

## **Social, cooperative and public housing in the EU Cohesion policy after 2020**

Housing Europe position paper

### **I. Introduction**

The objectives of this briefing are firstly to explain the impact of the EU Cohesion Policy (also known as the European Structural and Investment Funds - ESIF) on social, cooperative and public housing, secondly to provide policy makers with input from the local experience of using the Funds and finally to give policy recommendations concerning the design of the future period.

By doing so, this paper is a contribution to the European Commission consultation for the next EU programmes in the area of Cohesion.

### **II. The added value of the Cohesion Policy**

On 20 February 2018, Housing Europe presented a [\*\*\*'Mid-term analysis of the impact of Structural Funds on the public, cooperative and social housing sector'\*\*\*](#), which highlights the **added value of Cohesion Policy in helping Europe to address the housing challenges**. At the same time it is calling for **an inclusive EU Cohesion Policy that further strengthens this approach towards housing**.

To manage demographic change, slow the growth of inequalities, contain health costs linked with inadequate housing such as energy poverty, facilitate integration and sustainable urbanisation, catalyse the energy transition and the transition to a circular economy, we need to boost our approach to affordable housing in Europe. Lack of affordable, adequate, accessible energy efficient housing and resulting exclusion is one of the key risks faced by our cities, regions, and societies at large. The human and economic cost of this policy failure and over-reliance on the market are becoming difficult to brush over.

Access to good-quality, affordable housing is often one of the best answers no matter what societal challenge is being discussed. Housing defines a person's life as it is an integrative good, linked to health, economic and energy security, transport, education and employment. It also influences the profile of neighbourhoods and directly affects social cohesion.

**EU Cohesion Policy is already addressing this challenge by building on innovative and established approaches that work.** Since 2009 the Structural Funds contribute to the improvement of housing conditions, thus the quality of people's lives. The recently published Housing Europe Report<sup>1</sup> on the implementation of Structural Funds on affordable housing -

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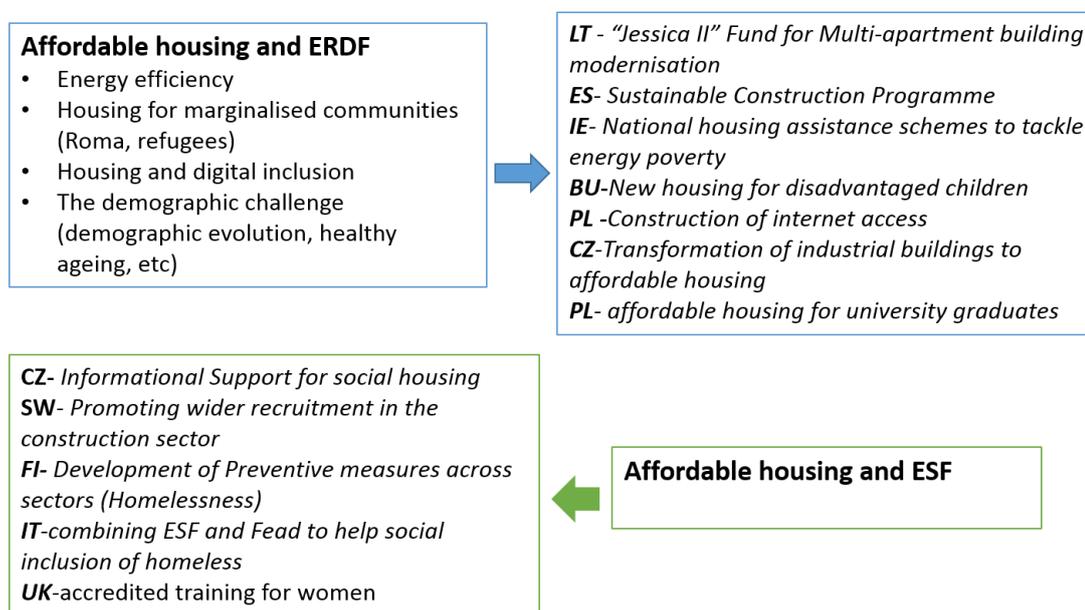
<sup>1</sup> <http://www.housingeurope.eu/resource-1075/a-mid-term-analysis-of-the-impact-of-structural-funds-on-public-cooperative-and-social-housing-in-2014-2020>

being the first detailed analysis in Europe- finds that the sector is gaining importance in Cohesion Policy. This is reflected through:

- a strategic focus of Cohesion Policy towards long-term, smart and sustainable development;
- a relatively large budget of €6.6 billion to housing that also shows the great efforts of Member States to invest more not only in energy efficiency but in peoples' social inclusion; and
- a possibility to better combine the Structural Funds with different programmes allowing to develop more complex projects.

Affordable housing is undoubtedly a necessary tool to face societal challenges in the EU such as ageing, increasing segregation, climate change, or difficulties for young people to find affordable accommodation. Through the country profiles and first implemented projects, the Report finds that **the opportunities to invest in these areas are made available by Cohesion Policy**, and positive results of the Funds can be already seen through the *positive socio-economic and environmental impact* of projects “*providing with a long lasting effect in their quality of life*”. This also means that affordable housing providers are already delivering the SDG Agenda with the help of Structural Funds<sup>2</sup>.

## First innovative practices (2014-2020)



In this view, it will be key in the years to come that **the EU Cohesion Policy further supports these positive experiences**. For this, simplicity in accessing funds for those engaged on the

<sup>2</sup> Housing and the Sustainable Development Goals <http://www.housingeurope.eu/resource-997/housing-and-the-sustainable-development-goals>

ground will be key. The possibility to blend grants and loans (Structural Funds, EIB loans, European Fund for Strategic Investments etc.) is vital (see Policy recommendations below).

For a number of reasons the upcoming programming period will be decisive for the future of Europe, for our future. **The EU should make sure that the Cohesion Policy, one of the foundations keeping Member States together should be as inclusive as possible**, delivering the means needed to address the major challenges with housing being undoubtedly among them. Therefore, we believe there is only one scenario for the EU long-term budget based on three pillars:

- a) putting people first,
- b) caring for all shrinking and growing cities and regions across Europe, and
- c) supporting evidence-based policies.

### **III. Issues that Housing providers face during implementation**

The implementation of the European Structural and Investment Funds started slowly in the affordable housing sector, however we can expect an acceleration in investments in 2018. The slow uptake is due to the late agreement on the Operational Programmes and also due to other barriers.

In terms of energy efficiency measures, the European Commission identified-in a report of 2014<sup>3</sup>-the main barriers of financing buildings which include:

- Administrative obstacles (regulatory issues)
- Financial barriers (limited access to finance, high upfront costs, high credit risk, long payback period)
- Information & skills barriers (lack of understanding and expertise of the rules)

These barriers are differently present in Member States, coming from their governance and type of their housing stock, and of course regulatory frameworks. Going more into details, Housing Europe Members report the following difficulties:

#### **Heavy Procedures**

Overall, the application and payment procedures, as well as the reporting requirement cause problem. The application procedure is currently considered to be difficult and it is uncertain what it yields in terms of success. Indeed, if financing is actually granted, the reporting is often an onerous burden that means that they are unwilling to apply again.

#### **Financial barriers**

Pre-financing options are often not available, and smaller housing organizations have difficulties to secure enough co-financing for the start the project. Last payments are often delayed.

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<sup>3</sup> Technical guidance, Financing the energy renovation of buildings with Cohesion Policy funding, Final report (DG ENER), 2014, page 32

Secondly, further costs due to modifications of the initial project-required during the operations- are not eligible for reimbursement.

Internal costs and social costs necessary to implement the project are often not eligible to reimbursement. As an example, cost related to design or assisting old or disadvantaged tenants during a refurbishment project can be mentioned.

### **Information and skills barrier**

Housing Europe members report about the **lack of sector specific information** on the opportunities brought by the Structural Funds, thus affordable housing providers are very often unprepared to present a competitive proposal. The lack of sufficient **training** and information days on the use of Structural Funds represent a real gap.

Furthermore, Managing Authorities (MA) often do not have a proper knowledge on **State Aid rules**. Therefore, they are not able to advise affordable housing providers on the different opportunities of applicable procedures.<sup>4</sup> Capacity building of MAs would be crucial to tackle that gap.

### **Priority on integrated urban development at the level of the Operational Programme is not available for affordable housing providers**

Due to complex local needs, affordable housing providers deliver more and more integrated projects. They do not only build homes but also provide with additional services such as community services, employment and training services, financial advice, caring for the elderly. Usually application for EU fund requires a rather limited focus, which does not allow to finance the whole programme activities. For instance, when constructing a new home, demolition works are often not supported by Structural Funds due to the narrow concentration of eligible activities. An integrated urban development priority available for housing providers as main beneficiaries would allow delivering projects that tackle local needs.

### **Partnership Agreement and Operation Programmes**

Finally, the **lack of full involvement of affordable housing providers** in the development of the Partnership Agreement, OPs and in monitoring committees also cause a problem. Their expertise would be extremely useful especially in relation with the planning and monitoring of the energy efficiency related measures.

In conclusion, the European Commission considers simplification as one of its highest priorities. The High Level Group set up in 2015 continuously identifying potential solutions to administrative and other bottlenecks. Housing Europe welcomes its recommendations including:

- Reducing additional reporting requirements on beneficiaries;
- Increasing the use of online reporting procedures ("e-cohesion") and simplified cost options;
- Tackling the "goldplating" practice, where extra requirements or administrative hurdles are added at national or regional level;
- More capacity building for Managing authorities;

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<sup>4</sup> Better EU rules for better services of general interest in housing, Housing Europe <http://bit.ly/1QAI9tv>

- Reporting mechanisms between ERDF and ESF to be aligned;
- The number of indicators should be reduced and the existing ones should be harmonized;
- More harmonisation of the rules between Structural Funds and other funds for the post-2020 period;
- Stricter deadline for the completion of OPs in order to start implementation in time;
- Clear guidance for Beneficiaries.

#### IV. Policy recommendations for the future programming period

##### 4.1. General approach

The positive socio-economic and environmental impact of Cohesion Policy is undoubtable. The Structural Funds are helping territories not only to improve quality of life of households, but also to construct community centres, to revitalise deprived neighbourhoods or to organize trainings for social housing tenants. Very importantly, all of these actions are creating jobs through direct or indirect employment.

The added value of the Cohesion Policy for housing related projects is clearly evidenced and wide-ranging, that is why Cohesion Policy (with both European Regional Development Fund and the European Social Fund) should be maintained at the current level in terms of financial resources in the next Multiannual Financial Framework, which is currently being discussed by the European institutions. It is also key that all EU countries can benefit from the Cohesion Policy, since even or actually specifically in countries or regions with a high GDP/capita, the lack of and demand for good quality and affordable services including housing require the support of the cohesion policy.

##### 4.2. Specific recommendations

However, some common concerns of Housing Europe members would need to be addressed to make maximum use of the funds in terms of impact and efficiency. Therefore, Housing Europe believes that the post-2020 period should take the following elements into consideration:

###### Sector specific information

- Managing authorities should inform the sector-specific stakeholders about the regulatory framework of the ESI Funds, the forthcoming calls for proposals, rules in relation to procurement and state aid, reporting requirements, expectations and ensure enough time for the preparation;
- The annual **Implementation reports** of the Member States should be made available and published online to ensure transparency;
- Making the **language understandable**, and not too technical, is also an important aspect.

###### Simplification

- In order to avoid the duplication of work, a **strict single audit approach** would be needed. In practice every controlling level could build on the previous, thus the controlling effort would be reduced on Member State and EU level;

- Stronger consideration of **proportionality** – Requirements of controlling and administration should reflect the size of the programme, share of national co-financing and national error rate and therefore should vary between member states and programmes;
- **Pre-financing** in the sector should be made possible, the **last payment** should be speeded up, especially linked to smaller projects;
- **Integrated approach of costs** should be prioritized: social costs and costs related to side activities necessary to implement the project, as well as further costs due to modifications of the initial project-required during the operations- should become eligible;

### Partnership principle to be kept and improved

- **Full involvement** of affordable housing providers is needed in the preparation process of the **Partnership Agreement and of the Operational Programmes**
- The code of conduct on the Partnership principle should be applied and enforced by the European Commission

### Capacity building

- Housing organizations should be provided with technical assistance to help to deal with reporting and **combination of funds** (trainings, info days, online toolkit for beneficiaries (where Fi-compass could play the central role)
- Through capacity building exercise, Managing Authorities should acquire a good understanding of the **State Aid rules** and its application opportunities on affordable housing providers.

### Macro-economic conditionality and budget deficit rules

- In the case the stability and growth pact limits the possibility to invest in affordable housing, exempting from the deficit rules the national co-financing for the housing projects should be considered
- Encouraging the **more systematic use of the investment clause 2.2** of the Sustainability and Growth pact could facilitate more national co-financing of projects on the social infrastructure.

### Financial instruments and grants to be balanced

- Financial instruments are not suitable for all types of intervention such as social inclusion measures for social housing tenants. Therefore they should be complementary to grants;
- For the more efficient use of the existing financial instruments, increased technical assistance is needed.

### Effective combination with EFSI (Juncker Plan)

- Earmarking mechanisms in EFSI would be essential to ensure and upscale investment in social housing;
- The European Commission should encourage an integrated approach in implementing projects with other social infrastructure investments (e.g. housing, healthcare, training)
- Better communication is needed on the technicalities of the combination;

## Priority of integrated urban development to be made available for affordable housing providers

- Such a priority would allow delivering projects that tackle the complex local needs (see above in relation to the barriers page 4).

### Monitoring to be focused on quality and impact delivery

- Monitoring should be based on indicators (e.g.: access to adequate and quality housing, independency-autonomy);
- Sharing more innovative approaches, best practices on the use of funds between the Member States would be crucial (peer meetings) involving current beneficiaries who have direct experience in implementation.

## 4.3 Fund related recommendations

### *4.3.1. Recommendations on the use of ERDF*

#### Energy efficiency

- ✓ Identification of the needs to build energy strategy at regional level
- ✓ Flexibility in the type of ERDF forms of interventions
- ✓ Continue to increase the amount of ERDF invested in energy efficiency in housing as part of resource efficient urban development strategies
- ✓ Set up urban revitalisation programme (integrated approach)
- ✓ Make sure that the affordable housing providers are included into the national eligibility criteria concerning the climate adaptation mitigations measures
- ✓ Pointing out the importance of social services

#### Housing for marginalised communities (Roma, refugees, travellers, homeless people)

- ✓ Increase available information on combination opportunities between ERDF and ESF
- ✓ Simplify application process

#### Housing and digital inclusion

- ✓ Promote the use of funds to make services accessible for people with special needs such as elderly and disabled (personalized and smart technologies, e-health apps)
- ✓ Develop adequate infrastructure which contributes to EU objectives such as healthy ageing, independent living and resource efficiency

#### The demographic challenge (living space, demographic evolution, healthy ageing, youth)

- ✓ Keep investing in structural adaptation of living environments to the demographic evolution and changing ways of living (number of people needing care at home, having disability is increasing) for ex: reduction of barriers at home, make services accessible
- ✓ Adaptation measures to ageing is more effective with an integrated approach

### *4.3.2. Recommendations on the use of ESF*

- ✓ As the examples show, ESF has a great potential to fight poverty and social exclusion, therefore its resources should be kept in the next programming period.
- ✓ To fully use the opportunities offered by ESF, technical assistance to MAs to implement integrated projects (social services, training together with provision of housing) should be strengthened.
- ✓ Social inclusion is not only the role of ESF support. Other funds (such as FEAD or ERDF) can be combined with ESF to further support the investment in human and social capital.
- ✓ As for the Partnership principle in ESF projects, cities could be more often encouraged to work together with actors of social inclusion (such as social housing providers, job centres, etc.). The aim of these partnerships should be to have a longer-term cooperation between actors that can sustain the relation longer than for the time of a specific project.
- ✓ Employees of social housing providers should improve their skills-with the help of ESF-especially in the context of the migration situation.