

Social Housing Sectors lessons have been learned by others
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Abstract

Given the variety of ways to define social housing, agreement on one single clear-cut definition is difficult. However, there is consensus that housing policies should take into account those households that cannot meet their housing needs unaided. Furthermore, social housing provision needs to be guided by certain criteria. Commonly, the housing provision involves many actors: public sector actors like national, provincial and local Governments; as well as private sector actors: developers, landowners, construction companies, building material companies, financial institutions, etc... Housing associations are key actors in fulfilling social housing.

This study aims to defining various schemes of action by housing associations in different countries worldwide. This identification can serve as an important instrument for developing appropriate policies for social housing and can represent as well lessons for policy makers of the future.

This paper discusses the housing associations in three different countries: the Netherlands, the United Kingdom, and Egypt. The Netherlands has been and still is one of the most dynamic and innovative countries in Europe with respect to social housing. In England, the housing association sector has assumed the central role in the delivery of new and restructured social housing over the past decade. In Egypt, the association housing system in Egypt is considered to be chaotic the extent of being characterized by corruption and profiteering.

The methodology adopted in this research is based on reviewing the historical background of housing associations in the four selected countries, and key changes in housing associations sector structure will be highlighted as well. The paper will conclude by determining key items of success or failure of housing associations. Finally, the author develops a set of recommendations concerning the enhancement of social housing association sector in Egypt.

Key words: social housing, housing associations, housing financing and provision.

1. Introduction

In the analysis of the different mentioned countries, the research is concentrating on the umbrella organizations of all of the housing associations, in the Netherlands: Aedes; in England: the Housing Corporation; and in Egypt: the GABHC.

Through analyzing the history and the current status of the social housing sectors of the Netherlands, of England, and of Egypt, it is possible to unveil the substantial differences between these social housing sectors. This comparative study aims at developing a set of recommendations to be applied in the Egyptian housing sector.

2. Defining the Social Housing Sector

According to the UNECE workshop on social housing, social housing is understood in different ways and within different tenure categories. These depend on a range of social circumstances and specific historical and economic contexts:

- a. Social rented sector (State, municipalities, non-profit housing associations, etc.) mostly highly subsidized and in many cases reserved to certain income groups;
- b. Private rental sector, mostly profit-oriented but in some cases regulated by State laws;
- c. Owner-occupied sector (privately financed or indirectly publicly subsidized), in mixed forms of tenure (shared ownership, cooperatives, etc., with or without public involvement).

Given the variety of ways to define social housing, agreement on one single clear-cut definition is difficult. However, there is consensus that housing policies should take into account those households that cannot meet their housing needs unaided. Furthermore, social housing provision needs to be guided by certain criteria for allocation and access. There is, in addition, a broad consensus that the role of social housing policy should not be seen merely as providing housing. It is also an important instrument for facilitating social inclusion and promoting economic development (UNECE, 2003).

The social housing sector referred to in this study includes the nonprofit housing associations. For the sake of brevity, in many instances the term "housing associations" will be used to refer to actual housing associations and housing foundations as well. However, most housing associations in England and the Netherlands are gradually making a transition to the housing foundation status because it is more advantageous to the existence of their organizations (Beekman, 1999).

3. The Netherlands

3.1. History of the Housing Associations and the Dutch Government

For years (1890 through 1980), the central government granted subsidies and loans for the construction of social rented housing. These dwellings were to be built by housing associations, and supplemented by the municipalities (The Netherlands VROM, 1997).

During the 1980s the role changed. The housing shortage which, was for the previous 30 years considered public enemy number one (since World War II), was no longer a threat. The government also was experiencing an enormous national debt crisis, which led to a cut back on social housing subsidies (Buijs, 1999). The beginning of the 1990s saw the government withdraw even more from the social housing sector. Housing associations were made almost completely independent from the government for the first time. The financial organizational affiliations with the national and local government were cut back considerably. This process was known as the so-called bruterling (or balancing out) agreement. This agreement was a huge financial transfer in which both the money still owed to the associations by the government by way of subsidies and the money that the associations owe to the State by way of loans was repaid all at once. This process made it possible for both parties to receive in one payment what they would have gotten over a period of years (Zuidervant, 1999).

In the 1990s a guarantee structure was created independent from the national government, in the aim to give new financiers confidence in the financial situation of social housing institutions so it would be easier to acquire fair loans on the capital market. The guarantee structure was made up of three levels: the Central Housing Fund (a solidarity fund); the Social Housing Guarantee Fund (a voluntary fund) and the government, both central and local (Zuidervant, 1999).

3.2. Housing Associations (Aedes) and Social Housing Today in the Netherlands

The two national housing umbrella organizations in the Netherlands, Nationlae Woningraad and NCIV, joined together in May 1998 and formed a new federation of social housing organizations

called Aedes. Housing associations affiliated with Aedes account for 40% of the Dutch social housing stock. The existence of Aedes and its affiliated housing associations is based heavily on the cooperation between the local government authorities and the housing associations.

Today in the Netherlands housing associations have the reputation of being social entrepreneurs as opposed to mere extensions of the government. The fact that these associations have to finance their own investments now, which naturally entails a lot of risk, encourages them to behave as entrepreneurs to a large extent. Social housing organizations have always remained "social" entrepreneurs bound in their obligation to work exclusively for the good of social housing.

Considering the fact that the social rental sector accounts for 37% of all Dutch housing stock, renting is obviously the most important task of social organizations. The rules for how to determine social rental prices and the annual rent increases are in the Residential Rent Legislation. The maximum rent that can be charged is based on the dwelling evaluation system. Dutch Parliament decides annually the maximum amount for rent increase (Beekman, 1999).

Until recently the term housing association was solely linked to the social rental sector, but today with the more autonomy that has been bestowed upon them by the central government, they have the opportunity to sell homes as well. All over the Netherlands, especially where there is a really high demand for an increased quality of living, the social housing organizations are changing and making sharper distinctions in the way they provide their social housing agenda (Aedes, 1999).

There are standards to be followed for the allocation of housing too. Instead of the selection of people interested in attaining housing by local authorities, today the decision for who gets allocated housing is largely based on the rules of each housing association, which is made public by the organization. If there are several candidates for a particular dwelling, it will be allocated to the housing seeker who scores the highest in the selection criteria, such as length of time registered, number of points built-up, length of time in present dwelling or age of candidate (Beekman, 1999). Some houses are purposely kept out of the supply pool to serve those that might not get selected and are in urgent need of housing; or people with specific proof of social or medical ailments.

Since 1997, the Dutch government has been adamantly pushing their restructuring agenda to the housing associations, to improve the "quality of life" for their residents. The restructuring approach is primarily intended to eliminate the monotonous uniformity of housing in neighborhoods where there is a large social rental stock. This daunting task is done by building dwellings for lower-income groups in expensive districts and building dwellings for higher income groups in neighborhoods with many low-rent homes (Buijs, 1999). The restructuring policy is a pro-active attempt at preventing the development of socio-economic segregation in "at risk" districts.

4. The United Kingdom

4.1. History of the Social Housing and Housing Associations in UK

Social housing in the UK had its origins in the late 19th century cooperative movement and so-called "philanthropic" housing, but thereafter diverged quite substantially. During the nineteenth century, programs for the cooperative ownership of places of work and residence were integral parts of the utopian and revolutionary critiques of capitalism in Europe. Although a small number of cooperative housekeeping developments were built in England between 1874 and 1925 (Pearson, 1988), most of the earliest coops actually developed in Britain did not embody this radical vision, but were instead variations on rental in Britain (Birchall, 1988).

In Britain the cooperative impulse manifested itself primarily in the form of cooperative building societies, which used pooled savings to finance working-class owner-occupation (Birchall, 1988). However, by the end of the century these were becoming large-scale organizations (Harloe, 1995). Over the past 15 years (1989-2004), the housing association sector has assumed the central role in the delivery of new and restructured social housing in England. There are over 2,000 housing associations in England, currently managing around 1.45 million homes and housing at least twice that many people.

Since 1988, housing associations have been required to operate within a financial regime in which developing associations have been expected to raise a proportion of the finance necessary for development from private markets. The transition to and operation of this new financial regime took place against a backdrop of other fundamental policy changes that were already in motion: the conservative political focus on owner occupation and the Right to Buy; the large scale voluntary stock transfer programme; the end of local authorities as new social housing developers; and, a maturing regulator (Housing Corporation), amongst others (Marshall and Kiddle, 2004).

4.2. The Role of Housing Corporation Today in England

The Housing Corporation (the Corporation) is a non-departmental public body (NDPB), sponsored by the Office of the Deputy Prime Minister (ODPM). It has been in existence since 1964. It is responsible for investing public money in housing associations which are registered with the Corporation (legally known as Registered Social Landlords) to provide homes that meet the needs set out in local and regional strategies and, through regulation, for protecting that investment and ensuring that it provides decent homes and services for residents. As regulator and investor the Corporation seeks to ensure that public funds are put to best use, to encourage innovation and good practice and to promote improved performance.

In England, Housing associations (RSL) are run as businesses but they do not trade for profit. Any surplus is ploughed back into the organization to maintain existing homes and to help finance new ones (Housing Corporation, 2005). A feature of housing associations is that, although the larger ones usually have paid staff, a committee or board of management made up of volunteers has overall responsibility for the work of the organization. A board might include tenants, representatives from local authorities and community groups, business people and politicians.

The regulatory approach of the Corporation is one where associations share with a common agreement about the outcomes they should achieve. There are many ways for associations to meet the standards expected of them. The approach is based on the application of objective judgments, formed on available knowledge of the context and environment in which associations operate, the nature of their service provision, the changing expectations of their customers and the housing market, and their performance relative to other associations. The regulatory approach is tailored, appropriate and proportionate to the risks associations face. Small associations, such as almshouse charities or Abbeyfield societies, face different risks from larger ones. Similar-sized associations have different risk profiles (Housing Corporation, 2005).

The Corporation works with associations and others to invest in social housing in two main ways: using Approved Development Programme, which provides public funding to build and renovate homes; and overseeing the injection of private finance into the sector. This has allowed thousands more homes to be built than would have been possible using public subsidy alone. The Corporation encourages innovation and good practice in housing associations through the Innovation and Good Practice (IGP) program.

The several broad themes and priorities for the types of project supported under the program include sustainable communities; improving policy and strategy; Community Training and Enabling (CTE); and improving the performance of housing associations (Housing Corporation, 2005).

5. Egypt

5.1. History of the Housing Associations in Egypt

In 1954, the General Authority of Housing and Building Cooperatives (GAHBC) was created for the purpose of assisting cooperatives (composed of persons with a common reason for joining - together, such as teachers, engineers, police officers, etc.) in their aim to provide housing for their members. It has no capital, does not take deposits, and its annual overhead is paid out of the national budget. GAHBC provides advice to cooperatives and reviews the building sites selected and the construction plans of structures intended to house cooperative members. In addition, the authority supervises the construction work at the site.

GAHBC also acts directly to provide housing by acquiring and developing sites and designing, planning, and building such projects. Of primary importance to the cooperatives are the loans made to the members of the cooperative, each loan being based on the cost of the housing unit. Loan payments are generally on an annual basis, and the cooperatives are required to see that their buildings are properly cared for and maintained.

Since GABHC has no funds, it borrows an amount equal to the loans granted to individual purchasers from commercial banks. These loans are on a long-term basis against a repayment guarantee to the creditor bank by the government. Terms are up to 30 years, and provide that interest only is to be paid during the first three years. After that time, annual installments of principal and interest are required.

5.2. Housing Associations Today in Egypt

Since 1983 till 2003, the GABHC has provided loans of £E 4 billion to support moderate and economy housing. The state was responsible to subsidize £E 3 billion and 114 million of these loans. In 2004, the forecast loans given by GAHBC to cooperatives are £E 700 million to finance the construction of 75.000 housing units (Aref, 2004).

The state has assisted this sector greatly such that it has obtained loans that the state has dedicated to embellish the cooperative associations in 1991-92 to the amount of £E 1.2 billion, which was reduced to LE 550 million in 1995-96. However, the cooperative housing system in Egypt is considered to be chaotic to the extent of being characterized by corruption and profiteering.

There are an enormous number of complaints arising from Egypt's cooperative housing schemes, all of which revolve around the control of an individual or group over the funds of those requesting cooperative housing. Then the projects falter for many reasons until it has reached the point where some of the cooperative projects have been prolonged for twenty years (as in the case of the Muntasir Housing Project, in the Helwan District, belonging to an engineers cooperative association, which has overrun its schedule from 1976 until now; and the case of Maadi Housing Project, belonging to Sakr Koreish cooperative association, which has overrun its schedule from 1991 until now). Also, there are pending complaints of chaos and injustice in the distribution of units that, out of nepotism, go to relatives and friends of those controlling the funds pool.

Accompanying the economic reform policy come the goals of lessening the burden on the national public budget and reducing the deficit. This effort is oriented toward reducing the amounts designated for subsidized housing loans and raising the interest for those subsidized loans from 4% to 6% (provided that the loans produce profits, which are excessive). Thereupon

then, the social segment that obtained housing through cooperatives has decreased with the economic reforms and, furthermore, has experienced greater difficulties in obtaining popular housing by subsidized means (ECHR, 2004).

Delinquencies are an important issue in cooperatives performance. Delinquencies are common in developing countries and vary from 30 percent to 90 percent, depending on how the delinquencies and the collections each month are calculated. Because it is so firmly believed that poor people will not pay up, in many countries, including poor countries, local resources are channeled, not to the poor who need them but to the upper-income housing, condominiums, office buildings, and so forth, because bankers and planners regard low-income housing as charity (Dean, 1982).

Recently, as an initiative for the civil society in the social housing sector, the Future Housing Foundation was established in 1998 as a nonprofit organization with a mission to provide affordable and decent housing for the most-needy sectors of society. The foundation is committed to providing homes for people in need through government land grants, private donations and the proceeds of fund-raising events. The Future Foundation channels private funds and technical resources into the design and construction of attractive low-income apartment housing. The government will contribute the land and the infrastructure, while the foundation will cover half the cost of the apartments. Even more importantly, the foundation will provide financing arrangements under which new home-owners will be able to pay off the balance over an extended period. This initiative is the key to the foundation's effort to promote low-income households as responsible, "bankable clients" for both banks and non-bank lenders (Aref, 2004). However, the number of provided dwellings is still limited, and the foundation is not supervised by any authority.

6. Conclusion

The study explains the similarities and primary differences between the social housing sectors of the Netherlands, England, and Egypt. First, although the different social housing sectors have always had the same intention of helping low-income citizens acquire fit housing, they have had different histories of governmental support of nonprofit housing associations. It is no big secret that the Netherlands historically has been much more supportive of nonprofit housing association than the UK and Egypt. From the early 1900's through the 1980's, the Dutch government funded and told the Dutch housing associations how to run their organizations. As a part of their national disengagement movement, the Dutch government purposely relinquished their control over the housing associations to effectively make them market savvy entrepreneurs with a social orientation.

It was in 1960s that the governments in the UK was opening avenues for much greater private sector involvement in publicly assisted housing. In Britain this took the form of policy support for housing associations, "which enabled public funds to be channeled to associations, established the modern framework for their operation and provided the basis for later growth" (Malpass and Murie, 1999). Initially, however, this was unsubsidized assistance. The opportunities for UK housing associations changed substantially, however, with the new legislation in the early 1970s that enabled housing associations for the first time to receive subsidies for provision of rental housing and launched their rapid and still-increasing role in the UK. In Egypt, the central government is still dominating the provision of social housing (even through housing associations).

The second primary difference between the social housing sectors of the Netherlands and the three other countries is within the Netherlands the stigma attached to individuals who live in

dwellings produced by the social housing sector is not as pervasive as is the case elsewhere. As previously noted, the Dutch central government is making it easier to attain homes through the private market, 40% of all Dutch social housing is occupied by middle to high-income people. This phenomenon can be attributed to the legacy of the Dutch paying more taxes for the social good of everyone in the Netherlands. Moreover, for a century, the Dutch have been living in very mixed socio-economic integrated neighborhoods.

In the face of adversity, the social housing sector in the Netherlands has proven to be both efficient and flexible. The Egyptian social housing sector would be well served if it took a page out of the Dutch social housing experience.

7. Recommendations

A set of recommendations can be drawn from this comparative study:

- a. The debt crisis of the Egyptian government must be an urge to its withdrawal from the social housing sector, giving the way for housing associations (as well as their umbrella organization) to be completely independent from the government, and to be responsible for the provision of social housing.
- b. The transition of housing associations to the housing foundation status is more advantageous to their existence. The independence from the government can help transform the housing associations to social entrepreneurs able to finance their own investments.
- c. The determination of social rental prices and the annual rent increases must be assigned by legislation. The maximum rent must be based on the dwelling evaluation system, and the Parliament should decide annually the maximum amount for rent increase.
- d. Standards must be developed for the allocation of housing according to each association. The selection criteria must be made public by the organization. Associations composed of persons with a common job were not successful so far.
- e. The elimination of the monotonous uniformity of housing neighborhoods is a fundamental task of housing associations. This can be done by building dwellings for lower-income groups in expensive districts and building dwellings for higher income groups in neighborhoods with many low-rent homes, to prevent the development of socio-economic segregation.
- f. Acting as community development organizations, the housing associations should not provide appropriate affordable housing units only, but also community development projects within targeted communities. Such projects include health care and child care programs, employment initiatives to help alleviate the higher unemployment rates found among low-income people.

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