

# Policy briefing - Improving cities' access to EU funding for housing

*This document aims to structure the first conclusions of the Eurocities task force to EU-level funding for social and affordable housing. 14 cities were involved in this analysis (Barcelona, Bologna, Budapest, Dortmund, Dusseldorf, Eindhoven, Ghent, Ljubljana, Lodz, Lyon Metropole, Munich, Ostend, Porto, Vienna).*

## Key messages:

- While the responsibility for housing policy lies primarily with Member States, the EU plays a key role in enabling and reinforcing local action through funding, policy coordination, and regulatory frameworks. European funds are vital for unlocking local investments, supporting the just transition, and ensuring the provision of social and affordable housing alongside essential support services. However, without a **stronger financial commitment and better-targeted instruments**, the EU's ability to effectively support cities in tackling the housing crisis remains limited. A more ambitious approach is needed to match the scale of the challenge.
- Available EU funds that can be mobilised for social and affordable housing initiatives are **not sufficiently targeted at local authorities**. As a result, cities face significant barriers to access these funds and often struggle to mobilise them.
- Since EU funding priorities are set at the national and European levels, they often **do not align with cities' specific needs and projects' priorities**.
- The affordable and social housing sector relies on a **diverse ecosystem of actors**, including local authorities, housing providers, and service organizations. EU funding must reflect this reality, ensuring that all key stakeholders have the capacity and resources to access and mobilise available funds effectively.



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## Cities needs

European cities are at the heart of their citizens' daily lives, as they are responsible for providing key services such as housing, transport, and social services. As a result, city governments are focused on improving social wellbeing, in collaboration with national and European partners. Cities are now at the forefront of the housing crisis, with housing costs rising faster than wages, leading to growing affordability pressures. In many cities, over 30% of residents are spending more than a third of their income on housing, highlighting the urgent need for adequate funding and support to meet the housing demands of their populations.

Housing is a fundamental human right and central to addressing social challenges. It plays a critical role in upholding the principles of the European Pillar of Social Rights (EPSR), such as equality, access to education, employment, essential services, and healthcare. Adequate funding for housing is essential not only to combat homelessness but also to achieve the objectives set out in the [Lisbon Declaration](#).

European cities are working to create sustainable and inclusive communities where housing affordability is a key challenge. Municipalities, along with housing providers, NGOs, and social landlords, need better and faster access to funding to effectively address the housing crisis. To make progress, funding must be better aligned with local needs, and administrative processes need to be simplified, allowing cities to respond quickly and effectively.

The investment gap in social and affordable housing is estimated at €270 billion per year, according to the upcoming EIB Investment Report 2025. Cities urgently require significant investment to bridge this gap, both for the construction and renovation of housing and for the provision of essential support services. To ensure the effectiveness of these investments, integrated approaches are crucial, as well as transparency in loan conditions, rates, and timelines.

## Lessons from Next Generation EU and the Recovery and Resilience Facility

When first introduced, Next Generation EU and its main instrument, the Recovery and Resilience Facility (RRF), were seen as a unique opportunity to promote public investment, including at local level.

Analyses<sup>1</sup> from Eurocities, Global Cities and Barcelona Centre for International Affairs, however, demonstrate that, despite some positive impacts in the field of housing, the first phase of implementation of the RRF has been a missed opportunity to fully deliver on its potential in cities.

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<sup>1</sup> Urban Recovery Watch- Empowering Cities in the EU Green and Digital Transition (2023)  
<https://www.cidob.org/sites/default/files/2024-06/MONOGRAFIA%20URBAN%20RECOVERY%20WATCH.pdf>

The initial definition of priorities included in the National Recovery and Resilience Plans (NRRPs) was often described as a **top-down approach**. In many cases, this was due to the very **restrictive timelines which led to extremely rapid and limited consultations with local governments**. It is worth noting that despite the short deadlines, countries like Finland with a stronger tradition of structured dialogue between different levels of governments, reported better collaboration in this instance.

Despite these insufficient consultations, several countries included earmarked resources for local authorities in their NRRPs (Italy, France) or prioritised areas such as to urban regeneration (Spain, Italy, Germany), energy renovation (France, Slovakia) and affordable housing (Czech Republic). However, in several cases, implementation of these priorities, or cities access to them (e.g. on housing in the Czech Republic), were delayed, threatening their full implementation.

Overall, cities insufficient involvement in the design and implementation of the fund is described as having led to a **lack of integrated approaches** in the delivery of the plans. This often resulted in a centralised approach, fostering **competition between priorities and actors rather than facilitating territorial approaches** which could have contributed to enhanced territorial and social equity.

#### Cities' use of RRF funds for housing

- Bologna – Renovation of 81 public housing units as part of an urban redevelopment plan in the Navile district (€6m)
- Barcelona – Urban regeneration project (planning and housing) (€42m)
- Ljubljana – Purchase of 80 non-profit flats that will be managed by the Housing Fund (€4.8m)

## Cohesion Policy

Cohesion Policy represents the most significant source of EU funding in many member states, reaching almost €400 billion in the 2021-2027 period in the entire EU. With national co-financing, the total available funding reaches about **half a trillion euros** to finance programmes in EU regions and countries. Cohesion Policy is structured around three major funding schemes: the European Regional Development Fund (ERDF), the European Social Fund + (ESF+), and the Cohesion Fund (CF).

Additional funding schemes, such as the Just Transition Fund (JTF), the EU Solidarity Fund, CARE, and REACT-EU, are designated for specific objectives. While housing-related goals can be found across all three major funding streams, EU funding for housing remains fragmented, incoherent, and, above all, insufficient to meet the needs of the housing crisis in Europe.

Cohesion Policy funding for social housing projects is a subject of several shortcomings. These funds are almost entirely in the shared management system, meaning that national governments and managing authorities dominate the programming, management and control of the funds. In certain member states, this concentration of power led to a **failure to respect the partnership principle**, often excluding cities from these procedures, or not properly involving them. This prevents cities to address their priorities, including tackling housing challenges through these programmes.

There are also frequent **delays in the implementation**, with governments sometimes postponing cities' access to funds. While there is a link to the **EU Semester**, it is only recently that this instrument has specifically addressed housing. The **Country Specific Recommendations (CSRs)** now include housing as part of the broader agenda on social inclusion and affordable housing. However, the priorities of the **EU Semester** remain limited and are not sufficiently localised — national trends often do not reflect the realities of large cities. Furthermore, **Cohesion funds** are often insufficient to cover the full investment needs of social housing projects. Cities also struggle to connect these funds to other available financing streams (e.g., **InvestEU**) due to tight timelines for calls and the **administrative burden** of applications and reporting.

## European Regional Development Fund (ERDF)

In the European Regional Development Fund (ERDF) framework, both social and climate priorities can target housing projects. While there are commendable examples of building retrofitting and social housing programmes in member states, these initiatives are often not interlinked, and renovation programmes' beneficiaries are frequently not well-targeted socially.

Although 8% of the ERDF budget is allocated to finance Sustainable Urban Development (SUD) projects, the designation of what constitutes an SUD project depends on national governments. Consequently, cities are often not involved in the planning and programming of the related operational programmes (OPs). As a result, their interests and priorities, such as social housing, are not adequately reflected in the financed projects. Additionally, in some cases, additional restrictions imposed at the national level or by managing authorities prevent cities from focusing on housing or homelessness under the ERDF.

### Example of projects successfully funded under ERDF

- Bologna – ERDF funds using for public residential housing, refurbishing and improving accessibility to approximately 450 public housing units (€10m)
- Budapest
  - ERDF 2021-24 - Housing Agency: The project aims to renovate and extend the municipal housing stock. This includes converting unused non-residential properties owned by the municipality into affordable rental housing, as well as modernising substandard, low-comfort, and energy-inefficient municipal rental housing. (€21.7m)
  - ERDF 2021-24 - Pilot project 'Decreasing Energy Poverty': This pilot project will develop and implement solutions to tackle energy poverty and will support energy efficiency upgrades in existing housing (€2.5m)
- Łódź - The Urban Regeneration Scheme focuses on the renovation of over 160 buildings, including more than 80 residential tenements and 1,137 dwellings that were previously substandard. This project also includes the creation of sheltered housing units and key urban revitalization efforts, such as the development of parks, offices, and public squares (€120m)

- Porto - Public Housing Renovations: The project includes energy-efficient renovations in public housing, enhancing sustainability, reducing energy bills, and improving residents' comfort.
- Vienna - Thaliastrasse NEU: The project focuses on redesigning Thaliastrasse to create climate-friendly public spaces that benefit residents.

#### *European Urban Initiative and Urban Innovative Actions*

- Budapest - AHA (Affordable Housing for All) project: This project takes an integrated approach to both increase the supply of affordable housing and provide solutions for people at risk of housing exclusion. A key component is transforming an unused non-residential public building into energy-efficient social housing. At the same time, a data-driven early warning system aims to identify households facing rental arrears and energy poverty, facilitating access to support services in collaboration with public utilities, social service providers, and district municipalities (€4.9m)
- Ghent – ICCARUS/Ghent Knapt op UIA project (2019-2022): This pilot project aimed to develop an innovative financial model for upgrading and renovating homes for vulnerable homeowners in Ghent through a recurring fund, ensuring long-term sustainability. Despite challenges posed by the COVID-19 pandemic and rising construction costs, Ghent Knapt Op successfully upgraded and renovated 82 homes, providing access to safe, healthy, and energy-efficient housing (€4.8m UIA funding + €1.1m co-financing)
- Lyon Metropole – Home Silk Road project (UIA funding): This project, funded with €380,000, aims to connect housing solutions with employment opportunities for people facing social exclusion, facilitating access to housing and work.
- Vienna – BRISE (Building Regulations Information for Submission Involvement): Funded with €4.8m, this project focuses on transforming public administration through smart digital solutions. It aims to streamline building and construction procedures, positioning Vienna as a leader in efficient, digitalized governance within Europe.

## European Social Fund Plus (ESF+)

Over the past few years, the ESF+ has seen an expansion of its objectives. However, this expansion has not been matched by a corresponding increase in its overall budget. As a result, cities often face competition between essential priorities, such as employment and combating homelessness, even though these issues are closely interconnected and often require integrated solutions.

#### **Example of projects successfully funded under European Social Fund +**

- Bologna – ESF+ 2021-27 Agency for Social Housing: This project focuses on creation of an agency that facilitates the meeting between supply and demand for social housing. It provides benefits to owners who make accommodations available for rent and supports the creation of new public cohousing units with controlled rent (€4m)

- Budapest
  1. ESF+ 2021-27 – Creation of a Housing Agency: The project responds to the growing affordability issue by expanding the affordable rental sector. It contributes to this goal by enabling the inclusion of privately owned housing (whether vacant or not) in the affordable, secure rental sector (€7.75m)
  2. ESF+ 2021-27 – Housing Guarantee Programme: This initiative implements a large rent subsidy programme specifically for homeless people, helping them transition out of homelessness and into tenancy, either in the private rental sector or through the housing agency (€19m)
- Lyon Metropole - “1 toit, 1 job”: The project is designed to tackle on both housing and employment challenges for vulnerable individuals, particularly those under 25. It aims to break the cycle of poverty by facilitating access to secure housing and job opportunities, promoting long-term stability and social inclusion (€1.2m)

## Cohesion Fund

The Cohesion Fund allocation is determined by regional development indicators based on the NUTS classification. Major cities, capitals, and metropolitan areas facing housing crises are typically in more developed regions, which have limited access to these funds. These urban areas face unique social and economic challenges that require different solutions compared to less developed regions. Therefore, funding for affordable and social housing should be tailored specifically for large cities in developed regions to better address their needs.

## Invest EU and loans

European cities recognise that the investment gap in the social and affordable housing sector is too large to rely on grants alone. As a result, local governments have begun collaborating with financial institutions like the European Investment Bank (EIB) and the Council of Europe Development Bank (CEB) to explore additional financing options. The **InvestEU** programme plays a key role, with the EIB offering single and framework loans to public authorities for affordable housing projects, including renovation and new construction. Similarly, the CEB is leveraging the **InvestEU Social Investment and Skills Window** to unlock investments that align with the **European Pillar of Social Rights**.

However, despite these financial instruments, several challenges hinder cities’ access to these resources, limiting their capacity to effectively finance and implement social and affordable housing projects. Addressing these barriers is essential to fully harness the potential of InvestEU for housing initiatives across Europe.

### Project size requirements

The EIB’s minimum project size often presents a significant barrier, even for larger cities, and is nearly unachievable for smaller partners like social housing providers. This requirement is misaligned with the needs of projects targeting homelessness, where small-scale or scattered-site initiatives are often more effective. While grouping projects under a framework loan is frequently proposed as a solution and would help address the integrated nature of social housing and related social issues, this approach

has faced challenges in practice. For example, Lyon Metropole’s attempt to submit a multi-project portfolio resulted in only one theme (education) being selected for financing, limiting the scope of support for broader housing initiatives.

### **Focus of the loan**

Cities’ needs in developing social and affordable housing are diverse, and loans from institutional banks should address not only construction and renovation but also the acquisition of land and existing properties. This would enable cities to expand their social and affordable housing stocks and better meet the growing demand within their communities.

### **Loan duration**

While the EIB can provide loans with durations sometimes exceeding 30 years, this is often considered too short for social housing projects, where lower rents result in longer return on investment, requiring extended repayment periods. This is particularly challenging for projects focused on individuals with very low incomes, such as those transitioning out of homelessness, who often need long-term housing solutions. A more suitable model can be found in institutions like France’s Banque des Territoires, which offers loans with durations of 50 to 80 years, providing a more appropriate financing approach for these long-term social housing initiatives.

### **Loan attractiveness**

The attractiveness of EIB loans compared to those from commercial banks is often questioned, as the interest rates for direct loans are not always competitive. Additionally, when cities apply for smaller loans, they are typically encouraged to go through national or local financing intermediaries. In some EU countries, this process can lead to higher and less competitive interest rates, further reducing the attractiveness of EIB loans for local governments.

### **Uncertainty about interest rates**

Many cities report that the interest rate for an EIB loan is only disclosed at the end of the application process. This lack of transparency forces project managers to dedicate significant time and resources without knowing whether the final terms will be favourable or suitable for the city’s needs, making the effort potentially ineffective. For cities outside the Eurozone, loans in euros introduce additional cost volatility due to fluctuating exchange rates, adding financial risks and complexity.

### **Administrative and reporting burden**

The administrative requirements to secure a loan and the reporting obligations tied to EIB financing present additional challenges for cities. When combined with uncertain or limited financial advantages compared to private commercial banks, the effort often outweighs the benefits, leading many cities to avoid using these financing solutions.

### **Political barriers**

In some EU countries, cities seeking EIB loans must obtain national approval, which can be hindered by political differences between local and national authorities. This issue often arises when local and national governments are at odds politically and aim to implement conflicting public policies.

### **High co-financing rates**



EIB and other public and private banks often require municipalities to contribute their own capital to cover part of the financing for affordable housing projects. When the co-financing rate is high, municipalities are forced to allocate significant resources, limiting the number of projects they can support. Lowering the minimum co-financing rate would enable municipalities to take on more projects.

### Public debt

Local, national, and European regulations on public debt ceilings restrict cities' access to loans for affordable housing projects. When municipalities take out EIB loans (or any form of debt), it adds to their public debt, which is often limited by national legislation under the Stability and Growth Pact. However, if loans are taken by fiscally independent entities controlled by local governments, they do not count towards public debt, allowing for more flexibility regardless of the local government's economic and fiscal situation. While setting up independent housing agencies may not be feasible for all local governments, alternative solutions should be explored to ensure that investment in affordable housing is excluded from public debt limits.

### Obstacles pertaining to EIB's advisory and support services

Programs such as ELENA and the EIB Advisory Hub, which are designed to provide technical assistance, often impose a heavy administrative burden on beneficiaries and typically require projects to be at an advanced stage of development, creating a gap for cities in the early stages. Paradoxically, if projects are too advanced, they may risk ineligibility for these funding streams.

However, under the European Platform on Combatting Homelessness, the Council of Europe Development Bank (CEB) has successfully bridged this gap by providing individualised, long-term support to cities. By helping cities define their needs and explore how InvestEU and CEB loans can be combined with other funding sources, the CEB has demonstrated its value. This tailored approach, along with a dedicated working group, has already produced tangible results, with several projects either under review or receiving financial support.

This innovative form of support offers an interesting model that the EU should consider replicating and expanding beyond homelessness to address a broader range of urban challenges.

### Example of successful EIB loans

- Barcelona - In 2017, the European Investment Bank (EIB) approved a €125 million loan to Barcelona's Municipal Institute of Housing and Renovation (IMHAB) to support the construction of 2,198 new social rental housing units across 23 developments in eight districts. These projects aim to provide affordable housing options for low- and middle-income residents, with 585 units specifically designated for individuals over 65 with limited means. In 2021, the EIB further supported Barcelona's housing initiatives by signing an agreement to provide an additional €36.2 million for the construction of 489 energy-efficient social rental homes across 11 developments.

## Other European funds

In addition to Cohesion Policy funds and InvestEU, several other EU funding instruments provide indirect support to housing projects. **Horizon Europe** funds research and innovation in housing, including energy-efficient building technologies, smart housing, and climate-resilient urban development. The **Asylum, Migration and Integration Fund (AMIF)** supports temporary accommodation and integration housing for refugees and migrants, aiding local authorities and NGOs in providing shelter solutions. The **Single Market Programme**, through the Affordable Housing Initiative (AHI), promotes innovative, sustainable, and scalable renovation models for affordable housing districts, fostering collaboration between public and private actors.

### Example of projects successfully funded under Horizon Europe

- Budapest
  - ATELIER developed a Positive Energy District concept for a brownfield site. (€252,969)
  - ASCEND is piloting the net-zero refurbishment of an unused school building into 40-45 affordable housing units. (€460,625)
- Lodz – T-factor: The project focuses on the so-called ‘temporary places’ in the landscape of urban centres and the role of ‘temporary urbanism’ in the regeneration of urban spaces. (€8.5m)
- Vienna
  1. RENOBOOSTER: The project supports climate-compatible refurbishments of privately owned residential buildings. (1.9M€)
  2. SMARTER TOGETHER: The project aims to improve the quality of life for citizens by upgrading large-scale housing estates with sustainable energy, e-mobility, and digital solutions. (€7m)

### Example of projects successfully funded under Asylum Migration and Integration Fund

- Vienna – CONSOLIDATE: The project focuses on integration measures for asylum seekers and refugees, with a key emphasis on facilitating access to quality housing.

## Other EU initiatives to strengthen public investment in social and affordable housing

Over the years, Eurocities has actively supported its member cities in navigating challenges related to accessing EU funding for social and affordable housing, as part of a broader focus on strengthening public investment for essential services and social infrastructures, including social housing.

Eurocities has actively contributed to the [Action Plan](#) of the [Housing Partnership of the Urban Agenda for the EU](#), collaborating on policy recommendations to improve access to EU funding and

align state aid rules to better support social and affordable housing projects. Additionally, Eurocities has advocated for stronger recognition of housing as a key priority within the European Semester and for reforms to EU fiscal rules under the economic governance review<sup>2</sup>.

To ensure that EU funds, including the Social Climate Fund, effectively support local needs, it is essential that cities are meaningfully involved in the drafting of National Social Climate Plans (NSCPs) and other relevant funding strategies. [Eurocities](#) has consistently called for stronger recognition of the role of cities in shaping and implementing these plans, as local authorities are best placed to identify housing and energy poverty challenges and deliver targeted solutions.

## Upcoming opportunities and ambitions

Cities have a crucial role in ensuring that EU funds are used efficiently to tackle the housing crisis and related social challenges. Several opportunities could potentially open up to cities to secure resources for social and affordable housing, homelessness prevention, and essential public services:

- **Reallocation of RRF Funds:** There is an opportunity to reallocate unspent resources from National Recovery and Resilience Plans (NRRPs) into financial instruments, extending the potential for building and renovating social and affordable housing beyond 2026. Cities should advocate for national governments to facilitate this reallocation, directing the resources into the InvestEU Programme (up to 4%) and other financial instruments to ensure more sustainable financing for social housing projects.
- **Mid-term review of the Multiannual Financial Framework (MFF):** Cities must engage in the review process of cohesion funds to advocate for better access to financing and greater flexibility in using ERDF and ESF+ resources for housing and social-related investments.
- **European Affordable Housing Plan:** The EU's forthcoming European Affordable Housing Plan is an opportunity for cities to push for dedicated funding streams to social and affordable housing solutions and supportive regulatory frameworks tailored to local needs.
- **Anti-poverty strategy:** As the EU emphasises homelessness and essential services, this strategy offers opportunities for targeted funding, including Housing First programs and integrated local social services.
- **Upcoming Multiannual Financial Framework (MFF):** The next **MFF** will be critical in shaping the future of EU funding. Cities must actively engage to ensure housing is prioritised in future budgets, while also safeguarding funding for other urban needs. It is essential that cities have a say in defining housing investment priorities. Moreover, housing interventions should align with broader sustainable urban development strategies and adhere to urban planning laws (e.g., zoning) to avoid challenges such as urban sprawling and speculative investments.



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<sup>2</sup><https://eurocities.eu/wp-content/uploads/2022/10/Eurocities-statement-on-Long-Term-Investment-final-October-2022.pdf>