlands (59.2 %), Sweden (56.8 %) Austria (58%) and Denmark (52.8 %) lives in owner-occupied dwellings with an outstanding mortgage; while almost half the EU population lives in a property which is owned outright. A number of European countries now have an established tradition of home ownership with the fastest growth rates seen in the Netherlands and the UK.⁶¹ Between 1980 and 2008, levels of owner-occupation increased in most EU Member States with only a few exceptions (Denmark, Sweden and Austria).⁶²

⁶⁰ Eurostat 2009, Housing Statistics http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Housing_statistics

⁶¹ Housing statistics in the European Union, 2010, see ref. 54

⁶² Levels of owner-occupation increased in Austria, Belgium, Finland, France, Germany, Italy, Latvia, Luxembourg, Netherlands, Poland, Portugal, Slovak Republic, Slovenia, Spain and the UK over this period.

Figure 3.1 Overview of tenure in the EU



Source: Eurostat (online data code: ilo_lvh02)

A smaller proportion of the European population lives in accommodation with sub-market rent levels – under 10% of the population across 12 of the EU Member States, and around one quarter in the Netherlands, Sweden and Austria. Dwellings rented at sub-market rent levels account for under one fifth of the population's living arrangements in the majority of Member States, an exception being Poland, where around one third of the population (29%) lives in sub-market rental property (Eurostat, 2009).⁶³ The proportion of the population living in rented accommodation is split evenly between dwellings rented at market levels, and accommodation rented at subsidised or sub-market rental levels.

The concept of social housing

Social housing is understood to be all housing provided for those with limited means, including many socially excluded households. But finding a single formal definition of the term social housing (as the best proxy for eligible housing in the regulations) is difficult. Indeed Whitehead (1997)⁶⁴ noted that in ten EU countries

examined, there was no single formal definition of social housing. Definitions may relate to ownership - notably non-profit organisations and local authorities (e.g. the Netherlands and Sweden); who constructs the dwellings (e.g. Austria and France); whether or not rents are below market levels (e.g., Ireland and England); the relevant funding and/or subsidy stream (e.g. France and Germany); and most importantly, in almost all of the countries included, the purpose for which the housing is provided. In some countries social housing is formally available to all households (e.g. Austria and Sweden) but in most it is actually directed at those who cannot serve their own housing needs. A useful definition, derived from state aid discussions, is housing which is 'providing housing for disadvantaged citizens or for socially less advantaged groups which due to solvability constraints are unable to obtain housing at market conditions.'⁶⁵

Where the level of owner-occupation within a Member State is high, there is often a limited level of social housing. Where the existence of social housing is low in comparison with other

⁶³ Eurostat, 2009; Housing Statistics http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Housing_statistics

⁶⁴ Whitehead, C & Scanlon, K *Social Housing in Europe* LSE, London. The countries examined are France,

Germany, the UK, Ireland, Hungary, the Netherlands, Denmark, Austria and Sweden.

⁶⁵ Quoted in Feantsa, 2006 *EU State Aid Rules and Social Housing*.

Member States, this often reflects a lack of national tradition or political will to support subsidised housing as a means of addressing social inequalities. It must also be highlighted that in eastern European countries the state housing construction and state-owned stock was substantial, and the current situation of very low social housing is a result of the mass privatisation. Generally a lack of funds and political will has hampered the construction of new social housing in these countries. For instance, in countries amongst the forerunners of developing the modern welfare state, social housing has traditionally accounted for a higher proportion of dwelling construction completions. In Denmark social housing accounted for 20% of new dwelling completions in 2009, and 15% in Sweden, compared to 7% in Poland and 4% in Romania (Dol et al, 2010).⁶⁶ Although home ownership has increased, the data for those Western European countries that invested in social housing after WWII highlights that social/public housing still plays a role in meeting housing need. In such countries the market share of the social housing sector has not decreased much since 1990 (Austria, Denmark, France, Finland, and Sweden). Currently the Netherlands has the largest social housing sector by market share.⁶⁷

Affordable housing

Unaffordable housing is a key factor in driving poverty, deprivation and segregation, particularly where heating charges lead to fuel poverty. Paris (2007)⁶⁸ provides an overview of the concept, noting that while the idea of unaffordable housing is easy to grasp in general – housing and related charges which consume a disproportionate amount of household income -

it is difficult to pin down in precise quantitative terms. Analysts mostly use ratios of household income to household housing costs. Despite some caveats regarding benchmarking, the level at which the ratio of income to housing costs is deemed affordable is most often set at 30%. However, it is also important to recognise that even at this level higher income households will be left with a higher amount of disposable income for necessary day to day expenditure, so can normally sustain a higher ratio – but more to the point the impact of in excess of 30% on poorer households can be significantly harsher. The costs of housing - and related costs for heating, electricity, water, maintenance - are particularly critical for people in precarious situations on small budgets and are often a serious burden that contribute to social exclusion (Somerville, 2010). The term affordable housing can also be used in a less quantitative sense to housing made available at sub-market prices to low income households.⁶⁹ Affordability is a current and growing issue across the EU as illustrated by the following chart, which indicates an affordability ratio of over 40% for poorer households.

Evidence from CECODHAS (2012)⁷⁰ suggests that problems of affordability are increasing because of substantially increased rents and house prices through the 2000's (until the financial crisis), increasing utility costs, and an inadequate supply of affordable housing. These issues manifest themselves in high levels of indebtedness, and in fuel poverty.

Housing deprivation

Housing deprivation is defined as the proportion of people living in a dwelling which is considered as overcrowded, while at least one of the housing deprivation measures applies – such as the lack of a bath or toilet, a leaking roof, or a dwelling considered too dark. The figure 3.2 points to a concentration of problems in new Member States.

⁶⁶ Dol, Kees & Marietta Haffner (eds.) (2010) Housing Statistics in the European Union, The Hague: Ministry of the Interior and Kingdom Relations. http://abonneren.rijksoverheid.nl/media/00/66/040531/438/using_statistics_in_the_european_union_2010.pdf

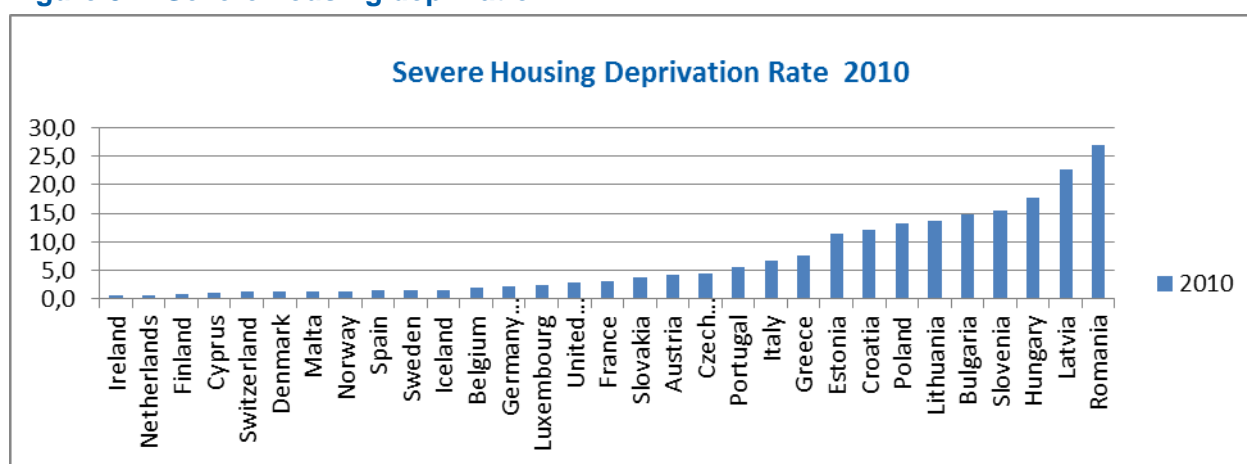
⁶⁷ Housing statistics in the European Union 2010, see ref. 66.

⁶⁸ Paris, C. (2007) *International Perspectives on Planning and Affordable Housing* in Housing Studies Vol 22 No. 1, p. 1-9.

⁶⁹ Oxley, M. 2004 *Economics, Planning and Housing* Palgrave MacMillan, London.

⁷⁰ Pittini A. 2012 *Housing Affordability in the EU* CECODHAS, Brussels.

Figure 3.2 Severe housing deprivation



Source: Eurostat SILC [ilc_mdho06a]

Overcrowding is also a problem in many Member States, and one which particularly affects households at risk of poverty. New Member States in general and Latvia and Hungary in particular can be seen to have high rates of overcrowding.

Energy efficiency in housing

A central ERDF issue is addressing poor thermal insulation and energy use in buildings (for heating and water heating) in order to mitigate climate change. In overall terms, 40% of final energy consumption (and 36% of emissions) in Europe are from houses, offices, shops and other buildings.⁷¹ More specifically, Eurostat estimates that 26.7% of energy consumption comes from households (including for space heating in what are often poorly insulated homes).

XCO2, one of the technical support actors for the Intelligent Energy - Europe (IEE) programme of the European Commission, have addressed the issue of insulation in their overview report "Insulation for Sustainability"⁷²:

⁷¹ European Commission (2012) *Financial Support for Energy Efficiency in Buildings* European Commission, Brussels.

⁷² http://www.pu-europe.eu/site/fileadmin/Reports_public/sustainability_a_gui de.pdf, p. 18.

'It is very difficult to assess the total scope for retrofit in Europe, but it is thought that up to 50% of buildings in Europe are insulated. For example Germany, Ireland, Italy, Netherlands,

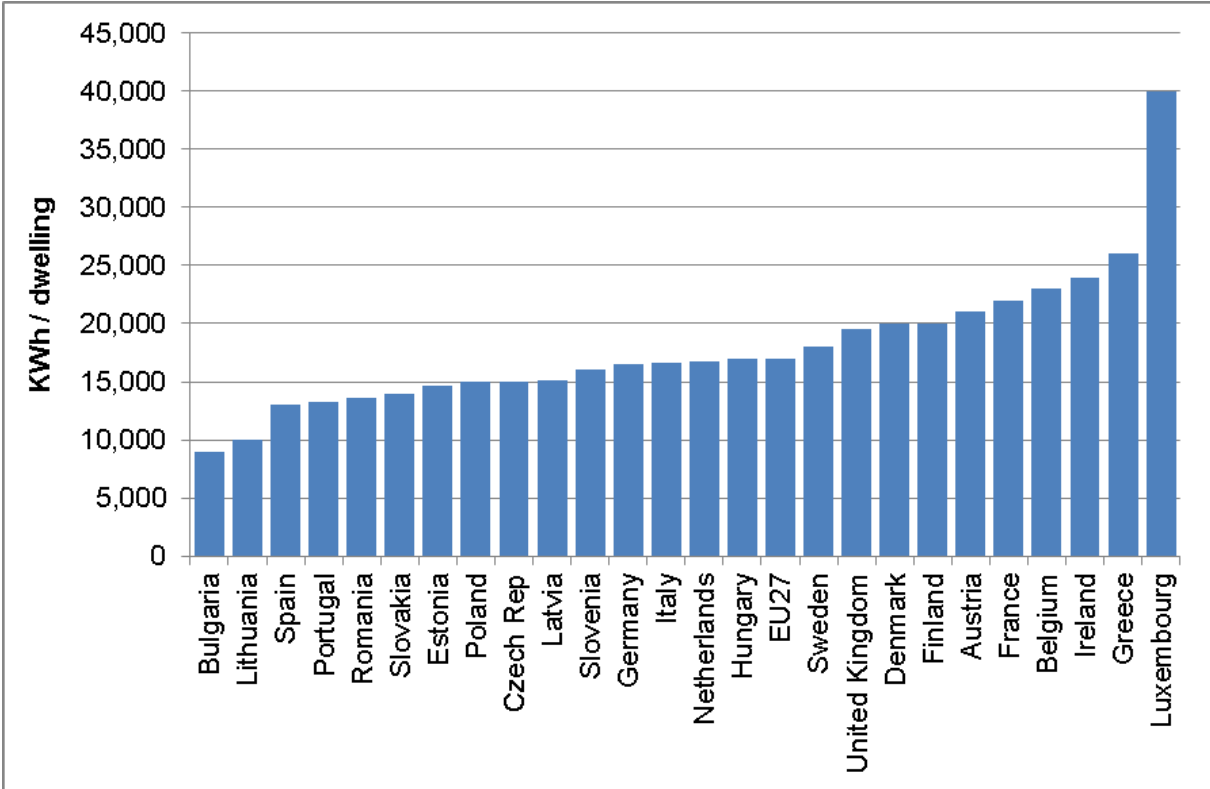
Spain and UK together hold 100 million dwellings of which about 50 million are insulated [2007 figures], though Germany, amongst others, has delivered considerable improvements in recent years. Retrofitting insulation and glazing can reduce heating energy use by 30-40% in these buildings. This is most cost-effective when supply-side improvements like district heating and combined heat and power (CHP) are options. For example in Denmark, average space heating reductions of 53% were achieved in the period 1972-2000, through both demand and supply-side measures on both new and old buildings including better insulation standards and retrofit insulation taking place at the same time as major refurbishment.'

In terms of climate adjusted household energy consumption, data from the ODYSEE database⁷³ (figure 3.3) indicates current comparative usage. This shows a close relationship between a country's energy use and its GDP per capita.

⁷³

http://www.decc.gov.uk/assets/decc/Statistics/publications/tr ends/articles_issue/1524-eu-energy-efficiency-household-trends-art.pdf

Figure 3.3 Household energy consumption



Source: ODYSSEE 2010 (www.odyssee-indicators.org).

Table 3.1 Population, comparable consumption (Purchasing Power Standards), and programmes (case study countries only)

Actual individual consumption of energy per capita in PPS (2011)		Population 000s (2009)	Wider national housing/regeneration/energy investment programmes
Germany	119	82,002	KfW programmes on energy efficiency, housing and urban regeneration
UK	118	61,635	Decent homes programme; neighbourhood renewal; CEST energy programme
France	112	64,351	Cities framework and national investment agency (ANRU); “Grenelle” environmental programme
Italy	102	60,045	Tax incentives for energy rehab – till 2012; regional rehabilitation programmes
Czech Republic	70	10,468	“NOVY PANEL” (interest rate subsidy) and “Green Savings” for supporting energy efficient investments in housing – the later is now suspended
Poland	70	38,136	Energy Improvement Fund (relatively small scale – 3k buildings and 600 houses in 2011)
Lithuania	66	3,350	Housing and Urban Development Agency – arm’s length support for regeneration implementation and advice
Hungary	61	10,031	Grants for renewal of system built housing, now suspended
Estonia	57	1,340	State guarantees for housing loans through KredEx (govt. sponsored agency)
Latvia	56	2,261	None
EU Average	(100)	333,619	

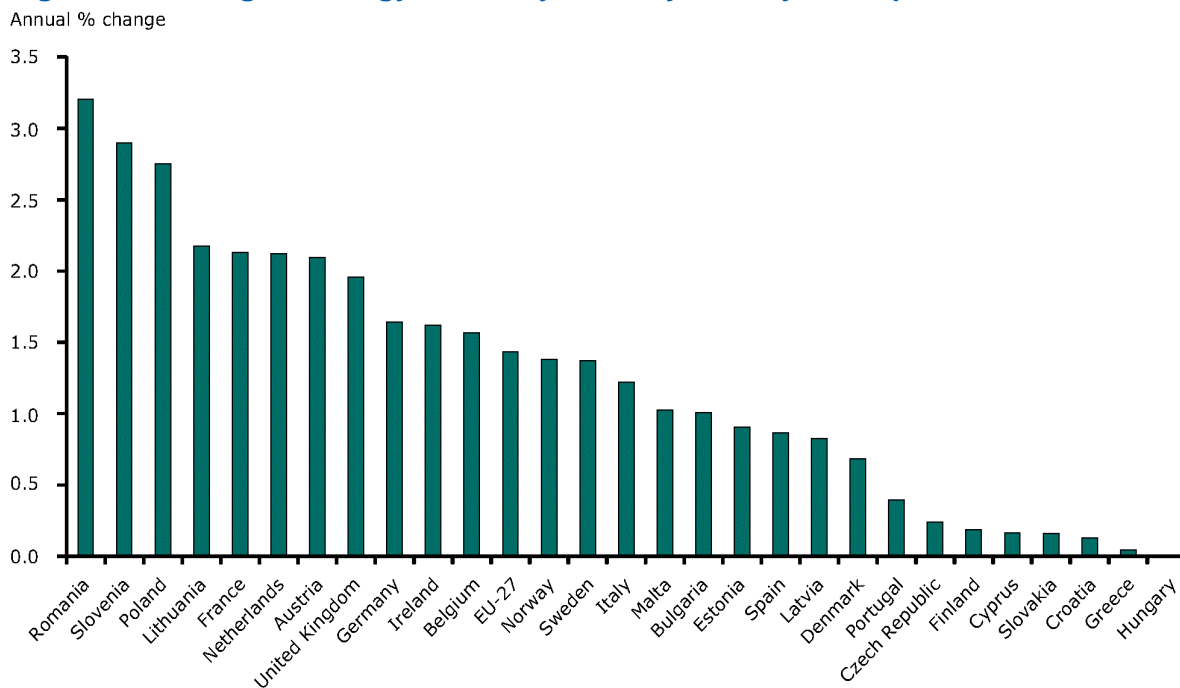
Data source: http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/2-20062012-AP/EN/2-20062012-AP-EN.PDF and 10 case studies

Table 3.1 shows that richer countries have more active programmes addressing energy efficiency and rehabilitation of deprived neighbourhoods than poorer. Energy efficiency programmes used to be in place also in some poorer countries, but some of these recently ended due to being oversubscribed or running up unsustainable costs. France and the UK figure in the top half of this table, despite high consumption, possibly because of active programmes to tackle energy efficiency being comparatively new.

In terms of progress in tackling energy efficiency, figure 3.4 (European Environment Agency table)⁷⁴ shows that (of the case study countries studied), significant progress in becoming more energy efficient has been made by Poland, Lithuania, the UK, and Germany, all above the EU average reduction.

⁷⁴ Source: European Environment Agency, <http://www.eea.europa.eu/data-and-maps/figures/energy-efficiency-odex-by-country-2> (accessed 11/12/12) using data from ODYSSEE. The Odyssee database is available at <http://www.odyssee-indicators.org/>. For households, the index assessment (ODEX) is carried out at the level of 3 end-uses (heating, water heating, cooking) and 5 large appliances (refrigerators, freezers, washing machines, dishwashers and TVs).

Figure 3.4 Change in energy efficiency index by country in the period 2000-2009



3.2 Use of ERDF to tackle housing and deprivation

According to the overview by CECODHAS,⁷⁵ by the end of 2011 more than half of the Member States had included support to housing interventions by ERDF in their Operational Programmes, either using the original Article 7.2 of the ERDF Regulation (and its 2010 modification) or Article 7.1a for energy efficiency interventions in the housing sector.

Based on table 3.2, approximately half of Member States had planned a programme that included the use of ERDF for housing in the middle of the 2007-13 period (i.e. end of 2011). Main reasons for other Member States not using ERDF for housing were:

- ERDF type interventions are already adequately funded and managed in other national programmes (for example Germany);
- Funds were committed to projects before the regulatory amendments in 2009⁷⁶(EU15);

- The capability of Managing Authorities to translate the EU requirements into properly formulated calls for complex projects⁷⁷ was limited; and
- Managing Authorities and project applicants were reluctant to prioritise socially excluded areas for expenditure and action. This was partly because of the complexity of such projects (and competing priorities in less deprived areas). This reluctance prompted the modification of Article 7.2 to prioritise marginalised communities in 2010. Bulgaria and France have already prepared bids under this heading, and proposals are being put in place in Romania, Hungary and Slovakia.

⁷⁵ CECODHAS Housing Europe (2011), Structural Funds 2014-2020. <http://www.housingeurope.eu/issue/2730>

⁷⁶ Smets, I. (2010), Structural Funds. Investments in housing still lagging. In *Europolitics*, 10 February 2010.

<http://www.europolitics.info/investments-in-housing-still-lagging-art262704-10.html>

⁷⁷ MRI, (2011). VADEMECUM: Improving housing conditions for marginalized communities, including Roma in Bulgaria, Czech Republic, Hungary, Romania and Slovakia through the absorption of ERDF.

Table 3.2 OPs including housing interventions (2011) in euros

Country	Housing infrastructure (based on original 1080/2006 EC)	4% measure for energy efficiency in housing (based on 1080/2006 EC modified in 2009)	Country	Housing infrastructure	4% measure for energy efficiency in housing
Austria			Italy		111,207,424
Belgium		3,000,000	Lithuania	206,002,279	
Bulgaria	32,325,734		Luxembourg		
Cyprus			Latvia	29,968,597	
Czech Republic**			Malta	850,000	
Germany			Netherlands		9,000,000
Denmark			Poland	243,138,869	
Estonia	7,923,127		Portugal		6,163,117
Spain			Romania	111,780,653	
Finland			Sweden		
France		250,000,000*	Slovenia		
Greece		241,000,000	Slovakia	76,000,000	
Hungary	123,740,457		United Kingdom		170,000,000
Ireland					

Source: CECODHAS Housing Europe, Structural Funds 2014-2020 (estimates reflecting the situation in December 2011)

Note: The numbers indicated reflect indicative allocations rather than actual expenditure, and the final amounts used for housing will be substantially less than those in the table.

* France had a maximum envelope of €320 million dedicated to energy efficiency in social housing and the development of renewable energy sources.⁷⁸

** In the Czech Republic the housing interventions were introduced on the base of the original ERDF Regulation since 2007.

⁷⁸ Improving energy efficiency in buildings - Reprogramming regional Structural Fund operational programmes to prioritise social housing, France. http://www.promotorespublicos.org/public/ficheros/powerhouse/informe_hlm_feder_en.pdf

Main characteristics of ERDF used for housing in the ten Member States analysed

The ERDF programming strategies for housing investments included social and spatial approaches. The ten countries used different patterns to programme ERDF for housing interventions in terms of spatial and social targeting, different approaches to ensuring that integrated nature of the programmes, and different financial schemes (see table 3.3). For spatial targeting, both horizontal and area based approaches were used. Most of the countries applied horizontal approaches with a clear aim to improve energy efficiency of the buildings. Only three countries developed schemes with a direct area based approach: the Czech Republic, Hungary and Poland; here the designated urban areas – in line with the original ERDF Regulation - have to meet certain eligibility criteria related to social and physical deprivation. Estonia, Latvia, and Lithuania developed a horizontal country-wide approach although in Lithuania the national regulations include some focus on the more problematic areas.

The area-based approach is linked to social targeting. Hungary uses strict social targeting focused on the urban residential areas facing most challenges (while also distinguishing between prefabricated housing estates and urban ghettoised areas). The Czech Republic mainstream interventions have less strict social targeting as they focus on the pre-fabricated estates with social conditions below the social average of the given city. Only the so called “pilot project scheme” focuses on the most marginalised Roma communities. Poland applies a less rigorous form of social targeting based on average regional social conditions. In the case of France, Italy and the UK the focus on social housing ensures (through the demographics of that sector) that poorer areas and households are targeted, not least in France

and UK where social housing is often spatially concentrated into poor housing estates.

The national regulations also differ in terms of the degree to which integrated projects are required. In Hungary the projects have to be integrated by combining ERDF (housing, infrastructure and public spaces) and ESF-type measures (the latter is also financed from ERDF). Czech Republic mainstream interventions combine housing with public space renewal and a higher level of integration is required only in the case of pilot projects for marginalised communities. In Hungary, the Czech Republic and Poland integrated urban planning is required as basis for housing interventions. In UK complementing energy efficiency actions are required to meet required levels of energy saving. Other case study countries do not require integrated measures for housing interventions.

Financial schemes focus on grant funding, although in Estonia and Lithuania JESSICA-type financial instruments have been programmed as a possible tool for funding housing interventions. It is important to note that in most countries ERDF can only finance external renewal of dwellings. The proportion of ERDF in funding investments varies, some of the countries allow only for lower financing rate, 40-60%, while others define higher ERDF support level up to 85%.

Several countries used sub-schemes to distinguish between less deprived and more marginalised communities in spatial terms (the Czech Republic, Hungary, Lithuania) or to focus on specific housing problems of the marginalised groups using a horizontal approach (Estonia – homeless families).

Table 3.3 National programming of ERDF funds for housing

Country	Scale of ERDF use for housing in national programming	Horizontal vs. area based	Grant or loan	Level of social targeting
Czech Republic	Approximately 0,5% of the ERDF was approved as expenditure on housing programmes	Area-based: integrated urban planning is required	Grant (maximum 40% subsidy rate, interventions inside the apartments are not eligible costs)	Two main channels for ERDF interventions for housing: <ul style="list-style-type: none"> ▪ Mainstream interventions focused on worse than average housing estates, addressing housing and public space renewal ▪ 6 pilot projects for marginalised neighbourhoods (complex interventions)
Estonia		Horizontal: (energy efficiency is planned, social homes have been implemented)	JESSICA loan	
France	4% fully used	Horizontal: focusing on energy efficient retrofitting	Grant	Targeted to social housing
United Kingdom		Horizontal: focusing on energy efficient retrofitting, however, complementing actions – like awareness raising – were also financed from the same budget	Grant	Targeted to social housing
Hungary	By the end of 2012 0.3% of ERDF was contracted for housing. This share will slightly increase	Area-based: integrated interventions are required	Grant (maximum 70% contribution from ERDF and the state, plus 15% co-financing is required from municipalities for private multi-family housing, for social housing max 85% is allowed)	Socially strictly targeted (the most deprived urban areas are eligible)
Italy		Horizontal: focusing on energy efficient retrofitting	Grant	Targeted to social housing
Latvia		Horizontal: focusing on energy efficient retrofitting	Grants (maximum 50-60% subsidy)	Socially slightly targeted (socially more vulnerable citizens may obtain 60% subsidy rate)
Lithuania		Horizontal: focusing on energy efficient retrofitting	JESSICA loan (up to 15% of the total costs) Grants up to 85% for modernization of multi-family housing and social housing	JESSICA type interventions are not targeted, housing grants are targeted to 'problematic areas'
Poland	Maximum 1,2% of ERDF could be used for housing (planning framework)	Area-based: integrated urban planning is required	Grant (maximum 85% subsidy, however interventions inside the apartments are not eligible costs)	Socially slightly targeted (the target area must be worse than the regional average)

3.3 Conclusions

Significant challenges remain for dealing with poor quality, unaffordable, and low energy efficiency housing, as well as social exclusion across the EU. Problems differ in numerous respects from country to country. Ownership patterns in Central and Eastern Member States present difficulties to planning and financing. This is because of the large numbers of flats in the owner occupied sector in some cases, with limited national programmes for either housing improvement or energy efficiency works. These difficulties are compounded by limited legal frameworks in the Baltic States through which block improvement works could be organised. The impact of ERDF could only ever be limited because of the comparatively low amount of resources compared to the extent of the problem. Nevertheless, there is a limited level of ERDF take-up, for reasons explored in the case studies.

In the EU15 Member States studied there is a different question about the use of ERDF. The levels of need in relation to energy efficiency and pockets of deprivation are also high here, but there are major national programmes of improvement in many of these countries (particularly the UK, France and Germany). The role of ERDF is important as a focus for good and innovative practice (France, Italy and Germany – in the latter ERDF was not used for housing infrastructure per se), and a lever to enhance economic performance (UK).

3.3.1 Introducing the case studies



This section gives a short overview of the case study projects that form an important part of the evidence base for the study. Although the findings of the case studies in terms of delivery, process and impact are mainly used to inform part 2 of this report, this particular section provides a short description of the projects main activities and gives a broad understanding of their aims. It also illustrates through a series of photographs the outcome of each of the ten projects studied in the research. For a complete and detailed explanation of each case study please see a separate complementary document to this report.



The case studies provide a detailed understanding of the activities of ERDF-supported housing projects. As many of these projects are relatively new, most have not been properly evaluated or assessed. This study has therefore served as a good opportunity to develop as complete picture as possible on what has happened on the ground as a consequence of EU support.

The case studies show that ERDF has supported a wide range of different types of projects and their activities are relatively broad in nature. Activities have ranged from targeted improvements in a single block of flats through to more complex housing regeneration across entire countries. The projects studied are related to urban regeneration, support for marginalised communities or energy efficiency, with the latter theme being most prevalent. The case study projects also tend to focus on physical improvements to housing. Although some of the ERDF housing projects support community development and cohesion and wider economic and social regeneration goals, most of the ERDF funding itself has been spent on improving the internal and external fabric of housing stock. The extent to which these ERDF projects have a 'people' element is dealt with in Part 2 of this report.

A brief overview of the ten case studies is shown in Table 3.4 overleaf.

Table 3.4 Overview of case studies

Member State	Project	Project activities	Example of housing improved by ERDF support
<p>Czech Republic</p>	<p>IUDP DEMOS, Most</p>	<p>The Integrated Urban Development Plan - the IUDP DEMOS - was prepared for two discrete areas of the City of Most: Chanov and Stovsky. The original plan was to make infrastructure investments in Chanov (an estate located at the edge of the city and inhabited by exclusively Roma families living in social housing blocks), in terms of housing rehabilitation and improvement of the public areas besides significant social interventions supported by the ESF.</p> <p>During the implementation period, however, there were major changes to the plan. The scope and nature of improvement and renovation of the Chanov estate were scaled back and Stovsky (an inner city area with mixed residential composition) became the main focus of intervention.</p>	
<p>Estonia</p>	<p>Energy saving in social housing, Tallinn</p>	<p>This case study looks at two ERDF supported interventions in the housing sphere that differ from normal investments in traditional housing. Tallinn has utilised ERDF to renew both its social housing provision and its childrens' homes. A total of nine highly energy efficient buildings are being newly constructed, located in different parts of the city. Social housing in this instance refers to a specific intermediate model of housing – temporary homes that provide a step between homeless shelter and traditional housing. In both instances, the strategy has been to reduce the size of these buildings to provide a better living environment for residents, and to allow a higher quality level of social support.</p>	

Member State	Project	Project activities	Example of housing improved by ERDF support
France	La Forêt	<p>This project aims to rehabilitate 446 social housing flats (8 buildings built in 1965-1970) with high energy consumption into low consumption flats to improve quality of life and safety of residents as well as the image of the neighbourhood. The intervention set out to contribute to fighting fuel poverty, and renovate and rehabilitate the socially deprived neighbourhood in Cambrai, Nord-Pas-de-Calais. The project adopts a collaborative approach and involves a wide range of stakeholders and tenants. The project started in 2010 and will end in March 2014.</p> <p>What the case study illustrates is that in a context such as France, where there are already wide ranging and accepted programmes for both energy efficiency and tackling deprivation, ERDF funding can be used as an additional lever to increase the level of technical innovation and social integration, within the context of majority of funding being provided by national programmes. The funds are a means to provide added value and enhance the quality and impact of the work which was already underway, rather than being the principal funding and policy delivery mechanism.</p>	
Germany	Sonnenberg area, Chemnitz	<p>The Sonnenberg area is one of two urban regeneration areas in Chemnitz supported by ERDF in 2009-2013. It is a mixed-use area close to the inner city confronted by a combination of population loss, poverty and a poor reputation because of progressive decline. ERDF was not used to fund housing infrastructure investments.</p> <p>The integrated local action plan for the Sonnenberg area was agreed in 2008 and identifies a broad spectrum of projects to address the complex problems affecting the area. Whilst previous regeneration schemes had not managed to counter decline, the ambition is to get a new boost through a multidimensional and integrated strategy that complements physical interventions (demolition and renewal) with social, economic, environmental and cultural activities to build and strengthen active citizenship. Five thematic action areas were defined together with a range of key projects. In each area ERDF interventions aimed at complementing other funding schemes that finance the plan's implementation, in particular the national-federal programme for urban restructuring ("Stadtumbau") and sectoral programmes (e.g. refurbishment of schools).</p>	

Member State	Project	Project activities	Example of housing improved by ERDF support
Hungary	Ady Estate, Budapest	<p>The Ady housing estate - located in District 21 in Budapest – consists of 2 064 flats from which approximately 6% is owned by the municipality, the rest being privately owned. The Ady estate is the most deprived estate in the district. It exhibits many social problems (including high rates of economically inactive people, a high rate of temporary residents, significant proportion of Roma population and segregated schools) and a lack of housing renovation.</p> <p>The project contained:</p> <ul style="list-style-type: none"> ▪ Partial renovation of 7 large system built residential buildings (out of the 10 being located in the estate), affecting 1 549 housing units; ▪ Renewal of the public spaces and public buildings; ▪ Upgrading of the commercial buildings; ▪ Creation of a new community centre; and ▪ ESF-type measures (vocational training and community building activities). 	
Italy	Corsa Taranto, Turin	<p>The project relates to the housing complex of Corso Taranto, in the northern suburbs of Turin. The housing complex is composed of 652 flats. Nine of these are unoccupied, while four are rented to associations. Family units currently occupy a total of 639 flats, housing 1 585 persons, with an average of 2.5 persons per household.</p> <p>The project aims at energy regeneration of the buildings through:</p> <ul style="list-style-type: none"> ▪ Connecting the heating system of the flats to the centralised heating system; ▪ Replacing the windows in order to improve thermal and sound insulation; ▪ Insulating the roofs against heat loss; and ▪ Renovating the façades of the buildings. <p>Through these actions, the project integrates environmental and energy targets (i.e. the reduction of energy consumption) with social and economic targets.</p>	

Member State	Project	Project activities	Example of housing improved by ERDF support
Latvia	Energy efficiency in apartment blocks	<p>The project lead, Ministry of Economics, and Latvian Investment and Development Agency (LIAA) summarise the aim of the project as the 'improvement of energy efficiency for housing in 'multi-apartment' residential buildings to ensure the sustainability of housing stock and efficient utilisation of energy resources'.</p> <p>The project has tackled the low level of insulation of the Latvian housing stock as a whole which is a key feature in a high proportion of dwellings in the country. The poor insulation reflects the period across which much of the residential stock was built and the nature of its construction. The project is being implemented in blocks of privately owned apartments, with ERDF enabling the provision of grant funding for the implementation of a range of energy efficiency measures (both in the individually owned flat areas as well as the common areas such as stairwells and entrance halls) of the buildings. ERDF support is generally available for 50% of project cost whilst the remainder of the project is funded by the residents.</p>	
Lithuania	Renovation of multi-family apartments (using JESSICA-type instruments)	<p>A Holding Fund has been established for a planned max. amount of EUR 227 million, of which EUR 149 million has so far been contributed from the Operational Programme "Promotion of Cohesion" (ERDF contribution EUR 127 million). The overall aim of the project is to improve the use of existing housing in Lithuania through supporting a series of measures linked to housing maintenance, upgrading and modernization in particular to improve energy efficiency. Loans are provided to households for up to 30% of the total cost of renovation.</p> <p>The project aims to address an ageing housing stock (90% of properties are over 22 years old), high energy consumption (old Lithuanian blocks consume approximately seven times more energy than newly renovated blocks) and high energy bills for poorer communities. The project, through recycled loans rather than grants, also tackles the significant challenge of meeting the housing improvement cost in Lithuania (estimated to be €13 billion in total).</p>	

Member State	Project	Project activities	Example of housing improved by ERDF support
Poland	Market Square Area, Sieradz	<p>The project involves separate dimensions across a range of different fields that together make up an area-based territorial plan for the inner city of Sieradz.</p> <p>The project is designed to renovate the old Market Square and the surrounding streets (owned by either the local municipality or the county) including: partial renovation of the cultural institutions in the area (theatre, museum, new cultural centre), the renovation or reconstruction of 4 municipally owned residential buildings adjacent or close to the Square, and creation of a new social housing block through conversion of a medical centre. The project also aims to connect the Market Square area with the former Castle Hill.</p>	
UK	REECH, Merseyside	<p>The Renewables and Energy Efficiency in Community Housing Programme originated from the new possibilities afforded by the amendments to the ERDF Regulation. REECH has been targeted on the retrofit of social housing (a target of approximately 2,000 units by 2013) spread across the six local authority areas. The socio-economic elements (e.g. targeting the most deprived communities, supporting business and creating jobs) were important from the outset. Additional projects have therefore included support for local businesses, training and apprenticeships, advice on energy use and presentations to schools and other organisations.</p>	

4. Impacts of Interventions

4.1 Introducing the intervention logic

Because of the complexity of the policy context and the multitude of possible objectives, a systematic analysis of both interventions and impacts was deemed necessary.

Although the projects were mainly prepared in line with high level aims in place since 2007, the most relevant current statement of aims are those set out in the EU 2020 visions for tackling climate change and poverty. Analysis was undertaken where the case study included clear objectives under each of the three main research areas of:

- The impact of interventions on environmental sustainability (energy efficiency, housing quality);
- The impact of interventions on social inclusion (including both reducing segregation of groups and wider social issues including health, employment including that of residents, affordability, and social cohesion);
- The impact of interventions on economic development (economic effects, local employment levels).

In each case the national objectives are set out, in so far as they have been established in the context of the case studies, followed by the specific objectives of the case study project. We return to the project impacts (and wider impacts) having taken account of the inputs, process of throughputs, outputs and results.

4.2 Impacts on environmental sustainability

The first area of analysis is related to environmental sustainability, known as the 20/20/20 goals: the EU's aim to achieve a 20% reduction in EU greenhouse gas emissions from 1990 levels, to raise the share of EU energy consumption produced from renewable resources to 20%, and to see a 20% reduction in energy consumption compared to projected levels.

None of the case studies addressed the second objective (renewable resources). Energy efficiency evidence is more readily available than for the wider social impacts partly because it is easier to identify, target, and measure energy efficiency than wider social impacts but also because these energy impacts are realised more quickly after completion of works.

- **Coverage:** All of the case studies addressed this aim in some form, but in three cases not to a significant extent or only indirectly. Germany focused its ERDF on social integration – not for housing - partly because of the very extensive national programme of energy efficiency work already in place for many years. In the Czech Republic, although the renovation of the Most estate included thermal cladding, this was not the main objective of that programme; in Poland there was cladding to the Museum building and the 53 renovated flats were improved in line with current Polish energy standards, but there was no explicit objective to target and deliver specific climate change objectives.
- **Project objectives and inputs:** Seven case studies had specific quantified project objectives in terms of energy efficiency. Targeted savings were mostly expressed in terms of heat loss (in the range of 20% - 40% kWh/m²/year reductions) but in the Italian and UK cases also in terms of carbon emissions (Kt).

There were also targets for extended building life in the range of 15-20 years. The majority of inputs included external wall cladding, new windows, works to district heating systems, and sometimes ventilation, roof works, and solar panels (for peripheral lighting). The scale of activity varied from very large blocks of flats to smaller specialised units as in table 4.1.

Table 4.1 Housing units treated and energy savings targeted (where energy-related savings were key objectives)

Country	Extent of works	Project energy savings objectives
Estonia	9 buildings	Reduce to >40kWh/m ² /year
France	8 blocks, 455 flats	Reduce to >104kWh/m ² /year
Hungary	7 blocks, 1,549 flats	Different by buildings. 8-40% reduction on energy use was anticipated
Italy	16 blocks and 652 flats	Save 147Kt emissions (80%), 7.62 Toe (10%), 20% heat loss reduction
Latvia	631 projects approved	20% heat loss reductions
Lithuania	Aim was 1,000 houses	20-40% heat loss reductions
UK	2,000 flats by 2013	12Kt reduced carbon emissions

Table 4.2 Outputs and results

Country	Outputs of housing and energy works	Results
Estonia	One building completed (children's home); new technologies installed for heating and other energy-related services.	Too early to determine actual results although users indicate easier use of heating systems.
France	Work on track for completion in 2013; initial monitoring indicates savings are being achieved.	Reduction in energy use; reduction in energy charges; more recycling.
Hungary	Owners in 3 buildings refused to apply; works are completed in 7 buildings, but work is often poor quality and poor value for money.	Energy savings seem to be between 8-40%, which resulted in an approximate 5-20% reduction in heating costs. However, in some flats the heating bills increased because of individual metering and the uneven distribution of heating costs.
Italy	Expected completion July 2013.	Carbon-emissions reduction is estimated to be Kt 146.88 (ante: 195.81 and post: 48.93). Energy-consumption reduction is estimated to be Toe 7.62 (ante: 88.92 and post: 81.21).
Latvia	Piecemeal, scattered improvements; no systematic figures on completions; no systematic financial data; no summary outputs.	Gaining the agreement of 51% of residents to ensure works was difficult; poor choice of projects as paperwork was flawed; standard of works was poor; little or no improvement in energy efficiency.
Lithuania	Fewer than 100 projects started by July 2012. There was owner resistance to the loans framework.	Unquantified energy savings, although they are believed to be significant.
UK	No schemes fully completed but many on-site; some energy suppliers paying for works to private owners in blocks (to meet their targets); emerging evidence base.	2.6k CO ² savings at March 2012; generally expected to meet all targets; works have led to an extension of the overall usable life of the buildings by 10-15 years menu of effective technologies; secretariat coordination was highly effective; community involvement in design; but suppliers were reluctant to engage in new technologies.

The outputs column of table 4.2 describes physical and energy works completed or in progress. In the majority of the cases progress has been slow, and many projects remained on site (or were still being planned) in 2012. Consequently in the majority of cases there are no validated results for actual energy savings. This is because there has not been enough time for monitoring data to be collected. There is therefore little direct linkage between the intended impacts set out in table 4.3 and the (limited) results evidenced here.

Nevertheless, it is reasonable to argue that because of well-tried and tested insulation methods, the anticipated savings are likely to be delivered. The areas of uncertainty and concern which emerge from the case studies are around:

- Quality of the building works. This is partly a function of some projects working within fixed costs, as outlined in the finance chapter, where quality has been challenged by the budget (e.g. Latvia, Estonia), and also the loose

control of quality could result in deficiencies (e.g. Hungary).

- The importance of high quality standardised and regular monitoring of the results of energy investment works did not seem to be a matter of major concern in many of the projects, except in France and the UK where there was a highly organised set of information being collected and compared at regional level. Nor (except again in France and the UK) was there systematic analysis of the cost-benefits of different technical approaches to providing insulation and energy saving measures. Outcomes are therefore likely to be difficult to fully document, even after time.
- In particular there is (at least as yet) limited monitoring of the impacts on fuel poverty.

Progress overall in Lithuania and Latvia has been slow and faced problems of reluctant owner occupiers, as was also the case in Hungary. Reasons for this are explored in the finance chapter. Project and wider impacts are summarised in table 4.3.

Table 4.3 Project and wider impacts

Country	Specific project impacts	Wider regional / national impacts
Estonia	ERDF was catalyst to link energy and social action; City learning around how to manage these projects and procurement.	Learning about inflexible costs and need for resident engagement in design; importance of elected member engagement.
France	Landlord, city, partners, residents involved in energy saving and integrated partnership.	Increased learning around cost effective approaches to building cladding.
Hungary	General agreement cladding is most effective; recognition of need for energy use education; no evidence of higher house values nor better affordability (due to common heating charge).	Educating owners on benefits of cladding and persuasion works; need for wider and more open management and consultation, including helping residents "internalize" benefits.
Italy	Weak local delivery chain, however, the project is expected to lead to significant energy-related savings, as well as improvements in building longevity.	Main impacts are around employment in the project itself, with over 7,000 days of manpower used.
Latvia	Energy efficiency and extended useful building life; real estate impacts not evaluated yet.	Questions about effectiveness of top down approach; importance of wider national programme of energy awareness. Seen as pioneering project to learn from.
Lithuania	No municipal involvement; very limited impacts to date.	100 out of 103 energy projects using Lithuanian firms.
UK	Good partner coordination within national policies led to delivery of objectives; engagement of local SME/contractors was poor; much awareness activity (though impact unclear).	Good evidence of good practice and specific technical data to share wider; specialist work may fit national providers; expectation management and short timescales need attention. There is enthusiasm to continue the project and widen it.

In most cases there were real improvements as a result of the works done, with both residents and delivery partners positive in their assessment. Some of the main project impacts were:

- Cladding almost always improves the image and appearance of housing blocks and extends their useful life. This was the case in Hungary, France, Italy, and the UK. Estonia provided new-build units which are seen as moving forward the social agenda by providing higher quality housing.
- In cases such as France, Poland or Hungary, this brought the image of the targeted neighbourhood more in line with that of the city as a whole. But such improvements do not seem to have had a measurable impact on property prices. Resident behaviour and ability to maximise the benefits of the capital works was a recurring concern in both the case studies and wider literature. Particularly where there are new ventilation and heating systems, there is a significant risk of residents misunderstanding the importance of, for example, turning down the heating rather than opening windows to cool down.

Wider evidence of impacts

Given that the case study projects have not yet matured sufficiently to provide extensive evidence of impact, what do other sources of evidence tell us about the impact of improving energy efficiency and quality of insulation in housing?

One of the key impacts of housing is on health, although it must be acknowledged that the relationship is complex. A number of studies have shown that living in damp homes has a negative impact on health outcomes. Evans et al. (2000) undertook an epidemiological study that found that being unable to keep houses warm was a key driving factor behind subsequent damp that leads to poor health outcomes. Some groups are more at risk than others, such as those suffering from Asthma, as demonstrated by a study comparing health outcomes of 5-44 year old asthma sufferers (Williamson et al, 1997).

This found that asthma sufferers were between two and three times more likely to live in a damp home. Research shows strong correlation between damp, poor housing and ill health in

children in particular. A major review of housing and health undertaken in 1986 (Martin et al, 1987) saw that 'aches and pains, nerves, diarrhoea and headache were more prevalent among children in damp housing; 85% had experienced at least one respiratory problem in the previous 2 months compared with 60% of children in non-damp housing. Children in homes with visible mould had higher symptom rates, vomiting and sore throats.' (Wilkinson, 1999, p. 4). These findings were validated in subsequent studies including Platt et al (1989), and Strachan (1988).

There are numerous studies demonstrating links between cold weather and increases in mortality rates, including the Excess Winter Death Index that consistently highlights higher mortality rates in winter. Studies have concluded that lack of central heating – a component of poor housing – links to higher mortality in cold weather. A key UK report was undertaken by the Joseph Rowntree Foundation (2001), arguing that the impact of housing conditions on winter deaths was greater for those living in poorly heated, low energy efficient housing.

This issue of heating is important, as poor housing can lead to fuel poverty, beginning a cycle of exclusion as people are unable to afford to heat their homes due to the high costs associated with heating poor housing. Fuel poverty itself, an important aspect of social inclusion, can be addressed through infrastructure changes to housing.

A useful summary of the literature on housing and health, as well as other social outcomes, is found in NHF 2010,⁷⁹ which systematically reviews evidence on the health and financial costs of poor housing, including citing the opinion of the British Medical Association that 'multiple housing deprivation appears to pose a health risk that is of the same magnitude as smoking and, on average, greater than that posed by excessive alcohol consumption' (p.13).

⁷⁹ National Housing Federation 2010, *Evidence for responsible Choices*. National Housing Federation, London.

4.3 Impacts on social inclusion

The second area of analysis addresses the EU's social inclusion aim which has been formulated in 2007 as the aim to reduce the number of Europeans living below national poverty lines by 25%, lifting 20 million people out of poverty. This 20 million figure also forms the key EU 2020 social target. This gave rise to a more diverse range of relevant national objectives pursued by the individual projects, and the case study projects which could be analysed under this heading include the three excluded from the energy focus set out above. Also the three waves of ERDF legislation on housing differed regarding the strengths of the social dimension: in the first the social dimension was relatively explicit (to a given extent selection criteria of the intervention areas), in the second it was virtually non-existent while in the third it was the main dimension.

Project specific objectives, and primary inputs are set out in table 4.4. It should be noted that the Latvian and Lithuanian programmes had no social goals (at least not those programmes that have been analysed for this study).

The first major point is the lack of specific quantified social objectives for the majority of the projects. Exceptions are Estonia which has a specific output target linked to a wider national target to improve all children's homes by 2015, but this is not linked to any impact objective, and Germany which has a specific benefit dependency reduction target and an overall aim to halt population loss. Other than that the projects seem to aim to contribute to wider local, regional and national targets to reduce poverty and exclusion, but without being specific about the intended contribution of these ERDF investments. Clearly this makes subsequent assessment of impacts more difficult.

It is also clear that the range of projects is very wide and varied. The Sieradz city in Poland seeks to regenerate the old city centre for tourism and trade; Cambrai in France focuses on fuel poverty and neighbourhood links to the city centre; Most in the Czech Republic originally targeted its Roma population (and this was still partly the case also in the re-focused area of Stovky which has approximately 30% Roma population); Italy continued the participation approach of the previous Turin "suburbs project".

Table 4.4 Social inclusion project objectives and inputs

Country	Specific project objectives	Inputs
Czech Republic	Originally social integration of Roma estate Chanov in Most. Subsequently increased focus on rehabilitation in central, more mixed estate, Stovky.	Total €7.9 million (71% ERDF); €2.3m additional private funds. Includes building renovation; linking walkway to city was planned. Additional ESF €2.8 million: integrated projects - employment, education, community events, debt management, and social work.
Estonia	Improve quality and availability of social housing units for at risk families' homes, ⁸⁰ including family rooms; smaller children's homes with no more than 6 children per apartment.	Entirely new building units (7 child homes for 72 children, 2 social housing for 140 people); €5.505 million (85% ERDF); in social housing have shared apartments and live-in social worker support; children's homes have live-in social education workers.
France	Reduction in fuel poverty; improvement of image and stability of area; community development.	Independent social support agency; communication and participation activities; local NGO promoting jobs and community organization. City works to link estate to centre with road improvement and peripheral investments.
Germany	Reduce 26% benefit recipient levels; improve image, despair, and address continuing population loss.	Participatory action fund - €80,000 (2009-2012); community development - €112,000; meeting point - €155,000 (2009-2012).
Hungary	Improve the market position of the estate; improve the social position of the residents; improve affordability, space for public, community activities, reduce the 'gap' in various indicators linked to social inclusion in the estate with those found elsewhere in the district.	Total of €4.5 million (with 62% ERDF rate in average) resulting in reconstruction of residential buildings, public spaces, shops and creation of community centre (vocational and employment activities based on municipal organizations).
Italy	Based on previous Turin participatory "suburbs project". Aims: improve quality of life; local action for economic development; more civic engagement.	As part of wider improvements, social support by landlord (no ERDF support) for resident participation/ education; no integration with ESF.
Poland	Improve economic and social conditions; attractiveness for tourism; sense of regional identity; image and environment. No indicators.	€14.4 million total (47% ERDF), for cultural infrastructure (6%), area renovation (78%), and housing (16%).

⁸⁰ Intermediate social homes are available for those unable to retain a sustainable position in the housing market. These homes therefore act as a safety net for those in danger of homelessness, and a step up for those currently homeless.

Table 4.5 Throughputs, outputs, and results for social inclusion

Country	Throughputs	Outputs	Results
Czech Republic	City ran physical rehabilitation (major change part through); Agency for Social Inclusion (ASI) coordinated social elements and provided advice, support to social agencies and local municipality. Major contribution of House of Romany culture. Banks redlined central area once included.	3 partially and 1 totally improved blocks in Chanov Roma estate and partial walkway. No progress yet in central area rehabilitation (Stovky). "Involvement Centre" constructed; debt advice provided and employment/job readiness training.	Considerable changes in plans and focus throughout project; major contribution of ASI and local NGOs delivered social programmes (not ERDF funded); failure of framework to engage owners efficiently in Stovky so far (too little grant, too expensive loans).
Estonia	City managed the project (close political involvement); architectural competition (no user involvement); national monitoring and advice; responsive and intensive work with local residents around fears (e.g. crime).	One children's home completed.	Criticism from social work agencies about aspects of design and lack of consultation.
France	Initial vote on plans; complete tenant survey and regular meetings. Regular community events and consultation on health/ energy/ activities. Close involvement of voluntary agencies.	Regular publication of reports on satisfaction; video project for post-works responses; allotment garden set up; new security cameras; regular resident sponsored events; older persons club.	Overall high satisfaction reported; smooth delivery of improvement package due to high level of tenant support; reduced vacant properties and renewed demand for housing.
Germany	Local resident board to distribute action fund. "Ideas machine" launched.	10k hits per month on ideas machine; successful neighbourhood conference; 35 micro projects funded.	Community buy-in for changes; positive image in "Preserved Urban quarter"; more empowered and active residents.
Hungary	Local municipal rehabilitation agency coordinated the project with involvement of the local social service and an NGO. Survey followed by selection and delivery of job training.	Besides the infrastructure and housing developments the Community centre completed in October 2010; clubs for young mothers, elderly, jobseekers; training programme involving 50 people.	Use of community centre exceeds expectations, except for engagement of youth; only 66% training participants local to estate and in total 45 gained certificate, 46% had job for over 6 months after.
Italy	Identification of deprived areas and needs ('neighbourhood contracts'); involvement of voluntary organisations, regular meetings; info point and leaflets.	Too early to have specific measurable outputs.	Smooth implementation of initial stages of works; some urgent but unseen social emergencies found and addressed.
Poland	City coordinated/managed through "Old Town Unit"; 53 flats targeted; improvements to cultural info centre, museum, streets, sewers, river, security system. Some public opposition to changes.	Market quarter and area rehabilitation completed; 53 new or rehabilitated flats; family emergency shelter. Higher utility charges for increased facilities but rents same.	Market square now hub of activity; no numbers on tourists; pedestrianisation creates more attractive area. Buildings behind square still in very poor condition; city burdened by additional costs; new tenants in the renovated flats.

The diversity of projects which fall under this heading should be noted here, from city centre renovation to children's homes as well as more expected social programmes organised around building and neighbourhood improvements. There is also frequent involvement of resident groups and voluntary agencies to directly deliver or assist with the implementation of social action. This is an aspect of participation discussed elsewhere, and indicates integration in delivery terms even if most of the projects had little financial support from ESF. Third, there are a significant number of specific outputs delivered, including bricks and mortar developments like the Hungarian community centre, the Estonian children's homes, the Polish emergency shelters or the German artists' studios, as well as a wide range of clubs, training, and community activities.

In terms of results, there are several positive changes. These include, for example, excellent participation in local activities in Hungary with an over-subscribed community centre attracting a wide range of people. The German case also reports more positive engagement by local people and a new sense of local empowerment due to their active participation in a well-run and coordinated project. In France the activities were mainly around the process of getting the work done where effort was particularly focused on supporting the tenants through the works, and using this contact to engage them more widely with community activities.

In the Polish example, however, some residents were not allowed to return to newly regenerated properties due to concerns over debt and antisocial behaviour. Such displacement of residents has the potential to lead to social exclusion as poorer, marginalised groups are moved away from regenerated areas. Such segregation can be guarded against by proactive policies to ensure mixed tenure within housing

Housing affordability should also be a major result of the interventions aiming to improve energy efficiency. As a result of lower energy consumption the fees of heating should be lower, however, this phenomenon could be seen in few cases only as most of the projects were not

finished yet. However as the repayment of the investment costs (at least a part of it) is built into rents, or in the case of the privately owned buildings the residents had to repay the loans, the improvement in affordability was dependent on the balance of the decreased charges and the increased expenditures. In order to guard against exclusion as a consequence of unaffordability, it is important to manage cost increases when possible – e.g. with proper housing allowance systems.

In most of the cases the financial scheme of the renewal was designed in such a way that the scale of the decreased charges should in the long term exceed the scale of the increased expenditures. In France the rent was increased but in such a way that the savings on heating bills resulted in a positive balance on the side of tenants. In the UK it was an important aspect to develop low cost technology for retrofit to achieve better affordability especially when the more deprived parts of social housing was targeted. In the Czech case the rent of partially renewed buildings did not change while the rent in the fully renovated building increased which meant net increase in expenditures for tenants. In Poland the increase in expenditures were due to higher level of services with higher utility fees.

Table 4.6 Impacts on social inclusion

Country	Specific project impacts	Wider regional / national impacts
Czech Republic	Success in providing programmes within Roma estate, though sustainability in question; lack of coordination and prior consultation leading to programme failures (e.g. housing incentive ladder and caretaker training programme) weakened inclusion objectives and Roma integration.	Problematic to deliver integrated programmes - and unwillingness to bid; difficulties of planning and adequately preparing Roma projects; no focus on most disadvantaged areas; importance of NGO and support agencies in bringing partners together. Roma issue would require more public awareness and political support.
Estonia	Speeding up of likely attainment of 2015 national standards. Linking of social/energy agenda; lower running costs for social agencies.	City learned from URBACT network (SUITE). Benefits from project being embedded in City social development strategy.
France	Major improvement in neighbourhood image and links to city; continuing community activities. Too early to say on fuel poverty.	Learning to be applied to other projects in department.
Germany	Significant impact on quality of life and attractiveness; attractions for visitors; network of committed local agents; but unemployment and still high population decline.	City awareness of importance of participation and wider testing of similar models. Continuing need for external (government) support. Need for proportionate project checks and controls.
Hungary	More participation in community activities; some better job readiness but no significant effect on general employability. Unclear whether area more desirable.	Provided lessons for Hungary on targeting, integration and participation, as well as showing value of national guidance. Showed time scale too short, not proper to reach the most marginalized and reach sustainable social results. Perhaps provide mentors.
Italy	Strengthening of links between tenants and institutions improving the housing; greater sense of unity between neighbourhood and wider city; identification of urgent family problems.	Supports wider Piedmont approach to social regeneration and energy works. Reinforces the regional housing agency's position as social agent and landlord.
Poland	Although square transformed, unlikely that impact will be major beyond immediate area; no private or social sector partnerships; absence of ESF or other social measures seen as lost opportunity. Existing residents were in some instances removed from properties and not allowed to return, potentially leading to displacement of already marginalised or excluded communities.	Main lessons: targeting of "deprived" areas (under mean) too loose; ERDF support allowed acceleration of housing renovation; planning time too short and partnerships weak. Need to integrate existing communities and residents into regenerated areas to promote integration.

The examples show:

- The development of more cohesive communities and better social integration of marginalised communities are related to the area-based and integrated nature of projects and the level of participation through project design and implementation. In some of the countries the ERDF housing interventions were not designed on area-based principles so these countries could not deliver social impact at the community level. Positive impacts for the local community were reported in the French case. The well-designed participation had a similar effect in the case of the Italian project. However, in other cases even if the project was integrated, the impact on community cohesion was less substantial because of less resident involvement in decision making. This may be the case in the Czech project where many social interventions are underway but community development actions are weaker.
- Better integration of the area into the city structure is contributed to through improved housing and environment quality and thus a lower level of stigmatisation. Such results were reported in the French, UK, Italian and German cases where interventions targeted deprived social housing areas. Those ERDF interventions which were not spatially concentrated (Latvia, Lithuania) could not have such impact. In the Czech case, because of the housing estate was very degraded and had a high level of marginalised Roma, the partial renewal of the estate is unlikely to change the overall stigmatisation.
- Creating a more mixed neighbourhood and halting the downward spiral of the area is related to the integrated nature of both physical and soft measures.
- The Czech case illustrates how it is difficult to deliver social mix in a very isolated area, even if physical improvements are achieved. On the other hand the crowding out effect is a significant risk factor for improved neighbourhoods. This occurs when the most deprived households are pushed out of the renewed neighbourhood because of increased housing costs (including both increased utility costs and higher rents to

meet the repayment of the investment). This may be the case in the Polish and Czech social housing projects.

- Social integration based on mixed communities can be hampered in instances where existing residents are moved from newly renovated properties or areas. The provision of social support to residents can help alleviate worries of antisocial behaviour, therefore negating displacement policies.

Wider evidence of impacts

Studies of urban regeneration are increasingly reviewing the propensity for physical upgrades of the built environment to bring about social development within communities. This might be either on the basis of the knock-on effects of physical upgrades, or as a result of physical interventions being combined with other approaches such as community development initiatives) (Ganser et al, 2009).⁸¹

One increasingly important concept is place resilience, which refers to the ability of a place (or community) to respond to the challenges it faces (McInroy and Longlands, 2010).⁸² The Barca report⁸³ in 2009 is also relevant to this debate, given its emphasis on a place-based approach.

Recent history has shown that regeneration initiatives have not necessarily made communities more able to cope with future changes (Vale and Campanella, 2005).⁸⁴ For instance, the 1970's and 1980's saw widespread regeneration efforts in Western Europe to address the structural economic shifts taking place over this period. However, it was not always the case that the regeneration activity strengthened the social fabric of affected communities, nor the ability of these

⁸¹ Ganser, R., Carpenter, J., and Ngombe, A (2009), *Measuring Socially Sustainable Urban Regeneration in Europe*, Oxford Brookes University, The Oxford Institute of Sustainable development.

⁸² McInroy, N. and Longlands, S. (2010). *Productive Local Economies, creating resilient places*. Centre for Local Economic Strategies

⁸³ Barca, F. (2009) *An agenda for a reformed cohesion policy*. Report to the European Commission

⁸⁴ Vale, L. J. and Campanella, T. H. (2005) *The Resilient City: How Modern Cities Recover from Disaster*. New York: Oxford University Press.

places to weather and recover from economic turbulence (McInroy and Longlands, 2010).⁸⁵

It is also useful to consider the various social sustainability outputs and outcomes that can be generated by urban regeneration projects. There are a number of areas which may be indirectly or directly impacted by housing-led regeneration projects, and which are increasingly being reviewed as indicators of progress and performance for area-based regeneration interventions (Ganser et al, 2009).⁸⁶ Such indicators include demographic change, education and skills, employment, health and safety, housing and environmental health, identity, sense of place and culture, social capital, well-being and quality of life. As it will usually take some time to see change in these indicators, longitudinal evaluative approaches are therefore useful in detecting changes and considering attribution.

One approach to assessing the impacts of regeneration on these areas is through a case study approach which has the benefit of identifying what forms of intervention have worked to bring about social integration and development, given the specific nature and characteristics of the locality. For instance the European URBAN II 2000-2006 programmes focused on delivering a range of different area-based projects addressing socio-economic inequality, was evaluated through an assessment of a range of local indicators (such as educational attainment, health outcomes, employment rates) before and after intervention. Case studies then examined the local circumstances and the nature of project interventions such that impacts could begin to be clearly attributed to the particular projects (Ecorys, 2010).⁸⁷ Similarly, case study research has been key in evaluating the development of the social and physical environment of housing estates in the Czech Republic. These local level assessments have proved effective in assessing factors which influence development at different geographical scales (region, city, neighbourhood)

⁸⁵ McInroy, N. and Longlands, S. (2010). Productive Local Economies, creating resilient places. Centre for Local Economic Strategies.

⁸⁶ Ganser, R., Carpenter, J., and Ngombe, A (2009), Measuring Socially Sustainable Urban Regeneration in Europe, Oxford Brookes University, The Oxford Institute of Sustainable development.

⁸⁷ Ex-post evaluation of the 2000-2006 URBAN II Initiative. Ecorys, 2010.

and helping to illustrate various issues across distinct types of housing estates in the country. Comparative case studies within the same national context, help to identify the critical success factors to ensure that housing-led regeneration can support socio-economic development (Temelova et al, 2011).⁸⁸

More specifically, the overarching business case for investing in energy efficiency is supported by a range of research,⁸⁹ which also sets out that the case applies particularly strongly to the poorest condition blocks⁹⁰ and for targeting the most fuel poor i.e. lowest income in these blocks⁹¹. Similarly, investments in energy efficiency in housing can help to increase household savings and purchasing power, in turn improving living conditions. A major study found that each €1 invested in energy efficiency actually generates between €2 and €5 of public revenue through associated impacts such as reduction of unemployment and health costs.⁹²

4.4 Impacts on economic development

Activities to increase the employability and the actual employment of people who are excluded from the labour market often form an integral part of physical rehabilitation projects in deprived neighbourhoods (as seen from examples in the URBAN programme and national programmes like the UK's New Deal for Communities or the French Cities programmes). These types of schemes involve engagement with the building company and local training organisations to provide a quota of training and jobs placements for local unemployed (and often younger) residents. This was the case in the French and Italian case studies, for example. In addition, housing interventions, once completed, have a wider and more long term objective of increasing the employability of the residents by providing them

⁸⁸ Temelová, J., Novák, J., Ouředníček, M., Puldová, P. (2011): Housing Estates in the Czech Republic after Socialism: Various Trajectories and Inner Differentiation *Urban Studies* 48 (9): 1811-1834.

⁸⁹ (see Vattenfall, McKinsey, Stern)

⁹⁰ (see UNECE, 2009)

⁹¹ (see N. EA & Hills' Fuel Poverty Report, 2012)

⁹² Research Centre Julich, 2011, Impact on public budgets of KfW promotional programmes in the field of "energy-efficient building and rehabilitation.

healthier, more comfortable, suitable environment to thrive and to study and to prepare for work.

Economic impact and employability was a key issue in few case studies. Indeed it was only in Germany, the UK, and the Czech Republic that they were specific (though minor) parts of the main intended impacts of the projects. The main impacts of the projects in terms of economic development and stimulating economic growth, seen in the case studies were:

Creating jobs and skills (during and after the works):

- Local employment and training schemes were undertaken in France, the UK and Italy as part of the renovation works.
- Specific jobs training schemes were undertaken in Hungary and in the Czech Republic where they were linked to the proposed provision of caretaking jobs in the improved estates.

Stimulating growth in local neighbourhood economies:

- Germany targeted local people with the aim of increasing their capacity to set up and run local businesses. This was done with €288,000 support for set up costs of SMEs and €43,000 for specific mentoring and technical support.
- In the UK a specific element of the ERDF housing project was to develop a local delivery chain, including a partnership with a local agency to ensure that local construction firms (employing local people) became sub-contractors to those larger firms that tendered to win the construction/ improvement works attached to the project. In all €5 million additional sub-regional GVA was generated when the amount of new jobs and additional turnover of local firms was taken into consideration.
- In Lithuania over 90% of insulation works under the national programme were undertaken by Lithuanian firms (although this was not always done by local firms in the same town/ city to the housing).

Wider evidence of impacts

House building or renovation is a source of employment itself, but beyond that, the security offered by adequate shelter supports those seeking work. In overall terms, it has been estimated that for each €1 million spent on energy efficiency works, 17 jobs are generated and/or maintained, as opposed to 6 jobs in the coal industry or 5 jobs in oil and gas (if the money was instead invested in traditional industries like coal or oil instead).⁹³ There is scope for the creation of new skills and jobs at a local level provided the local authorities in those areas actively manage the development of green programmes, markets, and training. Retrofitting work can open up opportunities for and local employment on projects including on social housing estates. A recent German study of the KfW “energy efficient building and renovation” programmes in Germany estimated that every €1 invested returned €2-5 to state funds, mainly through job creation, and that over 340,000 local jobs had been created during the 2008-10 period.⁹⁴

Germany provides a good model for calculating this. Power (2011)⁹⁵ cites evidence that renewable energy industries have created increasing numbers of new jobs each year, including over 300,000 in 2009, and that the building refurbishment programme has created an average of around 240,000 new jobs a year since 2006. Similarly an estimate by TBE (Tiles and Bricks Europe) suggests that every €1 billion of investment in this area would result in 12,000 additional local jobs.⁹⁶

⁹³ Interview with EU Commission official, DG Energy

⁹⁴ Research Centre Julich (2011) *Impact on public budgets of the KfW promotional programme in the field of “energy efficient building and rehabilitation”* Forschungszentrum Jülich GmbH, Julich

⁹⁵ Power, A. and Zulauf, M. 2011 *Cutting Carbon Costs: Learning from Germany’s Energy Savings Programme* LSE, London

⁹⁶ Tiles and Bricks Europe (2012) *EU Political Support for Affordable Energy Efficient and Sustainable Housing* TBE, Brussels

There is also research extending beyond the EU that trace linkages between issues such as poor housing, poor housing outcomes, and employment levels, for example, Blank (2001) and Stephens et al (2010). In some cities, such as Barcelona, Vienna and Newcastle, the housing model is used as a key component of wider efforts to heighten social integration, for example tackling homelessness alongside wider efforts to integrate people into the workforce and society as a whole (Güntner, 2008).

4.5 Conclusions

The main conclusions of this chapter are:

- It is too early to identify clear successes and impacts due to projects being relatively new (many are still to reach their mid-term point). Many potential impacts related to social and economic aspects take time to manifest themselves fully and there is also an issue (see governance chapter) around projects not being measured or evaluated in terms of wider social and economic impacts.
- There is relatively robust information around impacts on energy efficiency.
- Stakeholders were relatively positive about the impacts of the projects filtering down to more economic and social issues linked to agendas ranging from job creation through to health. However, there is less evidence of projects actively seeking to maximise these impacts, particularly for more marginalised groups in communities. This means there is an element of lost opportunity in terms of generating impacts of ERDF housing projects outside of physical improvements and energy efficiency.

PART 2: THEMATIC CHAPTERS

The preceding chapters in Part 1 outlined the context that this study relates to, including how housing interventions have been supported by the EU, as well as the state of play regarding housing in Member States. This second part of the synthesis report deals with thematic issues relating to effective housing interventions on the ground.

The evidence is primarily based on the findings of ten in-depth case studies, ensuring that conclusions and arguments are based on new up-to-date research. Wider documentary evidence supports the key arguments, and examples from case studies are used to illustrate points where possible. The majority of these examples demonstrate good practice, but there are also challenges and difficulties in implementation from which lessons can be learned.

In the course of the case study research a series of key themes emerged as the most important factors underpinning the success or failure of projects. These tie with the detailed lines of investigation to provide a number of thematic chapters as follows:

- **Policy integration.** Integration is a term widely used in housing and wider urban development interventions, and this chapter explores the various dimensions therein. As well as the integration of thematic issues such as environment and social, the section examines vertical and more strategic policy integration. Critically, despite on-going support for integration at high levels, many lessons relate to the non-integration of projects and lost opportunities for added impact.
- **Governance.** It is clear that good governance is vital to the most successful projects, especially where an integrated approach is aimed at. Governance includes multi-level governance between the various levels of government, as well as more horizontal governance arrangements ensuring effective partnership and collaboration. The way in which projects are monitored and evaluated is also addressed, due to the importance of understanding outcomes and outputs of interventions.

- **Participation.** Although projects can be undertaken from a top-down perspective, the projects of most relevance to local areas and communities have an element of participation. This section analyses the most effective methods of ensuring the participation of local communities and stakeholders. It also explores the potential for on-going participation post-implementation.
- **Finance.** Given the widespread funding restraints on various public and private bodies, financing projects is an increasingly crucial issue. This chapter explores the way in which various financial mechanisms including but extending beyond grants can be effectively utilised. Flexible mechanisms such as revolving loan schemes were found to be of increasing relevance and are explored here.
- **Quality and sustainability.** The most effective projects had clear aims and objectives that related to issues such as improving housing quality. The impacts of such projects have the potential to be significant, so this chapter draws together the ways in which examined projects included aims, tools and methods to move beyond standard housing development. The chapter highlights the potential for new technologies and high quality infrastructure to underpin ERDF-funded housing interventions.

Introduction to the case studies

Because many of the ERDF supported housing projects are relatively new and have only been delivering for 2-3 years, most have not been properly evaluated or assessed in any way. It is therefore a good opportunity to develop a picture as complete as possible on what has happened on the ground as a consequence of EU funds.

The case studies show that ERDF has supported a wide range of different types of projects and their activities are relatively broad in nature. The case studies show that ERDF has been used to support activities ranging from targeted improvements to a single block of flats through to more complex housing regeneration practices across entire countries. Although the projects studied as part of the research are broad in nature they are related to urban regeneration, support for marginalised communities or energy efficiency, with the latter theme being most prevalent. The case study projects also tend to focus on physical improvements to housing. Although some of the ERDF housing projects support community development and cohesion and wider economic and social regeneration goals most of the ERDF funding itself has been spend on improving the internal and external fabric of an areas housing stock. The extent to which these ERDF projects have a 'people' element is dealt with in Part 2 of this report.

A brief overview of the ten case studies shows that:

- Projects range from a €1.9 million ERDF contribution in France to a €68 million project in Latvia. The ERDF contribution to each project ranged from 9% of the total in France to 85% in Estonia.
- Eight out of the ten projects were still delivering and where only part way through their implementation phase. The youngest project was six months old (Italy) whilst the longest running project was four years (Poland). As would be expected, the projects that had run the longest were found in newer Member States.
- The number of housing units so far improved by the case study projects ranged from 30 in Lithuania through to 1,549 in Hungary.

The majority of housing stock supported by the case study projects were apartments/flats as opposed to houses. This relates partly to the nature of the housing stock in those Member States studied in the research but also related to limitations of the ERDF Regulation and the housing type that are most in need of improvement within these areas.

5. Policy Integration

5.1 Linking housing to strategic plans and to other policy areas

Integration faces strategic impediments

Whilst urban development concepts include housing as a theoretically important dimension of integrated urban strategies its practical place within such strategies have been less clear. Declarations have often not been backed by funding or other policy instruments and key responsibilities often lie with local or regional levels of government. In addition, the nature of governance around housing means that it is easier to involve some housing actors in area development strategies, for example, public housing providers, than others such as private owners.

One strategic challenge to including housing in plans has been the late eligibility of ERDF support for housing (i.e. Regulation was modified while OPs for 2007-2013 were already finalized and in the implementing phase). In the past, strategies and projects in the spirit of the “*acquis urbain*” actually worked around housing – looking at the housing environment but not the dwellings. Many Operational Programmes for the current funding period (2007-2013) were indeed developed prior to housing eligibility and subsequently excluded housing from their key actions. Although some OPs added housing at a later date this was still not the optimum approach to ensure an integrated approach.

The nature of the evolution of the 2007-2013 ERDF Regulation can also be argued to have complicated the integrated approach around housing. When housing became eligible for ERDF funding, it was limited to programming ‘within the framework of an integrated urban development operation or priority axis for areas

experiencing or threatened by physical deterioration and social exclusion⁹⁷ in EU12 Member States. However, integration was subsequently not required in 2009 legislation, rather focusing on the sustainable energy aspects as such, with possibly less thought for any social aspects to the project apart from the general requirement for the investments to support social cohesion. As such, integration has remained a desirable rather than expected or stipulated dimension of many housing interventions.

The national context is key to driving integration

National policies and mechanisms to work across sectoral boundaries are an important context for promoting integrated delivery of projects on the ground. Basically, it is where a culture of cooperation could emerge over time that we see well-established integrated local practices. For example, case studies from France and the UK show housing development projects embedded or at least linked up to wider development plans. The critical factor is the presence of long term commitments to an integrated approach in domestic policy making in both countries. The UK has, for example, long since moved on from the Sustainable Community Strategies that helped organizational change and learning lean towards cross-thematic planning and partnership building. Similarly France has seen a number of top-down initiatives that have driven integration, including the planning and urban development framework. The *loi SRU* of 13 December 2000 introduced the new idea of an urban planning document – the “SCoT”⁹⁸ - which mandates, at the inter-communal (metropolitan area) level, a development plan dealing with the major areas of urban planning, housing, economic and commercial development, and environmental improvements.

⁹⁷ Regulation (EC) No 1080/2006 of the European Parliament and of the Council of 5 July 2006 on the European Regional Development Fund and repealing Regulation (EC) No 1783/1999. Article 7.

⁹⁸ SCoT is short for *Schema de Cohérence Territoriale* or Local integrated urban planning framework

Conversely, in Member States without such a history of piloting integrated regeneration schemes, we see rather fragmented and monothematic projects. For example, Latvia and Lithuania have no significant history of integration and the institutional learning and capacity required to do so is largely absent. As a consequence rather than coincidence, neither of these case studies had significant integration of projects into wider development plans.

The close relationship between national approaches and local projects is demonstrated in the Hungarian example. Here, driven by ERDF Regulations and expectations from Ministries that require integrated regeneration plans as a prerequisite for ERDF funding, the planning system stimulates better integration. The result is that the Ady and other projects are at least theoretically integrated into wider development packages and plans – demonstrating the impact that national decrees can have on tangible integration approaches.

Practical examples of integrated approaches

In reality, of the case studies examined, only around half had what could be termed strategic integration. In turn a minority saw interventions planned within wider strategies and frameworks for the specific benefit of marginalised communities or those with specific needs. Indeed for the most part interventions were not targeted at the areas or populations that could be argued as most in need.

A case study that provides an example of clear integrated planning is Cambrai. The city's wish to improve the conditions and image of the neighbourhood was part of a wider set of actions in and around the wider surrounding area between the La Forêt and the city centre. This was framed within a longer term, integrated, metropolitan area planning and sustainable urban redevelopment framework. Importantly, the CAC, in the local housing plan (PLU) section of its strategic planning framework⁹⁹ identified the improvement of the La Forêt neighbourhood and its re-integration into the town, as a key priority, as well as the overall improvement of the area. This approach demonstrates the importance of political

will and clear prioritisation that is shared across stakeholders and documents.

Perhaps the purest example of an integrated approach is seen in Germany and the Chemnitz case study. Here interventions are implemented on the basis of an integrated local action plan – a spatial level of integration that ensures linkages between projects and funding streams. ERDF complements a range of additional regeneration measures funded by regional and national programmes, in particular for urban development promotion and urban restructuring and for housing promotion. The integrated urban regeneration scheme is part of a city-wide urban development strategy (“Städtebauliches Entwicklungskonzept SEKo 2020“) that was agreed by the local council in 2009. It promotes an integrated approach and aims at enhancing cross-sectorial cooperation. The added value lies in the combination of various measures based on a single local plan – resources are brought in to deliver integration rather than plans being adapted to suit funding opportunities.

Despite these good examples of varying degrees of integration being undertaken, the case studies identified examples where no real integration took place. These were Turin, Latvia, Lithuania and (despite the project combining thinking on various sectors) Tallinn. These projects were implemented largely outside other strategic documents.

There are a number of factors affecting the level of integration. First, when integration isn't a formal requirement there is a lower likelihood that it will be pursued - demonstrating a lack of awareness of the benefits of integration. The second factor is a lack of capacity (and time) of practitioners working on housing projects to consider wider development frameworks or social and economic dimensions. Third, there is a lack of incentives (for example, requirements for integrated partnership approaches) to encourage the ERDF housing project managers to actually engage with local stakeholders to promote integration. And fourth, ERDF housing project managers on the ground are often housing technicians or policy makers who traditionally (especially EU12 Member States) have not engaged with social and economic partners, or different levels of government and planning structures.

⁹⁹ Révision du Plan Local d'Urbanisme de Cambrai Projet d'Aménagement et de Développement Durable 2011 version, section 3.1, available from the Cambrai CAC

Targeting and integrating specific areas is possible

When integration does happen, it can have significant impacts on end outcomes. Beyond technical issues concerning linking thematic strategies, integrated approaches have wider effects. One is that by placing specific area-based developments or small projects into a wider, city plan, officials can help mainstream the target area and/or population. Rather than being seen as an external, peripheral area or grouping, it can become part of the wider city. A key aspect is therefore the selection of the correct target areas, and working to draw those into the mainstream through effective planning and projects.

The Polish case study demonstrated that although ERDF can be targeted very specifically on areas deemed most suitable, the relatively unrestrictive nature of indicators used means that areas for intervention do not necessarily end up being the most in need. Not all urban areas are eligible for housing interventions financed through ERDF, and the list of indicators used to specify the target areas is based on ERDF Regulation 1828/2006 (which is based on the experience of the URBAN Community Initiative):

- A high level of poverty and social exclusion,
- A high level of long-term unemployment,
- A high rate of crime and misdemeanours,
- A low level of entrepreneurship (few small businesses),
- A comparatively low level of housing quality.¹⁰⁰

To be eligible for an ERDF subsidy, needs to prove that its social status and the physical state of its housing stock is substandard compared to the reference level in three of five indicators (which is the regional average). However, the reality is that if the social status of an area (city or neighbourhood) is even only marginally below the regional average it may be entitled to ERDF housing subsidy. While this Regulation ensures that affluent areas do not receive the subsidies, it also means that the interventions may not actually be focused on areas that are most in need, and instead subsidies tend to go to average areas just

below average. In the Sieradz case the use of eligibility indicators to define the area resulted in choosing an area which was in moderate as opposed to dramatic social decline, with ERDF funds being used to support market-oriented upgrade of a neighbourhood with market potential, rather than for social purposes. If the indicator system had been tighter and restricted to the most marginalised residential areas, this market orientation would not have been possible (as the areas most in need usually have a low market potential).

There is a clear argument that for ERDF to have the maximum impact on EU 2020 objectives and targets, it should be spent on hard to reach, neglected areas which tend to be far removed from the regional mean. It is in these places where the biggest improvements to health, employment and energy efficiency can be realised. Yet without clear area targeting and in turn a process of integrating these areas into the mainstream policy context, progress will be difficult. Indeed for the most part the projects analysed did not pursue an approach that placed projects within a wider framework to specifically benefit marginalised communities or those with special needs. In one instance (Most) integrated interventions specifically designed to address a marginalised Roma community were amended to more generic developments of an area that was again, just below the regional mean in key indicators – facilitated by the combination of two areas into one for planning purposes. Although it is likely that the Ady case benefited Roma residents due to a 30% Roma population in one of the two combined areas, Stovsky, it was not explicitly addressing Roma or marginalised communities in its planning. This is despite the project being funded through Roma-specific Operational Programme actions.

¹⁰⁰ Often these indicators are used on general scale to describe urban areas in crisis.

5.2 Linking different interventions on the ground

Examples of thematic integration

For the most part, projects did not actively link thematic interventions and objectives together (for example having projects with a social, environmental and physical dimension). Indeed the evidence base suggests the majority of cases are predominantly energy-focused with either no significant other thematic linkages, or weak secondary thematic linkages to social or economic planning. Nonetheless, on a simplistic understanding the linkage between energy and housing is in itself a form of integration.

There is an observable link between the level of strategic policy integration (discussed above) and on the ground integration. The result is that German and French cases demonstrate good levels of cross-thematic linkages in implementation. Chemnitz demonstrates how ERDF can be used as an integrating tool itself - tying up various sectoral interventions featured in the integrated local development plan. ERDF is used to actually animate the integrated approach by funding elements that would otherwise fall through the rigid grid of national and local funding streams: a neighbourhood manager and an SME support scheme, an urban farming project or a feasibility study for a local heating and energy saving scheme are just a few of the interventions that were funded by having on the ground interventions to secure integration.

Here each project within the wider area regeneration programme is based on a subordination check. The local authority checks if other, national or regional funds are in principle available, and gives approval only where this is not the case. Some project ideas have to be adapted to demonstrate uniqueness or to better demonstrate local impacts. The outcome is that ERDF is used to drive project development down an integrated route, improving linkages to community needs and promoting originality in intervention design.

In Cambrai, the housing project had a significant level of integration on the ground based on a need to secure acceptance from stakeholders and residents. Looking more towards the wider inclusion of residents in the community, the project managers engaged a local jobs and

environment community organisation CODES (Comité local des acteurs de l'économie solidaire) to develop local projects in line with the organisations principles of "economic solidarity". Within Cambrai there are two main projects running at present. The first is the formation of a gardeners group, which has been lent a section of the allotment fields. The second is a series of workshops with residents around developing a better understanding of energy efficiency and how to both be environmentally sustainable and save money following the opportunities offered by the rehabilitation works. The result is an integrated approach whereby otherwise purely infrastructure projects are transformed into a wider approach to change people's lives, attitudes and experiences at minimal long term expense.

Linking to capital works in an area has an impact

One approach to integration is to address a wide variety of living space developments simultaneously in an area based approach. Despite being capital-focused, complementing housing with wider green space and public service building works can have a significant impact on the liveability and sustainability of a neighbourhood.

As well as renovating housing, the project in Ady has renovated public spaces including parkland, and provided a new community centre. This was within the geographical confines of the neighbourhood at the centre of the housing intervention. The result has been a dramatic increase in the attractiveness of the area, and through the community centre, an increase for potential for community training and other activities. The Polish case study is built around complementary physical improvements in an area, easily transferable to other cities and countries. In this case wider physical improvements included adapting a building into a multi-purpose centre including children's playground, and a cultural information centre.

Such physical-focused integrated projects are made possible through clear integrated development plan for areas that contain housing development alongside other expenditure such as redevelopment of public and heritage spaces, rather than using multiple strategies and plans for thematic interventions.

The participation of communities and stakeholders, discussed later in the report is also important.

5.3 Integration of European and national funds

Integration of funds for similar thematic outcomes is rare

The benefits of linking together funds are clear – increased outcomes through multiplier effects. The impact of tying capital and revenue funds is even greater, especially if they allow (as for ERDF and ESF) the integration of physical and social interventions. Such integrated action maximizes the chance of positively impacting on people's day-to-day lives.

Yet in the case study projects there is minimal linking of funds beyond functional match funding within thematic pillars, for example, energy funds. It was the Hungarian case of Ady that provided the clearest example of linking ESF with ERDF. On the one hand the creation of the community centre enabled the local government to utilise ESF on community training and related activities. These would not have been possible without the guarantee of the community centre as a base. The result is unintended but demonstrates how physical interventions can be seen and portrayed as enablers for future, wider investment. On the other hand the project itself aimed at providing ESF-type services (also financed from ERDF) in order to contribute to the improvement of the life chances of the socially disadvantaged residents, to strengthen the cohesion in the community and provide positive social models to the different age groups on the estate. Although not ESF funded, these activities are of the kind provided by ESF and serve to demonstrate potential integration. Activities included a four step programme to improve the employability of residents:

- A survey was conducted to gauge the demand for vocational training on the estate and among the socially excluded citizens of the district, and training was provided to build basic skills for improving employability.
- A two round selection method was implemented to choose those candidates that were capable and ambitious enough to continue training.

- The selected people were grouped into 4 training courses.
- After the vocational training courses, 20 people took part in a further 2 months programme where they could get work experience in their field of training.

For the most part however, the lessons relating to integrating funding lie in match funding. In Cambrai, for example, funds were drawn in from state loans for improving low income housing, as well as loans for social landlords to provide insulation. This integration was more a financial tool than an approach to link different ideas and methods.

Barriers to the integration of funds

Essentially, none of the case studies have linked ERDF and ESF funds to achieve maximum effects. Neither were national ESF equivalents locked in as proxy funds. Key barriers to such integration are that, on the basis of literature and case study research:

- Different national organisations retain responsibility for the two key funds, meaning that application processes are doubled if integration is to be achieved. In addition, there are different timescales, reporting and monitoring arrangements, and different bureaucratic obligations.
- There is a lack of knowledge of the potential for ESF (and ESF-type funds) to intervene in housing related projects. Officers involved in housing projects are likely to be knowledgeable on infrastructure funds, but are highly unlikely to be aware of the details of employment funding.
- Although in deprived urban areas, there is some mutual space for ERDF and ESF interventions which can inspire synergies, in principle the two funds follow rather different remits: ERDF lends itself to geographical areas, ESF is about people irrespective of where they live. ESF managers will only accept getting involved when they see a benefit related to their outcomes (social inclusion, employability).

5.4 Conclusions

Housing interventions take place in a context of debate around the integrated approach, yet when we analyse project examples in detail it becomes clear that in practice integration of policies and funds is rare. Key findings include:

- To a certain extent there are impediments to integration that extend beyond the actions of project stakeholders (although personal experience, time and skills are important). For example, national traditions or a lack of explicit focus or conditionality within call for proposals and regulations. Nonetheless it is possible to proactively develop ways of working within Member States, such as compulsory local action plans, that negate some challenges.
- There is a risk that in the rapid move to meet any requirements for an integrated approach, wider development plans can be drawn up in parallel with project plans. This is a pointless exercise that fails to capture the area-based learning that leads to good projects, and as importantly, a succession of intertwined projects.
- A key benefit of the integrated approach can be the mainstreaming of a given, perhaps previously marginalised area. By developing plans and strategies for wider urban areas it is possible to better link the challenges and opportunities faced by districts, and indeed the fates of populations.
- Horizontal integration across themes remains rare, despite examples in which housing projects contained additional aspects such as employment training. For the most part there is a clear need to better understand the cross cutting nature of housing and exploit it by having housing at the core of truly integrated projects.
- Similarly, the integration of funds is unlikely to happen on the ground if not properly guided and supported. Often, concerns over monitoring procedures or eligibility, or even a lack of information about funding opportunities lead to mono-thematic and isolated projects. This indicates a need for greater awareness raising for the true potential to complement funds in the future.

6. Governance

Good governance of projects is crucial to success. It is linked to the wider integration of policies, which is dealt with in the previous chapter, and these two issues should be understood in concert as they are integral to ensuring the effectiveness of projects on the ground. This chapter explores evidence from the case studies around the impact of effective and efficient governance in delivering high quality results for ERDF projects. Yet governance is a term that includes and implies many different things.

On the one hand, governance refers to the organisational structures in place within and around a particular project and how the actors and agencies involved in a partnership have agreed to work together. But governance also means the administrative and political structures of a local authority, region or Member State, their ways of working and traditions of cooperation which have a significant impact on the results. When many organisations work together, sharing information and knowledge the transfer of knowledge is important so that all can take informed decisions. Hence, good feedback, monitoring and evaluation are crucial elements of effective governance arrangements, as are knowledge transfer mechanisms which feed this information into new programmes. This chapter explores the ways in which all these key elements of governance have been addressed in the case study examples, identifying instances of good practice as well as lessons learned and implications for future activities.

6.1 Vertical governance structures

Existing governance structures underpin project successes

Well-governed local projects are more likely where there is a good set of higher level governance arrangements assisting and supervising at local, regional and national levels. It is clear that project governance will often mirror the characteristics of national governance – Member States with good partnership working, good communication between agencies, and good collaboration across government – related to implementing ERDF projects and/or national funds on housing or urban development - are

likely to see these structures mirrored by well governed projects on the ground. Two case studies in particular demonstrate this impact of national context and history on practical interventions: France and the UK.

In France we see a housing ministry that has proactively encouraged linkages and collaboration with other departments and organisations. In turn, housing is seen as a key dimension of national plans and strategies for planning and development, and multiple funding streams exist to support projects. The case study project at Cambrai was accordingly developed and implemented in an environment where good governance was driven from the top down. The end result was a well organised project that linked to wider national and regional strategies and goals, and involved a high degree of vertical partnership working.

Similarly in the UK, there is a history of top-down promotion of intertwined strategies for development, partnership working at all levels, and clear monitoring procedures. When looking at the REECH case study it was apparent that this context and background had contributed to widespread organisational learning that ultimately meant the end project was characterised by effective and good quality governance. This included the presence of a strong local coordinating committee and secretariat which commanded the respect of all partners. However, it is significant that the project was limited to public housing and accordingly the existing structures and organisations linked to public housing acted as a catalyst for good governance procedures.

In some Member States, key institutions and organisations in the field of housing lend themselves to acting as implementing bodies for funding programmes – in particular if they are public or arms-length bodies. These lend themselves to taking a leading role as implementing bodies for projects, or management structures. Yet in other Member States the situation is completely different: where housing is dominated by private owners, such governance structures do not exist. A particularly challenging situation is apparent in EU12 countries, where

block-by-block governance (structures and processes set in place to allow management and governing within apartment block buildings as opposed to external management) is dominant. In such instances special efforts must be made to gain the required agreement of owners (sometimes through a local owners' committee) to ensure success.

Vertical collaboration is critical

Regular formal and informal collaboration between actors and agencies is critical. The mere existence of particular organisations and structures is not enough to secure effective governance. The impact of effective vertical communication includes increased relevance to strategic goals, and capacity building within recipient organisations. The Estonian, French, Czech and German case studies all pointed to elements of good practice in this area.

The Tallinn case study demonstrates the impact of regular collaboration between city authorities and Managing Authorities on project implementation. Project workers indicated that in the formative stages of the current programming period, city administrations were in dialogue with the national Managing Authority to help shape the urban dimension of national frameworks (namely Article 8 under ERDF 2007-2013) in order that subsequent funding calls would meet the needs presented by specific local urban challenges. This was a two way dialogue that interviewees stated laid the foundation for smooth cooperation throughout the entire funding period. The project at the heart of the case study benefited from such collaboration due to a strong understanding at the city level of rules and regulations, whilst calls for projects were well designed and articulated.

The French case study at Cambrai presents another, more project-oriented model of vertical governance. At the strategic level, in order to ensure good links to local needs and issues the national government works through the local DDT (the devolved element of the Ministry for Ecology, Sustainable Development and Energy – Departmental Directorate of the Territories) as well as both tiers of local government and the semi-public housing agencies. The result of this vertical collaboration is engagement of high level organisations in end projects. The case study benefited the good vertical support links at national and departmental levels, which greatly

assisted all stakeholders to understand the framework for delivering the project. In particular the support and technical monitoring by the DDT influenced the quality and robustness of the works undertaken.

The role of different government organisations in the planning and implementation of complex rehabilitation schemes can also be seen in the Czech case where the Agency for Social Inclusion - a government organisation - has an important role in developing integrated local development plans in cities with marginalised communities. The Agency's task is coordination: it organises interdepartmental cooperation among ministries involved/responsible for issues of social exclusion. It does not provide direct help to people living in socially excluded localities, but organises local partnerships and assists the whole project implementation period. It promotes a holistic approach at the local level, bringing ideas from central to local level but also reflects back local needs and initiatives to the central level while promoting good practices across the different localities. The Chemnitz case study takes place within a particularly interesting governance context, as in the programming stage a network of local authorities advised the Managing Authority on objectives and instruments to implement the urban dimension of the OP. These local authorities had built a network (an important element of governance structures) in which they share their experience of implementing EU and national funds for urban regeneration. The URBAN experience was an important point of reference.

The positive impact of smooth vertical governance good practice is further highlighted when good practice is compared with less successful approaches. The Lithuanian case study can be argued to have been hindered by poor vertical cooperation. Local authorities were not part of the programming phase in this instance. The consequences highlighted in the case study research are that there was a missing link between overarching programmes and more localised needs and opportunities. There were in turn missed opportunities to maximise and expand the project's end impact that may have been avoided with better governance arrangements.

Multilevel governance requires a common understanding

An important lesson from the cases is that national and regional authorities may interpret EU funding rules differently, and that this can impact on end delivery. The Chemnitz case study is an example of top-down pressures on the stakeholders implementing projects. Ground level interviewees for the case study pointed to rigid administrative procedures set up by Managing Authorities designed to safeguard from any eventual breach of EU law by local bodies, e.g. the interpretation of de-minimis rules, or complicated reporting structures applied by some departments at local and regional levels. In Chemnitz it was small associations that suffered, as they did not have the capacity to comply with bureaucratic demands. In Member States where the regional level is strong and the programming of ERDF housing interventions depends not only on the national but also on the regional level, the different interpretation of national rules can also distance from the original ideas laid down by European Regulations. The Polish case study represents differing interpretations.

The implication of these particular case study lessons is that any multilevel governance approach to programme and project development must be sensitive to the different approaches and priorities in play around the different policy domains (social, housing, economic), and at different levels of governance. Policy networks will always emerge around specific policy domains but seldom cross the domain boundaries. It can be that there is a shared understanding of an issue by actors working on it at local, regional and national level, but success can be jeopardised if other overlapping policy areas do not share this view. The good practice of dialogue should be complemented by a heightened appreciation of competing domain aims and approaches, with the ideal outcome being an adaptation of structures and practices to maximise the overall integrated effectiveness of complementary projects.

6.2 Partnership and cooperation

Examples of good partnership working

Projects that are developed in an area backed up by a local action plan mostly benefit from wider partnerships. The case study research found that numerous projects have taken a partnership

approach, in theory ensuring that there is a degree of collaboration in the design and implementation of projects. Closely linked to wider issues of participation, the existence of effective partnerships has the potential to make projects responsive to immediately apparent needs and opportunities. It also allows otherwise hidden needs to emerge through discussion.

Higher level decision making must also be informed by a detailed understanding of local needs and delivery issues. The Polish case study shows a situation where an action plan was developed on an area with consultation only with key stakeholders in the public sphere, therefore losing the potential to gain private sector involvement in the project. Nevertheless, there are other more positive examples emerging from research.

The French case of Cambrai saw the local delivery team put in place a high level internal team with an experienced lead project manager, working pro-actively with a wide range of local partners. A resident consultation structure involving a committee with representatives from each block (and two from the larger tower blocks) was put in place, and critically, the management team worked in close cooperation with the city to develop a multi-skilled partnership of architect, building insulation expert, contractor, and social development agency to deliver the works. The result of this internal and external partnership structure was a clear coordination across different aspects of delivery, and increased engagement with the local community including through collaboration with local organisations reassuring the long term commitment to the area.

The Czech case demonstrates potential challenges in partnership working. A working group was established for the key stakeholders in social services, education, and employment involving NGOs and public institutions. The soft programmes and the method of cooperation were elaborated by this working group (which took more than one year). However, there was little communication between the working group dealing with soft programmes and the management team planning the hard investments – pointing to the need for clear lines of accountability and communication between all stakeholders.

Partnership building takes time, and effective partnerships can often not become effective in the short timescales afforded by project preparation phases. At the very least, prior knowledge about the opportunities afforded through a funding call will allow consortium building around a common goal and action before the call is formally made. In such instances the project ideas can be developed collaboratively and in turn can act as the glue which binds a partnership together. In an ideal world the partnership will develop through the life of the project to leave a lasting legacy post-implementation – which is one of the things that makes them particularly important. In terms of partnership good practice there is no correct answer as to what form they should take, or what level of formalisation is required. Whereas some partnerships are formally constituted with shared resource (for example, REECH), others are more loose. Nonetheless it can be forcefully argued that common sets of goals and activities underpin the most effective working. Memoranda of understanding can act as a useful middle ground between informal and formal partnerships, and as stepping stones towards more institutionalised structures such as joint secretariats.

The process of creating local action plans – area-based plans for development – can provide a key focus and catalyst for partnership working and good governance. The creation of a high quality, cross-thematic action plan requires the input of stakeholders from across the multilevel governance spectrum. Often led by the public sector, such plans can create the shared objectives and understandings that subsequently pave the way for effective collaboration between differing organisations. URBAN was an important catalyst for such collaborative planning across the EU, and should be seen to have an important legacy in terms of partnerships built and remaining, as well as lessons learned regarding the most effective ways to work together locally – seen, for example, in Chemnitz.

Formal structures can promote collaboration

The REECH project contains a particularly good practice on how to manage a partnership within a project, using a project secretariat. The secretariat comprises five dedicated staff, all local authority officers seconded from Sefton Council, and drawn from different skill sets (e.g. project management, sustainable regeneration, surveying and publicity, etc.). Reflecting a commitment to

partnership working, additional resources are drawn in from partner organisations and some of the activities are contracted out to agencies. The key roles of the secretariat have been:

- Providing a focal point for a disparate range of partners
- Providing monitoring and other information to stakeholders, including the local authorities
- Developing and maintaining the REECH website
- Inviting scheme bids from social housing providers
- Managing the appraisal of schemes
- Reporting to the REECH Steering Group which is normally chaired by the responsible cabinet member for Sefton, the only politician with a defined remit in the REECH programme
- Interpreting ERDF rules

The secretariat has succeeded in bringing together not only a range of partners including the local authorities who would normally be in this type of partnership, but also specialist energy efficiency agencies and social housing providers. The actual retrofit works and other projects are designed and implemented by members of the partnership, mostly the social housing providers. The formalisation of partnership working through a newly created governance structure lends legitimacy and indeed neutrality to the approach that may be lacking in more informal partnerships.

The Chemnitz approach of localising programme and project management is a similar good practice approach. In the German case study there is an independent, locally-based management team which is able to engage very closely with the ground-level community and related local organisations. By being based in the community itself, the team breaks away from bureaucratic constraints which often characterise more traditional local or regional government structures. Indeed the degree of integration into the community in this instance means that residents and local groups are more likely to engage in the regeneration efforts in a partnership manner than if they were engaging directly with more remote government bodies.

Political leadership is key to drive projects

Local political leadership is a powerful tool for driving progress. In Tallinn, an interesting model has been developed where the two leading councillors for social affairs and housing actively participate in the process and take the time to attend regular team meetings. Their role is to provide political leadership to the projects and in turn promote and highlight the project to the wider community, through, for example, the chairing of consultation sessions with citizens. The value of such political engagement in housing projects is clear, especially if an intervention has the potential to be contentious for some. The support of political leaders provides projects with legitimacy and can help smooth over problems in negotiations. It is not necessary for politicians to be involved at the day-to-day level, but their consistently visible engagement and buy-in is invaluable.

The French case of Cambrai also saw an important element of political leadership, with the Mayor playing a very pro-active role in supporting the project and promoting its importance. This reflected a wider, strategic-level promotion of energy efficiency, with a politically led national campaign on the importance of energy issues. However there are also drawbacks, when the project ideas, decision making and monitoring are centralised - see the Polish case as an example. The Polish case study context demonstrates a wider importance for political leadership, not simply on the shape of local projects, but also on the broader implementation of ERDF.

6.3 Monitoring and evaluation approaches

Innovation in evaluation is possible but rare

Effective evaluation of a project can be an important driver to internal improvement, particularly if evaluation is done on a continual basis as opposed to at the end. All projects analysed in the course of case study work had some elements of monitoring and evaluation, although for many this was output based, partial, unconnected to the comparable evaluation of projects in other MS and often the key evaluation was at the end of the project. The REECH project in the UK provides a good practice example of more proactive, independent, and indeed

innovative evaluation, and the French case study was part of an external evaluation which was conducted on a comparable basis over all similar energy efficiency works in the sub-region.

The objective of the monitoring and evaluation programme (carried out by Liverpool John Moores University) for REECH is to monitor behavioural changes over the course of the Initiative, and to be part of the process of changing behaviours so that residents can reduce their energy bills through taking advantage of improved home insulation and other energy saving techniques (including the use of LED lighting and voltage reduction measures). The study also covers impacts on health resulting from improved insulation and reduced heating bills as well as wider impacts on attitudes to energy conservation and planned changes in lifestyles. The research will in turn look at the situation of the poorest families and the ability of REECH to affect fuel bill savings, given that many families use more expensive prepaid cards and do not have access to online accounts which often carry discounts. It is hoped that the results emerging from the study will be used to inform future interventions to ensure maximum outcomes in any subsequent phases.

Although work is at an early stage, this approach does stand out as being more innovative and dynamic than in any other case study; however, it can be costly. For the most part in the other case studies, monitoring and evaluation does not seem likely to realise the opportunity because of the lack of funds and/or knowledge on collecting and evaluating not easy to measure social indicators providing objective and comparable evidence of the impacts of the ERDF investment and effectiveness of delivery approaches. In practice it is rather a formal and bureaucratic exercise.

Research has shown that the indicators used have actually generally focused on the energy efficiency theme (or simple outputs of the projects, like number of renovated buildings, paved roads etc.) and there are few measures of social and economic progress, despite the scope for interventions to have wider socio-economic impacts. Indeed it is clear that the majority of projects have clear, well defined energy targets that allow for good evaluation, but weak social and economic indicators. This reflects the reality that the core focus of projects has tended to be,

on detailed assessment, energy-related as opposed to wider social integration and development. But the absence of effective socio-economic indicators within projects also reinforces a narrow sectoral understanding of housing interventions. Even where social indicators are absent, there is potential for substantive impacts beyond energy savings to be measured. For example, stakeholders in the Tallinn case study argued that the housing development being completed would have a demonstrable impact on reducing economic and social costs related to crime and ill health, reflecting arguments in wider research. Yet no impact assessment had been done to quantify savings, and no resource existed to evaluate the tangible outcomes.

The case studies therefore demonstrate a clear lack of essential monitoring and evaluation indicators linked to employment, health, image, social capital, crime, and skills which would help provide a better understanding of the impact of energy efficiency works on these wider outcomes. These additional indicators would help to broaden the scope of integrated actions on the ground and encourage creative interventions as opposed to a more limited and partial range of energy indicators.

The Lithuanian case study is an example of programme monitoring focusing on output indicators to drive numbers of interventions, rather than outcome indicators to drive quality and impact.

If housing projects are to demonstrate their impact on key Europe 2020 goals in the next programming period, there must be a changed approach to monitoring. Even recognising the difficulty of applying broad measures to what are often long-term and multi-faceted projects, the case study research shows that there is a clear gap in which more 'useful' indicator sets could fit in the future. These indicators could, according to wider research, address issues such as the percentage of income residents are spending on energy bills, impacts on crime rates, improvements in area image, or the impact on the local community's social capital. If these sorts of indicators are used then the benefits of housing project will be clearer, and the potential for improved interventions will be increased.

6.4 Conclusions

This chapter has drawn together evidence surrounding the various aspects of governance in ERDF housing projects – multilevel vertical governance, horizontal governance structures, and the way in which projects are monitored and evaluated. It has shown that:

- Good governance at national and regional levels aids good governance at project level.
- Good governance provides vital opportunities for mutual learning, increased information sharing, and better awareness of the ways in which project development works.
- Shared understanding and objectives must be built across different administrative domains (social, economic, housing, planning and so on) to develop integrated plans. This is difficult but essential.
- Partnership building, for example around the development of a local plan, aids governance and delivers significantly improved and more relevant projects. However, the development of such partnerships can take considerable time and should not be assumed to be an immediate process.
- Formalised partnerships with formalised structures have strong potential to drive highly effective collaborative working – more so than informal or softer networks.
- Local political leadership provides legitimacy and builds support for the long term survival of a project. Politicians can play a key role in negotiating with partners and wider audiences to smooth progress at difficult times.
- There is insufficient monitoring and evaluation in the case studies, which risks undermining the achievements in terms of outcomes and learning. This is particularly the case for broader socio-economic indicators.

7. Participation

Participation of residents in the project lifecycle can prove vital in supporting the design of improvements to homes and living environments. Project managers and planners can learn from the local knowledge and experiences of those living in the target area, and therefore tailor their projects, learning from the bottom-up rather than imposing from the top-down. In addition, effective participative approaches can secure long-term support for the project from those who will be most affected. If people feel part of the process of change they are more likely to understand and embrace the change, perhaps lengthening the life of the project and its outcomes.

Participation in housing projects is more vital than in other types of projects due to the impact on people's day to day lives. Changing someone's home or the environment in which they live will affect many aspects of their daily experience. It is therefore highly desirable that people will have meaningful input.

7.1 Individual versus group participation – who to involve and how

The differences between participation, consultation and communication

There is an important distinction between participation and consultation. Participation in the context of housing projects implies meaningful activity involving end users and wider stakeholders in planning interventions. It involves people in the design and implementation of projects that will ultimately impact on their communities, environments and lives.

Consultation however, can be much more light touch with little impact on the shape of projects. Examples include presenting project plans to the community, and listening to feedback without any obligation to act on comments. Such consultation is likely to happen after plans are made and gives little opportunity to truly shape the projects – as was the case in Sieradz where the time for project preparation was so short that public engagement was precluded from the planning phase. Consultations took place after the project outline

was accepted, but the overall design of the project could not be amended. In such instances, surveys and public meetings serve not as a way of perfecting projects but rather of gaining approval for them.

A middle approach is on going communication with communities that can begin well before a project is implemented, and can continue throughout its implementation. This involves a more pro-active dynamic than simply consultation, and can be seen as a way to secure buy-in for projects and to sell potential benefits to communities. It should not be seen as an alternative to true participation however, and should instead be an element of a participative approach. The Latvian government utilised communication campaigns to widen awareness of ERDF-funded energy projects, utilising multiple tools including seminars, conferences and social media to raise awareness of energy issues and potential funding. It is clear that such awareness raising has the potential to improve take up rates for voluntary housing interventions such as loans or home grants.

The collective is as important as the individual

It is critical to understand how resident participation and engagement can operate at both the individual and wider community level. At the community level, participation is more likely to be about the general design of a scheme and its impact on the area or the building block. Hence, we are able to distinguish between:

- Approaches that involve the residents of a neighbourhood in decisions about interventions in the housing environment, such as social infrastructure or public space.
- Approaches that involve owners of a multi-apartment building in decisions about whole building and promote a mechanism for collective decision-making (owner association).

Collective participation relies on a sense of community though, that should not be taken for granted. Individual groups will often have individual interests, which may in turn hamper the possibility for consensus in a given geographical

area. This argument is backed by the lead of the UK New Deal for Communities programme evaluation that highlighted problems inherent to the entire edifice of community. In fact, it questions 'whether attempts to define communities of place are inappropriate in a society where division is driven by interest, occupation and social stratification' (Lawless 2011).¹⁰¹

Such caveats show that successful participation requires a close examination of who is involved and who isn't, and to review and improve the mechanisms for participation. Evidence from German community development programmes point in the same direction and refer to "efficiency traps" in regeneration schemes. These could unintentionally exclude those parts of the community who are already marginalised because many aspects that are up for debate are technical and appear rather irrelevant for them, or because more eloquent people will dominate debates (Fritsche/Güntner 2012, Munsch 2005).¹⁰² Such micro-politics must be considered in designing participatory projects.

Collective agreement is often required for project implementation

Whereas much participation is voluntary and often non-binding, some housing projects require a collective participation to even begin. This is particularly true when housing interventions aim at improving apartment blocks where, due to private ownership within a building, a certain proportion of residents must agree to the project beginning.

There is both a positive and negative way to look at this. Positively, the opportunity to vote for a project can be a form of grass roots democracy. This was argued to be the case in Lithuania where 51% approval was needed (as in the case of Latvia) for renovations to begin, and resident

associations played important roles in securing support. Here the situation is seen as one of empowerment, with the potential for a legacy of communal decision making and discussion.

Negatively however, collective agreement can disenfranchise those who disagree with the majority. In cases where 51% of residents agree to interventions, there are still 49% who do not want the works. Nonetheless these people will have to accept the project's implementation and deal with any consequences, be they costs or inconvenience. It is crucial then that project planners and managers mitigate conflict. Information must be shared with all residents, and the concerns of those against the works must be taken into account at all possible steps. Communication mechanisms such as information leaflets and advertising can be utilised here, with frequent sharing of positive outcomes and benefits of the works, as well as updates on progress and the likely (often quite practical) implications for all residents such as noise, dirt and access problems.

On-going participation is important

Some case studies provide interesting examples and good practice for involving residents not only in the early stages of particular projects, but throughout the entire lifecycle. Such ongoing involvement is particularly important when projects are carried out with residents still living in situ. Residents should be continually informed of project developments and have an opportunity to provide feedback on any concerns they have. Without this, there is a clear danger that residents' lives could be negatively impacted on during the project, and feelings of resentment could build. If ongoing engagement can be allied to participation at the early stages of project development, the results can be projects that are tailored to the specific needs of residents and that enjoy resident support throughout.

The Italian case study in Piedmonte provides a particularly good example of such participatory collaboration throughout the project life. The success factor is the formalisation of governance structures that involved residents, moving away from more ad-hoc or softer approaches. A participatory board was set up to represent local stakeholders including the Tenants' Committee. The Participatory Board met periodically to exchange information, the contractor company

¹⁰¹ Lawless, Paul (2011): Big Society and community: lessons from the 1998-2011 New Deal for Communities Programme in England; People, Place & Policy Online (2011): 5/2, pp.55-64.; http://extra.shu.ac.uk/ppp-online/issue_2_060711/article_2.html

¹⁰² Fritsche, Miriam / Guentner, Simon (2012): Partizipation ohne Teilhabe? Fallstricke der Beteiligungsarbeit in der Umsetzung von Förderprogrammen zur Quartiersentwicklung, in: Standpunkt Sozial 2012; Munsch, Chantal (2005): Die Effektivitätsfalle. Bürgerschaftliches Engagement und Gemeinwesenarbeit zwischen Ergebnisorientierung und Lebensbewältigung, Hohengehren: Schneider.

agreed to report on the progress of the works, and the Tenants' Committee pointed out any particular requirements following the works. To involve the residents, social communication activities were set up prior to the project delivery, including updated information (through posters) about the work progress, a weekly information point on the construction site, and training for the residents to explain the behavioural and economic impacts of the project. This support led to the active involvement of residents who welcomed the opportunity to feel as if they are informed about activities and actually taking part in the management of their homes.

So the timing of the creation of structures and processes for engagement is critical, as is the commitment to maintaining open information channels. Formalized structures utilising multiple tools and approaches are best (when possible) to truly secure buy in from residents. Yet in cases where participative structures are delayed or incomplete, the result can be even more damaging than if no attempt at participation was made at all. The resulting lack of trust from residents when commitments are broken can fatally damage relationships and involvement in projects.

The Ady case study demonstrates the need to fulfil planned commitments to participative structures in a timely and complete fashion. In this instance external experts taking part in the planning process emphasised the importance of opening a rehabilitation office in the Ady estate to provide information to residents, and collect information from them. Yet the office was established at the end of the planning stage, there was a fracture of communication and a general disengagement of residents from the project.

The Most (Czech) case highlights an interesting point regarding consultation and engagement of wider audiences. Where a project is area based it is still important to consult with the wider city in order to guard against negative feedback at a later stage. In Most communication was limited and the wider local population reacted negatively to plans that were planned to have clear beneficial impacts on a marginalized area and group of society.

7.2 Participation in planning – how/when did participation lead to change?

Bottom-up project development can be a success

There is the potential for redevelopment programmes to really devolve/power and resource to individuals and groups. Such an approach seems more suited to integrated area development where numerous projects interact and impact on each other, with groups and individuals being empowered to shape plans and developments. This means people on the ground making informed decisions about what is done to their housing, based on the participative approaches discussed above.

In some cases this project development process can involve residents working in unison with project experts to determine the end interventions that best fit local needs. Information, principles of partnership working, and an appreciation of often contrasting objectives are needed to make this happen effectively.

The UK case study provides an example of community participation directed towards the perfection of end interventions. The governing partners work hand in hand with affected residents to first provide high quality information and guidance, before gaining informed inputs as to the likely real world impact of planned works. This has led to scheme modifications as residents provide inputs based on their needs and informed preferences. The appointment of community champions, drawn from the affected (and mostly poor/deprived communities directly affected by REECH) to provide an ongoing link with local residents is particularly innovative. Modifications to scheme design have arisen from resident inputs through the Champions, and overall there has been strong community support to all schemes, in significant part due to the structured approach to engagement and planning.

Formal structures can also be used to drive participation in the on-going development and management of an entire neighbourhood, beyond one specific housing project. The Chemnitz example shows how important neighbourhood management teams can be in such cases. Run by a local association, the Chemnitz case's

neighbourhood management team is itself co-financed through ERDF as an element of technical assistance. Importantly, it serves as a platform for all interested people and groups to gain information and to voice opinions and ideas as to future projects, situated in an easily accessible office on the ground floor of a resident building to ensure accessibility – a visible and important signal to residents. The team assists the residents' council ("Stadtteilrat") through technical support and enables members of civil society to take part in the management of the quarter. The team is therefore part of the community, tasked with not only informing but also educating and empowering.

The multifaceted approach pursued in Chemnitz can be replicated elsewhere with relative ease. Public participation in the area's regeneration was intensified through a series of future scenario workshops accompanied by an "idea machine" (www.sonnenberg-online.de). This simple interactive platform proved to be very popular with over 10,000 visits per month, with discussions focused on the neighbourhood's image and how it could be improved. The result was tangible but relied on the commitment of decision makers to make participation meaningful - a shared vision document and a logo for the neighbourhood were agreed upon in June 2012.

Importantly, participative structures can be complemented by tools to allow hands on action by residents. The final level of Chemnitz's approach to participation is a participatory action fund – a pot of money allocated to micro-projects in the area. This fund appears to be key to enhancing participation and ensures a wide range of people and groups become involved in the wider regeneration project. In 2011, 35 micro-projects were financed by this fund, including graffiti projects, urban gardening projects, small festivals, a local Christmas market and a football tournament. By allocating just a small amount of funding to side projects run by residents, housing project planners can achieve multiple outcomes simultaneously – resident approval and buy in, community partnership structures, and micro-level integrated development.

Details make a difference

It is important to note that participation on a small scale can lead to relatively high levels of satisfaction. Residents are unlikely to have the technical knowledge to request or demand very specific capital works, but they are likely to welcome smaller inputs such as on decoration and interiors. Such small scale decision making enables residents to feel part of the project process, heightening their buy in and potentially lessening the scope for conflict with project sponsors and delivery agents.

In Cambrai for example, the residents were not particularly involved in the technical design aspects of the housing intervention. Nonetheless, they were asked about quite minor issue such as the colour of paint for the stairwells. Equally the choices around new bathrooms were limited but still existed – by and large the smaller flats got showers and only the 2 bedroom family flats and larger got baths. This level of participation can be adequate because in many cases such as this, the majority of work are unseen and only adaptable at a very technical level.

The importance of this minor involvement in planning is actually highlighted by instances where it did not take place. Although end users often accept they will have technologies or major infrastructure changes imposed on them, they are likely to be less happy with their visible, living spaces being imposed without adequate discussion. This was the case in Tallinn, where the organisations that will eventually run the buildings were involved haphazardly in planning. At the very inception of the project they were integral to understanding the strategic needs of the city, for example, smaller homes for children. Yet when the planning began they were excluded, as architects and designers continued the work. Ultimately they were not involved in any major decisions on the design of the buildings. In the case of the substitute homes for children, this led to architectural features, interior design and selection of materials that are not tailored to children's needs.

Similarly, in Ady the end users – although they were private owners of the buildings - subject to renovation were not involved even in such small scale planning. Managers of the buildings were involved in the strategic planning, but not involved in the preparation of the detailed technical plans, or in decision making on minor but important issues (which colour of paint to choose, what should be the outlook of the facades and other matters). Such exclusion from decision making on visible issues combined with other governance issues to make some residents feel that works are something unknown, imposed from outside – an entirely avoidable situation.

7.3 Participation after delivery – user engagement after project delivery/training for residents

The ongoing engagement of residents and users after project delivery is an important aspect of long term project success. In many cases new technologies are implemented to improve, for example, energy efficiency. There is in turn a requirement for those using the technologies to be able to do so with the minimum of problems. Alternatively there may be the opportunity to use ongoing engagement as a way to secure support and buy in for future projects either in the same thematic area or the same geographic area. Yet user engagement post-project delivery is relatively rare. Whilst there may be an element of handover where residents are informed of the implications of changes and how to deal with them, longer more structured training is not common.

The Cambrai case study does however, provide an example of how structures and processes can be set up to facilitate ongoing engagement. In this case a worker was employed to undertake post-works satisfaction interviews, including short video recordings, in order to understand the impact and lessons in order to inform future works. At the very least this approach has the potential to ensure learning for future projects through constructive feedback, but also appears well placed to allow dialogue on initial challenges and opportunities post-implementation.

This French example also shows the value of follow up workshops to explore the long term impact of works – avoiding a situation of projects simply closing, leaving residents to find out the end impacts themselves. Cambrai has seen

workshops developed around better understanding energy efficiency and how to both be green and save money following the opportunities offered by the rehabilitation works. The building partnership and Managing Committee are also developing various pieces of specific guidance (for example on the use of the radiators and ventilation) and a "Guide to Going Green" is being edited for distribution to the tenants at the completion of each phase. The Most case study also included follow up activities, including social housing counselling to households to ensure residents are able to afford the increased costs of their improved housing of higher comfort level.

Such practical approaches are indicative of a successful approach to post-project engagement. For small investment, planned at an early stage, project managers are able to ensure that the planned impacts of projects are achieved by giving residents the information they need to make the most of new technologies and other products. The tools can be multiple, but also the process can be two way – project managers should seek to learn from past projects to improve future projects, and this is a key opportunity to do so.

7.4 Conclusions

This chapter has explored the way in which participation is addressed in ERDF housing projects. Building on an appreciation that there are varying degrees of engagement from consultation to participation, key conclusions include:

- Robust participation in the planning stages of projects is rare, with consultation and broader engagement throughout the life of a project more likely. Even in cases where there is to some extent an integrated local plan, local communities are not involved in elaborating the housing projects that sit within it. Yet project managers can use resident knowledge and by working in partnership can improve the effectiveness and relevance of planned interventions.
- It is clear that participation during a project is more likely than in planning, and that such participation is particularly important when works are undertaken with residents in situ. The use of formalised structures and

processes to drive participation is effective, although more innovative approaches are rare, with most effective methods to support and drive participation including:

- Resident committees and community liaison type project staff;
 - Communication and explanatory campaigns; and
 - Opportunities to shape rather than comment on plans and end interventions.
- Post-project participation is an underutilized process that can help project managers learn in order to improve future interventions, and allow residents to make the most of the opportunities presented by rehabilitation works.
 - For marginalised communities, participation should involve the input from wider society to ensure the widest possible understanding of and buy-in for the project. The on-going participation from the planning up to the post project phase is especially important as otherwise the results may not be sustainable and the housing and environmental conditions will quickly deteriorate again.

8. Financing

This chapter of the report explores the different ways in which housing projects across the EU have been funded as well as the mix of financing schemes which ERDF has linked to. It will explain the role of ERDF in the financing of different housing projects ranging from simple grant-based models through to more complex schemes involving, among others, financial instruments (JESSICA-type mechanisms).

8.1 The need for financial innovation

There is no doubt that sourcing the appropriate level of finance to affectively address housing problems is a key issue for Member States to address. The scale of poor quality housing across the EU means that the level of resources required to make a meaningful difference is significant. The case study countries show that up to 65% of the housing stock of Member States is in need of renovation which often amounts to many thousands of individual properties in one country alone. For example, Lithuania presently has 38,000 multi-apartment blocks which together contain approximately 800,000 separate apartments. It is estimated by the EIB that 63% (24,000) of these blocks are in significant need of refurbishment and improvement mainly due to the level of deterioration caused by their old age. The cost of improving this number of properties is therefore significant, with the EIB estimating that it would cost €13 billion to address the problem in this Member State alone.¹⁰³ In the UK it is estimated that the Decent Homes Programme (a national scheme to bring all public sector housing up to a certain standard) will eventually cost €44 billion to implement.¹⁰⁴

The case studies showed that the unit cost of improving a single property is often high, mainly driven by the age of the property and the level of dilapidation. The case studies also show that the average investment required to improve each

property ranged from approximately €5,000 – €15,000 although in certain situations unit costs were significantly higher (€190,000 in the UK). The scale of the overall housing problem and also the unit cost required to meaningfully tackle poor quality housing across the EU therefore requires a high degree of financial innovation in the future.

There also needs to be recognition that in most Member States ERDF was generally a small contributor to the overall level of finance spent on housing improvement. Although overall figures for housing spend were difficult to identify in Member States, stakeholders estimated that ERDF was less than 3% of all spend on housing related capital works. The same issue was also true for energy efficiency where ERDF is believed to represent less than 5% of total spend on this issue. Despite this, there was recognition among housing stakeholders in the case study countries that with higher levels of financial innovation the importance and effectiveness of ERDF in the housing agenda can be increased in the future. These issues are dealt with in more detail later in this chapter.

8.2 Finance schemes for housing improvement

This sub-section of the report sets out the most common type of financial schemes that were used to support large scale housing improvement in Member States which ERDF played a part in. The case studies showed that there were a wide variety of different funding models containing a broad range of funders, financial mechanisms and approaches. These models ranged from small scale privately-led schemes based on grants, through to more complex loan-based approaches involving a wide variety of different funding sources and partners. In general, financing schemes for the case study projects showed that projects tended to be funded by a cocktail of different funding sources using a range of different funding mechanisms. This meant that it was rare to find a housing project funded by ERDF that was purely grant-based or simply funded by one (or even two) sources. Instead, projects had a mix in terms of:

¹⁰³ European Investment Bank research – *JESSICA Holding Fund Lithuania* (2012)

¹⁰⁴ Report by the Comptroller and Auditor General (National Audit Office) - *The Decent Homes Programme* (2010)

- Financial share: the ERDF contribution to the overall financial package of the project ranged from 9% of the total in France to 85% in Estonia.
- Financial intensity: the ERDF financial contribution ranged from €1.9 million in France through to a €68 million in Latvia.
- Financial mix: ERDF was mainly used as a grant in all but one of the case study projects (see below) but in seven of the ten cases these ERDF grants were matched with some form of loan (mainly from the public or banking sector).

There was therefore no typical financial model used by those ERDF housing projects studied as part of the research. However, the main financial approaches covered by the case studies used one or a combination of the following approaches.

Grant-based schemes

As noted above, the case studies show that traditional grant-based schemes are the most prevalent use of ERDF to support housing renovation across the EU. All but one of the case studies showed that ERDF has been used as a grant where recipients were often given funding to help cover part of the renovation costs with no requirement to repay or recycle the funding. Lithuania was the only case study where ERDF was being used as a loan. Grants were either given to individual home owners, condominiums or municipalities who then used it to pay for improving housing stock and part subsidising a portion of the renovation costs.

According to stakeholders, the benefits of a grant-based approach are:

- A grant-based scheme is relatively simple to administer as there is no requirement to calculate any repayment period, loan terms and conditions or interest rate. Nor is there a need to establish a repayment process and procedure for dealing with defaults on repayments. There was also little need for educating or capacity building stakeholders on the workings of a grant-based scheme compared to a loan where relatively large scale communication was needed to help people understand this relatively 'new' type of funding mechanism.

- A grant-based approach is attractive to home owners and other recipients as it effectively represents free funding to help improve their house, often with no tie-ins or conditions attached once the grant is spent. The take up of these types of schemes is therefore comparatively high compared to loan based approaches.
- Interestingly, stakeholders also cited the benefits of grant-based approaches in relation to ensuring high levels of ERDF use in relatively short periods of time. Stakeholders who were in danger of having underspend at the Operational Programme level stated that large scale, resource-intensive housing projects that focussed on grants were particularly beneficial in helping to spend ERDF quickly in a manner that could be easily scaled up or down according to how much funding was actually available.

The key negative of a grant-based approach to housing improvement relates to the number of housing units that such a scheme can hope to improve. Because there is no recycling of ERDF resources then the amount of the housing stock and impact on residents generated by grant-based projects is relatively small compared to the scale of the overall problem. For example, in Lithuania a key driver for the country adopting a loan-based approach was the fact that their previous housing improvement initiative (the renovation programme by the government of Lithuania started in 2006) ran out of grants by the end of 2007, less than 18 months after the start of the programme. Although this programme was deemed a success, the level of available grants was limited to support the renovation of less than 250 units. By switching to a loan based programme developed with the support of the JESSICA initiative and run through revolving financial instruments the Lithuanian government predicted that over 1,000 units would be renovated with approximately the same level of (ERDF) funding.

Public/private partnerships

Another financial scheme highlighted in the case studies relates to a partnership between public and private sector organisations to jointly fund large-scale housing improvements. There are many examples of ERDF supported projects that

have received a mix of public and private sector funding but this particular model accentuates the role of the private sector in financing housing improvements. It often makes them the main contributor to the scheme with the public sector providing seed money. One of the most advanced schemes of this kind was not part of the case study work but was highlighted by UK stakeholders as being particularly interesting to learn from. Known as the Green Deal Initiative, the initiative is built around a public/private partnership between the UK government and approximately 20 large private sector businesses. The public sector is contributing between €250-€625 million (to mainly help support its set up and administration costs) whilst the private partners will contribute up to €17 billion.

The UK government is focusing the Green Deal at retro-fitting older style properties built prior to the 1920's enabling up to 26 million homes to be upgraded over the next 25 years. With a limit of €12,500 per property homeowners are able to install measures to improve the energy efficiency of their properties as a way of reducing their energy bills. Each property is inspected by a Green Deal accredited advisor to see which measures will return the best results in terms of energy and energy bills reduction.

The key innovation around the Green Deal Initiative is how it is financed. The project does not require home owners to put forward any up-front capital costs which are instead borne by the Green Deal providers who are private companies. The cost of the improvement is then clawed back from the home owner through a fee on their energy bill over a period of up to 25 years. Because the energy bills of the property will drop as a consequence of the energy efficiency measures undertaken then the overall energy bill paid by the homeowner is less despite having a fee to repay the costs of the improvements. The initiative has a price pledge that ensures no home owner taking up the Green Deal is worse off as a consequence of the improvements.

The key advantage of a public/private partnership approach to housing finance mainly revolves around the role of the private sector in financing a large proportion of the renovation costs. This advantage is accentuated in the current climate of large scale public sector funding cuts for national and local governments.

Loan-based approaches

Loan-based approaches, where recipients of ERDF projects are required to repay the financial support they receive, is likely to become a key component of ERDF supported housing projects in the next programming period. The need to stretch ERDF resources is encouraging more Member States to consider this option and housing stakeholders interviewed as part of the case study work often stated that they are considering moving to a loan based approach for the next programming period (although many of their plans were relatively superficial at this stage). The use of financial instruments in particular for housing related energy projects is likely to become more prevalent and the mechanisms promoted by the JESSICA initiative have seen a twofold increase in projects linked to energy efficiency over the last 3 years.

There are a wide variety of loan-based approaches that encompass different interest rates, repayment periods and terms and conditions for loans. There are also a variety of recipients of ERDF supported loans including residents, social landlords, tenant organisations, municipalities and central and regional government. The Lithuanian case study in particular provides the most detailed example of a loan-based JESSICA model.

A Holding Fund has been established which has a total planned maximum amount of €227 million of which €149 million have so far been contributed from the Operational Programme "Promotion of Cohesion" (ERDF contribution €127 million). The overall aim of the project is to improve the use of existing housing in Lithuania through supporting a series of measures linked to housing maintenance, upgrading and modernisation particularly to improve energy efficiency. It does this by providing loans to households for up to 30% of the total cost of the renovation. The loan is paid directly to the home owner and can be used to finance up to 15% of the total cost of the improvement and is usually over a 20 year repayment period with a fixed interest rate of just 3%. Compared to interest rates of approximately 7-9% for other banks and lending institutions, the cost of borrowing and therefore the overall cost of housing improvements are made significantly cheaper and much more affordable for those living in multi-apartment blocks.

The JESSICA loan often links up with a grant from the National Climate Change programme (CCP) to provide financial support for up to 30% of the total cost of the housing improvement incurred by the home owner. A 15% loan from this JESSICA-type scheme is paid where a 20% reduction in energy is achieved while a further 15% grant is given if the energy usage in the household falls by a total of 40%. The level of energy consumption is measured by an energy audit before and after improvements, with this audit helping to identify the exact nature of the works.

Private energy sector-led housing renovation

Similar to the public private partnership schemes explained above is a financial model where private energy firms were the key contributor to large scale housing renovation. In the German, UK and French case studies stakeholders referred to various initiatives where there was an obligation on large scale energy suppliers to contribute funding to support energy efficiency measures and carbon reduction measures. In the UK for instance there is a legal requirement for all licensed gas and electricity suppliers that have at least 50,000 domestic customers and all licensed electricity generators that have generated on average 10 TWh/yr or more in a three year period to sign up to be part of a scheme known as the Community Energy Saving Partnership (CESP).

CESP targets 4500 areas across Great Britain, in areas of low income, to improve energy efficiency standards, and reduce fuel bills. CESP is funded by an obligation on energy suppliers and electricity generators to support energy improvements in a proportion of the housing stock which they supply energy to and is expected to deliver up to €430 million of efficiency measures. CESP promotes a “whole house” approach i.e. a package of energy efficiency measures best suited to the individual property. The programme is delivered through the development of community-based partnerships between Local Authorities, community groups and energy companies, via a house-by-house, street-by-street approach. This partnership working allows CESP to be implemented in a way that is best suited to individual areas and coordinated with other local and national initiatives. Up to 400 schemes are expected, benefiting around 90,000 homes and saving nearly 2.9m tonnes of CO2 emissions.

The benefit of such funding schemes is that the requirement of the public sector to finance larger scale housing improvement diminishes and the role of the private sector is again increased. Stakeholders in Italy and the UK who were interviewed about such schemes also stated that it had the benefit of being agreed with the private sector at the same time as their licence to supply energy was signed. This meant that the private sector were legally bound to sign up to the scheme early on and there is little negotiation required with private energy firms because they are aware of the requirement to support the scheme before bidding for a energy licence.

Resident-led funding schemes

The case studies show that private finance from residents themselves are an important part of the funding packages which ERDF links up with. In fact in many of the case study examples residents own funding made up the majority of finance used by a particular housing scheme, with often over 50% coming from this source. ERDF housing projects are perhaps the only Structural Fund projects where a large level of private money from EU citizens is frequently used as match. ERDF was often used to help unlock private sector match funding from home owners themselves. As stated previously, ERDF funding was often implemented through grants to part-fund housing improvements, helping these housing improvements become more affordable at a level that encouraged home owners to use their own resources. Thus when Member States are sourcing finance to support large-scale housing renovation then initiatives to encourage and communicate with residents to encourage them to contribute (often large) proportions of the funding will be important to secure buy-in.

National co-financing

National co-financing schemes see match for housing projects agreed at the national or programme level rather than through individual project sponsors expected to source match funding themselves. France and Germany have been highly successful in this respect as they have matched ERDF with national central government sources so that a complete package of funding was secured at its source. The extent to which match funding can be secured at the national level is closely linked to the level of integration that exists between ERDF practitioners

and housing policy at the strategic level. If these links exist (as they do in France) then national match funding can be secured more easily.

8.3 Challenges in sourcing match funding

The case studies show that sourcing match funding for ERDF housing projects was a critical issue and will remain a key problem for the next programming period. Almost all senior level stakeholders felt that the opportunity to find funding to match (often large-scale) ERDF resources was becoming more difficult. The lack of match funding was present within the:

- Private sector (individuals): declines in household incomes and a rise in unemployment both meant that residents are continually finding it harder to fund larger scale improvements to their homes.
- Banks: a risk adverse banking sector (that has been hit by the banking crisis and which has less liquidity) has also affected the amount of match from this source. In particular banks are becoming much more wary about lending to poorer households who are more likely to default on their payments.
- Public sector: a significant decline in public sector finances has meant much less availability of funds from cities/ municipalities.
- Private sector companies and Investors: a decline in property and land values across the EU have led to a fall in interest in the housing sector from the construction industry and speculative investors.

The challenges linked to sourcing match funding were often seen as a key barrier for perspective housing projects seeking ERDF support. This was particularly true for individual smaller housing projects where project leads (usually municipalities) that were keen on using ERDF as a source of funding were unable to do so because of a lack of match being available from other sources. This led some of the OP stakeholders interviewed as part of the case studies to suggest that a lack of match funding was a key reason why ERDF has not been taken up for housing projects as much as it could have been in most Member States.

8.4 Lessons on loan-based approaches

There are significant lessons to learn around using ERDF as loans for housing improvements. The research suggests that loans will become more prevalent in the future and loans which recycle and stretch ERDF are sensible solutions to tackle a problem that is extremely large scale and expensive to solve. But there are still issues to consider before Member States choose this route. Although loan-based approaches are innovative in the context of ERDF, there are considerations around their impact that need to be assessed. The key issue around using ERDF loans to tackle housing problems in deprived cities are as follows:

- Loans may well be more attractive to higher income households who are more able to afford repayments which means that schemes should be constructed in a way which targets more deprived communities (i.e. making sure that monthly costs can never increase).
- Loans equate to debt, meaning there is again a psychological barrier for taking up loans by poorer households (who are often already in debt).
- Banks are hesitant to lend to lower income households who are much more likely to default on the repayments (particularly in times of economic difficulty for both the lender and the borrower). This means that public sector intervention and funding is required to reduce this perceived risk such as in relation to a loan guarantee.
- The long term nature of loans (often with repayment terms of up to 20 years) dissuades especially the young and old (who are often quite vulnerable groups) from taking the loans out as they tend not to plan that far ahead or in the case of older people feel that they won't live that long to see the loan repaid and are unwilling to leave relatives with legacy debts.
- Home owners are more familiar with a grant-based EU funding schemes linked to improving housing. When loan based approaches have been introduced there is a difficulty in educating home owners around the benefits, terms and expectations of loans and their repayments. This has been a key issue to explain low and slow take up in Lithuania of loan based approaches.

However, a way in which countries (including Lithuania, Estonia and Latvia) are overcoming issues around more deprived communities benefitting from loan-based approaches is linked to who actually takes out the loan. Early approaches to loan-based ERDF housing projects generally followed the Lithuanian approach whereby individuals took out loans direct with the lender. Alternative approaches where organisations took out larger loans on behalf of a group of households have a number of advantages. This approach works in terms of either a municipality or often a not-for profit community organisation being the main lender who then lends on to a number of individuals. This allows a number of advantages including:

- The borrower generally has a better credit rating and/ or is seen by the lender as being less of a risk. This sometimes (but not always) makes the lending rates lower as a consequence of lower defaulting on repayments.
- The administration is greatly reduced as there is only a single lending agreement between the borrower and main lender needed. When individual householders borrowed the money (as in the case of Lithuania) then there were often 40-60 separate lending agreements per housing block meaning the administration was significant.
- The main lender can often be seen by residents as more approachable than a bank. This can be particularly true for community based/led organisations who lend to local residents.

Having an organisation that sits in-between the lender and the individual households borrowing money for housing renovation is worth consideration in the future. This potential solution overcomes some of the issues related to using loans to support housing renovation in deprived communities.

However, it is still worth noting that a key overarching issue around loans for housing improvements is ensuring ERDF loan based approaches actually benefit and target those most in need. If specific intervention is not put in place to target more deprived communities with loan based support then beneficiaries of ERDF loans could well be higher income households.

8.5 Conclusions

The main conclusions are that:

- The need to have financial innovation in future housing interventions involving the ERDF is strong and the scale and costs involved in improving large swathes of Europe's housing stock is immense. This issue is compounded because of a lack of finance from a range of different sectors not helped by the on-going economic crisis that is influencing levels of funding for housing from the public, private, banking and residential sectors.
- ERDF housing projects seem to be dominated by more traditional grant-based approaches. Although there are a variety of financial schemes which ERDF feeds into, most ERDF funding itself relates to grants to part finance housing improvement programmes. Grants have a variety of distinct advantages (particularly around their relative simplicity) but their inability to reach out and impact on large numbers of housing units is a key issue to consider for many.
- Loan based approaches are likely to become a key area in the future in terms of financing large scale housing improvements. The ability to stretch and therefore maximise ERDF funds means the level of potential impact is increased significantly. However, there are a number of considerations when adopting a loan based approach to housing improvement, particularly the extent to which it benefits more deprived and marginalised groups in society.

9. Housing Affordability, Quality and Sustainability

This chapter of the report deals with housing affordability, housing quality and sustainability and examines how ERDF has helped tackle these issues. It explores how ERDF has been used to address challenges around affordability facing owners and tenants, as well as the extent to which the quality of housing has been improved as a consequence of ERDF investments. In particular, this chapter details the extent to which ERDF housing projects analysed in the case studies have benefitted more marginalised groups and deprived communities.

9.1 Affordability

Dealing with the affordability of housing improvements and also addressing rising energy bills for owners and tenants was a key objective for many of the case study projects. Most of the projects either directly or indirectly provided residents with financial assistance to help them afford, for instance, new windows or roof insulation for their homes. The overall aim of many of the projects was therefore around subsidising the cost of housing improvements and intervening at a level which encouraged residents to invest their own resources in improving their homes. ERDF also played a key indirect role in tackling affordability issues around rising energy bills. As detailed in the impact chapter, energy bills were cut (sometimes by as much as a third) as a consequence of improvements to insulation which helped in relation to reducing this key item of monthly expenditure.

Before exploring the above issues in more detail it is worth highlighting that improvements brought about by ERDF projects can increase the costs to residents. In the Polish case, for example, there was an initial increase in charges because of the installation of new utilities (like sewer) and the installation of a more expensive way of heating (district heating). The increased utility bills were automatically passed onto tenants. Although rents did not increase once improvements funded through ERDF were implemented, the rise in monthly maintenance charges did deter some residents from taking part in any future activity

stemming from the project. However, in many of the remaining eight case studies ERDF projects were seen as a key way to tackle, through subsidies, the affordability issue for both housing renovation and energy bills.

Level of subsidy

The level of ERDF subsidy provided to residents to tackle affordability issues ranged from 10-100% depending on a range of internal and external factors to the project including:

- The overall resources available to the project: the more resources the higher the level of subsidy the project could afford to contribute.
- The availability of other financial support for residents: if residents could access other grants or loans linked to, for instance, energy efficiency then the level of subsidy made available from ERDF was often smaller.
- The target group the project was aiming to support: marginalised groups required higher level of subsidy before they were able to afford home improvements.

As stated above, the level of subsidisation differed from Member State to Member State. For example, in Lithuania there was a 15% subsidisation rate whilst in Hungary the share of the cost provided by ERDF was up to 70%. Not surprisingly, the subsidisation rate was a key factor in terms of the level of take up provided by ERDF projects. In Lithuania which had the lowest level of subsidisation of all the case studies only five blocks (from a target of 1000) had taken up the offer of financial support in 12 months and many felt that a key driver behind this was the low level of subsidisation that did little to effectively tackle the housing affordability issue.

Stakeholders did recognise however, that there was a careful balance between offering a level of subsidy that led to a high take up (and therefore large scale improvements to housing) but which neither replaced funding that home owners would have actually been happy to contribute themselves, nor restricted the number of houses

being improved. In two instances (Lithuania and Latvia) ERDF housing projects changed the subsidisation rate part way through the delivery period in order to increase or decrease take up accordingly, recognising that the level of affordability changes as, for instance, peoples average incomes change or certain other financial support to home owners starts or ceases to become available.

Targeting resources on deprived communities

Some, but not all, of the case studies offered different subsidisation levels to different groups-often with the level of financial support tapering upwards according to the deprivation and income levels of target groups. For instance, in Latvia, Lithuania, Poland and Hungary those households located in more deprived neighbourhoods where eligible for higher levels of subsidisation than those found in more prosperous areas. In Latvia, for example, those families living in the 10% lowest income areas were given financial contributions up to 60% compared to half this rate for those that lived elsewhere. In Lithuania, families living in the most marginalised areas were eligible for up to 100% of the total cost of the housing renovation compared to a standard subsidisation rate of just 15%.

However, perhaps surprisingly, the tapering of subsidy to take account of the circumstances of residents was not always present in case study projects. There were many instances where the level of subsidy on offer was uniform, meaning people were offered the same level of support regardless of the position they were in. In some areas, although the ERDF project was focussed on more marginalised areas this did not necessarily lead to the most deprived actually being supported by the intervention. For example, as discussed in chapter 6, the Polish case study showed that although projects focussed on areas that had lower levels of poverty than the regional average, they did not specifically target those on the lowest incomes. This meant that many of the beneficiaries supported had incomes close to the regional average (who were more able to match ERDF contributions with their own money) rather than any large scale take up from families whose incomes were significantly below the average. The fact that the very poorest and marginalised communities were unable to source their own funding to match ERDF support was highlighted

by many as an issue to consider when assessing the impact of the interventions on the most deprived residents in their Member States.

The case studies also show that many of the ERDF housing projects targeted their resources according to the age of the property rather than the situation the tenants and owners were in. There was often an assumption among many stakeholders that because projects targeted poorer quality housing or those properties with the highest levels of energy inefficiency, then this would generally mean it automatically supported the most marginalised groups. However, because levels of poor housing and an aging housing stock are relatively widespread in many Member States (up to 65% of the total stock were often over 40 years old) this assumption was not always true. This finding suggests that although an eligibility criteria linked to the age of the property will include deprived communities it also includes a large proportion of the rest of the Member State's population.

There are also a number of other issues to suggest that the very poorest members of target communities are not automatically benefitting from ERDF supported housing projects. These issues include:

- ERDF housing projects targeted whole territories or entire Member States with no specific targeting of more deprived areas or more marginalised groups in society.
- Those owners or tenants benefitting from ERDF projects often self-selected themselves for support. Those projects which supported private sector housing in particular relied on home owners coming forward to access financial support rather than distributing funds according to need or targeting those living in the worst housing with the lowest incomes (although as pointed out in the participation chapter, communication campaigns can help tackle this).
- A flat owners association, a tenants group or a residents association often needed to be established before support from ERDF could be accessed. This could be seen as a barrier to participation by the very poorest residents in ERDF supported projects. The perception among some stakeholders was that only those more prosperous and organised blocks

of flats actively sort to establish such a group or association and this 'natural selection' again tended to exclude the most deprived communities living in worst blocks who were often more transient, less cohesive and less organised as a social group. At the same time, the prospect of funding helped build organisational capacity and the formation of a collective interest

- As noted above, although many ERDF projects helped with affordability, there was still often a requirement for home owners to contribute comparatively large levels (up to 70%) of their own resources to finance improvements to their homes. This again meant that those on the very lowest incomes (who tended to have no savings, less disposable income and who were often already in debt) were again excluded from participating and therefore benefitting from ERDF housing projects
- As highlighted in the finance chapter of this report, for loan-based projects the fact that their whole ethos was built on a loan rather than a grant again tended to act as a barrier for take up by poorer communities. Because the very poorest either had no or very low income levels, their inability to finance a loan (despite the interest rate being low) was seen as another reason why the project may not tend to support the most deprived. Some of the poorest in the deprived communities were often already borrowing money, meaning they were dissuaded from becoming involved in a scheme which would further increase their debt levels.
- The case studies also showed that the very poorest residents in Member States were eligible for financial support with their housing benefit and also with help paying for their heating bills. As a consequence some residents had little financial incentive to seek what was seen as being an expensive solution to their problems. In Latvia for instance, those on the lowest incomes could have 100% of their heating bills paid for through state benefits which often acted as a disincentive for them to access financed support from ERDF to address issues such as housing insulation. Stakeholders suggested that this was a key reason why those lowest

income households often voted against their apartment block taking up support from an ERDF project.

- Finally, in some Member States concerns around state aid issues meant that they were unable to focus ERDF projects on the worst housing in a particular area. In France and the UK, projects did not allow support for private sector housing because of concerns that state aid rules did not permit spend on properties outside the public sector. In both cases stakeholders stated that it was the private sector housing stock that had seen little investment from owners in the last ten years, which ERDF should ideally be focussed on.

Although many of the case studies showed that ERDF projects tended to be focussed on areas which included more deprived households, there are a relatively large number of issues that restricted those most in need from benefitting. These issues suggest that specific measures need to be in place to help those lowest income households to access ERDF supported activity, rather than assuming they will automatically overcome the barriers in place.

9.2 Quality and sustainability

The case studies show that ERDF has been particularly beneficial in helping improve the quality of energy efficiency measures linked to more advanced technologies associated with, for example, insulation, building materials and heat generation. Improving the quality of energy efficiency measures were particularly highlighted in the French, Estonian and UK case studies. In Estonia for instance, ERDF was used to invest in solar water heating in properties and put new technologies in neighbourhoods that previously had more traditional oil and gas fired heating. Stakeholders stated that these types of new and more advanced technologies were unlikely to be included in the existing housing programme if ERDF had not been in existence. In the UK, ERDF helped the housing programme to undertake high quality demonstration projects (costing €190,000 per property) to show how new technologies could improve the quality of energy efficiency measures in homes and have a direct positive impact on those on lower incomes suffering from fuel poverty.

In terms of ERDF improving the quality of the design and engineering of housing in target areas the message is more mixed. In some case studies, stakeholders felt that the quality of improvements were at a higher level than they would have been if ERDF had not been used. In Estonia, for example, the quality of the internal and external capital works were recognised as being particularly high, especially in terms of new technologies for heating and power. Although improvements to housing in some of these areas would have taken place without ERDF support, EU funds had helped add value to the quality of the end results of the capital and design works.

However, evidence from the other case studies was more complex when it came to ERDF improving housing quality. Estonia is a good example of how ERDF improved housing quality but which did not necessarily lead to better outcomes and impacts for residents. In this case study newly built children's homes were built without scope for future compatibility with disabled children's needs. Similarly, the design of the interior to the homes was technically better quality, but again was impractical for children.

The case studies also showed that improving the quality of housing was often not always the key objective of ERDF housing projects, with the focus instead being on increasing the quantity of homes being improved by existing programmes. For example, in Lithuania the ERDF project helped add value to an existing government programme so that the whole of the country was eligible for support rather than just the main urban areas. In Latvia, ERDF was used to help target more provision on lower income households (through increasing the subsidisation rate) which again was seen to add value to an existing programme by expanding the number of properties that could be supported. Many of the case studies highlight the fact that tackling the housing problem in their Member State incurs high costs, and there is a need to gain a balance between reaching a suitable number of properties to have a meaningful impact on target areas but at the same time ensuring that the improvements which ERDF brought about was at a level that was seen as acceptable quality.

The case studies also show that the improvements to housing financed by ERDF were often not specifically focussed on the needs of

different types or groups in society including the elderly and disabled. Although these groups were undoubtedly supported by ERDF housing projects there was little evidence of ERDF supporting the adaptation of their homes in line with their specific needs (e.g. providing ramps for wheelchair access or adapting bathrooms to support the more infirm). As reported elsewhere in this report, the nature of improvements seen in the case studies often related to energy efficiency measures linked to, for instance, wall or roof insulation rather than specific adaptation of housing in relation to accessibility for older residents for instance. This is not to say that these groups neither benefitted from support nor that their needs were not met as part of the improvement to their housing, but the case studies again tended to show that more general improvements were supported through ERDF. Where housing improvements projects did show evidence of housing being adapted to meet the specific needs of groups stakeholders saw the driver of this originating in national building and planning laws rather than the existence of ERDF.

There were a number of barriers which stopped ERDF projects from promoting higher levels of quality across those properties being supported. Key to these barriers was a need to ensure that as many properties as possible were improved to a level that was acceptable for stakeholders and tenants/ owners. The balance between quantity and quality was therefore critical but the focus was more on numbers of properties supported, as opposed to making significant steps to dramatically improve the quality of housing stock.

9.3 Conclusions

The main conclusions from this chapter are that:

- ERDF has achieved much in terms of tackling the issue of housing and energy affordability. Most of the projects either directly or indirectly provided residents with financial assistance to help them afford, for instance, new windows or roof insulation. ERDF also played a key indirect role in tackling affordability issues around rising energy bills.
- The level of subsidisation which ERDF provided to help people afford housing improvements varied according to a variety of different internal and external factors.

- There were a wide variety of issues that affected the extent to which ERDF housing projects supported more deprived communities. These issues suggest that specific measures need to be in place to help those lowest income households to access ERDF supported activity, above all adequate and pro-active information and consultation in an easily digestible format, rather than assuming they will automatically overcome the barriers in place.
- Although ERDF supported improvements in housing quality across all of the case studies, the research shows that there were a number of issues which affected the level of quality seen in these improvements. A balance had to be found between quality and the quantity of housing being improved, often leading to a prioritisation of the latter.

10. PART 3 : CONCLUSION AND POLICY LEARNING

10.1 Defining the framework for evaluation

These conclusions are based on findings from the ten case studies¹⁰⁵ as well as wider research activities. The conceptual framework provided by the ERDF Regulation 2007-2013 (with its amendments) and further developed by the research team underpins these conclusions.

From the evolving ERDF regulatory framework we can determine a series of intended effects (dimensions of interventions) for the use of ERDF in housing:

- **Economic:** To strengthen the local SME and construction market and accelerate growth thus contributing to sustainable economic growth and job creation.
- **Social:** To target interventions to the more vulnerable parts of urban communities with the implementation of ESF type of measures in parallel with housing interventions in the framework of an integrated scheme in order to strengthen social cohesion.
- **Sustainability:** To implement energy-related interventions in order to reduce energy consumption, to contribute to the wider sustainable environment, and to help improve social cohesion.

The integrated approach promoted by the European Commission is defined in Article 8 of the 2007-2013 ERDF Regulation which involves several sectoral (social, economic, energy efficiency) measures being combined. This clarification provides a guideline through which the three main research questions of the current study can be answered:

1. To what extent is there evidence of ERDF housing investments contributing to integrated sustainable urban regeneration of the target areas, i.e. highly populated deprived neighbourhoods?
2. What are the main challenges encountered in the preparation and implementation of these regeneration projects?
3. What lessons could be learned from the current ERDF Regulation framework regarding housing interventions and its practical implementation?

10.2 Evidence on the contribution of ERDF housing interventions to integrated regeneration of highly populated deprived neighbourhoods

It is not possible to provide strong quantifiable evidence on how ERDF housing interventions contributed to the integrated regeneration process of deprived urban neighbourhoods as most projects are incomplete or have just been completed - meaning impacts are yet to manifest themselves fully. What can be analysed, however, is how the national schemes and project logic models led ERDF to be used for integrated regeneration of deprived areas. In this respect it is important to understand a) how targeted the national schemes were through choosing deprived areas for intervention and b) how integrated the interventions themselves were. If integration and targeting is safeguarded by the national schemes, then the results of the individual ERDF projects depend mostly on local circumstances.

¹⁰⁵ The 10 case studies covered Germany as well, even though complex rehabilitation schemes are financed from national resources and not by the ERDF.

Territorial targeting of the projects

It is possible to highlight a series of key findings regarding how the different eligibility criteria were used for targeting interventions and what factors influenced the target area selection process:

1. Projects which concentrated on private housing and did not use area-based approaches generally did not reach the most deprived areas (e.g. Latvia and Lithuania).
2. Projects that were targeted on social housing in the UK, France and Italy, reached deprived areas, despite the fact that no area-based approach was used. Social housing in these countries is spatially more or less concentrated, so a territorial (and social) focus is ensured through the targeting on social housing. Nevertheless such indirect targeting cannot be applied in all countries. In Estonia, constructing new social housing was explicitly directed to areas that were rather well-off so to avoid spatial concentration of social problems.
3. In those cases where an area-based approach was a requirement of the regeneration activity or EU funding the level of targeting on deprived areas was relatively strong. In some of the new Member States the EU regulations raised the attention to deprived and marginalised neighbourhoods that were not objects of large scale targeted interventions before (e.g. Czech Republic, Hungary).
4. The research shows that the nature of financing schemes play a key role in determining whether ERDF reaches deprived communities:
 - The loan-based ERDF schemes or the high level of required contribution by home owners themselves largely exclude the more vulnerable residents/buildings and more deprived areas from the use of ERDF housing funds.

In some Member States the aid intensity of ERDF grants and/or eligible housing measures (even for social housing) was strictly limited and therefore the municipalities were less interested in implementing housing measures in deprived areas (e.g. Czech

Republic and Poland), they rather preferred higher status private ownership areas.

5. The organisational structure of the local housing sector and the type of the housing organisations affect the actual ability to use ERDF housing funds. More deprived areas typically have weaker private housing management organisations. This is also true for social housing, especially in the new Member States.

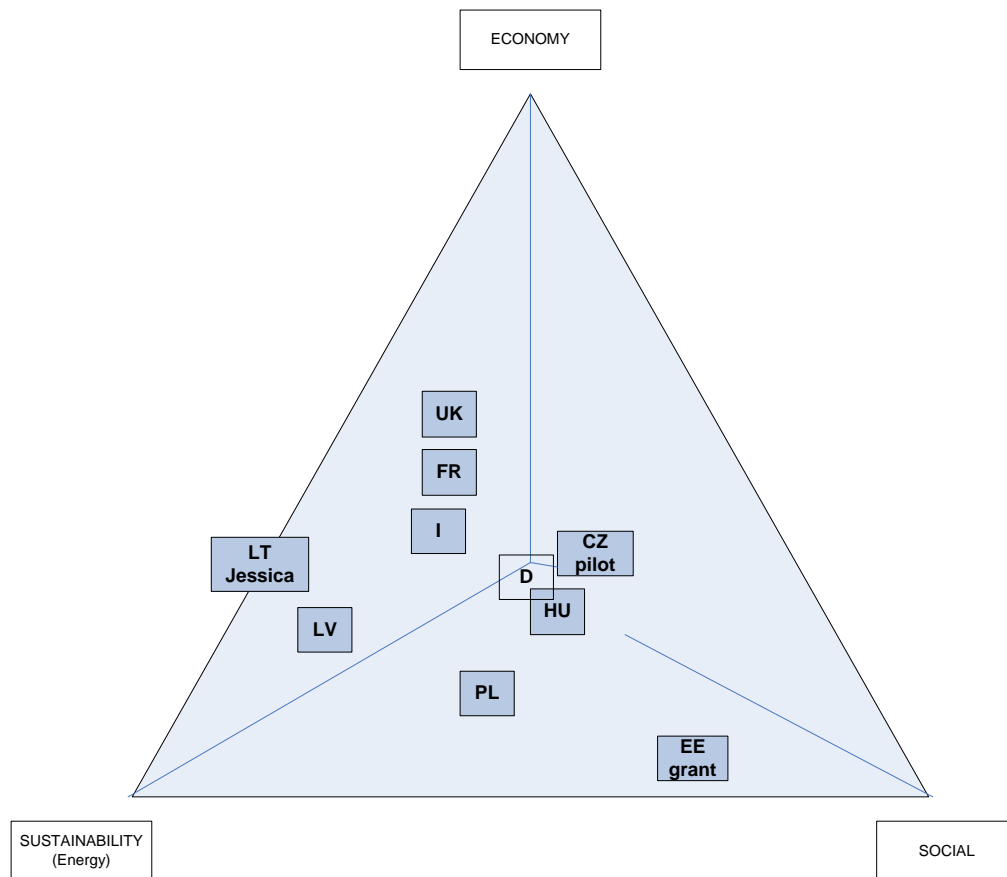
The three dimensions of integrated approach in practice

Case study and documentary research leads to significant conclusions on the way in which horizontal integration takes place concerning social, economic and environmental objectives. Only a limited level of thematic integration could be identified in most of the 10 cases. Projects were more integrated where the national regulation on housing required ERDF schemes to be linked to other interventions.

- Some projects use a more holistic area-based approach. In Hungarian and Czech projects several social and employment subprojects were/are implemented. Employment projects focused on increasing employability of disadvantaged people, while social programmes aimed at empowerment and community cohesion with a focus on youth. The German case is a well developed integrated approach, where ERDF is complementing the national and local funds.
- The other ERDF housing projects focused more on improving individual blocks of flats or areas of housing, than being part of a holistic integrated area-based development programme for a neighbourhood. Wider benefits were the results of secondary, spill-over effects. To an extent the French and UK projects incorporated integrated elements by reinforcing local social cohesion like by establishing community facilities or contributing to the aim of sustainable environment by providing workshops to change attitudes in order to save energy and related costs.

Figure 10.1 illustrates the position of the case studies in a framework incorporating the three thematic dimensions of an integrated approach.

Figure 10.1 Position of case studies in a framework



The 10 cases show variety in terms of combining the above mentioned three dimensions.

- Some of them are one-dimensional, aiming for energy improvement, with no or only very little social targeting.
- Some have a clear energy efficiency aim while including some social elements.
- Finally there are some case studies which aimed at integrating all three aspects.

The low level of thematic integration of projects is due to a range of issues including:

- The use of ESF-type measures was not encouraged by national schemes except for the Hungarian and Czech cases where it was a requirement and mechanisms for ESF funding were created.

- ERDF housing projects are planned and managed by housing practitioners who are not familiar with the use of ESF and other people-based programmes, often not aware of the importance of soft measures.

The use of area-based approaches helps the development of more holistic integrated projects by providing an efficient framework to map the specific problems of a given area. It also provides an opportunity to include various stakeholders who can contribute to the integrated approach.

The interrelation between spatial targeting and thematic integration

The deprivation of the target areas largely defines the extent of integrated measures: the more complex problems an area has, the more integrated measures are needed. This means that housing interventions are not enough, and other accompanying measures must be implemented to

ensure that the benefits and impacts of ERDF housing projects are wider than simply physical regeneration. The research led to key findings in this area:

Differences in terms of the applied integrated measures largely reflect the significant variation of the national schemes themselves. Four types of schemes could be identified in the study reflecting variations in the levels of social (focusing on vulnerable communities) and spatial targeting (defining geographical action areas for the intervention) as well as degree of policy integration:

- Strong social targeting with strong spatial targeting implemented through integrated measures: Hungarian, Czech Republic German cases.
- Strong social targeting with a horizontal approach but without required integration: France, UK, Italy.
- Spatial targeting with weak social targeting and weak policy integration: Poland, Czech mainstream scheme.
- Weak social targeting without spatial targeting or policy integration: Latvia, Lithuania JESSICA-type scheme.

Several countries used sub-schemes to distinguish between less deprived and more marginalised communities in spatial terms (the Czech Republic, Hungary, Lithuania) or to focus on specific housing problems of marginalised groups using horizontal approach (Estonia – homeless families).

The national schemes and the projects themselves reflect the original intentions of EU Regulations on integrated interventions on a varying scale. France has incorporated the most recent Regulation amendments (2010) into their national schemes, and Hungary began to implement the modification at the end of 2012. We have seen that the Hungarian and Czech Pilot schemes – and to some extent the Polish and the mainstream Czech cases – appear close to the original intentions of Regulations as they are using area based approach and integrated measures. The French, Italian and UK cases reflect the 2009 amendment (without the requirement of integrated and area-based approach) with pure energy efficiency aim, but in some respect they incorporate elements of the

integrated approach and also incorporate some kind of social cohesion while targeting to the social rental housing sector.

10.3 Main challenges in the preparation and implementation of the ERDF housing regeneration projects

This section presents the different challenges that occurred in the preparation and implementation of the regeneration projects causing practical deficiencies. Indeed the (non)integration of different policy areas and the (non)cooperation of different administrative levels can be attributed to:

- Low levels of cooperation between different government organisations, local governments and departments of local governments (deficiencies in vertical and horizontal cooperation.)
- Incompatibility of different sectoral plans (housing policy, energy policy, rehabilitation policy) both at national and local levels.
- Incompatibility of rules and targets for different funding streams (including difficulties in linking ERDF and ESF).

The fact that private sector housing makes up a large proportion of the total stock in many Member States causes a number of challenges for ERDF projects:

- It is more difficult to work with owners' associations than with more concentrated groups or individuals. Therefore either housing projects could be easily left out from complex rehabilitation projects or limited to a minimum.
- Owners have to opt in to receive support from ERDF - this often takes the form of vote by apartment owners. Those who are able to reach majority approval - and contribute substantially with co-financing - get use of the support however these are often not those on the lowest incomes living in the worst housing.
- The scale and expense of tackling the housing problem of Europe is significant and ERDF can only play a small part in this. ERDF projects have faced the challenge to find the right balance between quality and quantity (i.e. supporting enough housing to make a meaningful difference to neighbourhoods but

also ensuring enough quality that makes a difference to individual owners).

- A lack of sufficient match funding for ERDF housing projects (that are often large scale and would require large levels of match) is a key challenge. The public, private and residential sectors (who would traditionally match ERDF) are all struggling in terms of available finance, leading to a need for new or different forms of finance beyond grants.
- One of the goals of the ERDF housing support was social cohesion and thereby increased housing affordability for the residents of deprived areas. However in many cases the net result of the interventions (residents' payment versus energy savings) did not necessarily provide subsistent increase in affordability concerning the housing costs.

Administrative requirements for the planning and implementation of integrated projects caused several challenges as well:

- The time frame for planning and implementation was often too short, leading to projects in deprived neighbourhoods not enough time to develop effective integrated, long-term and sustainable activities.
- Bureaucratic structures and rules (both on national/regional and local level) do not necessarily complement complex integrated projects that require flexibility in the planning and implementation phase causing extra administrative difficulties.
- As a result of limited time frames and strict administrative requirements many of the projects were implemented with a strong leadership of local municipalities/agencies/housing companies using hierarchic approaches. This limited public participation level and the involvement of the residents.

Housing projects have made limited progress in measuring impacts of their activities and understanding the extent to which they are benefitting wider socio-economic agendas. This is likely to dissuade those outside of the housing agenda (i.e. ERDF practitioners, politicians looking to raise gross value added: tackle unemployment, address economic decline, etc.) from investing ERDF in housing projects.

10.4 Lessons from the cases regarding housing interventions and practical implementation within the current 2007-2013 ERDF Regulation framework

Case study analysis allows an exploration of the main factors behind the challenges, pointing towards possible solutions for avoiding further deficiencies using good practice examples from the cases. The good practices are summarised in the boxes with further details on each one found throughout the report but also in the separate case study reports themselves.

The integration of different policy areas and the cooperation of different administrative levels proved to be important in designing national (and regional) schemes which allowed for a higher take-up of ERDF housing support and enabled local players to implement integrated projects on the ground.

France: The focused actions on deprived areas are part of the national Cities Policy (Politique de la Ville). In the local housing plan (PLU) section of the urban strategic planning framework the improvement of the La Forêt neighbourhood was identified and its re-integration into the town was taken as a key priority.

Czech Republic, Hungary, Poland: Urban regeneration projects which include housing intervention as well have to be based on Integrated Urban Development Plans. During the planning and implementation partnership and participation are required. This promoted a better understanding of cooperation in these countries.

Hungary: A successful example of using ERDF for social interventions alongside infrastructure activities in the same project. This was the result of the integrated call to support socially sensitive urban rehabilitation. The call was published in all Hungarian regions in the framework of which all interventions planned to target areas could be financed from housing interventions, throughout public space and public building renewal to “soft” interventions.

EU and national schemes should promote the use of ERDF funds for integrated interventions especially targeted to deprived areas as usually these kinds of projects are politically not so popular especially in countries where cities struggle with high need for rehabilitation even in central areas.

Czech Republic and Lithuania: Separate sub-schemes were designed for deprived areas, in the Czech Republic with ring-fenced funds.

Adequate mechanisms are needed in order to support less organised, financially weaker layers of the residents and more deprived areas.

Latvia: The maximum intensity of the ERDF funding is 50% for privately owned buildings but it can be increased to 60% of the total eligible costs of the project where at least 10% of residents have been granted the status of disadvantaged persons.

Hungary: The ERDF financed housing interventions can be implemented only in low status and deprived areas therefore in case of privately owned housing the ERDF share is 70% (which can be complemented by another 15% municipal contribution) while for municipal owned social housing the ERDF subsidy rate is 85%.

France: In France national scheme existed and the ERDF subsidy “only” complemented it and the leverage effect was higher and the scale of interventions could increase. The case study shows that the 8% ERDF contribution to the costs made it possible to do an integrated project which also resulted in a higher energy efficiency category.

Stronger cooperation, more efficient and wider partnership and participation proved to be more efficient than strict administrative requirements and hierarchical structures in terms of producing integrated regeneration projects tailored to the real needs of and accepted by the residents and which also ensures more sustainable results. In this respect the time-frame of planning and implementation was also concluded as a crucial factor as general experience was that too short time was provided for the projects.

Czech Republic: The national government provided technical assistance to plan the integrated projects for marginalised (Roma)

communities and organize local partnerships and participation through a government agency (Agency for Social Inclusion).

Germany: Chemnitz carried out a number of consultation meetings with local stakeholders and residents in the planning phase; central to implementation is the neighbourhood management team run by a local association also serving as a platform for all interested people and groups, situated in an easily accessible office on the ground floor of a resident building. Participation was intensified through a series of future scenario workshops accompanied by an “idea machine” – an interactive web platform.

As a prerequisite of a successful regeneration especially targeted on deprived neighbourhoods, communication and marketing is indispensable. Information, explanation, and participation should involve not only those directly affected but also residents in the wider neighbourhood and the city as a whole. Transforming the image and conditions of a neighbourhood needs wide ranging support, not least in agreeing to prioritise expenditure which might be used elsewhere in the city.

Italy: In Piedmont in order to inform the residents a Participatory Board was set up with the stakeholders who met periodically to exchange information. To involve the residents, social communication activities were set up prior to the project delivery, including updated information (through posters) about the work progress, a weekly information point on the construction site, and training for the residents to explain the behavioural and economic impacts of the project. This support led to the active involvement of residents.

Germany: In Chemnitz a variety of participatory actions were undertaken, including a locally-run Neighbourhood Management Team, an internet information platform and quarterly print magazine, a Residents’ Council, and a Participatory Action Fund.

Monitoring and evaluating the complex rehabilitation projects is challenging as the expected results are not only physical but also social outcomes which are much more complicated to measure. There is a need for knowledge generation and dissemination in this field on European level.

United Kingdom: The monitoring and evaluation programme of REECH measures the behavioural changes over the course of the project, and intends to give feedback so that residents can reduce their energy bills through taking advantage of improved home insulation. The study also covers impacts on health results as well as wider impacts on attitudes to energy conservation and planned changes in lifestyles. It also will look at the situation of the poorest families who use the more expensive pre-paid cards.

11. Looking ahead to 2014-2020

11.1 The scope for housing in the new ERDF regulations for 2014-2020

In contrast to the current funding period, the Commission has set no upper limit on the use of ERDF for housing for the 2014-2020 programming period. The share of spending on energy efficiency in general and on energy efficient renovation of the housing stock in particular may increase within ERDF investments due to extra priority given to this topic, and the new energy directives. The use of EU funds is determined by the 11 thematic objectives defined by the European Commission in line with the Europe 2020 Strategy targeting at smart, sustainable and inclusive growth.

From these eleven thematic objectives at least four are closely related to housing interventions:

4. Supporting the shift towards low-carbon economy in all sectors;
5. Promoting climate change adaptation, risk prevention and management;
8. Promoting employment and supporting labour mobility; and
9. Promoting social inclusion and combating poverty.

These objectives would ensure a link between the future funding period and the current period where the focus has been on urban regeneration, energy efficiency and marginalised communities.

In parallel to growing thematic concentration there will also be important changes during the next programming period in the planning and implementation of the policy which now promotes a more integrated territorial approach. The European Commission calls for a greater role for cities to contribute to a more integrated territorial approach by requesting Member States to allocate at least 5% of the ERDF allocation for integrated urban development. These integrated actions should tackle the economic, environmental, climate, demographic and social challenges affecting urban areas which may again open up new opportunities for housing related interventions as part of this integrated approach. Finally, in contrast to the 2007-2013 period,

housing interventions can be planned into ERDF programmes at an early stage and be integrated into strategies from the start of the programming period.

The overall conclusion from this study is that funding housing schemes through ERDF has made a positive difference on a number of fronts. There are a range of housing interventions that can achieve a range of real and tangible impacts and outcomes as the case studies linked to this research show.

11.2 Recommendations for national, regional and local level

In order to formulate an effective framework for housing interventions the study recommends governments at all levels to be active in the following:

- Housing-related interventions should take place using the integrated approach and seeking to address economic, social and environmental challenges. This integrated approach can take a variety of forms:
 - **Focus on energy efficiency:** while the goal in this type of intervention is to primarily reduce the level of energy usage in individual buildings, it is advisable that when energy efficiency funds are available, problems of deprived neighbourhoods are taken into account simultaneously with the energy dimension, ie. reduction in energy bills, use of the ERDF contribution as a preferential loan or grant to the marginalised groups who cannot easily fund energy efficiency measures by themselves.
 - **Balanced approaches:** to improve energy efficiency, job-creation and social inclusion in a relatively balanced way by complementing ERDF actions with ESF (or ESF-type) measures.
 - **Complex integrated (policy) approaches** to improve the most marginalised residential areas. This type of intervention requires area based and

socially targeted approaches with measures that better connect the area to its surroundings.

- Inter-disciplinary project management teams should be created to ensure the planning and implementation of integrated projects. On the basis of the study findings, participative planning and broad partnership with the relevant stakeholders are key success factors. Mechanisms should be set up to support capacity building of local communities.
- The integrated urban strategies proposed under the ERDF Art. 7 offer an opportunity to design housing interventions as part of a wider integrated approach, with the possible focus on poorer neighbourhoods and deprived urban areas. This integrated approach can benefit from increased complementarity of ERDF and ESF in 2014-2020 period.
- Technical assistance for programmes and projects at the local level as well as mentoring in the planning and implementation phases could be used to enable municipalities to develop housing interventions with a strong integrated dimension.
- It is important that local authorities get involved in ERDF supported housing projects and take the initiative to put forward housing projects to those developing ERDF programmes. Housing and energy stakeholders have not always linked up with ERDF practitioners meaning work needs to be done at the local level to connect them with ERDF programmes.
- Real community participation and involvement needs to occur but the time taken to develop this in a meaningful way needs to be built into the programme planning.
- Monitoring and evaluation of housing interventions are crucial and should adequately measure outcomes and impacts rather than only outputs. They should also look beyond simple housing themes to measure social and economic outcomes and impacts. The methods of monitoring and evaluating the project results and impacts should be set up at the initial planning phase.

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