

## **AECM reply to the European Commission's call for evidence on State aid rules on Services of General Economic Interest**

The European Association of Guarantee Institutions (AECM), representing 48 member organisations across 32 countries, welcomes the European Commission's call for evidence on the State aid rules governing Services of General Economic Interest (SGEI). AECM and its members acknowledge the urgent and widespread housing crisis affecting the EU and strongly support the need to revise the existing State aid rules to provide Member States with a more flexible and effective tool for subsidising affordable housing projects.

Addressing this crisis through revised State aid rules requires a careful balance between legal certainty, the protection of the public interest, and the flexibility needed to accommodate the diverse housing challenges across Member States. In this context, it is essential that the regulatory framework evolves to support innovative and inclusive approaches to affordable housing.

The current framework, specifically Commission Decision 2012/21/EU, falls short of these objectives. Its restrictive eligibility criteria and narrow scope act as barriers to broader affordable housing initiatives, particularly those involving mixed-income or mixed-tenure models. Moreover, by limiting support to 'disadvantaged or socially vulnerable' groups and capping annual compensation for non-traditional social housing SGEIs at EUR 15 million, the Decision fails to reflect the scale and complexity of today's housing needs across the EU.

Against this background, AECM welcomes the Commission's proposed definition of affordable housing. We particularly appreciate the recognition of market failure as a legitimate justification for public intervention, as well as the effort to link affordability with energy performance, which aligns well with the EU's climate and energy efficiency objectives. Importantly, the definition implicitly targets underserved households without being overly restrictive, an approach we consider well-balanced.

Nevertheless, we believe the proposed definition could be further strengthened by:

- Clearly specifying what constitutes 'affordability', including references to household income levels;
- Ensuring tenure neutrality, so that both rental and ownership models are eligible under the definition;
- Explicitly referencing the public interest objective, which is a core element of the SGEI framework.



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Based on these principles, we propose the following definition of affordable housing:

*'Housing provided at below-market terms to households who, due to structural market barriers or failures, cannot access housing that meets at least the minimum energy performance standards in force, at conditions affordable in relation to their income. Such housing may be delivered through rental or ownership models, provided it serves an unmet public interest need and complies with national or regional affordability criteria'.*

In defining the general conditions for affordable housing SGEIs, it is equally important to **broaden the definition of target groups**. Public support should not be limited to the most disadvantaged but should also include low to middle-income households, essentially workers, young people, families with children, and single-parent households. Older individuals on fixed incomes, persons with disabilities, and those who are homeless or at risk of homelessness must also be included. Eligibility should be based on relative income thresholds, which ensures that support reaches those most likely excluded by market conditions.

Furthermore, we recommend **setting mandatory minimum quality standards** for all supported housing projects, including:

- Energy performance: At least EPC class C (or national equivalent), with pathways to achieve higher standards;
- Accessibility: Compliance with EU or national rules for persons with reduced mobility;
- Digital infrastructure: Broadband readiness or a minimum internet speed capacity;
- Basic amenities: Adequate heating, ventilation, sanitation, and space per resident.

To further align housing investments with EU policy goals, higher aid intensity or more flexible conditions should be offered for projects that exceed these minimum requirements, such as net-zero buildings, deep renovations, or the use of circular construction materials. These enhancements would support the objectives of the EU Green Deal and the digital transition, while also ensuring decent living standards.

Regarding the **types of housing eligible for support**, the framework should allow for mixed-tenure developments (both rental and ownership), and finance both new construction and renovation, provided the projects meet affordability and quality requirements. The conversion of vacant or underused buildings, including office-to-residential projects and the repurposing of public buildings, should also be actively encouraged. Such flexibility is essential to meet the diverse housing needs across Member States.



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In terms of maintaining long-term affordability, we propose introducing a **minimum affordability period** for both new buildings and renovations that receive public support. For ownership models, resale restrictions during the affordability period should be mandatory to prevent short-term speculation or rapid conversion to market-rate housing.

As for **eligible implementers**, AECM supports an open approach that allows all market operators. e.g. public, private, cooperative actors etc. to deliver affordable housing, provided they meet the SGEI conditions such as affordability, quality standards, and a clear public service obligation. This openness would enhance delivery capacity and encourage innovation in project design and implementation.

Given the varied nature of housing markets and policy contexts across the EU, we strongly recommend that **affordable housing SGEIs be compensated under the SGEI Decision without financial limit**. Additionally, State aid rules should explicitly allow compensation to cover both investment costs and capital expenditures, where these support the delivery of affordable housing.

We also stress that a one-size-fits-all approach is unlikely to succeed. Instead, Member States or regions should be empowered to set specific affordability criteria, benchmarks, and thresholds appropriate to their local context, within a coherent EU-level framework. The Commission could provide template methodologies or guiding principles, while avoiding overly prescriptive or rigid definitions.

As a final point, we would like to emphasise that (counter-)guarantee instruments can play a significant role in effectively addressing the social and affordable housing crisis. By mobilising both, private and public financing, reducing risks for lenders, and improving access to credit for developers and housing providers, guarantees can unlock much-needed investment in this sector. In this context, allowing for a higher guarantee coverage rate for this specific SGEI category, beyond the 80% threshold currently foreseen in the Guarantee Notice, would be a justified and impactful policy choice, enabling more inclusive and sustainable housing solutions across Europe by means of an instrument which has proven to be budget efficient.

Brussels, July 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 private / mutual sector guarantee schemes or public promotional institutions or banks. 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. At the end of 2023, 4.7 million SMEs were in the portfolios of AECM members.

European Association of Guarantee Institutions - AECM  
Avenue d'Auderghem 22-28, bte. 10, B-1040 Brussels  
Interest Representative Register ID number: 67611102869-33



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