

**Promoting Long-Term Investment in
Affordable, Social, and Sustainable Housing in Europe:
The Role of National Promotional Banks and Institutions**

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**Policy recommendations to shape
EU affordable, social, and sustainable housing initiatives**

The experience of Promotional Banks and Institutions in affordable, social, and sustainable housing (referred to as 'affordable housing' throughout the rest of the paper) demonstrates the central role they can play in fostering investment in the sector and addressing the housing crisis in Europe. In 2023 more than 380.000 dwellings were newly built or renovated benefitting from financing of nearly 50 bn EUR committed by promotional banks being members of ELTI and/or EAPB¹. ELTI and EAPB presented their experiences in a common brochure². Against this background and **in line with the principles enshrined in ELTI's "Strategic Outlook"**³ for the next Multiannual Financial Framework, the following policy recommendations should be considered when designing new EU initiatives in the field of housing:

- 1. European funds should be channelled by NPBI, whenever they are active in the sector, to foster synergies and avoid overlaps.** The "European Alliance for Sustainable and Inclusive Social Housing" in France could be mentioned as a successful model for creating a one-stop-shop for social housing organisations seeking national and European funding. This coordinated approach is an effective intervention model for the sector, allowing different funding mechanisms to be articulated. The Social Housing schemes in Poland also prove that the trusted intermediated model "EIB → NPB → beneficiaries" has the capacity to work exceptionally well since it leverages both EIB's financial potential and focus on ESG aspects and the particular NPB's local know-how, expertise and well-established business relationships on the domestic affordable housing market. More specifically, **the "open architecture" model should be adopted as the cornerstone of any EU instrument under indirect management promoting affordable housing.** This approach allows NPBI and international financial

¹ European Association of Public Banks (EAPB) <https://www.eapb.eu/>

² ELTI & EAPB brochure: [Addressing-the-Housing-Crisis](#)

³ ELTI Position Paper "Strategic Outlook, Activating the EU budget for long-term needs", Brussels, February 2024, available at: [link](#).

institutions (IFIs) to implement EU initiatives alongside the EIB Group, thus bringing EU financial resources closer to national, regional and local needs and responding effectively to the diverse housing challenges across EU Member States.

2. **Affordable housing should be able to benefit from InvestEU under the current and future Multiannual Financial Framework (MFF)⁴.** In the current MFF, additional investment in affordable housing could be promoted by **expanding the InvestEU guarantee**, for example, by reallocating resources from other EU programmes or unused national NextGenerationEU funds. In the next MFF, affordable housing initiatives could benefit from **an enhanced InvestEU programme**, relying on a **larger InvestEU Fund and Advisory Hub** and the **systematic combination of EU grants with debt and equity financing under InvestEU**.⁵ provided that the reporting requirements are simplified. In this respect, European competitiveness also depends on the quality of European infrastructure, including social infrastructure and in particular affordable housing.
3. **The EU could also consider establishing pan-European solutions to support the sector**, including funds of funds and Public-Private Partnerships. Such solutions should always **leverage NPBI's established regional and local networks of private investors** (e.g., insurance companies, banks, banking foundations, pension funds) as well as ensure financial and **strategic participation of local stakeholders**. Such approach could ultimately generate a **substantial leverage effect by crowding-in additional resources at three different levels**: European, national, and regional. This may require, however, **modifying EU rules that prevent certain private investors to invest in the sector** (especially insurance companies under Solvency II). EU institutions should further discuss the set-up of this solutions with ELTI members.
4. With regard to **the objective of reinforcing cohesion policy investments in affordable housing under the current and next MFF**, systematically combining ESIF grants for housing with financing, thus **rendering grant disbursement conditional on repayable financing agreement with NPBI's and IFIs**, could help leverage limited budgetary resources. In particular, facilitating a systematic link between NPBI's and Managing Authorities (MAs) would ensure that ESIF resources are effectively utilised and that projects are implemented in a manner that meets local needs. Such a perspective,

⁴ Please note that some implementing partners, such as CDP, are already relying upon InvestEU to support affordable housing projects (further details available [here](#)).

⁵ To foster housing investment, the InvestEU appraisal and analysis process should be efficient and streamlined in terms of risk assessment, reporting requirements and other factors potentially hampering the effectiveness of fund distribution and allocation to individual projects/operations.

ultimately decided by MAs, could allow for increased investment, implemented in a way that meets local needs. More generally, in any scheme combining repayable and non-repayable funds, **specific dedicated grants could be considered to tackle the rise in building costs**, related to the general conditions of the markets as well as to higher environmental standards. Recent “blending” experience in other programmes, such as the Alternative Fuels Infrastructure Facility under CEF, have proven very efficient in terms of allocation of the EU support.

5. In any EU support intervention, **a special focus should be placed on industrialized housing construction**. This approach accelerates building times, reduces costs, improves quality, and addresses labour shortages, making housing more affordable, sustainable, and scalable. In this respect, **NPBIs play a major part in supporting innovation, especially in the building sector** – by accompanying companies (often local SMEs) either directly via technical assistance and financing of research and innovation, or indirectly via the support for construction or refurbishment (e. g. by providing a premium for serial renovation).
6. Finally, **the general approach to state aid should be made more compatible with the needs of the affordable housing sector** where substantial aid, be it in form of grants or loan subsidies, generates an increasing risk of exceeding relevant state aid thresholds. ELTI members are ready to be consulted by the Commission on how to adapt the current state aid framework and better enable affordable housing support measures.

The European Association of Long-Term Investors – ELTI

ELTI members represent an European-wide network of National Promotional Banks and Institutions who offer financial solutions tailored to the specific needs of their respective country and economy. Multilateral financial institutions complement the activities at national level with specific cross-boarder solutions or investments with an European impact. Following the specific public mission of each member the business model of each institution differs from country to country including different products and approaches. This is the same for multilateral ELTI members. Most of the members offer various debt-products but not all members have a mandate for investment in equity.

The 33 members of the European Long-Term Investors Association (ELTI) a.i.s.b.l. are major long-term investors and represent a combined balance sheet of EUR 2,8 trillion. The Association promotes and attracts quality long-term investment in the real economy, including:

- strengthening cooperation, including at an operational level, between European financial institutions as well as with other Institutions of the European Union (EU) acting as long-term financiers;
- informing the EU and its Institutions on the role and potential of the Members as institutions and agencies for long-term financing;
- strengthening the access of the Members to information on matters related to the EU;
- exchanging information and experiences among Members and with national and international organisations sharing the Association's interest in the promotion of long-term investment;
- developing the concept of long-term investment within the economic and financial sector and promoting academic research on long-term investments;
- representing, promoting and defending the shared interests of its Members in the field of Long-Term Investment in full transparency.

The Full Members of ELTI are generally national official financial institutions dedicated to the promotion of public policies at national and EU level⁶. The European Investment Bank (EIB) as the status of a permanent observer. ELTI also includes Associate Members notably multilateral financial institutions, regional financial institutions and non-banking institutions⁷.

⁶ Oesterreichische Kontrollbank (OeKB) Austria, Federal Holding and Investment Company (SFPIM) Belgium, Bulgarian Development Bank (BDB) Bulgaria, Croatian Bank for Reconstruction and Development (HBOR) Croatia, National Development Bank-CZ (NDB CZ) Czech Republic, Export and Investment Fund of Denmark (EIFO) Denmark, Caisse des Dépôts et Consignations (CDC) France, La Banque publique d'Investissement (bpifrance) France, KfW Bankengruppe (KfW) Germany, Hellenic Development Bank (HDB) Greece, Hungarian Development Bank (MFB) Hungary, Strategic Banking Corporation of Ireland (SBCI) Ireland, Cassa Depositi e Prestiti (CDP) Italy, Latvian Development Finance Institution (ALTUM) Latvia, Invest in Lithuania (ILTE) Lithuania, Société Nationale de Credit et d'Investissement (SNCI) Luxembourg, Malta Development Bank (MDB), Malta, Invest-NL Netherlands, Bank Gospodarstwa Krajowego (BGK) Poland, Banco Português de Fomento (BPF) Portugal, Banca de Investitii si Dezvoltare (IDF), Romania Slovak Investment Holding (SIH) Slovakia, Slovenska Izvozna in Razvojna Banka (SID) Slovenia, Instituto de Credito Oficial (ICO) Spain

⁷ Nordic Investment Bank (NIB), Council of Europe Development Bank (CEB), Long-Term Infrastructure Investors Association (LTIIA), Participatiemaatschappij Vlaanderen NV (PMV) Belgium, Wallonie Entreprendre (WE), Belgium, NRW.Bank Germany, Consignment Deposits and Loans Fund (CDLF) Greece, Investment and Development Fund (IDF) Montenegro, Turkiye Sinai Kalkinma Bankasi (TSKB) Turkey