

# COMMISSION OF THE EUROPEAN COMMUNITIES

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REPORT FROM THE COMMISSION

## **Activity report on the 11th programme of ECSC low-cost housing loans**

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Period 1989-1993



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## 1 INTRODUCTION

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Loans for low-cost housing are an important measure flanking the restructuring of the coal and steel industries. This fact has been stressed by the ECSC Consultative Committee<sup>1</sup> which, like the social partners in general in both sectors, monitors this activity very closely.

This view is also shared by those actually involved in the activity and the local authorities; although the latter are not direct partners of the Commission they are keenly interested in the assistance which such loans provide for the solution of problems created by the presence of ECSC undertakings in their areas. It is obvious that to allow for the future use of workers' housing estates the housing stock must be modernised. This is one of the conclusions of a wide-ranging study carried out by two organisations specialising in the subject of low-cost housing; the study is entitled "Housing for workers in coal and steel industry areas – needs and strategies" and the final report will be available in November 1994.

Originally, the aim of programmes providing loans for low-cost housing was to reduce the costs incurred by undertakings by helping them to assume their responsibilities for the housing conditions of their workers, thus contributing to improved competitiveness (Article 54(2) of the ECSC Treaty) and at the same time contributing to a rising standard of living and improved working conditions for the workers (Articles 2 and 3).

In order to appreciate more clearly the effectiveness and the additionality of this activity it is necessary first of all to stress that the ECSC loan usually represents between 10% and 15% of the total cost. The rest of the finance is provided by a loan from the employer, public loans and bank loans, supplemented in most cases by savings funds and work-related benefits of the beneficiary. These combined sources of finance reduce considerably the financial burden on the worker, since the rates charged are much lower than the usual rates of interest of the banks, thanks mainly to that part of the financing covered by the ECSC 1% loan. Without the ECSC aid and the resulting reduction in financial charges the worker in question would most often have no chance of getting the house or flat which he wants.

When it comes to collective projects the element of additionality is sometimes even more striking. In fact, in some regions it is thanks to the ECSC loan – together with loans from employers and from the State – and to the reduction in financing cost which it makes possible that a stock of rented housing can still be classified as "low-cost housing". Similarly, thanks to the priority given to projects for modernisation/redevelopment, the ECSC indirectly helps regions to improve the environment and the housing stock with a view to assisting an economic recovery. This is of key importance in a certain number

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<sup>1</sup> Resolution of 18 December 1992 – OJ C 31 of 04.02.1993

of very disadvantaged regions such as the new German Länder where ECSC housing loans have been a real life-line.

The implementation of the 11th programme, the chief lessons of which are outlined in this report, has shown that ECSC housing loans – thanks mainly to a minimum of red tape (as few forms as possible are used) and to direct contacts between the ECSC and the players and the beneficiaries on the spot – is an extremely effective instrument of social policy.

## 2 IMPLEMENTATION OF THE 11TH PROGRAMME

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Between 1954 and 1993 the ECSC organised a series of 11 programmes for low-cost housing loans: altogether 205 691 dwellings were financed and ECU 361 million were allocated.

In 1988, the Commission decided to launch an 11th ECSC housing programme to run for the period 1989-1992<sup>2</sup>. The operational phase of the 11th programme got under way in 1990, after consultation with the Regional Committees and negotiation of financing contracts with the banks.

On 12 December 1991, half-way through the 11th programme, the Commission presented an interim progress report on the programme (situation as at 30 June 1991)<sup>3</sup>. This report had been discussed with the delegates from all the Regional Committees responsible for implementing ECSC housing policy.

Now that the work of the 11th programme, including the reallocation of the balances, has been completed, it is time to undertake a final review of it and assess what it achieved.

### 2.1 Guidelines

The general objectives of the Commission with regard to ECSC housing have developed over the years, adapting to the changing socio-economic situation in the two sectors concerned.

The guidelines for implementing the 11th ECSC housing programme<sup>4</sup> stress that the programme's main aim is to meet the housing requirements of an ever younger workforce with increasing expectations in terms of living standards, to guarantee reasonable housing quality and to cushion the social impact of restructuring (e.g. in the case of transfers). It is also clear from the guidelines that a purely economic approach to the question of ECSC housing would be inadequate and it is therefore necessary to consider the social aspects, such as the social integration needs of people living on the estates and, generally speaking, to take account of environmental considerations.

In addition to aid for housing needs as such the Commission has also given its approval to extending the scope of grants to include improvement of the immediate environment of housing units on the estates.

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<sup>2</sup> SEC(88) 1930

<sup>3</sup> SEC(91) 2393 final

<sup>4</sup> OJ C 176 of 12.07.1989

## 2.2 Progress report

### 2.2.1 Funds available

In accordance with the Commission Decision of 20 December 1988<sup>5</sup>, the total budget for the 11th programme, set by the Commission on 20 December 1988, was ECU 48 million. Following admission of the five new German Länder (ex-GDR), this was increased by ECU 4 million for 1991 and ECU 6 million for 1992, sums which were earmarked for ECSC housing in the new regions. The total budget for the 11th programme is therefore now ECU 58 million.

The breakdown of funds between industries and Member States was decided by the Commission on 10 July 1989<sup>6</sup> as follows:

Table 1

#### Allocation of funds per Member State and industry

<i>Member States</i>	<i>Coal</i>		<i>Steel</i>		<i>Total</i>	
	<i>in ECU</i>	<i>in %</i>	<i>in ECU</i>	<i>in %</i>	<i>in ECU</i>	<i>in %</i>
Belgium	830 000	1.7	1 800 000	3.8	2 630 000	5.5
Denmark	0	0	200 000	0.4	200 000	0.4
Germany	7 500 000	15.6	5 000 000	10.4	12 500 000	26.0
Greece	0	0	500 000	1.1	500 000	1.1
Spain	3 500 000	7.3	4 000 000	8.3	7 500 000	15.6
France	2 200 000	4.6	4 000 000	8.3	6 200 000	12.9
Ireland	70 000	0.2	100 000	0.2	170 000	0.4
Italy	0	0	4 000 000	8.3	4 000 000	8.3
Luxembourg	0	0	700 000	1.5	700 000	1.5
Netherlands	0	0	1 200 000	2.5	1 200 000	2.5
Portugal	300 000	0.6	600 000	1.3	900 000	1.9
United Kingdom	7 500 000	15.6	4 000 000	8.3	11 500 000	23.9
<b>Initial total</b>	<b>21 900 000</b>	<b>45.6</b>	<b>26 100 000</b>	<b>54.4</b>	<b>48 000 000</b>	<b>100.0</b>
Add. amount ex-GDR	5 000 000	22.8	5 000 000	19.2	10 000 000	20.8
<b>Overall total</b>	<b>26 900 000</b>		<b>31 100 000</b>		<b>58 000 000</b>	

<sup>5</sup> SEC(88) 1930

<sup>6</sup> SEC(89) 906



### 2.2.2 Use of funds allocated

On the basis of this breakdown more than ECU 51 million were used to co-finance 6 718 dwellings (including the new Länder) during the four-year period. The total percentage of grants used directly, i.e. before redistribution, was therefore more than 90% of the funds initially available (for the new Länder, where the operational phase began only in 1992, more than 75% of the funds allocated were used during the first year).

Details broken down by Member State are given below:

*Table 2*  
**Payment situation per Member State as at 31.12.1992 (in ECU)**

<i>Member State</i>	<i>Allocated funds</i>	<i>Taken up</i>	<i>Balance remaining</i>	<i>Balance remaining (%)</i>	<i>Number of housing units</i>
Belgium	2 630 000	2 622 624	7 376	0.28	425
Denmark	200 000	25 813	174 187	87.09	14
Germany	12 500 000	12 437 236	62 764	0.50	1 086
Greece	500 000	499 531	469	0.09	127
Spain	7 500 000	4 822 950	2 677 050	35.69	1 048
France	6 200 000	6 061 078	138 922	2.24	1 123
Ireland	170 000	100 000	70 000	41.18	8
Italy	4 000 000	3 983 400	16 600	0.42	328
Luxembourg	700 000	662 677	37 323	5.33	92
Netherlands	1 200 000	1 045 738	154 262	12.86	144
Portugal	900 000	7 94 218	105 782	11.75	143
United Kingdom	11 500 000	10 687 176	812 824	7.07	783
<b>Initial total</b>	<b>48 000 000</b>	<b>43 742 441</b>	<b>4 257 559</b>	<b>8.87</b>	<b>5 321</b>
Add. amount ex-GDR	10 000 000	7 672 312	2 327 688	23.28	1 397
<b>Overall total</b>	<b>58 000 000</b>	<b>51 414 753</b>	<b>6 585 247</b>	<b>11.35</b>	<b>6 718</b>

The conditions of implementation of the 11th programme in the regions and the Member States can, in general terms, be described as follows:

A first group of Member States used all the funds granted, these funds often being quite insufficient to satisfy demand (Belgium, Germany, Greece, France and Italy).

Other Member States have encountered difficulties in implementing the programme, owing in part to an imbalance between sectors and/or regions and particularly, in most

cases, to a wide variation in the take-up of the funds as between the steel industry and the coal industry (Denmark, Spain, Ireland, Portugal, United Kingdom).

The Danish steel industry used only part of the grants awarded; this is attributable to a lack of movement in the housing market because of the tax system and to a certain lack of demand for housing from a small but fairly stable workforce.

The Spanish coal industry used almost all the grants awarded but the steel industry only 40%. There were wide variations between the autonomous regions:

- several regions were participating for the first time in the ECSC housing programme and as a consequence the Regional Committees had difficulties with the start-up and the organisation of operations;
- in some regions changes in the regional government meant a break in the continuity of the Regional Committee, the essential go-between for management of applications for loans, particularly with regard to follow-up.

Following restructuring, the Irish coal industry no longer participated in the 11th ECSC programme.

The Portuguese coal industry used only 65% of the funds allocated, the reason being the uncertainty about the future of the mines in Douro.

The British coal industry had difficulty in executing joint projects for the modernisation of rented dwellings. The balance was held over for co-financing of these projects.

### *2.2.3 Type of housing financed*

Table 3 shows that individual projects account for 61% of the total, and group projects for 39%. The relative proportion spent on new construction (40%) and on existing housing (32% for purchase and 28% for improvements alone) varies considerably from one Member State to another, largely influenced by local market conditions and the priorities of the Regional Committees.

Table 3

## Number and type of dwellings financed

Member State	New housing				Existing housing						Overall total		
	construction		purchase		purchase		purchase + modernisation		modernisation				
	individual	collective	individual	collective	individual	collective	individual	collective	individual	collective	individual	collective	total
BE	294		15		28		28		60		425	0	425
DK									14		14	0	14
DE	120	215	24	354	49		39		3	282	235	851	1 086
DE (ex-GDR)	46				11	560	42		195	548	294	1 108	1 402
ES	12		833		82				121		1 048	0	1 048
FR	273		7		53		231		92	467	656	467	1 123
GR	48		35		10		7		27		127	0	127
IR					8						8	0	8
IT	20	170	33		36		10	35	24		123	205	328
LU	41		1				26		24		92	0	92
NL			56		88						144	0	144
PO	38		33		40				32		143	0	143
UK					783						783	0	783
EUR 12	892	385	1 037	354	1 188	560	383	35	592	1 297	4 092	2 631	6 723
<b>Total</b>	<b>2 668</b>				<b>2 166</b>				<b>1 889</b>		<b>6 723</b>		
%	13	6	15	5	18	8	6	1	9	19	61	39	100
<b>Total %</b>	<b>40</b>				<b>32</b>				<b>28</b>				

## 2.2.4 ECSC contribution in relation to total housing costs

Table 4 below gives the proportion of the total housing costs met from ECSC funds. Average overall ECSC participation is 15%: 11% for new construction and 22% for existing housing (20% for purchases and 28% for improvements alone). The relatively high proportion of ECSC funding for improvements is due to the fact that the total cost of this type of operation is considerably lower than the cost of reconstruction.

Table 4

**Percentage of ECSC contribution in relation to total housing cost**

Member State	New housing				Existing housing						Overall total (%)		
	construction (%)		purchase (%)		purchase (%)		purchase + modernisation (%)		modernisation (%)		indi-vidual	coll-ective	total
	indi-vidual	coll-ective	indi-vidual	coll-ective	indi-vidual	coll-ective	indi-vidual	coll-ective	indi-vidual	coll-ective			
BE	7.9		9.9		7.9		8.5		20.4		8.2		8.2
DK									37.4		37.4		37.4
DE	8.9	13.5	10.6	10.9	12.8		13.5		14.5	24.7	10.1	12.8	12.0
DE (ex-GDR)	11.6				20.8	34.2	24.1		23.8	36.0	18.3	35.4	27.5
ES	10.1		11.0		9.4				27.5		11.3		11.3
FR	11.1		19.0		9.5		12.9		27.5	22.6	12.0	22.6	13.8
GR	10.1		13.8		3.5		10.6		26.8		12.4		12.4
IR					26.5						26.5		26.5
IT	16.1	18.4	20.3		23.7	22.0	17.6	20.6	25.7		20.1	18.7	19.2
LU	7.4		8.5				8.3		18.7		8.5		8.5
NL			12.9		10.7						11.6		11.6
PO	25.2		19.9		26.8				45.8		24.7		24.7
UK					23.3						23.3		23.3
EUR 12	9.6	15.3	11.8	10.9	20.1	33.7	13.5	20.6	24.7	28.7	14.0	17.3	15.1

**2.3 Redistribution of the balances**

Since, for various reasons already referred to in this report, all regions were not able, within the stated time limit, to use all the funds allocated to them under the 11th programme, the Commission, in accordance with the practice under previous programmes, redistributed the balances.

After discussing the procedures for this operation with the representatives of the Regional Committees at the meeting on 6 July 1992 the Commission, on completion of the programme, invited the Regional Committees to put forward proposals for the redistribution. Most of the committees submitted applications for reallocation of the balance, either to new projects or to others which had had to be set aside because of inadequate funds. These applications were for a total of ECU 11 336 824 but the total available was only ECU 4 257 559.

It was therefore proposed to apply a number of criteria to the redistribution:

- workforce in ECSC industries on 30 June 1992;
- projects which could be completed in a short time;
- a maximum amount of ECU 50 000;
- choice to be based on the priorities of the committees.

This reallocation, approved by the Commission on 28 July 1993<sup>7</sup>, covered all the applicant countries, to some extent restored the balance between the sectors in some Member States and corrected some disparities between Member States.

It should be stressed that all the conditions laid down for implementation of the 11th programme applied equally to the redistribution, in particular:

- the guidelines;
- implementation and execution by the Commission's departments;
- the financial conditions applicable to the loans: since in most cases the same banks and financial intermediaries were involved, the arrangements for the redistribution of balances were regulated by means of addenda to the contracts for the existing loans.

*Table 5*  
**Redistribution of the balances**

<i>Member States</i>	<i>Initial allocation</i>		<i>Balance remaining</i>		<i>Funds redistributed</i>		<i>Final allocation</i>	
	<i>in ECU</i>	<i>%</i>	<i>in ECU</i>	<i>%</i>	<i>in ECU</i>	<i>%</i>	<i>in ECU</i>	<i>%</i>
Belgium	2 630 000	5.48	7 376	0.17	203 620	4.78	2 826 244	5.89
Denmark	200 000	0.42	174 187	4.09	0	0.00	25 813	0.05
Germany	12 500 000	26.04	62 764	1.47	1 821 564	42.78	14 258 800	29.71
Greece	500 000	1.04	469	0.01	50 785	1.19	550 316	1.15
Spain	7 500 000	15.63	2 677 050	62.88	519 716	12.21	5 342 666	11.13
France	6 200 000	12.92	138 922	3.26	451 675	10.61	6 512 753	13.57
Ireland	170 000	0.35	70 000	1.64	51 655	1.21	151 655	0.32
Italy	4 000 000	8.33	16 600	0.39	378 479	8.89	4 361 879	9.09
Luxembourg	700 000	1.46	37 323	0.88	56 994	1.34	719 671	1.50
Netherlands	1 200 000	2.50	154 262	3.62	0	0.00	1 045 738	2.18
Portugal	900 000	1.88	105 782	2.48	51 797	1.22	846 015	1.76
United Kingdom	11 500 000	23.96	812 824	19.09	671 274	15.77	11 358 450	23.66
<b>Total EUR 12</b>	<b>48 000 000</b>	<b>100.00</b>	<b>4 257 559</b>	<b>100.00</b>	<b>4 257 559</b>	<b>100.00</b>	<b>48 000 000</b>	<b>100.00</b>

## 2.4 Follow-up and assessment

Apart from the needs and strategies which are the subject of a study being carried out by outside bodies and which was referred to in the introduction, the Commission, throughout the 11th programme, has been interested in the real impact in practice of its housing loan activities. This question has been discussed on several occasions with the local representatives. It was also an important element of the Commission's monitoring work carried out in most Member States. The Commission was thus able to determine the importance of the ECSC loan for the final beneficiary. In most cases the availability of

<sup>7</sup> C(93) 2079 final

this loan is an essential element in the decision taken by the ECSC worker to buy or build a place of his own. It is a completely decisive factor in the case of programmes for the sale of houses or apartments which are part of the housing stock of mining or steel companies. The ECSC loan is also indispensable for certain operations concerning group projects: the managers of housing societies working with ECSC industries need co-financing by ECSC loans in order to be able to complete projects for the redevelopment of large estates. In any case, on-site visits showed the value of the approach adopted in successive housing loan programmes. They also allowed checks to be carried out by ECSC personnel on the use actually being made of the housing financed under the programme. With regard to the problem of slow transfers of finance, observed in some regions, the Commission, after studying the procedures, proposed a number of simplifications which will be operated in the 12th programme.

In addition to these checks there are also permanent checks carried out by the Regional Committees and the financial intermediaries – in a structure which is to a large extent decentralised. The Commission is thus kept informed of all significant changes relating to property financed by ECSC loans. It must also give its formal approval to any loan transfer. The regular follow-up also makes it possible to check – continuously – the suitability of ECSC loans to developments in the national or regional housing market.

It is clear that the question of evaluating low-cost housing loan activity - particularly from the point of view of cost/effectiveness - has not found a completely satisfactory solution by the end of the 11th programme. This is a vitally important subject in the framework of the future of ECSC financial activities. It is therefore necessary to accompany the 12th programme, from the very outset, with an in-depth evaluation exercise in order to determine the extent to which this instrument is still suited to the new situation which has resulted from the massive restructuring of the coal and steel industries.

### 3 MEETINGS WITH THE REGIONAL COMMITTEES

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With a view to preparing the 12th ECSC low-cost housing programme the Commission invited the chairpersons of the all the Regional Committees to a meeting in Brussels on 6 July 1992. The following points were on the agenda:

- preparatory study for the 12th programme, to be carried out by two companies of consultants;
- presentation of the conclusions of the study and proposals for improvement;
- draft guidelines which might be adopted for implementation of a new programme;
- presentation of some possible award criteria for the 12th programme;
- procedures to be followed and the role of the different bodies.

The documentation on all these points was distributed at the meeting.

From discussions with the Regional Committees it was clear that there was:

- a general desire to continue with ECSC housing loans;
- a desire for continuity in low-cost housing policy;
- a wish to have more flexibility in the selection criteria laid down by the Commission, more simplified procedures and more freedom to take account of national, regional even local situations.

A second meeting with the Regional Committee representatives was held on 4 March 1994, the main focus of attention being on the launching of the 12th programme. That being the case, the meeting also reviewed the results of the 11th programme and considered some examples of particularly interesting good practice. It also learned how the low-cost housing system had proved its usefulness in the difficult context of privatisation in the ex-GDR (new Länder). For example, the Treuhandanstalt (privatisation agency) was given the task of privatising a large steel industry and making it economically viable by means of restructuring measures and appropriate financing. In this context the Treuhandanstalt decided that the extensive housing stock of the company should be sold, since the funds required for the now inevitable modernisation were not available. The tenants however, in the current economic climate, were not in a position to pay the price being asked but there was also the risk for them, if the property was sold to outsiders, that they would lose their homes. A housing cooperative (Wohnungsbaugenossenschaft) was therefore set up and the tenants became members so as to be able to purchase and modernise their homes. This novel approach, which would not have been possible without the ECSC loans, is very important for the workers concerned since it reduces the financial burden on them by providing a social support measure to accompany the process of privatisation.

#### 4 CONCLUSIONS – PROSPECTS FOR THE 12TH PROGRAMME

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The observations of the representatives of the Regional Committees were taken into account when the draft guidelines for the 12th ECSC low-cost housing programme for 1993-1997 were drawn up prior to submission to the Commission for adoption and approval. The main new features, as compared with the 11th programme, are as follows:

- a more selective approach to the beneficiaries, with ECSC loans being made available for transferred workers and young newly-recruited workers;
- inclusion in the programme of those taking early retirement and others having to leave their employment prematurely, at least during the period of eligibility for measures provided for in Article 56 of the ECSC Treaty;
- increased importance is attached to the modernisation of workers' housing estates and their environment;
- a certain percentage of the total amount available is to be devoted to demonstration projects in highly disadvantaged areas;
- work on priority objectives is to be carried out in accordance with the needs of the local housing market;
- efforts are to be made to decentralise by entering into management agreements, wherever practically possible, with financial bodies and/or Regional Committees.

The presentation of these proposals was delayed somewhat because of discussions about the future of the ECSC's financial activities<sup>8</sup>. The total amount to be made available for ECSC low-cost housing was also the subject of a long discussion because of the shortage of funds and the need to finance a special programme of accompanying measures to assist the restructuring of the steel industry.

On 1 September 1993 the Commission finally adopted the 12th ECSC low-cost housing programme<sup>9</sup>, and at the same time decided to open an initial credit tranche of ECU 19 million for 1993 to be drawn on the special reserve and/or the former ECSC pension fund, also specifying that – for subsequent years – the actual annual appropriation would be established each year at the same time as the ECSC operating budget for the following year. On 21 December 1993 the Commission adopted the ECSC operating budget for 1994, which provides an appropriation of ECU 17 million for the second year of the 12th programme.

On 17 December 1993 the Council gave its assent, pursuant to Article 54(2) of the ECSC Treaty<sup>10</sup>, to the appropriations decided by the Commission for 1993 and 1994. Following that assent the **Guidelines** were published<sup>11</sup> and the Commission was able to begin the

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<sup>8</sup> cf. COM(94) 269 final

<sup>9</sup> SEC(93) 1175 final

<sup>10</sup> OJ C 21 of 25.01.1994

<sup>11</sup> OJ C 19 of 22.01.1994



practical work of implementing the programme, deciding the allocation of the funds<sup>12</sup> and adopting award criteria for all the Regional Committees.

In the 12th programme the Commission intends to answer some of the criticisms made by the Regional Committees concerning some practical aspects of the management of these programmes. In particular, it intends to:

- introduce a more flexible system for the conclusion of loan agreements with financial intermediaries and payment of the funds allocated;
- decentralise and further simplify the processing of applications and awards.

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