

## **AECM contribution to the European Commission's Call for Evidence on the European Affordable Housing Plan**

The European Association of Guarantee Institutions (AECM), representing 48 member organisations across 32 countries in Europe, welcomes the European Commission's call for evidence for the European Affordable Housing Plan. AECM and its members recognise the urgent need to address the worsening housing crisis across the EU and wish to contribute concrete recommendations based on the financial expertise and on-the-ground experience of our network.

We identify the following key priority areas for effective EU-level action:

- **Securing an adequate budget and leveraging financial instruments**

AECM and its members believe that securing adequate funding through the Multiannual Financial Framework (MFF) and other EU mechanisms is essential to effectively address the housing crisis. **National budgets alone are insufficient to meet the rising demand for affordable and sustainable housing**, particularly in urban centres and economically vulnerable regions. EU financial instruments, especially counter-guarantees, can ensure the highest leverage and the most budget efficient use of scarce resources. Blending mechanisms will offer a critical opportunity to complement and scale up national and regional investments, mobilise private capital, and ensure alignment with key EU policy objectives. National and regional financial institutions should serve as intermediaries to blend EU and national resources, as they have the necessary expertise and understanding to effectively communicate with local SMEs active in the construction sector.

- **Reforming State aid rules**

To effectively address the housing crisis, EU State aid rules must become more flexible, targeted, and accessible, particularly in supporting affordable, social, and energy-efficient housing. Although the existing framework provides some support, its complexity, narrow definitions, and regulatory fragmentation significantly limit its practical application - especially for municipalities, housing cooperatives, and SMEs involved in the housing sector.

One of the key limitations lies in the current interpretation of "social housing" under the Services of General Economic Interest (SGEI) framework. It restricts public support to narrowly defined vulnerable groups, excluding a growing number of middle-income households who are increasingly priced out of housing markets in urban areas. To respond to this reality, **the SGEI definition should be broadened to include affordable rental and ownership models for middle-income groups.**

Furthermore, **a more flexible interpretation of “public service obligations” in housing should be introduced**, allowing Member States to align State aid more effectively with national and regional needs. This reform would enable municipalities and public housing providers to support a wider segment of the population, thereby improving access and fostering greater social inclusion.

In addition, the General Block Exemption Regulation (GBER) lacks a specific category for affordable housing. While it permits aid for energy efficiency, there are no provisions tailored to the housing sector. To address this gap, **a dedicated GBER category should be introduced to cover the construction and renovation of affordable and energy-efficient housing, provide aid to housing cooperatives, SMEs, and social housing entities, and support energy upgrades, accessibility improvements, and smart building technologies**. This would allow Member States to implement large-scale housing support schemes without requiring prior notification to the European Commission, thus reducing administrative barriers and accelerating deployment.

Another constraint under the current GBER rules is the limited aid intensity allowed for energy-efficient renovations, typically 30-50% for SMEs, which is often insufficient to support deep retrofits in residential buildings. To overcome this, **the aid intensity thresholds should be increased, particularly for low-income households and for projects that deliver deep renovations. Higher co-financing rates should also be permitted for bundled housing renovation programmes, such as those targeting entire districts or housing cooperatives**. These adjustments would make climate-aligned housing investments more financially viable and would significantly contribute to achieving EU climate and energy goals.

Finally, many local and regional authorities, particularly in smaller Member States, lack the administrative capacity to design and notify complex State aid schemes. To facilitate broader uptake, the **EU should develop pre-approved model State aid schemes for housing**. These templates could cover affordable rental housing, cooperative housing development, and the green renovation of multifamily buildings. By standardising and simplifying the process, these models would reduce the legal and procedural burden on public authorities and encourage faster and more consistent implementation across the EU.

- **Implementing active subsidiarity in housing policy**

The European Affordable Housing Plan must be developed in close collaboration with local and regional authorities, guaranteeing that their contextual knowledge is fully reflected in the design and implementation of housing policies. A genuine ‘active subsidiarity’ approach is needed, one that ensures EU-level action supports, rather than overrides, national, regional, and local efforts.

Any housing-related measures must be grounded in the diverse regional and local realities across the EU. This includes careful consideration of financial market conditions - such as interest rates, currency frameworks, and the availability of public funding and private capital - as well as housing market dynamics, including rental versus ownership preferences, market segmentation, and household income levels. Existing housing programmes, their regulatory frameworks, targeted beneficiaries, and financial instruments must also be taken into account to ensure complementarity and avoid duplication.

AECM and its members stand ready to support the European Commission in the development and implementation of the European Affordable Housing Plan. Guarantee institutions are key partners in de-risking investment, improving access to finance, and delivering tailored financial solutions that support sustainable and inclusive housing across Europe.

Brussels, June 2025

## About us

The 48 members of the **European Association of Guarantee Institutions (AECM)** are operating in 32 countries in Europe<sup>1</sup>. They are either public promotional institutions / banks or private / mutual sector guarantee schemes. Their mission is to support SMEs in getting access to finance. They provide guarantees to SMEs that have an economically sound project but do not dispose of sufficient bankable collateral. This so-called SME financing gap is recognised as market failure. By guaranteeing for these enterprises, guarantee institutions help to address this market failure and facilitate SMEs' access to finance in a budget efficient way. At the end of 2023, 4.7 million SMEs were in the portfolios of AECM members.

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<sup>1</sup> <https://aecm.eu/members/our-members/>