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Abstract

In the past 15 years Dutch housing associations have undergone a transformation from strictly regulated and heavily subsidized organisations to financially and administratively independent enterprises. This transformation has sparked a lively debate on regulation and the role of the government in social housing. There is a broad consensus that something needs to be done about the operations of housing associations in the Netherlands. Hence, their position and performance are a current topic of discussion in the Dutch Parliament. In this paper we examine public management from a network perspective. We envisage the policy environment as a network of players and explore three key concepts: ''multiformity'', ''closedness'' and ''interdependence''. The government is not the dominant party in this scenario, but one of several players with their own specific goals and resources. To be sure of a good performance, instruments of governance need to be in tune with the characteristics of the network. This paper discusses the instruments applied in the Dutch social housing network and uses the results of a case study in The Hague to illustrate the efficacy of the network perspective in social housing analyses and to highlight the strengths and weaknesses of the current governance structure.

Key words

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Introduction

The social housing sector in the Netherlands has undergone numerous changes since it first came into being around 1860 and since the introduction of the Housing Act in 1901. Housing associations were private organisations that were subject to varying degrees of government influence during the 20th century. After World War II the social housing sector became a crucial weapon in the battle against housing shortages. From 1945 until 1990, the Dutch government remained closely involved in the operations and funding of housing associations. As a result, they gradually turned into semi-public institutions that had strong hierarchical ties with the government. Since the 1990s, however, Dutch housing associations have become financially independent and are now powerful partners in local networks. That said, they are still (in 2005) registered on the basis of the Housing Act and therefore obliged to meet certain government criteria.

There are various instruments for safeguarding the performance of housing associations. The effectiveness of these instruments and, hence, the performance of housing associations are current topics of political debate. Politicians from across the spectrum are questioning the performance of housing associations in urban renewal and social housing, especially in view of the huge financial resources they have at their disposal. Discussions on the performance of the social rented sector have prompted various studies and advisory reports from, amongst others, the Scientific Council for Government Policy (WRR in Dutch) and the Social Economic Council (SER in Dutch) (WRR, 2004; SER, 2005; Conijn, 2005; Commissie de Boer, 2005).

This paper will add to the discussion by presenting the results of a local case study in which the performance of housing associations was analysed by applying the network approach. The case study was part of an ongoing research project that has been specifically set up to provide clearer insight into how the allocation of urban renewal responsibilities and the range of policy instruments work at local level. The following section explains the network approach as applied in the project. The paper then traces the background of the Dutch social rented sector. The results of the case study in The Hague are then presented.

Three questions were addressed: Who belongs in the network?; How does the network determine the desired performance in urban renewal?; and, How do different instruments influence the performance? The results are based on 25 interviews with key stakeholders in the local urban regeneration network. Finally, conclusions are presented and a number of issues raised for discussion and further research.

A Network Perspective

This paper presents a network perspective on public management in the Dutch social housing sector. It describes the policy environment as a network of players where interactions and outcomes are influenced by the interdependence, multiformity and closedness of the parties. One crucial aspect of the network perspective is that the government is not dominant in many policy areas, but is one of the players with its own specific goals and resources. The players in the network cannot achieve their goals single-handedly. They need the resources and co-operation of the other players. To secure these, they must interact with other parties and influence their behaviour and decisions. Often, these interactions take place between a small group of players in patterns that are collectively shaped via formal and informal rules (Koppenjan & Klijn, 2004). Together these elements form the network structure. The concept of ''steering'' concerns the strategies and instruments used to influence the actions of other parties. As we shall discuss later in this article, steering strategies and instruments have to be adapted to the characteristics of the network. We take the view, together with several other authors, that the network perspective has considerable potential as a research framework for public-sector decision-making (Blackman, 2001; Chapman, 2002; Kickert, Klijn & Koppenjan, 1997; Koppenjan & Klijn, 2004; Teisman, 1995). This paper focuses specifically on De Bruijn and Ten Heuvelhof's framework for steering in complex networks (1991, 1995, 1997, 1999).

A complex network can consist of public, semi-public and/or private players. Each player has its own values, interests and objectives, and will try to achieve its objectives by using the resources and instruments at its disposal. It is not only the government that uses steering to influence the other players; indeed, other players also use it to influence the government. However, government and public agencies can still apply imperative (top-down) steering based on legislation. The other players are unable to do this and can only steer by persuasion. Their efforts may be ignored by the players for whom they are intended. We will see, however, that imperative steering offers only limited possibilities in networks. The government derives its legitimacy from its (presumed) commitment to the public interest and its electoral mandate.

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Characteristics of Complex Networks

De Bruijn and Ten Heuvelhof identify three defining characteristics of complex networks (De Bruijn & Ten Heuvelhof, 1995, pp. 30–31): multiformity, closedness and interdependence. These characteristics can have a major influence on the effectiveness of steering initiatives in complex networks. We will show that they can place major obstacles in the way of imperative steering. This does not spell the end of all steering strategies, but rather that they should fit in with the network structure. In the government's case this means a switch from imperative to more volitional steering. In practice the government will frequently apply a combination of imperative and volitional steering. For example, it may try to promote volitional steering instruments, such as multilateral performance agreements between housing associations and municipalities. Or it may threaten more stringent regulation if parties fail to reach an agreement. Without such ''carrots and sticks'' it is unlikely that many parties would be willing to commit themselves to any agreement at all.

§ 5.3.1 **Multiformity**

Multiformity in a network can manifest itself between and within organisations. We shall illustrate this with examples from the Dutch social housing sector, where numerous parties actively participate, including municipalities, housing associations, tenants' organisations and project developers. These parties have widely differing interests, values and organisational characteristics. Housing associations alone differ in size, financial position and strategy. Some work locally, while others work regionally or even nationally. Some have a very broad customer group, while others target specific groups such as the elderly or students.

Multiformity can exist within organisations. Many network players represent several departments or organisational units. Frequently, these departments also have different interests, values and cultures. A municipality is a classic example of intra- organisational multiformity: the council, the aldermen and the various departments all have their own values, objectives and remits. Multiformity can form an obstacle if a player wants to influence other network participants. Players can react very differently to steering signals. Sometimes they ignore them. However, multiformity can also offer steering opportunities. Differences in values and interests may make an organisation or part of an organisation susceptible to a specific steering signal. After all, not every housing association has a mission to relieve homelessness or realize housing for the elderly. When there are many housing associations in a network, there is a greater chance that some of them will react to a steering signal. Multiformity can therefore have an energizing effect on the network.

§ 5.3.2 Closedness

Unlike players in a hierarchical structure, the participants in a complex network do not automatically respond to external steering signals. This closedness stems from the frame of reference of the respective organisation (De Bruijn & Ten Heuvelhof, 1999, pp.38–40), which in turn is formed by the core values. Organisations are usually sensitive to steering signals that are in tune with their own frame of reference and tend to ignore signals that are not. These mismatches can manifest themselves in two ways. First, the steering signal is contrary to the frame of reference and will provoke active resistance. Second, the steering signal is not related to the frame of reference of the receiver and is ignored.

Closedness can be enhanced by the autonomy of the player (De Bruijn & Ten Heuvelhof, 1999, p.43). Since the mid-1990s many Dutch housing associations have developed into independent, self-aware and professional organisations, often with considerable financial resources. These characteristics make them powerful and desirable partners in local networks. For other players it is often crucial to have some kind of influence on the activities of housing associations, but the autonomy and strength of housing associations can make them less receptive to external steering signals.

De Bruijn & Ten Heuvelhof (1999, p.40) argue that organisations need to be ''closed'' to a certain degree, as receptiveness to all the external signals would disorientate them. Closedness enables organisations to incorporate only a limited amount of the complexity and upheaval into their activities.

Attempts to overcome the closedness of an organisation with hierarchical forms of steering are unlikely to be successful. It takes a lot of energy to break down the barriers and chances are that the players will grasp every opportunity to ignore steering signals. This is exactly what happened when a former Minister of Housing in the Netherlands expressed an ambition to sell a large percentage of the social housing stock. The steering signals were contrary to the frame of reference of the housing associations and were more or less ignored. In fact, the sale of rented homes declined during the minister's period in office, despite the popularity of home ownership.

§ 5.3.3 Interdependencies

A third characteristic of complex networks is interdependence between the different players. Interdependencies develop via the distribution of resources among a large number of players – resources that they need to achieve their goals. Interdependencies

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in networks are often very complex, particularly if several different types exist at the same time, such as multilateral interdependencies (more than two parties are mutually dependent), asynchronous interdependencies (dependencies between players differ over time) or sequential dependencies (first A is dependent on B, and then B is dependent on A). Asynchronous and sequential dependencies can even lead to hit-and-run strategies, whereby parties are exploited at their most dependent moments. In the long run these strategies can turn against the players who use them and they can undermine the performance of the network (De Bruijn & Ten Heuvelhof (1999, p.42).

Interdependencies can significantly lower the transparency of a network. Steering signals aimed at only one player will not always be effective, because that player will, in turn, be dependent on other players. For example: to increase the production of new rented housing it will not suffice to address the housing associations, because most of them are dependent on the municipalities for building locations. It is usually impossible to incorporate all the dependencies into one's activities because there are simply too many. Finally, networks with many interdependencies are often sluggish and ineffective. But interdependencies can also lead to important steering opportunities (De Bruijn & Ten Heuvelhof, 1999, p.43). Interdependence tempers the actions of the players and generates respect, because they will probably need each other in the future. Interdependencies in general, and complex interdependencies in particular, can open up avenues of negotiation. The chances of win-win situations are greater when the interdependencies are numerous and diverse.

§ 5.4   **Network Dynamics**

Networks are constantly in transition. This is because of changes in the closedness, interdependencies and the multiformity of the players and their relations. Players come and go. Thus, opportunities to influence other players can change over time. Decision-making and steering is therefore often unpredictable. The absence of a hierarchical structure means that every stakeholder can try to influence the decision-making agenda – not an easy process in a complex network. Interdependencies can necessitate collaborations with many network players in decision-making processes. These players may see the proposed course of action as irrelevant or even detrimental to their interests. Decision-making in complex networks can therefore involve serious conflicts. There are no ''done deals''. New rounds of decision-making, new participants, or changes to the network characteristics can lead to a review of old decisions, possibly with different outcomes.

Steering Strategies

Strategies in complex networks differ considerably from strategies in more hierarchical settings. De Bruijn and Ten Heuvelhof (1997) identify six:

1. *from direct to indirect steering*. In this strategy the government does not send direct steering signals, but tries to indirectly influence a specific player via other players in the network. Another form of indirect steering is to focus on the input instead of the output of a network player;
2. *from generic steering to steering as fine-tuning*. In a generic steering strategy the government does not make a distinction between the players it wants to influence; this is in contrast to fine-tuning where the government takes account of the specific characteristics of players;
3. *steering as serendipity*. In complex networks steering often follows a non-rational course and is frequently unpredictable. The government can use serendipity (coincidence, chance) to try to create a fertile environment in which opportunities for favourable events or developments are likely to occur;
4. *from unilateral to multilateral steering*. This strategy includes negotiating performance agreements in which the government and one or more other players try to agree on the desired behaviour and performances of the parties involved;
5. *from the application of steering instruments to steering as network management*. Besides using steering instruments the government can change the characteristics of the network by trying to modify the closedness, interdependencies and multiformity of players;
6. *from steering by directives to steering as network constitution*. The government can try to change the number of players in the network by encouraging new parties to join or by modifying the organisational or institutional characteristics of existing players (including the government).

§ 5.4.2   **Steering Instruments**

De Bruijn and Ten Heuvelhof (1997) make a distinction between first- and second-generation steering instruments. The first-generation steering instruments include the more traditional directives and commands based on legislation. The second-generation instruments focus on more volitional methods of steering. De Bruijn and Ten Heuvelhof distinguish the following sets of instruments:

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- *Multilateral instruments.* These instruments include performance agreements, covenants, gentlemen's agreements and contracts. The essence of multilateral instruments is that different parties commit themselves mutually and voluntarily to specific goals and actions.
- *Person-specific instruments.* This may be a person who is placed in an organisation to exert an influence on the actions of the players. For example, a government official may be appointed to the supervisory board of a housing association. This person then operates as a kind of steering instrument.
- *Incentives.* Positive (subsidies) and negative (levies, fines) incentives motivate players to change their behaviour or focus on specific targets. This is still volitional steering, because players cannot be forced to change their behaviour.
- *Performance indicators.* The government negotiates with network players to measure their performance on the basis of pre-agreed quantitative variables. The impact (rewards, sanctions) of the performance measurement must also be agreed in advance.
- *Communication.* The government can try to influence the behaviour of players in the network by distributing specific information and best practices.
  Though De Bruijn and Ten Heuvelhof (1997) had the government in mind when describing these steering strategies and instruments, they can still be used by other players – with one important difference: the government can use first generation instruments (or hold them in reserve) to reinforce the use of second-generation instruments.

§ 5.5 The Social Rented Sector in the Netherlands

§ 5.5.1 The Dutch Social Rented Sector in International Perspective

This study examines the performance of the financially independent housing associations in the Netherlands. Governments in many countries are cutting housing subsidies and phasing out state-funding in housing. Discussions are probably taking place on the position of social rented housing in these countries as well, but in some respects, the Dutch case is unique.

The Dutch social rented sector covers 35% of the total housing stock. This substantial market share is remarkable in an international perspective, with the UK in second place with 20% of the stock. In most European countries the social rented sector accounts for less than 10% of the housing stock (Whitehead & Scanlon, 2004).

The financial relationship between the government and the housing associations is another remarkable feature of the Dutch housing system. In most countries social housing associations can count on government subsidies for the construction of housing (Whitehead & Scanlon, 2004). This implies that the governments can then influence the behaviour of housing associations via subsidies and application criteria. The Netherlands is the only country that has recently abolished subsidies in the social rented sector. This has drastically curtailed the steering possibilities for the Dutch government.

The Transformation of Dutch Social Housing in the 1990s

A policy document on public housing in the 1990s, published by the State Secretary for Housing in 1989, ushered in a new era for the social rented sector and continued the trend to independence that had started in the 1960s (Van der Schaar, 1987). The document stressed the importance of private initiative in the social rented sector as this would enable people to decide for themselves on the nature of their commitment to the idea of social rented housing. It went on to state that housing associations had an important part to play in providing adequate housing for all, as laid down in the Dutch Constitution. It also laid down guidelines for increasing the financial independence of the housing associations, with the Central Housing Fund (CFV in Dutch) and the Guarantee Fund for Social Housing Construction (WSW in Dutch) as the main policy instruments. The Central Housing Fund is a government agency which takes remedial action if housing associations get into financial difficulties. Housing associations are responsible for funding the CFV. The WSW is a private body that guarantees housing association loans. A small portion of these guarantees are backed by a government warranty. These securities provide a robust safety net that gives housing associations a triple A rating on the credit market.

The policy document Public Housing in the 1990s ''Heerma 1989'' proved the stepping-stone towards financial independence for the housing associations. The final step would not be taken till 1995, and even then it was not premeditated. This ''grossing and balancing operation'' involved cancelling out all government loans against current subsidy obligations. It was at this stage that the bricks and mortar subsidies for housing associations were abolished.

Though fully independent financially, the housing associations still required authorisation under the terms of the Housing Act. Their responsibilities and operating conditions were laid down in the Social Rented Sector Management Order (BBSH in Dutch), a separate government order based on the Housing Act. The BBSH stipulated that approved housing associations are responsible for providing good,

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affordable housing for people who are unable to pay market rents. Since the 1990s the public remit of the housing associations has been extended. In 1997 the quality of neighbourhoods was added to the list of performances in the BBSH. In the same year a new urban renewal strategy was presented in the Memorandum on Urban Renewal (MVROM, 1997) (see Priemus, 2004). Social housing was now considered part of the problem rather than part of the solution, as it was in the 1970–80s. If cities were to retain their vibrancy then higher income groups must be persuaded to stay in them. One way of achieving this is to replace social housing with more expensive rented and owner-occupied housing. The housing associations have become an important instrument in achieving the policy objectives of local as well as central government.

The ministry entrusts the performance of social housing associations to the self-regulating capacity of the sector and the development of performance agreements between local government and social housing associations as described in the BBSH. Some self-regulating instruments have been developed by Aedes, the national umbrella organisation for housing associations, others by (groups of) housing associations. Legally, the government is still the overseer.

A lively debate is being waged at the moment on the performance of housing associations in urban renewal. People are questioning whether self-regulation in the social rental sector, agreements at local level and the supervisory role of central government are enough to deliver satisfactory results.

§ 5.6 **Case Study: The Hague**

To provide more insight into the operations of complex networks we conducted a case study on the performance of social housing associations in The Hague (Van Bortel & Elsinga 2005). With approximately 460,000 inhabitants, The Hague is the third largest city in the Netherlands (after Amsterdam and Rotterdam).

This study analyses the current constellation, paying particular attention to how it works at local level. The aim is to unravel the influence which the workings of the network and the steering instruments have on the outcomes, as perceived by the participants, for the performance in urban renewal.

Three research questions were addressed:

— Which parties are involved in the urban renewal network of The Hague? How can their relationships be described in terms of interdependence, closedness and multiformity?
— What kind of steering instruments are used in The Hague and how effective are they?
— How is the performance of housing associations in urban renewal measured and evaluated by players in the network?

§ 5.6.1 **Examining the Urban Renewal Network in The Hague**

The first research question was addressed by examining the parties involved in the urban renewal network of The Hague and their interactions. The number of potential players in the urban renewal network is large. To get a picture of this network we conducted 25 semi-structured interviews with local and central government officials and representatives from tenants' organisations, housing association management and healthcare organisations. The interviews took place towards the end of 2004 and focused on the relations between the housing associations in The Hague and the other players in the network. We also studied the closedness, multiformity and interdependencies in the network and the way in which the players evaluated the performance of housing associations. Relevant documents were reviewed such as annual reports, policy memoranda and other publications.

§ 5.6.2 **Players and interactions.**

It soon became evident from the interviews with network participants that the urban renewal network in The Hague is dominated by relations between the social housing associations and the municipality. The interactions between these players appear to have a substantial influence on the pace and quality of urban regeneration processes. Co-operation with other players, such as healthcare organisations and commercial real estate developers, is less intense.

Tenant participation in the urban renewal process is limited. According to one respondent, The Hague has never had a very strong tradition in tenant participation. The position of tenants was further weakened by the perceived necessity in the mid-1990s to accelerate the urban renewal process. This sense of urgency was based on market surveys that predicted the potential redundancy of large numbers of apartment blocks. To speed up the process of urban renewal the most powerful players in the network – the municipality and the social housing associations – limited the number of participants and thus – perhaps unintentionally – reduced its complexity and multiformity.

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Co-operation between the municipality and the social housing associations is based on a number of performance agreements and contracts, which stipulate the responsibilities of the parties, their financial commitment and the targets that have to be met. At municipal level these agreements are more like letters of intent. At neighbourhood level they are more precisely formulated and contain provisions for monetary fines if targets are not met.

Collaboration between housing associations in The Hague is limited. They have committed themselves to mutual performance agreements, but usually work individually to achieve the agreed targets. The social housing associations in The Hague make very little use of one another's capabilities. This is partly because they work in separate neighbourhoods.

§ 5.6.3 Complex Network Characteristics

All three characteristics of complex networks that we discussed above, multiformity, closedness and interdependencies, could be found in the case study of The Hague.

Multiformity

Multiformity as identified by De Bruijn and Ten Heuvelhof (1999) was evident in The Hague. We found divergence in organisational forms, core values and goals as dimensions of multiformity. The social housing associations in The Hague all have large housing stocks and large workforces, which are split into several departments. This fragmentation of players into different organisational elements makes the network in The Hague more complex. The span-of-control of these organisations is stretched in such a way that multiformity in the values and behaviour of players is inevitable. The same can be said of the municipal organisation of The Hague.

The second form of multiformity identified by De Bruijn and Ten Heuvelhof concerns differences in values and policy rationalities. The research results revealed large differences between the core values and goals of the municipality and the housing associations. They are often unaware of these differences and apply their own frame of reference to judge the actions of the other parties. The players' ''line of reasoning'' is different because their goals are different. This is one of the aspects of closedness that we will discuss later.

The Municipality of The Hague, for example, wants its population to expand to 500,000. As building space is limited, the council wants to create more homes by

building high-rise apartments. This line of reasoning is based mainly on political ambitions and urban planning rationalities. The managing boards of the housing associations in The Hague tend to take a different view and are much more wary. They believe that the development of high-rise apartments involves a considerably higher risk than low-rise buildings. The social housing associations display a more financial, risk-averse and market-focused rationality.

Multiformity in organisational structure and core values can stand in the way of co-operation, but it can also lead to opportunities. We found some evidence of this in the case study. For example, representatives from the municipal project development department were working closely with housing association officials in an urban renewal project. The representatives themselves described it as a case of ''personal chemistry''. Remarkably enough, the emergence of this personal chemistry was largely credited to an independent advisor who participated in the process and could bridge the differences between the players.

Closedness

Network players in The Hague are often unwilling or unable to pick up steering signals from other players in the network. For instance, social housing associations and the municipality co-operate intensively on the development of urban renewal plans. They seem to ignore external signals from tenants' organisations or other players that the urban renewal process is exacerbating the shortage of affordable housing for low-income households.

During the development process the municipality and housing association send out information about urban renewal projects but do not receive any. Residents are informed but not seriously consulted. This closedness was only assuaged after social housing associations and the municipality reached an agreement on key points in the urban renewal projects, such as urban planning, building programmes and finance. Tenants' organisations feel that they can have very little influence on the plans at such a late stage in the process and are forced into a negatively critical role. They feel that more timely involvement would lead to more positive participation on the part of the tenants. Remarkably enough, the fact that participation by tenant organisations starts at such a late stage in the planning process has very little influence on their appreciation for the way they are informed about the restructuring plans. They were quite satisfied on this point. The problem is not information, but the lack of real participation.

The types of closedness found in the case study are highly reminiscent of the concept of ''environmental enactment'' described by Weick (1995,p.30). Weick argues that there is no such thing as ''the'' environment. The players and their environments

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are inextricably intertwined. Weick: ''People create their environment and their environment creates them''. In this concept the environment is a construct based on stimuli generated by the actions of the players. This phenomenon is illustrated by an example from the case study. Representatives of the Municipality of The Hague found that housing associations were not transparent about their financial capability to execute urban renewal projects. This ''closedness'' could very well originate from the municipal eagerness to gain access to housing association resources, a tendency frequently mentioned by housing association officials.

Interdependence

When it comes to urban renewal, housing associations and the municipality are tied together in an intricate web of interdependencies. The housing associations own the majority of the housing stock in urban renewal neighbourhoods and have substantial investment power. The municipality can provide the democratic backing. Approval by the Municipal Council can lend legitimacy to urban renewal operations. Moreover, social housing associations are dependent on the municipality for numerous licences and authorizations, such as building permits, demolition permits, permission to subdivide and sell parts of their housing stock.

We found in The Hague that interdependence is a strong indicator of the position of the players in the network and the possibilities to successfully use steering instruments. The level of interdependence is illustrated in [Table 5.1].

The case study illustrates that interdependencies can serve as a ''crowbar'' to open up the arena and breach the closedness of the players. Working with interdependencies can lead to creative solutions. This is illustrated by the way in which performance agreements have come about in The Hague. The land on which most homes in The Hague are built does not belong to the social landlords but is distributed under long-term lease and thus remains the property of the Municipality of The Hague. The housing associations pay a land-lease fee. Any action that changes the land use or increases its value can push up the fee. This is what happens when housing associations sell their rented homes or replace low-rent houses with high-value apartments. Both situations exist in urban renewal areas in The Hague. The Municipality of The Hague insists on payment of the additional land-lease fee, much to the dismay of the housing associations, who find this unreasonable in view of their own unprofitable investments in the transformation of the housing stock. After protracted negotiations the municipality decided to divert the additional land-lease fee into urban renewal investments, provided the housing associations took responsibility, not only for the transformation of the housing stock, but also for the regeneration of public space in urban renewal areas (formerly the responsibility of the municipality). In this case the interdependencies between the municipality and the housing associations led to a new distribution of responsibilities and investment commitments.

	HOUSING ASSOCIATIONS
Central governement	*
External supervision by the Central Housing Fund	***
Tenants	*1
Health and welfare organisations	*
Housing associations	**

TABLE 5.1 Level of interdependence between actors in the urban renewal network of The Hague
***=high, **=moderate, *=low

1 The interdependence between housing associations and their tenants is out of balance. Due to the housing shortage, housing associations are not very dependent on their tenants, but most tenants are totally dependent on housing associations for low-cost housing.

The interdependence between social housing associations and their tenants is limited. In urban renewal projects tenants are in a relatively weak position. Significant housing shortages mean that there is no market pressure to make social housing associations take serious account of the demands of low-income tenants. New housing in restructuring areas is usually intended for middle- and high-income households, not for the current low-income tenants. The activities of housing associations and the municipality appear to focus mainly on winning the tenants' co- operation in the urban renewal plans. There is hardly any real tenant participation in strategic decision-making. To ensure smooth collaboration, consideration is given to good and timely communication with the tenants about the restructuring plans and, in case of demolition, the careful relocation of tenants.

§ 5.6.4   **Steering Instruments and Self-regulation in The Hague**

The third research question in the case study concerned the steering instruments used in The Hague and their effectiveness. In this section we provide a summary of the steering instruments and the self-regulation instruments in the Dutch social housing sector and determine how far they are used in The Hague. We also investigate the effects of these instruments on the performance of housing associations in The Hague [see Table 5.2 below].

INSTRUMENT	CURRENT EFFECTIVENESS
External supervision by the Ministry of Housing	*
External supervision by the Central Housing Fund [1]	***
Internal supervision	**
Performance agreements	***
Benchmarking (Aedex)	*
Code of conduct (Aedes Code)	*
External Review	*

TABLE 5.2 Effectiveness of steering instruments on performance in the urban renewal of The Hague (as assessed by network players).
***=high, **=moderate, *=low
1 Network players rate the effectiveness of external financial supervisor (Central Housing Fund) as high, but the impact on performance as low.

External supervision

Two different organisations are responsible for the external supervision of housing associations: the Ministry of Housing, Spatial Planning and the Environment and the Central Housing Fund. The Dutch Housing Ministry is responsible for the overall supervision of housing associations, focusing especially on the legitimacy of the activities of social housing associations and the demarcation of the area in which they may operate (MVROM, 2004).

The second party involved in external supervision of housing associations is the Central Housing Fund (Centraal Fonds Volkshuisvesting). The Central Housing Fund is an independent agency that executes supervisory tasks for the Ministry of Housing, mainly in relation to the management of financial resources by social housing associations. The Central Housing Fund uses a risk-based system to assess the financial position of housing associations. The higher the risk and the weaker the financial position of the association, the stricter the supervision. This can ultimately lead to intervention by the Central Housing Fund (Centraal Fonds Volkshuisvesting, 2005).

The external supervision in The Hague is similar to the situation at national level. External supervision of the performance of housing associations in urban renewal is almost non-existent. Financial supervision appears to function well, but it is not focused on performance in urban renewal.

Internal supervision

The Social Housing Sector Management Order (BBSH), first published in 1993, introduced the Board of Supervision, a new body in the social housing sector. The Board of Supervision can be compared with the non-executive Board of Directors in profit-making organisations. Its main tasks are to supervise the policy and the general handling of affairs in the housing associations and to advise the management on strategic issues. Members of the board are co-opted. Two members of the board (generally consisting of 5–7 members) must be elected via nomination by tenant organisations. Despite this, criticism of boards is increasing (Centraal Fonds Volkshuisvesting, 2003). Most board members seem to focus on financial issues and neglect the question of social housing. In general, supervision by the board is not very transparent and the operations are unsupervised. Board members are insufficiently critical of their own performance (Centraal Fonds Volkshuisvesting, 2003). Recent publications on the Dutch social housing sector propose a stronger position for the supervisory board combined with strict supervision and more scope to impose sanctions on boards which are underperforming (Commissie De Boer, 2005; Conijn, 2005; SER, 2005; WRR, 2004). The internal supervisory boards of the housing associations in The Hague focus mainly on financial and organisational matters. The performance of the housing association in urban renewal receives far less attention, though there has been some improvement. This lack of attention appears to be caused by a certain reluctance on the part of the supervisory board to interfere in the responsibilities of the management. As a result, the board members fail to closely monitor some key performance areas, including urban renewal.

Local performance agreements

A comparatively new instrument in Dutch housing governance is the ''local housing covenant''. These covenants consist of a number of agreements between the municipality and the housing associations on social housing issues, such as urban renewal, building production and the number of affordable homes (Van Grinsven & Kromhout, 2004). The social housing associations and the Municipality of The Hague have committed themselves to several multilateral and bilateral performance agreements at local and regional level. These agreements appear to be working, but the process was long and hard. Parties seemed pleased to have finally reached some form of mutual understanding.

Code of conduct for housing associations

Aedes, the umbrella organisation for the social housing sector, has drafted a code of conduct for its members (the ''Aedescode''). Though all the housing associations in The Hague have ratified the Aedescode, they do not apply it much (Commission

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Aedescode, 2003). At the moment this code contains only very general directives. On the basis of the research results we conclude that it has no substantial influence on the performance of social housing associations. Aedes is currently working on a new code with stricter and more specific guidelines.

Quality standards

Dutch housing associations have been making greater use of quality standards in recent years. The Dutch social housing sector has developed a quality label (KWH) specifically for rented housing. This label sets standards for the service to tenants, but contains no performance targets. Up till now the KWH label is used by 171 housing associations (35%) and the number is still growing rapidly. Some housing associations use quality systems based on ISO-9001:2000 standards. Much more widely used is the ''INK Management Model'', a Dutch variation on the Excellence Model of the European Federation for Quality Management (EFQM). The KWH label is used by some housing associations in The Hague. Some have also implemented other quality systems.

Benchmarking

For some time now indicators have been collated of the performance of housing associations. These consist mainly of financial data, rental indicators and figures on the production of new homes and the transformation of the existing housing stock. Performance figures in the social housing sector are collected by Aedes, by the Ministry of Housing, by the Central Housing Fund and several accountants firms. Housing associations receive individual benchmark reports assessing their performance compared with similar organisations. None of these organisations publish the results for individual housing associations. Only aggregated results are published. All housing associations in The Hague use this data to assess their performance.

More recently, a number of housing associations developed the ''Aedex'', a real estate index comparable with the IPD indices used by commercial real estate investors. The Aedex measures the profitability of housing associations and the difference between this figure and the profitability that could be achieved by pursuing a commercial strategy. This difference, also called ''dividend to society'', is assumed to be the profitability that housing associations do not realise because of their non-profit character. The benchmark for the financial performance (Aedex) is used by one of the three housing associations in The Hague. But the Aedex benchmark does not assess performance in urban renewal.

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A few years ago Aedes introduced external reviews as a new instrument for the social housing sector. An external review checks out the quality of stakeholder relations and the policy development and deployment process. It is conducted by a small group of experts from the housing sector, consultancy firms and other relevant backgrounds. External reviews are voluntary. Until 2004 only 5% of Dutch housing associations had participated in one. No social housing association in The Hague has carried out an external review or has any intention of doing so in the near future. They see themselves as capable of evaluating their own policy process and stakeholder relations and organizing feedback.

§ 5.6.5   **Performance in the Regeneration of The Hague**
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From a network perspective, there is no dominant player that can unilaterally dictate the goals in urban regeneration. Possible yardsticks for assessing the performance of housing associations are the goals laid down in the multilateral performance agreements with the Municipality of The Hague.

In general, the stakeholders appear satisfied with the performance of social housing associations in The Hague. Run-down housing is replaced or upgraded and new houses are being built at a considerable speed. Social housing associations are also actively improving living conditions and security in neighbourhoods. Haaglanden region has managed to lower the share of low-income households in The Hague and to increase it in other municipalities in the region.

One shortcoming in the performance agreements is that other stakeholders, including tenants' organisations, are not represented. Tenants' organisations feel that the decrease in affordable rented homes is making it more difficult for low- income households to find decent housing.

§ 5.7   **Conclusions**
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The Dutch social housing sector has the largest (36%) market share in Europe. People are asking if the current housing system is delivering satisfactory results, given its independent position and substantial financial resources. This question is especially relevant in urban regeneration processes. This paper elaborates on the urban

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renewal network at local level, it describes the players in the network and their inter-relationships, the role of steering instruments and the evaluation of the outcome of the network.

Based on our research findings in The Hague, the complex network approach to the organisation of the social housing sector appears to be a valuable addition to the spectrum of research methods. The micro-level perspective of the network approach makes it a useful tool for investigating the interactions between players and the use and effectiveness of steering instruments.

The case study results confirm that relations between players in the urban renewal of The Hague can be characterized as a complex network. Key network characteristics, such as closedness, interdependencies and multiformity, are all present in urban regeneration network of The Hague. The housing associations and the municipality appear to be the most dominant players in the network. Tenants have a relatively marginal position.

Players with the most powerful positions (housing associations and the municipality) in the network are satisfied with their performance in urban renewal. Tenant organisations appear unable to convert their wishes into satisfying results either as a player in the network or as a stakeholder in the housing associations or as a voter of the municipal council. This raises the issue of whether the urban renewal network is complete, definitely a subject for further research.

The case study revealed that very few steering instruments used in The Hague can secure or improve the performance of social housing associations in urban renewal. The various self-regulating instruments developed by the Dutch social housing sector do not appear to have made any substantial contribution to the urban renewal performance of The Hague [see Table 5.2]. Self-regulation is still used very sparsely. The local housing associations seem reluctant to use these instruments. As a result, there is no real transparency in their decision-making process or their performance. Although the urban renewal network in The Hague has little checks and balances aimed at securing the performance of housing associations, the main driving force in urban renewal seems to originate from the close personal co-operation between representatives from different parties. Respondents say that ''social commitment'', ''personal chemistry'' and ''local social entrepreneurship'' have a substantial influence on results in urban renewal. However, the presence of these elements in the urban renewal network of The Hague is more or less coincidental. They are not secured or managed in any way – thus suggesting another avenue of research in this project.

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