4 Housing and personal allowances

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4.1 Introduction: allowances at the interface of housing affordability and energy poverty

This chapter builds on the findings of the EqualHouse Energy Efficient Renovation Measures Review (D8.1), which details the close relationship between housing conditions, energy efficiency and affordability. The review shows that the costs and unintended consequences of renovation measures affect housing affordability, particularly for low-income and vulnerable groups. By examining housing affordability allowances alongside energy poverty allowances, this chapter extends that analysis and explores how these interconnected challenges might be addressed through more integrated and equitable housing and energy policies.

Housing affordability and energy poverty are strongly interconnected. High housing costs and low-quality, energy-inefficient buildings (which result in high energy costs) are prevalent problems across Europe, and combine to disproportionately impact low-income households. These households can spend a very large share of their income on housing and high energy bills. While housing market prices (ownership and rental) have been rising steeply and steadily, energy markets can experience quite sudden price shocks and volatility (e.g. in the wake of the Ukraine War), which can rapidly increase vulnerability and energy poverty. Such differences in market conditions, in combination with the general increase in housing and energy costs, present policymakers with considerable and growing challenges. As recently reported by Özdemir and Koukoufikis (2025), around 18.5% of EU households lack adequate insulation or heating systems to keep their homes comfortably warm, while rising construction costs, limited new housing supply, land price increases, and high

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interest rates reduce the availability of affordable housing. Between 2015 and 2024, EU house prices increased on average by 51.3%, with many low-income households, particularly in urban areas, spending over 40% of their income on housing.

Against this background, this chapter examines the arrangements used to overcome these challenges by promoting affordable housing and addressing energy poverty in the 27 European Union member states and the United Kingdom. Its particular focus is on housing and personal allowances. In general terms, housing and personal allowances are means-tested financial transfers paid to eligible households to reduce their net housing and energy costs. While often part of a country's social security system, increasingly specific allowances for housing and energy have emerged. Housing and personal allowances can help with affordability and alleviate energy poverty, but as demand-side measures they do not address structural issues in the housing and energy sectors related to rising prices nor do they address issues of supply. In the absence of more structural interventions to address long-standing issues of affordability and poverty, allowances remain a crucial policy tool. Ultimately, housing and energy allowances lie at the complex interface between housing policy, energy policy and social security. Shaping the entire context is advancing inequality in European societies, with intersecting crises of "cost of living" and local government budgets impacting specific parts of European populations, notably low-income households and those living in economically peripheral regions.

Housing affordability and energy poverty are growing issues in the EU, and both are linked to inequality in European societies. Definitions and methods for calculating housing affordability differ across countries. In Europe, affordability is commonly measured using the housing cost overburden rate: the share of people living in households where total housing expenses exceed 40% of disposable income, according to the Eurostat definition (EC 2019, 12). Affordable housing is commonly understood to include social housing, affordable rental options, and affordable homeownership opportunities. It is intended for eligible households whose needs are not met by the private market - typically those

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within the lowest three income quintiles (EC 2019, p. 12). Energy poverty is generally defined as the inability to secure adequate energy services at an affordable cost. In general terms, allowances are policies of social protection aimed at ensuring basic housing and energy needs are met (for more on housing, see Stephens, et al, 2002, p.24). Allowances are targeted financial transfers, subsidies, or entitlements provided to households to increase home ownership and rental affordability, or to ensure they can afford an essential minimum level of energy services -such as heating, cooling, lighting and power for basic appliances.

As a policy tool allowances have long been debated (e.g. Kemp, 2007) in terms of the relative merits of demand and supply-side subsidies. Proponents of demand-side subsidies, such as housing allowances, argue suggest that they have three in principle advantages over supply-side subsidies. First, that they provide more choice for consumers than social housing, which is often provided on a 'take-it-or-leave it' basis. In other words, housing allowances enable households to 'shop' for their preferred housing, and to make trade-offs between size of housing and its location, and between housing and non-housing consumption. Second, they allow government subsidies to be targeted to households that are in most need. This is because housing allowances are typically means-tested on the basis of household income and often on household assets (such as savings), too. In contrast, social housing provides a flat rate subsidy to all tenants, regardless of income. Whilst entry into social housing may be restricted by income, once a household is in, they can typically remain (at least in Europe - in the US and Australia tenants may lose their housing) even if their incomes subsequently rise. Third, because housing allowances are not tied to a particular property, they are portable, which enhances tenant mobility. In contrast, supply-side subsidies are attached to a particular property, and tenants often face bureaucratic procedures and rationing devises should they wish to move within the social housing stock.

The principal counter-arguments against housing allowances (and hence in favour of supply-side subsidies) are as follows. First, housing allowances may lead

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to higher rents, rather than additional supply (OECD, 2021, p. 33). In this eventuality, the landlord is the effective beneficiary of the subsidy rather than the tenant. Of course, the extent to which this occurs depends on the context, in particular supply responsiveness, and measures can be introduced to limit the capitalisation effect. Second, because housing allowances are means-tested, they are withdrawn should household income rise, often at high rates. These high rates of withdrawal may amount to a high marginal tax rate and act as a disincentive to take employment (an 'unemployment trap') or increasing hours worked (a 'poverty trap'). However, Kemp (2007) notes that there is little evidence to suggest that household behaviour is affected in this way. Third, housing allowances may lead to 'upmarketing'-an unnecessary over-consumption of housing, which may be a source of waste. Kemp (2007) suggests that minimum contributions from the tenant can help to counter this effect - but logically the contribution would need to be a proportion of the total rent, or a proportion over a certain amount to create an incentive. Fourth, not all eligible households actually receive housing allowances. However, in Europe, housing allowance programmes are typically 'entitlement' programmes, so not restricted in this way.

In reality the arguments are closer than is often presented: Galster calls for pragmatism; Yates and Whitehead for 'greater agnosticism' (1998, p. 422). Galster (1997, p.575) argued that: 'no single policy, demand-side or supply-side, represents the pre-eminent means for attaining all possible programmatic goals.' Yates and Whitehead (1998) also recognised that context is vital in determining optimal design, suggesting that if a wider range of goals, but that supply-side subsidies might be superior in tacking both externalities associated with derelict sites requiring regeneration and merit good objectives (such as minimum housing standards) (see also Stephens and Gibb, 2024). Indeed, in reality, demand- and supply-side subsidies are often blended. For example, housing allowances have often been used to widen access to social rented housing. In origin social rented housing was aimed at organised labour, rather than the poorest, which could not afford even subsidised rents (Kemp, 2007). Hence housing allowances were needed to extend access to poorer households.

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The purpose of the chapter is to provide an overview of the current policy situation in relation to housing and energy poverty allowances in the 28 countries studied. The chapter is not exhaustive in its detail and scope, given limits on time and means to conduct original research. Reliant on existing academic and policy information available in English, the section on energy poverty is in particular limited by the complexity of the policy field and the significant changes, which have occurred in response to the price shocks resulting from the Ukraine War in 2022 and after.

The findings presented here are the outcome of an analysis of the following sources: academic literature on housing and personal allowances addressing affordability and energy poverty, published policy information in the 28 countries and secondary data, such as official statistics (e.g. OECD, EU), and engagement with members of the European Community for Housing Equality (ECHE), an online network of housing policymakers, practitioners, and end users created to support the EqualHouse research on housing inequality and potential policy responses.

The chapter has the following structure. Section 2 examines housing allowances, section 3 looks at allowances to assist with affordability of homeownership and rent, section 4 addresses allowances to tackle energy poverty and section 5 provides some preliminary insights based on the research.

4.2 Housing Allowances

This chapter explores the role of housing allowances. It addresses, in order, the aims of housing allowance schemes, the prevalence of housing allowances in Europe, their design and patterns of impact.

4.2.1 Aims

Housing allowances have been defined as "... income-related subsidies tide to housing that are paid to consumers (or directly to landlords on their behalf)" (Kemp, 2007, p.1) and as "a means-tested income transfer designed to lower housing costs..." (Stephens, et al, 2010, p.56). National housing allowance schemes

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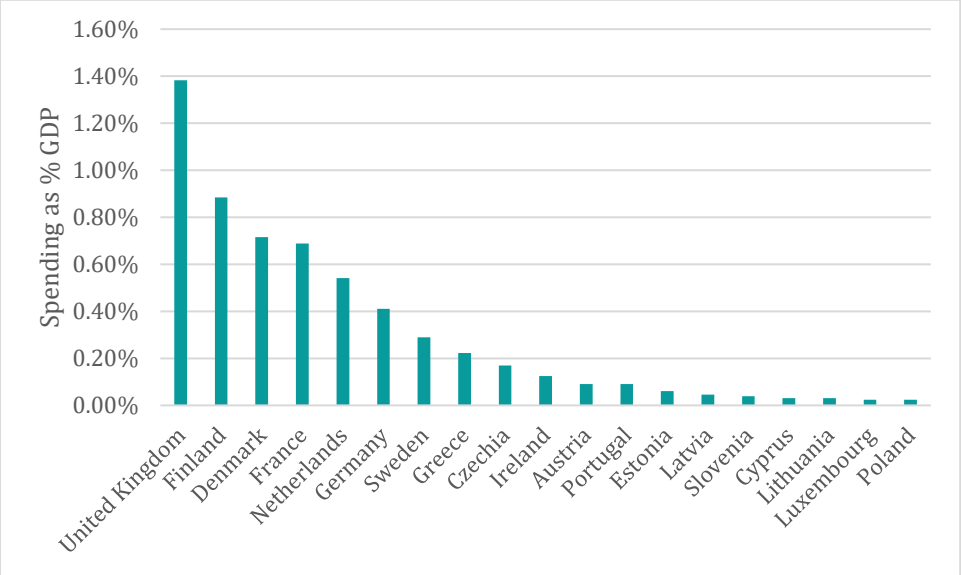
"are a relatively recent feature of housing and social security systems" (Stephens, et al, 2010, p. 56) and have been associated with the shift from supply-side to demand-side subsidies. Although this trend can be traced back to the 1970s and 1980s in countries such as the Netherlands and UK, the OECD notes that this trend has accelerated since the Global Financial Crisis, with direct public investment in buildings having "plummeted" (to less than 0.01% of GDP in 2018) whilst overall public investment in housing has fallen to less than 0.1 per cent of GDP (OECD, 2021, p. 58).

Writing in 2007, Kemp (2007p.1) suggested that housing allowances had become "perhaps the most common form of demand-side assistance [for housing]" (Kemp, 2007, p. 1). The OECD found that demand-side assistance had grown from 0.26 per cent of GDP in 2001 to 0.31 per cent in 2017 (OECD, 2021, p. 58).

Figure 4.1: Public spending on housing allowances (2022, or most recent, % GDP)



Source: OECD Questionnaire on Affordable and Social Housing (2019, 2021, 2023)

However, the prevalence of housing allowances varies considerably between countries. Based on government expenditure, they are most extensive in some north-west European countries, accounting for between 0.5 per cent and 1 percent of GDP in Finland, Denmark, France and the Netherlands, and as high as

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1.4 per cent in the UK (OECD, 2024, Figure PH3.1.1). However, in many southern and central/ eastern European countries, such as Portugal, the Baltic states and Slovenia expenditure is less than 0.1 per cent of GDP, and as low as 0.02 per cent in Poland (ibid). The marginal role of housing allowances in many southern and central/ eastern European countries frequently coincides with high levels of homeownership, often arising from traditions of self-build and "giveaway" privatisation (or both) (Kemp, 2007; Lux, 2007).

- Housing allowances lie at the interface between housing policy and social security policy, and schemes are structured to address-to a greater or lesser extent-two objectives that reflect this hybridity
- "To improve the affordability of housing, [and]
- "To provide a safety net that prevents post-housing cost incomes falling below a certain level." (Stephens, et al, 2002, p. 24).

Kemp (2007, p. 5) characterises the first of these as being a "housing policy function" and the second as a "Social Security function." Both objectives also allow housing consumption to be raised to allow for a minimum size and quality of housing to be consumed by households unable to afford these unaided. Sometimes, these functions are reflected in the housing allowance itself; other systems "the housing allowance system is used to secure the first objective, whilst the social assistance system is relief on to meet the second objective" (Stephens, et al 2002, p. 24).

Beyond these narrow aims, the introduction and growth of housing allowances reflects more fundamental housing strategies. Historically, supply-side subsidies (such as capital grants, sub-market loans or, less commonly, revenue subsidies to providers) have been used to increase the supply of social housing, priced at below market levels and rationed (allocated) by administrative devises such as waiting lists, often with reference to housing need and income. Supply-side subsidies are also known as "bricks and mortar" subsidies and are considered in detail in chapter two (Finance). The growth of housing allowances in some west European countries, particularly since the 1970s and 1980s, has allowed the scale

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of state supply-side subsidy to be reduced. Kemp (2000) identified four housing strategies that such shifts from supply to demand-side subsidies reflect:

- A change in attitudes towards the best ways to provide housing assistance, with greater emphasis now being placed on market-like mechanisms rather than direct provision;
- To provide greater choice for recipients, to allow them to choose housing, rather than take what is offered to them;
- A shift away from treating housing affordability as a housing problem and towards treating it as being an income problem; and
- To better target subsidy on people in the greatest need, rather than rely on "indiscriminate" subsidies that do not adjust to changes in income, as is implied by social housing.

The deployment of housing allowances to facilitate these shifts can be seen as an attempt to commodify or recommodify housing, or as an example of "neoliberalism" (Kemp, 2007), and part of a wider change in housing systems reflected in the deregulation of mortgage markets. Housing allowances have been used to facilitate rent deregulation in the privately rented sector, the social rented sector, or both. The Finnish government abolished rent controls in 1991 "to bring more rental apartments into the market in reaction to the economic and housing market crisis" (OECD, 2021, p. 87). However, housing allowances provided "very strong housing support to vulnerable households" (ibid.) resulting in high expenditure in this area. A similar strategy was deployed in the UK to facilitate first the rise in social rents (to allow tighter targeting of subsidies) in the 1980s and then the deregulation of private rents after 1989 which facilitated the growth in the sector, again resulting in a high housing allowance bill (Stephens, 2024). Haffner (2019) also identifies the removal or reduction in rent controls as being a motivation for the introduction of housing allowances in both Germany and the Netherlands, and to which we may add Portugal (Stephens, et al, 2010). In Sweden, housing allowances were used "to keep housing affordable in any situation of housing scarcity" (Haffner, 2019, p. 104). However, Hegedüs and Teller (2005, p. 203) argued that their introduction in formerly socialist countries were "a response to the affordability hardships caused by transition and had nothing to

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do with the trends in developed countries" (quoted by Kemp, 2007, p. 5) However, if we go back further, forms of housing allowance were used to widen access to social and affordable housing, which, although priced below market levels, was nonetheless still unaffordable to the lowest income households (Stephens, 2024).

4.2.2 Prevalence across European Countries

The OECD provides an inventory of information on housing allowances across advanced economies, including Europe and the UK. These are the countries covered in this sub-section.

The data is collected in the Questionnaire on Affordable and Social Housing (QuASH), most recently for 2023. Whilst the inventory seeks to standardise information, it should nonetheless be treated with some caution. Housing allowances are complex and their interface with the wider social assistance system can be complex. It appears that housing cost assistance provided through mainstream social assistance income support mechanisms rather than a bespoke housing allowance mechanism may not always be recorded by QuASH. Nonetheless, with the caveat in mind, it provides the most complete information available. In analysing QuASH returns we have *excluded* schemes that are directed solely at providing assistance with energy costs. It should also be noted that many countries operate more than one housing allowance scheme.

Administration of housing allowances

Europe and the UK operate housing allowance systems (Table 4.1). Fifteen countries operate schemes at the national/ federal level, including France, Italy and the UK's main housing allowance scheme. Eight countries, including Denmark, Hungary and Poland operate schemes at the municipal level. Austria, Belgium and Italy operate regional/ state-level schemes, whilst Germany, Ireland and Spain operate schemes that straddle administrative levels. Whilst identified as being local/ municipal schemes, the Hungarian housing allowance schemes

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are regulated at the national level, as does the Italian regional scheme (OECD, Table PH.3.2.2).

Table 4.1: Provision of housing allowances by administrative level

Administration level	Countries	No. countries
National/ Federal	BG, CY, CZ, FI, FR, EL, IE, IT, LU, NL, PT, RO, SK, SE, UK	15
Regional/ State	AT, BE, IT	3
Municipal/ Local	HR, DK, EE, HU, LV, LT, PL, UK	8
Shared	DE, IE, ES	3
	Total	29

Notes: (a) total > 28 due to UK operating a national and a local scheme, and Italy operating a national and regional scheme; (b) excludes heating/ utilities only schemes.

Source: Analysis of OECD Questionnaire on Affordable and Social Housing (QuASH 2023, 2021, 2019 and 2016)

There does appear to be some relationship between the administration of housing allowances (Table 4.1) and the level of expenditure on them (Figure 4.1). Four of the five biggest spenders on housing allowances operate national/ federal schemes (and it is questionable whether the fifth, Denmark's, should be classified as municipal.) Four of the five next largest spending countries also operate national schemes and in the fifth (Germany) the responsibility is shared between different tiers of government.

Coverage of housing allowances

This sub-section covers 26 of the 27 Europe (data for Croatia is missing) plus the UK, a total of 27. Every country in this sample, apart from Bulgaria, has a housing allowance scheme that is available to private renters (Table 4.2a). Around seven in ten of these countries provide housing allowances for social renters, whilst just under half of them has a scheme for homeowners.

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Table 4.2: Coverage of housing allowances

a) By tenure

Tenure	Countries	No. countries
Home Ownership	AT, CY, CZ, DK, EE, FR, DE, HU, IT, LV, RO, SK, SE	13
Social Rent	AT, BE, BG, CY, CZ, DK, EE, FI, FR, DE, HU, LV, NL, PL, RO, SK, SI, SE(b), UK	19
Private Rent	AT, BE, CY, CZ, DK, EE, FI, FR, DE, EL, HU, IE, IT, LV, LT, LU, MT, NL, PL, PT, RO, SK, SI, ES, SE, UK	26

Notes: (a) HR/ Croatia: no information; (b) Municipal housing (Sweden does not have a social rented sector); (c) excludes schemes directed solely at energy

b) By tenure combination

Coverage	Countries	No. countries
All tenures	AT, CY, CZ, DK, EE, FI, FR, DE, HU, LV, RO, SK, SE	13
Rental only (i.e. both Social and Private Rent)	BE, NL, PL, SI, UK	5
Private Rent only	EL, IE, IT, LT, LU, MT, PT, ES	8
Social Rent only	BG	1
	Total	27

Note: (a) HR/ Croatia: no information, (b) excludes schemes directed solely at energy

Source: Analysis of OECD Questionnaire on Affordable and Social Housing

Around half (13) countries in his sample operate housing allowance systems that cover all three main tenures (home ownership, social rent and private rent) (Table 4.2b). This observation does not in itself mean that they operate tenure neutral systems of support. Support for homeowners may be delivered in a different housing allowance scheme or the rules may differ within the same scheme. There is no obvious link with tenure patterns in this group. It includes Austria and Germany with the lowest rates of homeownership in the EU, and Latvia and Estonia with some of the highest. The third Baltic state, Lithuania, which also has a very high homeownership rate does not have a housing allowance scheme for homeowners.

Five countries operate housing allowance schemes for both private and social tenants, but not for homeowners. These include the Netherlands and the UK with two of the largest social rental sectors, but also countries such as Slovenia with small ones. Housing allowances in eight countries are available only to private tenants. These include Greece, Spain Italy and Ireland. There is some prevalence

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of southern European countries in this group, but again this does not seem to be linked to tenure structure. Bulgaria alone offers a housing allowance only to social renters.

Age and housing allowances

The QuASH survey identifies Denmark, Finland and Sweden as each operate specific housing allowance schemes for pensioners, although pensioners often make up a large proportion of the recipients of notionally age-neutral systems (e.g. Germany).

The availability of housing allowances to young people also reflects the design of the wider social security system as well as policy and cultural attitudes to the transition of young people to full independence. A report by Stephens and Blenkinsopp (2015) examined the social security arrangements for young people in six countries (Denmark, Sweden, Germany, the UK, Australia and the US) and (in relation to the European countries), that:

- Sweden supports the transition of young people to independent living through its housing allowance. Since 1996 it has been available to childless young people up to the age of 29, whilst being withdrawn from older childless households. This is identified as being an “independence-supporting approach”. Denmark has also made it easier for younger people by extending support to people aged under 30 in high-cost areas.

- Germany adopts a pragmatic approach, expecting young people normally to live with their parents until they are 25. If someone under 25 leaves their parental home without good reason, they receive social security at stay-at-home rates and are not eligible for housing assistance. If they leave home with good reason, then they are eligible for social security at the full rate and for housing assistance.

- The UK incentivises young people to stay at their parental home. Rates of social security are lower for under-25s and this feeds through into lower entitlement for housing allowances. Moreover, young people aged under 35 are eligible for housing allowance based on rents of shared accommodation. No account is taken of the reasons why a younger person does not live with their parents. (Stephens and Blenkinsopp, 2025, p. 40)

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4.2.3 Design

Housing allowances are “relatively complicated policy instruments” (Kemp 2007, p. 6) and decisions relating to their design,

“[a]re not merely technical matters, but may crucially affect who is eligible to apply for [them], how much money they are entitled to and on what terms or conditions they may receive it” (Kemp, 2007, p. 6).

In contrast to the US voucher programme, European housing allowance schemes are almost always “entitlement” based-i.e. if a household qualifies then they are entitled to payment, whereas in the US the programme is cash-limited and therefore subject to rationing. According to the OECD, only Belgium, Lithuania and Spain have no housing allowance scheme that is entitlement based (QuASH/ Table 3.2.2).

Payments are almost always made to the household, with only a few instances (France, Ireland, Slovenia, UK) where payments either are or sometimes may be made to the landlord (ibid.). Housing allowance schemes are almost always means-tested, i.e. adjusted according to the resources available to a household. These include income, but also sometimes assets such as savings or property. Resources are balanced against housing costs, which may be ‘actual’ (up to a limit) or notional (a standard allowance). As noted above, some schemes include homeowners’ costs.

The housing allowance is usually calculated using the ‘housing gap’ approach, where entitlement where entitlement is a percentage of the difference between eligible housing expenditure and a minimum contribution to housing costs paid by the household:

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$$HA = a(H - bY)$$

Where:

HA = housing allowance entitlement
a = a fraction that is usually <1
H = eligible housing costs
b = household contribution rate
Y = assessed income

(Kemp, 2007)

We provide three **policy snapshots** from Czechia, the UK and the Netherlands. All three systems have faced affordability constraints. Each system is reflective of wider social security system design and the housing system, including tenure patterns. Poverty levels are also relevant, and partly account for the high cost of the British system.

Policy snapshot 4.1: Housing Allowances in Czechia

Czechia operates a dual system of housing allowances, with housing benefit providing a "wider affordability" function by limiting the housing cost burden to 30 per cent of income, whilst a housing supplement acts as a "safety net" to protect incomes after housing costs falling below a minimum level. These benefits are being merged into a "superbenefit" with the objective of targeting assistance on lower income households (to limit costs) and to increase take-up (to improve effectiveness).

Policy snapshot 4.2: The British Housing Benefit scheme

The British Housing Benefit scheme, now largely absorbed into Universal Credit, is probably the most extensive because there is no allowance for housing costs in baseline social security benefits, so the whole of the rent may be met by it. It has been used to revive private renting and to leverage more private finance into social rented capital spending. However, its growing costs have led to cuts that undermine its "safety net" function, mainly through caps and decoupling the benefit from contractual rents.

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Policy Snapshot 4.3: Dutch housing policy analysis

The Dutch system of housing allowances is predicated on a fixed amount being paid by all households (and is included in baseline social security benefits). As rents rise above this level, the whole of the next tranche of rent is eligible for assistance. Thereafter the proportion of rent eligible for assistance diminishes and eventually becomes zero. Over a higher threshold, eligibility ends altogether. The system was subject to some cuts after the financial crisis.

4.2.4 Impact

In this section we examine the impact of housing allowances.

Receipt by income group

Housing allowances are typically means-tested, so we would expect their prevalence to be greatest among lower income households. However, the extent to which they are targeted on the lowest income households varies according to several criteria including (eligible) housing costs and the design of the schemes themselves such as the “taper” (rate at which support is reduced as incomes rise).

Figure 4.2 shows the proportion of households in receipt of housing allowances in the seven countries with the largest proportionate expenditures (varying from 1.4% of GDP in the UK to 0.29% in Sweden-see Figure 4.1).

The figures are based on OECD analysis of EU-SILC and the UK Understanding Society survey. Survey results can be inaccurate when sub-samples are small. Moreover, it is not clear whether housing assistance delivered through social assistance, rather than housing allowance, is treated consistently so the figures should be treated with some caution.

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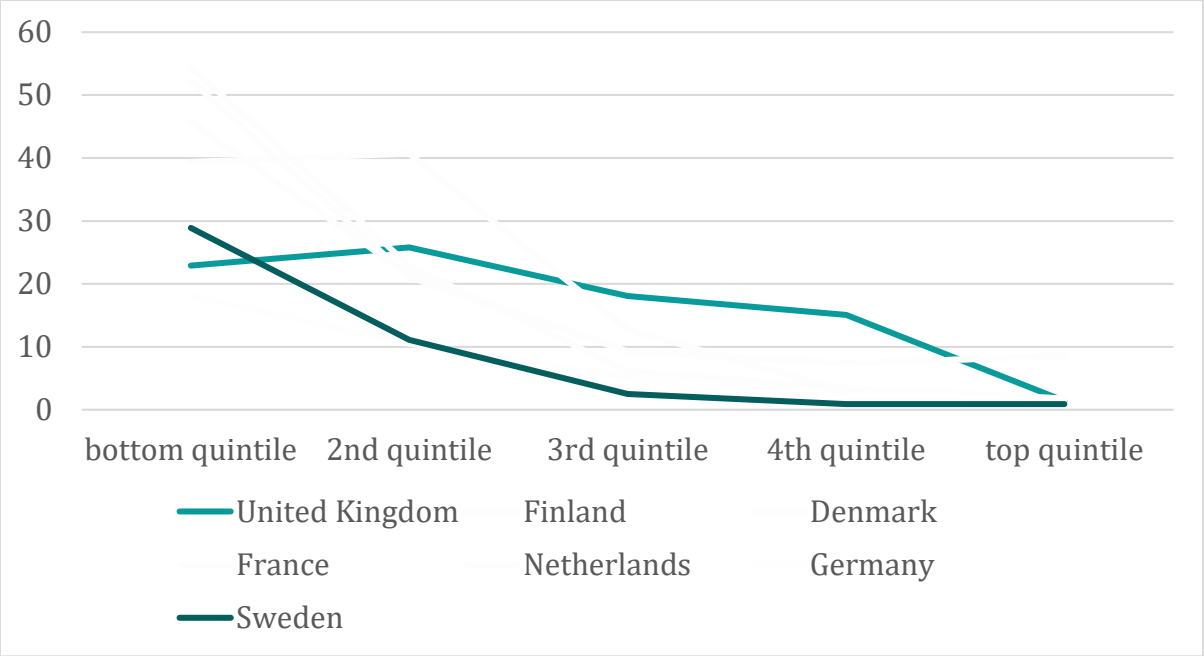
Figure 4.2: Percentage of households in receipt of housing allowances by income quintile



Note: 2022, except UK = 2021

Source: OECD analysis of EU-SILC and Understanding Society/ OECD (2024) Affordable Housing Database - indicator PH3.3.

In Finland and the France more than half of households in the bottom income quintile received housing allowances in 2022, while 46 per cent did in the Netherlands. The lowest proportion is recorded in Germany (18%), but this may undercount by excluding households receiving housing assistance through social assistance rather than housing allowance. (In Germany working-age households are excluded from the housing allowance and most housing assistance is delivered through social assistance.)

Denmark exhibits the largest share of households in receipt of housing allowances in the second lowest income quintile-41 per cent. More than one-quarter of this quintile are in receipt of housing allowances in the UK and more than one-fifth in Finland, France and the Netherlands.

Fewer than one-in-ten households receive housing allowances in the third quintile, apart from in Denmark (13%) and the UK (18%). In the fourth quintile, the proportions of households in receipt of housing allowances falls below 10 per cent

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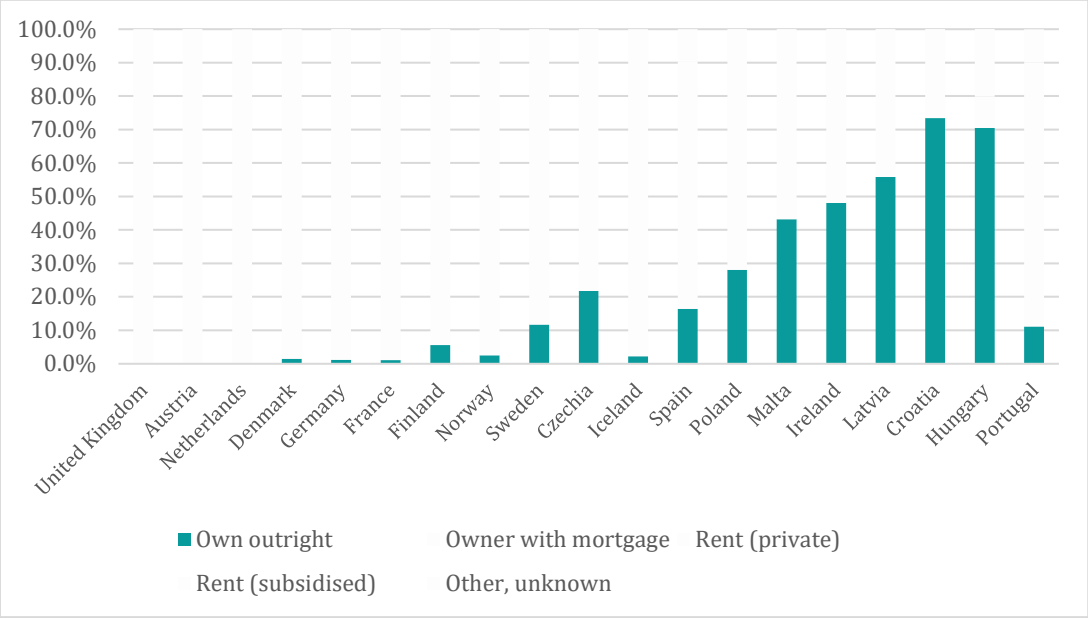
apart from in the UK (15%), and below 5 per cent, except in France and the Netherlands (both 7%) (and the UK). Receipt is below two per cent in the top income quintile, apart from in France and the Netherlands where it is 8.5 per cent (in both countries).

Tenure distribution of housing allowances

Housing allowance distribution varies greatly by tenure (Figure 4.3). In the countries with the largest expenditures on housing allowances (see Figure 4.1) support is almost exclusively focussed on tenant households. In the UK, the Netherlands, France and Finland this support is mostly (and the in the Netherlands almost wholly) targeted on subsidised (i.e. social) tenant households. Private tenant households are the sole recipients in Denmark, and the dominant ones in Germany, Austria, Sweden and Czechia. However, this reflects the classification of social housing as "market" rental in EU-SILC in Denmark and Sweden's treatment of municipal rental housing as "market".

Figure 4.3: Tenure structure of low-income households receiving housing allowances (2022 or most recent)



Note: (a) Low-income = bottom quintile (household disposable income, equivalised), (b) the chart shows the % of recipients of housing allowances who are in each tenure (*not* the % of households in each tenure who receive housing allowances)

Source: OECD (2024), OECD Affordable Housing Database - indicator PH3.3. Recipients and payment rates of housing allowance

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Countries with lower expenditures on housing allowances in central/ eastern Europe display quite different tenure patterns of housing allowance receipt. Particularly in Hungary, Croatia and Latvia outright homeowner households are the most common or even dominant tenure in receipt of support. Ireland is unusual for a western European country to record majority support for homeowners (predominantly outright, but also mortgaged). These tenure patterns reflect the larger size of homeownership in southern and eastern Europe and the priority accorded to this tenure. Portugal is the only country where mortgaged homeowner households are the dominant type of recipient.

Impact on income

Figure 4 estimates the average value of housing allowances for households at the 10th and 50th percentile of wage distribution, expressed as share of the gross wage at the 10th and 50th percentile of the gross wage distribution. The value of housing allowance is based on an assumed rent of 20 per cent of the average wage. The calculation is based on simulations by the OECD using its tax-benefit model. This has the obvious limitation that it is hypothetical.

Noting this limitation, it suggests that the largest impact of housing allowances on household income for households in at the 10th percentile is in Lithuania (36.5%) followed by Ireland (27%) and Spain (21%), with an EU average of 10 per cent. It suggests smaller impacts in some of the countries with the largest expenditures on housing allowances (UK at 14 per cent, Finland at 9% and Denmark at 8%).

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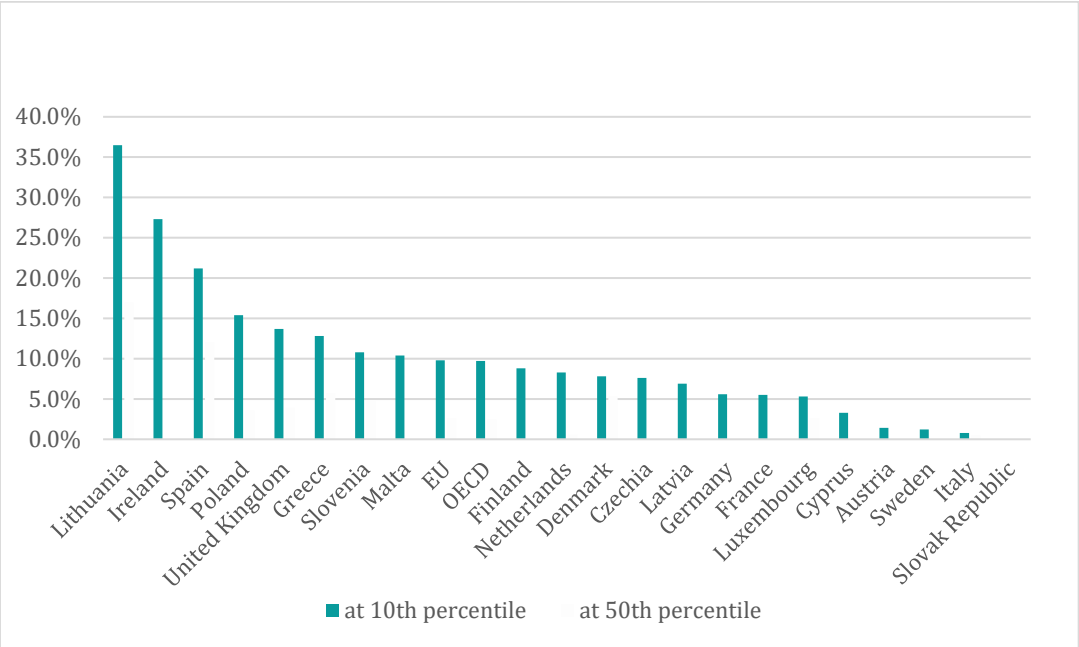
Figure 4.4: Housing allowance as percentage of household earnings (2022)



Source: OECD tax-benefit models http://www.oecd.org/social/benefits-and-wages.htm/ OECD (2024), OECD Affordable Housing Database - indicator PH3.3

As one would expect impacts at the 50th percentile are smaller-other things being equal, entitlement will fall as incomes rise. In calculating a percentage, the numerator (gross value of housing allowance received) has fallen while the denominator (the wage) has risen. In the vast majority of countries the impact at this income level is very small or zero, but it is as high as 17 per cent in Lithuania and 12 per cent in Spain.

Affordability

It would be straightforward to calculate the impact of identified housing allowances on affordability ratios or poverty after housing costs using household surveys such as EU-SILC. These would replicate limitations concerning the identification of housing assistance through social assistance rather than housing allowances discussed above, along with possible lack of representativeness of some sub-samples. Therefore, it is surprising that there are not more readily available statistics published demonstrating these effects.

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The EU Study on Housing Exclusion (Stephens, et al, 2010) did provide some analysis for six countries[1], which are not replicated here as they are now dated. However, the *EU Study* makes some important points.

One is that housing allowances have a clear measurable impact on affordability, at least on a static calculation. In affordability ratios this impact is clearly greatest when the value of housing allowances is deducted from housing costs rather than added to income, as this hypothetical example shows:

Income: €100
Rent: €50
Affordability ratio: 50%
Housing allowance: €20
Affordability ratio: 42% (50/ 120 * 100)
(adding HA to income)
Affordability ratio: 30% ((50-20)/ 100* 100)
(deducting HA from rent)
Net income before HA: €50
Net income after HA: €70

In principle, the deduction from rent is preferable as it is comparable to the effect of below market rents in social housing. (We do not add the value of the bricks and mortar subsidy to income.) However, inconsistency is unavoidable in systems where housing assistance is delivered through social assistance and not identifiable separately.

This dilemma is reduced when calculating poverty rates after housing costs. This calculation is unaffected by the choice of adding housing allowance to income deducting it from rent. The EU Study concluded that:

"As expected housing allowances have a clear and direct impact on housing affordability. They reduce poverty rates (after gross housing costs) in all countries other than Portugal by between 1 and 1.5 percentage points. The impact is greatest in the social rented housing in the Netherlands (4.8 pp) and the UK (7.7

[1] Germany, Hungary, Portugal, the Netherlands, Sweden and the UK

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pp). This suggests that housing allowances are most effective when combined with social rented housing.

"Housing allowances reduced the proportions with housing expenditure exceeding the 40 per cent affordability threshold by between 3-5.5 pp in Sweden, the Netherlands and the UK. Again these reductions were larger in the (social) rental tenures with reductions of between nine percentage points in Sweden and 27 pp in the UK.

"Housing allowances are also clearly targeted on the poor in the Netherlands, Sweden and the UK. In the Netherlands the proportion of the poor exceeding the 40 per cent threshold fell by 14 pp and in the UK and Sweden by more than 20 pp. Among poor social renters in the UK it falls by 45 pp. These are clear and demonstrable impacts (Stephens, et al, 2010, p. 118).

Whilst these findings are based on outdated statistics, they do demonstrate the potential for housing allowances to make an impact on affordability, notably when combined with social rented housing. Again, this suggests that the demand-side versus supply-side subsidy debate requires refinement.

4.2.5 Conclusion

This section has demonstrated that whilst all countries operate some form of housing allowance, the expenditure on them varies greatly.

Their design varies, with the emphasis on performing a "safety net" or "wider affordability" role varying in extent. Sometimes these roles are played by separate housing allowance schemes, or by the housing allowance scheme being supplemented by support through social assistance.

Housing allowances can have a large measurable impact on affordability and on poverty rates after housing costs. However, they also bring the potential to inflate uncontrolled rents, to encourage "upmarketing" and to create work disincentives. However, there is generally a lack of clear evidence on these problems which can also be mitigated.

Housing allowances have become more significant as supply-side subsidies have been reduced in many countries. There is a strong debate about the relative

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merits of these subsidy types, but this review also suggests that the divide is not so clear cut: housing allowances have been used to widen access to social housing and to help to lever private finance into social housing investment. There is also evidence that suggests that housing allowance impact on affordability and poverty is greatest when combined with social housing.

Policy Box 4.1: The Czech system of housing allowances

Czechia operates two housing allowance schemes: Housing benefit and Housing supplement. It is proposed to merge housing allowances into a single "superbenefit".

Housing benefit

Housing benefit is a social assistance benefit which is "calculated in such a way that the household is left with a certain amount of money for living expenses" (Preuss, 2025). Both renters (including sub-tenants) and owners are eligible. It is calculated using actual housing costs (including services and utilities), up to a ceiling based on average housing costs (adjusted for region and household type), and household income.
Housing benefit is calculated on the basis that households are expected to devote 30 per cent of their income to their housing costs, but housing benefit will then cover housing costs up to the ceiling: HB = EHC - (HY * 0.3)
Where:
HB = housing benefit
EHC = eligible housing costs
HY = household income

The benefit is normally paid monthly in arrears (quarterly if less than CZK 100/ ~€4). Although 215,000 households received housing benefit in 2023, this represented a take-up rate of only 25 per cent (Iniciativa Nájemníku a nájemnic [Tenant Initiative], 2025). The formula prevents more than a certain proportion (30%) of net household income from being spent on housing (subject to the upper limit on eligible housing costs). However, this does not guarantee that the remaining (residual) income is sufficient to meet all essential non-housing needs.

Housing Supplement

The housing supplement seeks to fill this gap. The housing supplement is "a basic benefit which, together with the person's own income and the housing allowance provided by the State social assistance system, contributes to covering eligible housing costs" (Czech Government, 2025).The housing supplement is calculated to ensure that household income after housing and related costs is sufficient to meet subsistence needs-so it is a residual income system.Income is calculated at the household level, and eligible housing costs

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are actual housing costs up to a limit determined regionally. They include rent, services directly linked to the dwelling and necessary energy consumption.
The formula is:

HS = EHC - (HY + SA) - HB

Where:

HS = housing supplement
EHC = eligible housing costs
HY = household income
SA = social assistance
HB = housing benefit

The formula prevents income after housing costs falling below the social assistance rate, subject to the proviso that eligible housing costs are subject to a ceiling.

Reform

The numbers of households receiving housing benefit and housing supplement and their cost rose rapidly 2009-2016 (Král and Matejíček, 2021), before falling back slightly. Energy costs have subsequently increased costs. In 2025 legislation was passed to merge four social security benefits into a single "superbenefit" (ČTK, 2025). The benefits are for subsistence, the child allowance, a bonus for working or seeking work, and housing. As with housing benefit, the new benefit will provide support for households whose housing costs exceed 30 per cent of their income. The new system is intended to simplify the system, to target it on those in most need, and incentivise work. It is intended to reduce eligibility from 29 per cent of the population to just over one-fifth (22%). However, it is also intended to increase take-up: only 8 per cent of the population actually received benefits, implying a take-up rate of 27.5 per cent. The new scheme is due to be started in October 2025 and reviewed after about six months.

Statistics

Czech households by housing benefit (Příspěvek na bydleni) entitlement (thousands)

Receives housing allowance	Entitled to housing >CZK 1,000	Entitled to housing>CZK 1,000	but doesn't receive it
All households	160	430	360
Senior households	40	240	140
Families with children	70	50	100
Other households	50	140	130

Source: Platforma pro sociální bydlení [Platform for Social Housing]

Klusáček (2021) Kdo (ne)čerpá příspěvky na bydlení [Who (doesn't) receive housing benefits], Statistika & My [Statistcis and Us], 21 June https://statistikaamy.csu.gov.cz/kdo-necerpa-prispevky-na-bydleni

Share of households entitled to housing allowance higher than CZK 1,000/month that receive the allowance: Senior households: 14%, Families with children: 58%, Other households:26%:Source: Klusáček (2021).

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Policy Box 4.2: The British system of housing allowances

Dating back to the 1930s, the British social assistance system has provided a safety net to protect incomes after rent from falling below social assistance minima. This system was continued after the 1945 when the "modern" welfare state was created. There is no allowance for housing costs in mainstream social assistance benefits, so claimants may have 100 per cent of their rent met. Otherwise, housing policy-the expansion of social rented housing and private sector rent controls-was intended to promote affordability. A Housing Benefit system was introduced in 1972/73, in addition to the protection provided by social assistance. It was intended to promote affordability as social rents were reformed.

In 1988, a single Housing Benefit system replaced these schemes. Although available to households in work as well as out of work, it was targeted lower down the income spectrum. It was intended to protect lower income households as private sector rents were deregulated, council rents were increased and housing associations (dependent on high levels of private finance) expanded.

The 1988 system worked on the basis of protecting post-rent incomes from falling below personal allowance rates in social assistance: HB = 100% EHC-(0.65(NHY-SA))

Where:

HB = Housing Benefit
EHC = Eligible housing costs
NHY = net household income
SA = social assistance allowance

The formula has three important properties:

The most notable feature of the system is that when net income (income after tax and social insurance payments) is no higher than the allowance in social assistance, then Housing Benefit meets the whole of the eligible rent. When introduced the eligible rent was normally the actual/ contractual rent.

For every £1 that net income rises, HB is reduced by £0.65-a steep "taper" of 65%.

For every £1 that rent rises, HB rises by £1. In other words HB meets 100% of housing costs at the margin.

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The priority is therefore to protect incomes, potentially at the cost of a disincentive to increase income ("poverty trap") and little incentive to "shop" for more affordable housing. In reality, there was little evidence of these apparent incentives having these effects. Nonetheless, in 2008, private tenants' eligible rent ceased to be their contractual rent, but instead was based on a 'local housing allowance' set at the median rent for property within a 'broad housing market area'.

The cost of HB rose as social rents rose and the private rented sector grew, leading the government to seek to contain costs, particularly after 2010. The main restrictions were:

- The eligible rent for private tenants was reduced from the median rent to the 30th percentile. Moreover, this has been subject to freezes and other measures that have tended to decouple the eligible rent from the contractual rent.
- Social tenants' eligible rent is now reduced (in England and Wales) where they are judged to have a spare bedroom, hence its nickname, the "bedroom tax".
- A further "backdoor" restriction arises from the "benefits cap" which limits the total amount of social security that a non-working working age household can receive. When its notional entitlement exceeds this amount it is clawed back by reducing housing support.

The government introduced a system of Discretionary Housing Payments, operated by English local authorities and the Welsh and Scottish governments, to assist tenants experiencing hardship.

Between 2013 and 2019 the government reformed the social security system by combining six working-age benefits into a single Universal Credit. This included **Housing Benefit.** Under Universal Credit, housing assistance is provided in much the same way as under HB. However, the taper (rate at which the benefit is withdrawn as income rises) is lower-at 55 per cent. It should also be noted that HB/UC is less generous towards younger people. Personal allowances under HB/UC are lower for people aged under 25, and this feeds through into the amount of housing assistance that is provided. Moreover, single people aged under 35 are entitled only to housing assistance based on the cost of shared accommodation ("shared accommodation rate").

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4.2.6 Policy issues

The British system of housing allowances registers as being the most expensive internationally (see Figure 4.1). This is something of an exaggeration because the statistics collected by OECD appear to exclude housing support delivered through social assistance systems (as opposed to named “housing allowances”) in other countries.

Nonetheless, the UK appears to be an outlier in terms of the cost of its housing allowance. This can be attributed to the absence of any support for housing costs in mainstream social assistance benefits and the UK’s relatively high levels of income poverty. Despite a relatively large social rented sector, some 60 per cent of social tenants nonetheless receive housing allowances. The government did order social landlords to reduce their rents (in England) over several years, but this had the effect of limiting social landlords’ ability to invest in existing and new stock. Ironically, housing allowances enhance the supply-side by increasing the value of the stock and hence the ability to secure private finance. The expansion of the private rented sector at market rents has been a further driver. So far government has chosen to limit costs by limiting housing allowances rather than by controlling private rents.

Currently, there is a policy dilemma. Almost 90 per cent of housing subsidy is delivered through housing allowances compared to less than 20 per cent in the mid-1970s. Whilst it is widely accepted that subsidy has swung too far towards demand-side assistance, it is difficult to reverse the pattern without a substantial medium-term increase in supply-side subsidies, which would entail an increase in overall housing subsidy. This leaves the UK with an expensive system whose safety net function has nonetheless been undermined.

This section is largely based on: Stephens, M (2024) Housing benefits, housing policy and social security-the long view, 45–56, in Stephens, M, Perry, J, Williams, P and Young, G (eds.) UK Housing Review 2024, Coventry: Chartered Institute of Housing.

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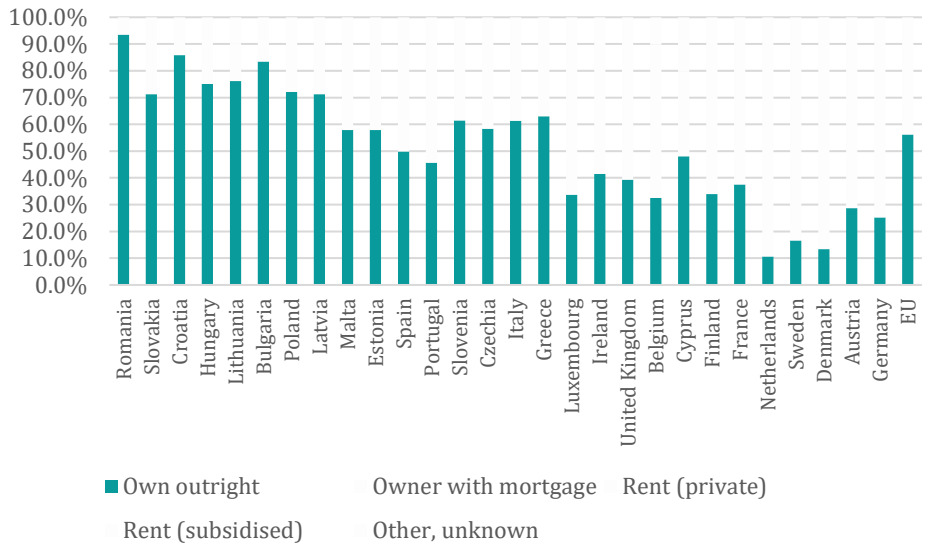
4.3 Measures assisting with access to homeownership & rent guarantees

Homeownership rates across the EU27 are high on average, with around three-quarters of households owning their homes, either outright or with a mortgage (OECD, 2024). Ownership is especially dominant in Central and Eastern European (CEE) countries such as Romania, Slovakia, and Croatia, where more than 90% of households are homeowners. By contrast, countries in Western and Northern Europe tend to have lower homeownership rates; for instance, Germany and Austria have less than 50% of households owning. The United Kingdom stands just below the EU average at around 68%.

Figure 4.5: Housing tenure distribution Share of households in different tenure types, in percent, 2022 or latest year available.



Source: OECD (2024), OECD Affordable Housing Database - indicator HM1.3 Housing tenures, https://oe.cd/ahd.

In CEE, the privatisation of public housing in the 1990s turned tenants into homeowners virtually overnight (Lux, 2012; Hegedüs, 2023). In Southern Europe, weak rental markets, strong family networks, and limited social housing have long made owner-occupation the default tenure, often supported by intergenerational transfers (Wind and Dewilde, 2019). In both cases,

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homeownership may act as a substitute for underdeveloped welfare systems, providing security in old age and a hedge against weak rental protections (although it is also worth noting that there is considerable controversy around the concept of asset-based welfare through home ownership; see Stephens, Lux and Sunega, 2015).

By contrast, countries with lower homeownership rates may feature large, well-regulated rental sectors that provide secure and affordable alternatives (Kemeny, 2006; Castles, 1998). In Germany and Austria, for example, historical traditions of tenant protection and extensive social rental provision mean that renting has retained social legitimacy (Debrunner et al. 2024; Kaas, et al. 2021). In addition, mortgage markets in countries with tighter lending criteria can slow the expansion of homeownership (Stephens, 2007). These countries may also combine regulated rental markets with more robust welfare states, reducing the need for households to treat homeownership as a form of private welfare (Wind and Dewilde, 2019).

This section of the chapter explores forms of assistance to homeowners and buyers. These typically include, for example:

Grants to home buyers (i.e. direct financial assistance, typically targeted at first-time buyers (FTBs), young families, or low to middle income groups and intended to lower up-front costs / reduce down payments);

- Mortgage guarantee and insurance (including state-backed guarantees or insurance schemes that lower deposit requirements and credit risk);
- Tax relief measures (most commonly mortgage interest tax relief or tax exemptions on property transactions).

4.3.1 Aims

The aims of homeownership assistance are as follows. First, homeownership may function as a political tool. Rooted in the belief that homeownership fosters attachment to the social and economic status quo, some studies suggest it makes individuals more conservative and less inclined toward radical or left-leaning politics - illustrated, for example, by evidence linking the UK's Right to

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Buy policy to shifts in voting behaviour (Williams et al., 1987). In post-socialist Europe, the mass privatisation of public housing stock was similarly justified as a means of creating a property-owning class and consolidating democratic transitions (Lux, 2012; Hegedüs, 2023). More broadly, Kemeny's (1980) thesis highlights how political choices about welfare design shape the tenure system: where welfare states are less generous, governments have historically promoted homeownership as a substitute for state-provided security, whereas stronger welfare regimes traditionally rely less on ownership to achieve political or social stability.

Second, homeownership assistance is often justified by reference to its supposed economic and social spillovers. As Andrews and Sánchez (2011, p. 210) note, "The main economic argument for subsidising homeownership is that ownership *may* give rise to positive spillovers for society" (emphasis added), such as improved wealth accumulation, enhanced security in retirement, better childhood outcomes, or stronger civic engagement, although the evidence for each remains contested. O'Sullivan and Gibb (2012) likewise argue that the economic benefits of homeownership are frequently overstated. Nevertheless, European governments continue to pursue homeownership as a means of achieving broader public policy goals, including reducing long-term pressure on pension systems and welfare safety nets by enabling households to build equity (Wind and Dewilde, 2019). Kemeny (2006) suggests that welfare retrenchment, particularly reductions in pension generosity, may push even traditionally rental-oriented countries towards greater support for owner-occupation as a private substitute for public welfare.

Finally, in Western Europe, fiscal instruments such as mortgage-interest relief, subsidised loans, and credit guarantees have long been framed as tools to widen access to ownership and distribute the gains of housing wealth (Stephens, 2007). These forms of homeownership assistance serve not only social and distributive aims but also macroeconomic functions, operating as a form of "credit policy" that stimulates mortgage lending, construction, and household consumption (Lepers, 2024).

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4.3.2 Prevalence across European Countries

Table 4.3 (below) represents an initial attempt to map the coverage of homeownership assistance across Europe and the UK. The analysis is based on information drawn from the European Mortgage Federation Hypostat country reports and OCED data

The table shows that subsidised mortgages and guarantees (to use the OECD's terminology) appear to be the most common type of homeownership assistance among the Europe and the UK, at least for the past five year period. Tax relief measures can be found in about half of EU countries, while direct grants to homebuyers appear to be offered in almost as many countries. Overall, the specific forms of support provided by European governments (and the aims of housing policy) vary across countries, with many offering multiple forms of assistance.

Table 4.3: Type of homeownership assistance by country (2020-25)

Subsidy Type	Country	No.
Grants to homebuyers	CY, EE, ES, FR, HR, HU, IE, IT, LU, LV, MT, PT, SK	13
Subsidised mortgages and guarantees	AT, CZ, DE, DK, EE, EL, ES, FR, HR, HU, IE, IT, LT, LU, LV, MT, NL, PL, PT, RO, SK, UK	22
Tax relief measures	BE, BG, CZ, EE, FI, FR, IE, IT, LU, NL, PL, PT, SE, SI, SK	15

Source: European Mortgage Federation-Hypostat Country Reports and OECD 2023, 2021 OECD Questionnaire on Affordable and Social Housing (QuASH).

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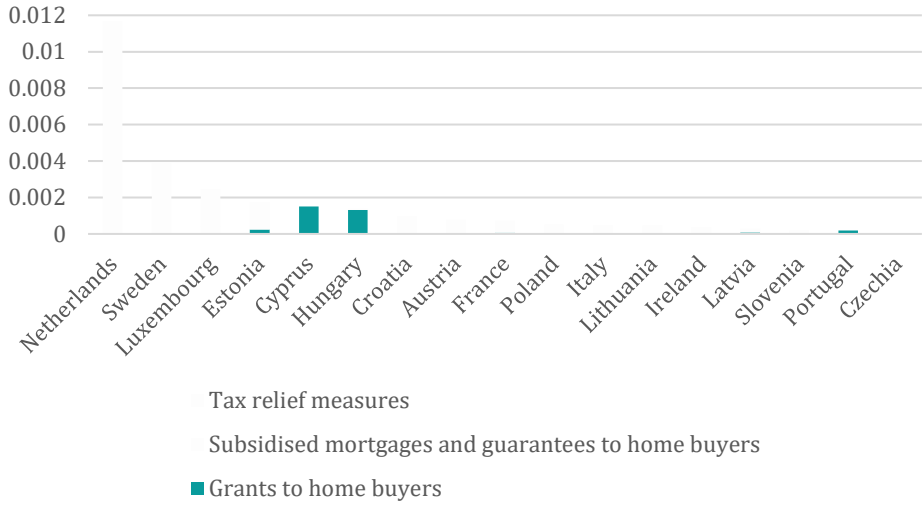
Figure 4.6: Public spending on grants and financial support to home buyers and homeowners. As % of GDP, 2022 or latest available year.



Source: 2023, 2021 OECD Questionnaire on Affordable and Social Housing (QuASH).

The level of public spending on homeownership a in each case also varies but appears generally to be quite modest, averaging 0.15% of GDP, at least for the 17 EU countries included in the OCED QuASH dataset (see Figure 4.6, above); although the cumulative impact of tax breaks and expenditures is significant. In the Netherlands and Sweden, where the data refer to 2020/21, higher spending appears to be driven by comparatively more generous tax relief such as mortgage interest deductions (Matsaganis and Flevotomou, 2007, p. 5), while in Hungary, Cyprus, and Estonia support appears to be more oriented toward grants or (in the latter case) mortgage guarantees (OECD, 2023; Hegedüs, 2023 p. 186-88).

4.3.3 Design

This section of the chapter explores some country-specific examples of homeownership support mechanisms in more detail, using the OECD's categorisation: grants to home buyers, subsidised mortgages and guarantees, and tax relief measures. We also consider shared equity models as a separate category.

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Grants to home buyers

Grants provide direct financial support to reduce the upfront costs of acquiring a home-most commonly the deposit, purchase price, or renovation costs. Their primary goals is to overcome liquidity constraints, helping households lacking sufficient savings to enter homeownership. As the examples below demonstrate, grants may also be used to pursue demographic or spatial objectives, such as supporting young families, tacking depopulation in rural areas, or stimulating demand in weaker housing markets. Typical beneficiaries include: FTBs, especially those with low to moderate incomes; young families with children, who are often explicitly targeted; households in designated areas, such as rural municipalities or distressed regions; and low-income households eligible for means-tested support.

Rural and regional housing grants, for example, are exemplified by Spain's *2022-2025 State Housing Plan*, which offers grants of up to €10,800 to people under 35 purchasing a home in villages with fewer than 10,000 inhabitants (Idealista News, 2024). Similarly, an earlier version of Hungary's *CSOK* (Family Housing Allowance) programme, the *Rural CSOK* programme, provided non-repayable grants of up to 10 million HUF, depending on the number of children and the property's location, to encourage settlement in smaller towns and villages (Helpers Finance, 2024; László, 2025).

Family and child-related housing grants are prominent in CEE countries. In Hungary, the *CSOK* programme has been a key form of support, providing non-repayable grants linked to family size and property type. More recently the emphasis has shifted away from direct grants toward low-interest state-backed loans. The new *CSOK Plusz* programme offers subsidised housing loans at around 3% interest to married couples planning to have children (ibid; csalad.hu, 2024); while complementary schemes such as the *Babaváró* ("baby-expecting") loan offer interest-free, partially forgivable loans to families planning to have children, with some reports suggesting it is mainly used by couples to purchase a home (Hungary Today, 2023). Latvia's ALTUM programme also focuses on families with children, providing grants of €8,000 to €12,000 to households with at least three

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children (or a disabled child) when purchasing or building an energy efficient home, subject to income limits and other conditions (ALTUM, n.d.).

Income-tested homeownership subsidies are also available in some Western European countries. In Luxembourg, for example, residents who own no other property can receive a grant of €500 to €10,000 based on household income, with higher amounts (up to 40% more) for apartments or terraced houses (BGL BNP Parabis, 2025); while in Malta, the Housing Authority provides a €10,000 FTB grant, paid in annual instalments of €1,000 over 10 years, to anyone purchasing their first home after 2022 (Housing Authority, n.d).

These grants appear often to sit alongside subsidised loan schemes - as seen in Hungary, Luxembourg, and Malta - forming part of broader housing assistance frameworks that combine grants, guarantees, and low-cost finance to improve access to homeownership.

Subsidised mortgages and guarantees

Subsidised and/or interest-free loans and mortgage guarantees aim to improve affordability and access to credit by lowering borrowing costs or reducing lender risk. They enable households to borrow at below-market interest rates, with lower deposits or higher loan-to-value (LTV) ratios than would otherwise be possible. These measures also serve macroeconomic goals by stimulating housing construction, supporting financial sector stability, and promoting countercyclical lending during downturns. Typical beneficiaries include: FTBs facing high deposit or lending constraints; young households and couples, often with incentives linked to childbearing; moderate-income households who can sustain repayments but struggle with deposits; buyers of new-build homes, where schemes explicitly tie support to construction activity; and developers and lenders, indirectly, through increased demand and reduced credit risk.

Interest-free and subsidised loans appear to be among the most common of instruments used to help FTBs and low-income households access homeownership. France's *Prêt à Taux Zéro* (PTZ), for example, is a flagship zero-

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interest loan covering 10-15% of a property's value depending on location and property type (Service Public, 2025), which is available alongside the *Prêt d'Accession Sociale* (PAS), which is a means-tested social mortgage with below-market rates for lower income borrowers (ANIL, n.d). In Greece, the *My Home* programme similarly combines interest free government loans with low-interest bank finance to lower repayment costs (National Bank of Greece, n.d), while Poland's *Bezpieczny Kredyt 2%* (Safe Credit 2%) scheme fixes mortgage interest at 2% for 10 years, with the state covering the difference (Poręcki, 2024).

State-backed mortgage guarantees also feature prominently in several countries, enabling banks to offer higher LTV ratios. Estonia's *KredEx* guarantee, for example, allows young families to borrow with as little as 5-10% down payment, with the state guaranteeing 24-40% of the collateral value (Estonian Business and Innovation Agency, n.d.). Latvia provides similar guarantees covering 5-50% of the loan (ALTUM, n.d.), while Lithuania's version includes grants equivalent to 10-15% of the loan value (Ministry of Social Security and Labour, 2025). In Finland, the government guarantees up to 20% of a property's value (capped at €50,000), allowing lenders to issue loans with LVTs up to 95-100% (Ministry of the Environment, n.d.). Italy's *Fondo Garanzia Prima Casa* (First Home Guarantee Fund) provides guarantees of up to 80% of the loan for buyers under 36 (CONSAP, n.d.), and Portugal's youth guarantee scheme offers up to 15% coverage for FTBs under 35, facilitating 100% mortgages (Caixa Geral de Depósitos, 2025). Romania's *Noua Casă* (New Home) programme allows purchases with as little as 5% down payment, backed by government guarantees of up to 20% (or 25% for energy-efficient properties) (FNGCIMM, n.d.).

Tax relief measures

Tax relief measures lower the tax burden associated with buying, owning, or financing a home. These measures include mortgage interest deductions, which reduce the cost of borrowing; property transfer and registration tax relief, which lower transaction costs; and value-added tax (VAT) reductions on new homes or renovations, which reduce acquisition and construction costs. Their overarching

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purpose is to promote homeownership affordability, stimulate housing market activity, and, historically, to encourage savings through ownership. Typical beneficiaries include: middle- and higher-income households, who benefit most from interest deductions due to larger tax liabilities; FTBs, where transfer tax exemptions explicitly target them; buyers of new-build homes, where VAT reductions apply; and existing homeowners with mortgages, at least in countries where interest deductions apply broadly. This subsection looks at examples of each in turn.

A number of European countries continue to support homeownership indirectly through tax deductions on mortgage interest payments. In Sweden, borrowers can deduct 30% of annual interest costs up to SEK 100,000 and 21% on the portion above that amount (Nilsson, 2025, p. 78). In Czechia, interest on mortgage loans for owner-occupied housing may be deducted from taxable income up to CZK 150,000 per year for loans contracted after 2021, or CZK 300,000 for earlier mortgages (Kotek and Sindel, 2025, p. 52). Slovakia provides a more targeted form of support through a tax bonus for young borrowers, covering 50% of paid interest up to €1,200 annually, typically for a five-year period (Hoščuk, 2025, p. 70). However, this type of tax relief appears to be declining elsewhere: both Finland and Estonia, for example, have abolished mortgage interest deductibility for owner occupiers in recent years (2023-24), citing efficiency and equity concerns (Finnish Tax Administration, 2023; Estonian Tax and Customs Board, 2024).

Exemptions on property transfer or registration taxes, like many of the interventions discussed so far, appear most commonly to be targeted at FTBs and younger households. In some parts of the UK, FTB stamp duty relief reduces the tax burden on new homeowners purchasing their first main residence. In England, FTBs pay no Stamp Duty Land Tax (SDLT) on the first £300,000 of a property's value, and 5% on the portion between £300,001 and £500,000. For homes costing more than £500,000, standard SDLT rates apply and the relief is not available (UK Government, n.d.). The Scottish equivalent is the Land and Buildings Transaction Tax (LBTT), which includes a FTB exemption on the first

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£175,000 of a property's value (Revenue Scotland, n.d.). To qualify, in both cases, the property must be the main residence, and all purchasers named must be first-time buyers. There is no FTB relief in Wales.

In Belgium, property transfer taxes (known as registration duties) are levied regionally. In Flanders, the duty rate on a sole or primary residence has been progressively reduced (2% in 2025, down from 3%), while Brussels grants an abatement on the first €200,000 of a property's value, effectively exempting this portion from the standard 12.5% duty (Kryszkiewiez and Simonet, 2025; Government of Flanders, n.d.; Brussels-Capital Region, n.d.). Similar measures exist elsewhere: Portugal exempts homebuyers under 35 from both IMT (property transfer tax) and Stamp Duty when purchasing their first primary residence below specified value thresholds (Silva and Silva, 2025, p. 64); and, in Italy, the aforementioned *prima casa* scheme provides reduced transfer and registration charges for FTBs (the registration tax is cut to 2% from the standard 9%) for purchases from private sellers, alongside reductions in other fees (Marino, 2025, p. 82). By contrast, Finland has recently moved in the opposite direction, abolishing its long-standing FTB exemption from transfer tax in 2024, although overall rates were lowered (Finnish Tax Administration, 2023).

A smaller number of countries provide VAT relief on property purchases or renovations to enhance affordability or promote regeneration. In France, buyers of new dwellings located in designated urban renewal zones may qualify for a reduced VAT rate of 5.5%, rather than the standard 20%, provided that income and location criteria are met (Cartier, 2025, p.27); while in Italy, purchasers buying directly from a registered builder may access a reduced VAT rate of 4% under the *prima casa* scheme, complementing the lower registration duties described above (Marino, 2025, p. 82). These targeted VAT schemes aim to promote homeownership in areas targeted for urban regeneration (in the case of France) and encourage investment in newly built or energy-efficient housing (in the case of Italy) while moderating acquisition costs for eligible households.

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Shared-equity models

Shared-equity schemes are designed to reduce the upfront cost of purchasing a home by allowing buyers to acquire only a share of the property (e.g. 25-80%), while a public body, non-profit provider, or developer holds the remaining equity stake. Because the buyer finances only their own share, these schemes lower deposit and mortgage requirements, making ownership accessible to households who could afford ongoing payments but cannot meet full-market purchase prices. They also help maintain long-term affordability, since resale rules and equity-sharing mechanisms prevent full price inflation from being passed on to future buyers. In some cases (e.g. equity loans), shared-equity models also serve as countercyclical tools, supporting construction activity and market confidence. Typical beneficiaries include: FTBs unable to purchase at full market value but who can afford partial ownership and ongoing costs; moderate-income households, particularly those just above social housing thresholds but priced out of full ownership; younger households and key workers, where schemes are targeted at groups facing the largest affordability barriers; and buyers of new-build homes, since shared-equity products are often linked to stimulating supply. Indirect beneficiaries include developers, who gain from increased demand and reduced sales risk, and governments and housing providers, which retain a long-term equity stake and can recycle gains into future affordability programmes.

Examples can be found in France, which operates shared-equity and rent-to-own schemes to improve affordability for households with modest incomes (Cartier, 2005, p. 27), and in Malta, where shared equity schemes support those “aged over 30 years who, due to their age and income, cannot take a loan that suffices to purchase their home. In the latter case, the Housing Authority purchases up to 50%, not exceeding €100,000, of a property worth up to €250,000.” (Micallef and Schembri, 2024, p.4). Althought nor restricted to first-time buyers, shared equity models have also played a significant role in helping buyers access homeownership in the UK, amid high house prices and deposit barriers. These schemes, most notably the Help to Buy: Equity Loan (2013–2023)

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and various shared ownership programmes, allowed purchasers to buy a share of a property (typically 25–75%) while the government or a housing association retained the remaining equity. Buyers then paid a mortgage only on their share and, in the case of shared ownership, a subsidised rent on the rest (see policy box 4.2. for more detail).

Rent Guarantee Schemes

Rent guarantee schemes are designed to reduce landlord risk by offering an institutional or publicly backed assurance that rent will be paid in cases of tenant default. Their core purpose is to widen access to private rented housing for groups who experience barriers because they cannot meet traditional guarantee requirements, such as young people, low-income households, or those without family guarantors. Although rent guarantees function as an important tool for enabling equality of access and increasing landlords' willingness to rent to potentially vulnerable groups, they appear far less common across Europe than homeownership assistance schemes. In the course of our review we were only able to identify a handful of examples, although it is likely that additional local or municipal initiatives exist that are less systematically documented.

France's public rent guarantee *VISALE* was introduced in 2016 to replace the GRL scheme and operates as a free institutional guarantee for young people and new entrants to the labour market, covering up to 36 months of unpaid rent and certain damages, with applications completed digitally by the tenant through *Action Logement*. The scheme provides an important equalising mechanism for under-30s who are often excluded from private guarantees, enabling them to present a recognised guarantee regardless of family resources or employment precarity (UNCLLAJ, 2020).

Spain has recently expanded its rent guarantee coverage through a new state-backed rental guarantee established under *Real Decreto-ley 1/2025*, which allows the central government to act as a guarantor for young people and low-income households in order to reduce landlord risk and facilitate access to the private rented sector (Government of Spain, 2025). This national measure sits alongside

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regional schemes such as Catalonia's *Avalloguer*, which covers up to six months of rent for participating landlords (Generalitat de Catalunya, n.d.), and municipal initiatives such as Mataró's EU-funded *"Yes, We Rent!"* scheme, which deploys rental guarantee funds to encourage the release of vacant dwellings (Scheffler, 2020).

Belgium operates a decentralised set of public rental guarantee mechanisms, including the Brussels Housing Fund and the Fonds BRUGAL, which provide advances or guarantees helping low-income tenants to constitute a rental guarantee for landlords (fonds.brussels, n.d.). Throughout the country, local public social welfare centres (CPAS/OCMW) can assist with the constitution of a rental guarantee, including issuing a letter de caution in which they formally promise to pay the rental guarantee to the landlord if the tenant does not meet their obligations, effectively allowing social assistance bodies to act as public guarantors also issue letters of guarantee or bank guarantees to landlords on behalf of households experiencing financial difficulty, effectively allowing social assistance bodies to act as public guarantors (SPP Intégration Sociale, n.d.; Bernard and Lelubre, 2025). However, these schemes vary significantly across municipalities, reflecting Belgium's fragmented welfare governance (ibid).

4.3.4 Impact

This section reviews evidence on the impacts of policy instruments to promote homeownership, focusing on cash grants and direct assistance, subsidised mortgages and guarantees, and tax relief measures, in turn. Drawing on international studies, it explores how these interventions influence homeownership, affordability, and distributional outcomes, while highlighting some unintended consequences. The section concludes with an overall assessment of the effectiveness of the different forms of homeownership assistance in attaining affordable and inclusive housing, particularly for low income and marginalised groups.

Evidence on the specific impacts of cash grants in European contexts appears to be limited. However, evidence from the US shows that cash grants and down

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payment assistance consistently reduce liquidity constraints and raise the probability that constrained renters become home owners, especially when grants are modest and well-targeted. Using longitudinal U.S. data, Herbert and Tsen (2007), for example, show that relatively small grants (US$1,000-5,000) generate sizable increases in transitions to ownership, with diminishing marginal returns at higher grant amounts. Evaluations of U.S. federal and local programs, such as the *American Dream Downpayment Initiative*, have similarly reported measurable improvements in access to homeownership when grants or forgivable loans are well-targeted and paired with financial education (Turnham et al., 2004). A more recent simulation in the U.S. indicates that larger one-time grants could materially expand the pool of "mortgage-ready" renters, particularly among Black and Hispanic households, but with wide geographic variation (McCue, Hanifa and Herbert, 2023). A broader synthesis highlights substantial latent demand that could be unlocked by either modest grants or larger shared-equity-scale subsidies (Perkins et al., 2022). That said, comparative reviews caution that poorly targeted cash grants can be fiscally inefficient and prone to price capitalisation (i.e. reflected in higher house prices) in tight markets with benefits skewed to better-off buyers unless carefully targeted and coordinated with supply-side measures (Atterhög and Song, 2009).

Studies of subsidised and low-interest loans show that they, too, can temporarily stimulate demand and accelerate access to homeownership, but often with limited or regressive long-term effects. For example, analyses of France's PTZ demonstrate that the scheme loosened borrowing constraints and enabled roughly 75,000 additional FTBs, yet about 85% of beneficiaries would have purchased without it, indicating substantial windfall gains and price capitalisation (Gobillon and Le Blanc, 2008). Similarly, Poland's *Rodzina na Swoim* mortgage subsidy programme modestly improved access for middle-income households but failed, according to Radzimski (2014), to improve affordability or increase supply, with benefits concentrated in wealthier regions. In Croatia, the *Subvencioniranje Stambenih Kredita* (SSK) has been found to drive house price inflation and speculative investment while excluding lower-income renters

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(Fernández & Bežovan, 2023). These findings suggest that demand-side mortgage subsidies, when unaccompanied by housing supply measures or income targeting, tend to reinforce market inequality rather than reduce it.

By contrast, state-backed mortgage guarantees and shared-equity models show greater potential when carefully designed, though their purpose is not always strictly affordability-driven. In some cases, including Help to Buy in the UK and temporary reductions in transaction taxes, such schemes are explicitly intended as market stabilising instruments, supporting demand and construction during downturns rather than allowing prices to adjust downward. The Dutch National Mortgage Guarantee (NHG), for instance, acted as a countercyclical stabiliser during the 2008-2010 financial crisis, maintaining credit flows and borrower confidence without major fiscal risk (Priemus, 2013; see policy snapshot 4.4 below). Yet international evidence also highlights limits to such tools: in the U.S., expanding federal mortgage guarantees through higher conforming loan limits had no measurable impact on homeownership (Grundl and Kim, 2021), while inflating prices and shifting financial risk onto taxpayers. Shared equity schemes, by contrast, combine upfront subsidy with long-term affordability and stewardship mechanisms, reducing foreclosure risk and ensuring lasting benefit to future buyers (Perkins et al., 2022).

Across OECD and EU contexts, mortgage interest deductions (MID) are among the most expensive and distortionary forms of housing support. Studies from the United States, Denmark, and the Netherlands show that while the MID lowers borrowing costs and encourages larger mortgages, it has no measurable effect on overall homeownership rates (Gruber et al., 2021; Hilber and Turner, 2014; Van Ewijk et al., 2007). Instead, it increases household leverage, inflates house prices (particularly in markets with inelastic supply) and disproportionately benefits high-income households (Valentin, 2023; Leodolter and Rutkowski, 2022; Matsaganis and Flevotomou, 2007). The result is a regressive and fiscally costly subsidy, estimated at around 0.5-1.8% of GDP in some EU states (Leodolter and Rutkowski, 2022, p. 4). Evidence from quasi-experimental settings (e.g. Denmark's 1987 reform) confirms that reductions in the MID significantly lower borrowing

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and house prices but do not reduce ownership, highlighting its inefficiency as a tenure-promoting policy (Gruber et al., 2021).

Similar dynamics are observed in other forms of transaction-based or consumption tax relief. Property transfer tax exemptions for FTBs, such as those seen in Belgium and France, can temporarily boost demand but are often capitalised into house prices, benefitting sellers rather than buyers (Gobillon and Le Blanc, 2008; Xhignesse and Verbist, 2022). These policies frequently reinforce spatial and social inequalities, as benefits accrue to higher-income and suburban households, contributing to urban sprawl and environmental inefficiency (ibid). VAT reductions on construction or renovation, used in the Netherlands and France during market downturns, may support short-term activity but are poorly targeted and fiscally inefficient, providing limited benefits to low-income households while stimulating speculative investment (Pollard, 2010; Priemus, 2013).

A growing consensus, reflected in both European Commission and OECD analyses, supports phasing out broad-based tax deductions and transaction exemptions in favour of targeted, tenure-neutral instruments, such as tax credits (financial incentives that allow eligible taxpayers to deduct the value of the credit they've earned from the total amount of tax they owe to the state) or direct assistance to low-wealth FTBs, which are more efficient and equitable means of supporting homeownership (see Valentin, 2023, p. 1507).

4.3.5 Conclusions

Taken together, the international evidence shows that not all homeownership assistance is equally effective at supporting affordable and inclusive access to ownership. (see summary table below). Across the body of evidence, the most effective and equitable instruments for expanding affordable homeownership, particularly for low-income or marginalised groups, are:

Targeted cash grants and downpayment assistance, especially modest, well-designed grants paired with borrower support, which show the strongest

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evidence of increasing ownership among credit-constrained households (Herbert & Tsen, 2007; Turnham et al. 2004; McCue, Hanifa, and Herbert, 2023).

Shared-equity models, which reduce both deposit and repayment burdens and preserve affordability over time (Perkins et al., 2022).

Tightly regulated mortgage guarantee schemes (e.g. the Dutch NHG), which reduce lender risk and stabilise markets without substantial price inflation (Priemus, 2013).

By contrast, the least effective and most regressive policies are:

- Mortgage tax deductions, which consistently fail to raise ownership rates while driving debt and prices (Gruber et al., 2021; Hilber and Turner, 2014).
- Broad transaction tax exemptions, which tend to be capitalised into prices and rarely help the most excluded households (Gobillon & Le Blanc, 2008; Pollard, 2010; Xhignesse & Verbist, 2022).
- Untargeted subsidised mortgages, which generate windfall gains, price inflation, and limited benefit for the poorest (Gobillon & Le Blanc, 2008; Radzimski, 2014).
- Overall, the international evidence suggests that strategies combining targeted upfront assistance, shared equity models, and supply-side measures offer the strongest pathway to expanding secure and inclusive homeownership.

In terms of rent guarantees, taken together, the examples from France, Spain, and Belgium suggest that rent guarantee schemes can play an important role in improving access to the private rented sector for groups facing structural barriers. Yet the effectiveness of these schemes appears often to be constrained by fragmentation, administrative complexity, low levels of awareness, uneven territorial coverage, and inconsistent landlord acceptance. In France, for examples, *VISALE*'s potential is weakened by low visibility and competition with private insurance (UNCLLAJ, 2020), while similar issues of overlap and inconsistency arise across Belgium's municipal governance structure. Bernard and Lelubre (2025) argue that rent guarantee mechanisms in Belgium often fail to remove barriers for low-income households. Landlords frequently distrust CPAS guarantees due to administrative delays and the stigma attached to

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welfare recipients, while the legal bank guarantee system is rarely applied in practice because banks impose additional conditions or circumvent their obligations. As a result, the rental deposit remains a major obstacle to housing access, leading Bernard and Lelubre (2015) to call for a centralised public guarantee fund as a more effective and equitable solution. A report by FEANTSA (2021, p. 63) echoes this call for a universal rent guarantee in France which they argue would avoid many of the equity and access problems generated by competing or fragmented guarantees.

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Table 4.4: Effectiveness of Homeownership Assistance for Affordable and Inclusive Access

Policy instrument	Intended purpose	Who benefits most in practice?	Effectiveness for low-income & marginalised groups	Key impacts / evidence	Main unintended consequences
Cash grants & direct financial assistance	Reduced liquidity constraints; help with deposit/purchase costs; support rural/young family housing	FTBs; young families; moderate-income buyers; rural residents	Moderately effective when targeted; strongest evidence of improving access for low-income and minority households (US studies)	Small, well-targeted grants significantly increase transitions to ownership (Herbert & Tsen, 2007; Turnham et al. 2004; McCue, Hanifa, and Herbert, 2023)	Price capitalisation in tight markets; windfall gains to higher-income households if untargeted (Atterhög & Song, 2009)
Subsidised / low-interest mortgages	Reduce borrowing costs; expand credit access; stimulate construction	Middle-income buyers; new-build purchasers; households marginally constrained	Low effectiveness for poorest households; benefits concentrated among moderate and higher-income buyers able to meet payment tests	High share of windfall gains (e.g. France's PTZ: 85% would have bought anyway); stimulates demand more than access (Gobillon & Le Blanc, 2008; Radzimski, 2014)	House price inflation (Croatia SSK); encourages leverage; limited supply response.
State-backed mortgage guarantees	Reduce lender risk; enable high LVT loans; stabilise mortgage markets	Creditworthy FTBs with limited deposits; younger households	Potentially effective when strictly regulated (e.g. NHG), but limited benefit for lower income groups	Dutch NHG stabilised mortgage market and maintained access during downturns with low financial risk (Priemus, 2013); guarantees improve credit availability	Can inflate prices if limits are high or rules loose (US conforming loan limits: Grundl & Kim, 2021)
Shared-equity models	Reduce upfront costs; support long-term affordability; allow partial ownership	FTBs priced out of full ownership; moderate-income households	High effectiveness: reduces deposit and monthly repayments; preserves affordability for subsequent buyers	UK and French schemes demonstrate strong stewardship; reduce foreclosure risk; expand sustainable access (Perkins et al. 2022)	Requires good regulation; risk of complexity for buyers; developer dependence (as with UK HtB)
Mortgage interest deductions (MID)	Lower cost of borrowing; encourage ownership and mortgage uptake	Higher-income households; existing owners with large mortgages	Very low effectiveness; regressive; almost no impact on homeownership rates	No measurable effect on homeownership (Denmark, US, Netherlands); raises debt and prices (Gruber et al.,	Large fiscal costs (0.5-1.8% GDP); price inflation; wealth inequality

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				2021; Hilber & Turner, 2014)	
Transfer tax relief (e.g. FTB stamp duty exemptions)	Reduce transaction costs; support FTBs; stimulate activity	Middle-income FTBs; buyers in mid-priced markets	Low to moderate effectiveness; often capitalised into prices; limited benefit for lower-income households	Raises transaction volumes in short term; price capitalisation widespread (Gobillon & Le Blanc, 2008; Xhignesse & Verbist, 2022)	Benefits captured by sellers; reinforces spatial inequities
VAT reductions on new homes / renovations	Lower acquisition/renovation costs; stimulate construction; target regeneration	Developers and high-income buyers; households in designated zones	Low effectiveness for affordability unless paired with income/price targeting	Supports short-term market activity (France, Italy); limited distributional benefits (Pollard, 2010)	Fiscally inefficient; can fuel speculative investment

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Policy Snapshot 4.4: The Dutch National Mortgage Guarantee (NHG)

Policy context: The *Nationale Hypotheek Garantie* (NHG) is a central pillar of the Dutch housing finance system. Introduced in 1993 by the Dutch government together with the Association of Netherlands Municipalities (VNG), it evolved from earlier municipal and national guarantee initiatives and is administered by the non-profit Homeownership Guarantee Fund (*Waarborgfonds Eigen Woningen*, WEW), which operates with an explicit state backstop. The NHG's creation aligned with the liberalisation of Dutch mortgage markets during the 1990s, when policymakers sought to expand access to homeownership and stimulate mortgage lending without exposing the state to direct financial risk (Priemus, 2013).

***Policy design and implementation*:** The NHG's central purpose is therefore to improve affordable access to homeownership and support housing market stability by reducing risk for both lenders and borrowers. It operates as a mutual guarantee fund: borrowers pay a one-off premium, pooled and managed by WEW, which insures mortgages that meet strict eligibility criteria.

Eligibility and coverage: The NHG is open to all households, not a targeted programme, though its design indirectly favours FTBs and middle-income households. Mortgages must fall below a maximum property value cap, which adjusts with market conditions (€450,000 in 2025; Hypotheker, n.d.; ABN AMRO, n.d.; NHG, 2025). The home must be the borrower's primary residence, and refinancing is permitted under specified conditions.

Premium and uptake: Borrowers opting into the scheme pay a one-off premium, currently 0.4% of the mortgage amount (ibid, p. 16). Although this can be a substantial upfront cost, uptake remains consistently high. A 2023 article indicated that over 40% of all home purchases used an NHG-backed mortgage, calling the scheme ""particularly popular among first-time buyers" (DutchNews, 26 October 2023). The patterns suggest that the NHG is particularly attractive for high-LTV borrowers facing liquidity constraints, especially younger and first-time buyers.

Guarantee mechanism and remission scheme: The NHG guarantee protects both lenders and borrowers, but in different ways. It does not make ongoing mortgage payments. Borrowers remain responsible for monthly instalments. Lenders must first explore all feasible forbearance options (e.g. temporary payment changes, term extensions). It compensates lenders for losses after a forced sale. If a borrower must sell their home at a loss due to circumstances beyond their controls (e.g. unemployment, disability, or divorce), and the sale proceeds do not cover the outstanding mortgage, WEW reimburses the lender for the residual loss. The scheme is financially self-sustaining, with an explicit state guarantee as backstop that activates only if the fund's reserves are exhausted, which has never occurred to date. By 2017, NHG guarantees covered around €190 billion of outstanding loans, more than half of the Dutch mortgage market, while maintaining a strong capital position (WEW Annual Report, 2017).

Outcomes and unintended consequences: The NHG scheme has resulted in a number of positive outcomes. It proved especially valuable during the 2008-2013 financial crisis, when the government temporarily raised the eligibility cap to sustain credit availability (Priemus, 2013, p.351). The guarantee allows lenders to offer lower interest rates (typically 0.3-0.6 percentage points below market averages) since NHG

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loans carry reduced credit risk (Hypotheker, n.d.; ABN AMRO, n.d.). This directly improves affordable access to homeownership for eligible households that might otherwise face lending constraints, including FTBs, high-LTV borrowers, single parents, and the self-employed. Some analysts highlight a risk of moral hazard, as both borrowers and lenders may take on slightly higher debt/credit obligations knowing that residual losses are partially guaranteed (Kerste et al. 2011, cited in Priemus, 2013, p. 354). Evidence of NHG-driven house price inflation is limited, partly because the value cap restricts coverage primarily to mid-market properties, dampening broader market effects.

Policy Snapshot 4.5: The UK Help to Buy Equity Loan Scheme

Policy context
The Help to Buy: Equity Loan (HtB) scheme was introduced in England in April 2013. Although often described informally as a UK-wide initiative, the equity loan operated only in England; Scotland and Wales introduced their own, differently designed schemes that were generally more targeted. The English version emerged in the aftermath of the Global Financial Crisis, when house prices had recovered faster than FTBs' ability to save deposits. A combination of high house prices, stagnant wages, and tightened post-GFC prudential regulation (notably higher deposit requirements and stricter mortgage underwriting rules) created a widening "deposit gap".

The scheme was also explicitly intended as a market-stabilising tool. By design, it applied only to new-build homes, reflecting the government's aim to boost housing construction and support major housebuilders during a period of weak demand. Contemporary analysis shows that, at peak, between 36 and 48% of sales by five of the six largest UK housebuilders were supported by HtB (Stephens and Blenkinsopp, 2020), demonstrating its role in underpinning the speculative development model.

The scheme was financed through HM Treasury's financial transactions budget (i.e. capital expenditure that sits off the government's current balance sheet because loans are expected to be repaid). This accounting treatment was politically important: it enabled the government to commit tens of billions of pounds without increasing reported public spending. As later confirmed by both HM Treasury and the National Audit Office (NAO) the government expected (and is on track) to make a net profit from the scheme as equity loans are repaid.

Policy design and implementation

Objectives and rationale
The HtB Equity Loan aimed to: Reduce deposit constraints for prospective homebuyers, particularly but not exclusively FTBs. Support new-build housing output by stimulating effective demand. Stabilise the post-crisis housing market and maintain developer confidence.

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Key features

Buyers could purchase a new-build home with a 5% deposit, with the government providing an equity loan of: up to 20% of the purchase price outside London, up to 40% in London (from 2016). Equity loans were interest-free for five years, after which a 1.75% fee applied, rising annually by RPI +1%. The scheme also had a price cap (initially £600,000 for all England), revised in 2021 to include regional caps. The government took an equity share, meaning its financial return depended on market values at sale or repayment. And, finally, the buyer had to take a qualifying repayment mortgage alongside the equity loan (Homes England, 2020; UK Government, 2021).

Administration and uptake

While HM Treasury provided the financing, Homes England administered the scheme, working with lenders and developers. Developers registered with the scheme and were required to meet certain consumer-protection requirements, but the policy substantially aligned with their commercial incentives, thus helping to ensure fast uptake.

Uptake was very high: Over 387,000 households had purchased through HtB (UK Government, 2023). Roughly 80% were FTBs. A large proportion of purchases were higher-LTV households who used the scheme to bridge the deposit gap. New-build developers widely integrated the scheme into their sales model, often marketing HtB explicitly in show homes and online listings (Whitehead et al., 2018).

Outcomes and unintended consequences

Evaluations of HtB reveal that the scheme achieved some of its stated aims, but with substantial inefficiencies and several important unintended consequences. Evidence from Whitehead et al. (2018) indicates that the programme had a meaningful stimulatory effect on both demand and supply in the new-build sector, but the scale of deadweight was considerable. National demand additionality-that is, the share of buyers who would not have purchased without assistance-was estimated at 37%, implying that roughly sixty percent of all HtB purchases would have occurred in the absence of the scheme. This figure is central to any assessment of effectiveness: it suggests that the majority of public funds were absorbed by households who were not financially constrained and by developers whose sales were simply accelerated rather than induced.

On the supply side, supply additionality was lower still, at around 14.5% of total private output nationwide. The picture varied across regions, with only 6.6% additional supply in London compared with 16.3% in the Midlands. These regional patterns reflect both underlying land-market constraints and the concentration of new-build activity in lower-cost areas. Although the scheme did facilitate an uplift in construction, much of this effect appears to have been marginal rather than transformative.

The scheme's impact on prices also varied depending on local market conditions. Whitehead et al. (2018) found no strong evidence that HtB increased overall house price inflation in England, largely because the scheme accounted for a relatively small share of total transactions. However, the more fine-grained econometric analysis by Carozzi, Hilber and Yu (2020)

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demonstrates that in supply-constrained regions, particularly London and parts of the South East, the equity loan scheme substantially increased new-build prices-often by more than the value of the interest subsidy provided to buyers. In more elastic markets, by contrast, HtB stimulated output without putting significant upward pressure on prices. Developers also exhibited clear price-bunching behaviour around the eligibility thresholds (notably the £600,000 cap), strategically setting prices just below the limit to ensure units qualified for the scheme. These findings indicate that HtB acted, in practice, as a developer subsidy in constrained regions, while functioning more as a demand stimulant in more elastic areas.

The distributional effects of the scheme were similarly uneven. Although 80% of participants were FTBs, the beneficiary group was skewed toward households with above-average incomes, those capable of managing mortgage payments but constrained by deposits rather than affordability. The scheme did relatively little to assist renters or low-income households lacking the income to sustain repayments. Instead, it significantly benefitted large housebuilders-who incorporated HtB into their sales strategies-and households purchasing mid- to high-priced new-build properties. Thus, while it expanded access for some moderate earners, it had limited influence on broader affordability challenges.

From a fiscal perspective, HtB appears favourable fiscally to the government. Because the scheme was funded through HM Treasury's financial transactions budget, its costs were recorded off the balance sheet on the expectation of repayment. The NAO (2014) estimated that the government would make a gross return of around £4.8 billion by 2040-41, and later projections confirmed that the value of the government's equity stake-approximately £40 billion by the end of the scheme-positioned it to profit as households repay loans or sell their properties at appreciated values. This fiscal gain, however, is inextricably linked to the broader role HtB played in maintaining house prices and supporting developer balance sheets, rather than allowing the market to adjust downward after the GFC or during the Covid-19 pandemic. Some commentators argue that this propped-up housing model-combined with post-crisis prudential mortgage regulation-reflected a fragmented government approach in which one arm tightened access to credit while another attempted to compensate for that very constraint.

In summary, HtB delivered substantial short-term benefits to developers and moderate-income buyers seeking to overcome deposit barriers, and it helped sustain England's new-build sector during two periods of economic uncertainty. Yet its effectiveness as an affordability intervention was limited. The high deadweight, concentration of benefits among better-off households, and price inflation in constrained markets indicate that the scheme was a costly and relatively blunt instrument. Rather than reducing structural affordability pressures, HtB has not changed existing patterns of inequality, while achieving only modest gains in additional homeownership.

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4.4 Allowances to tackle energy poverty

4.4.1 Aims

This part of the chapter reviews housing allowances aimed at tackling energy poverty. Housing and energy poverty are intricately interrelated. Rising housing costs and inefficient buildings increase financial burden and limit access to essential energy services for vulnerable households. At the same time, obligations to reduce greenhouse gas emissions through implementing energy efficiency measures place an unfair burden on vulnerable households. (Von Platten et al., 2022). To reduce disparities and support a just energy transition, targeted policies promoting energy efficiency and affordable housing are essential. In 2023, 18.5% of EU households did not have sufficient insulation or heating to keep their residence comfortably warm (Ozdemir and Koukoufikis, 2025). Increasing housing costs are driving up income inequality across all Member States, with low-income households being hit the hardest, many of whom now spend over 40% of their income on housing. Since 2015, house prices across the EU have risen by over 50%, while rents have gone up by more than 13%. To reduce these disparities and support a fair energy transition, targeted policies promoting energy efficiency and affordable housing are essential. There is widespread recognition that these policies need to be particularly focused towards vulnerable groups in society most impacted by high housing and energy costs: the elderly in single-person households (Karpinska and Śmiech., 2023), young adults, low-income families and renters, who tend to live in older, predominantly energy-inefficient buildings, resulting in higher utility costs and adding more strain to already limited finances (Ozdemir and Koukoufikis, 2025). Substandard housing typically features inadequate insulation, outdated heating systems, and structural inefficiencies, leading to higher energy use to achieve basic comfort.

Energy poverty is the inability to “attain a socially and materially necessitated level of domestic energy services” (Kyprianou et al, 2019, 46). Within the EU this occurs largely due to low incomes, poor energy performance of buildings and high energy costs, and homes that leak heat, have inadequate insulation, damp, old windows and inefficient heating systems (Housing Europe 2024). Research has made the consequences of energy poverty increasingly apparent, noting also

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that it is strongly correlated with health problems, reduced well-being and social exclusion. Ultimately, homes that are cold or that can't maintain comfort in winter (or summer) pose direct risks to their inhabitants (Housing Europe, 2024). Energy poverty rose between 2021 and 2023, with the percentage of Europeans unable to keep their homes adequately warm increasing from 6.9% to 9.2% (Eurostat, 2024). There is, however, some debate over the levels of energy poverty within the EU, with the EC stating that between 8% and 16% of the EU population were energy poor. Further, it was argued that being energy poor did not always align with being income poor, pointing to the costs of inefficient older housing, amongst other factors, and pointing to the complexity facing policymakers as they seek to target the energy poor (EC, 2024). Also, in the UK context, a recent House of Commons report criticised the definition of "fuel poverty" as too simplistic to capture the range of factors causing energy poverty, leading to its potential underestimation at around 11% of households in England were classed as fuel poor, 34% in Scotland, 14% in Wales, and 24% in Northern Ireland (Bolton and Hinson, 2024). The use of multidimensional criteria to identify different forms of energy poverty has been established in a key study (Thomson et al., 2017). This is because there is often little overlap between households with a high energy expenditure and those which cannot adequately heat their homes).

4.4.2 Prevalence across European Countries

This is a field characterised by diversity and complexity, also within EU policy and regulatory frameworks. Housing allowances and financial assistance schemes are designed to address energy poverty by helping low-income households manage both housing costs and energy expenses. These programmes are typically implemented at the national or regional level, but EU-wide initiatives also exist. All European countries are mobilising policies to address energy poverty through housing allowances, social security and measures aimed at energy efficiency. The number of policy measures aimed mainly or exclusively at energy poverty has increased substantially, as have policies that have a significant component addressing energy poverty (Heller et al., 2024).

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Additionally, the uneven effectiveness of policies to address energy poverty itself is a factor, especially in the context of increasing prices and volatile energy markets. Within the EU, Member States have been assigned by the EC the responsibility of dealing with energy poverty within their own territories. Still, many Member States do not recognise energy poverty as a distinct problem (e.g. Austria and Germany) or do not have a binding definition (e.g. Italy) for policymaking purposes (Bouzarovski et al., 2021). Energy efficiency and housing renovation policies, with measures directly targeting low-income groups, are present in most National Energy and Climate Plans (NECPs) (Bouzarovski et al. 2021, 10). However, energy and housing policy objectives are not always explicitly merged in policy, with a tendency to address energy poverty through wider housing and social policy instruments also apparent, such as in Germany, with its policy .

In the EU context, the EED (Energy Efficiency Directive), one of the most important EU measures to address climate change, also requires Member States to prioritise energy-poor households for efficiency measures (European Parliament, 2022). The EED mandates monitoring and evaluation instruments to ensure that energy-poor households receive support (European Parliament, 2022). The National Energy and Climate Plans (NECPs), outline how EU countries intend to meet the EU energy and climate targets for 2030. Many countries highlight energy payment or financial assistance, such as social tariffs (in Belgium and Portugal), vouchers (Cyprus, Italy, France), energy, winter or heating allowances (Bulgaria, Denmark, Lithuania, Luxembourg and Poland) (Bouzarovski et al. 2021, 10). Price regulation is mentioned in the plans of Hungary, Bulgaria and Italy, but the subsidy is not specifically aimed at low income and vulnerable households (Bouzarovski et al. 2021, p. 10). Addressing energy insecurity is part of EU Energy Law (initiated first in 1997). Further complexity to be accounted for in the European context is provided by the different levels of policymaking, with subnational (federal states, regions, municipalities), sometimes having responsibility and a degree of autonomy in policy, whether in terms of energy efficiency and retrofitting policies (Belgium), social housing programmes (Austria) or local capacity-building (Croatia) (Bouzarovski et al. 2021, p. 10).

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National government is, by and large, the primary source of setting laws, budgets, national social security programmes, taxation, regulated tariffs and subsidies. However, regional and subnational levels of government in countries with federal or quasi‑federal systems (Germany, Spain, Belgium) may administer or co‑fund welfare measures, provide local grants, or implement regional energy efficiency programmes. Also, in devolved systems (such as UK), the parliaments/ assembly of Northern Ireland, Scotland and Wales run programmes for the most vulnerable households. Local government and municipalities are sometimes involved in providing advice (via welfare offices), the provision of emergency vouchers and social assistance programs. Finally, utilities and suppliers are crucial. Even when the policy is national, much of the implementation is via energy suppliers (e.g. applying social tariffs, discounting, allocating vouchers) or via regulated utility tariffs.

Most countries have provided or continue to provide some range of subsidies. These have often been temporary, related to the pandemic or crisis of rapid energy price increases in 2022 as a result of the Ukraine War or are related to winter (need to double-check summer measures) (e.g. Eurofound, 2023). European countries spent a huge amount on subsidy schemes in 2022-3. In response to the surge in energy prices in the midst of the Ukraine war, EU countries implemented national crisis measures that resulted in an estimated €145 billion in energy subsidies in 2023, a decrease from €187 billion in 2022. Across the EU, more than 270 national initiatives were introduced to tackle the energy price crisis. Households were the primary recipients of this support, receiving €121 billion between 2021 and 2023 (EC 2025). Industry and the transport sector followed, with €30 billion and €28 billion, respectively. In total, cross-sectoral aid to all energy consumers amounted to €125 billion over the same period (EC 2025). Of course, the emergency measures were mainly temporary (with most now gone), and were very expensive, as well as doing nothing to address the structural problem of volatile energy markets. Consumers also had to be aware and able to access sometimes complex schemes, which provided particular challenges for those with limited access to internet and limited native language skills (Housing2030). European countries with direct allowances

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researched here include, according to Eurofound (2023): Austria, Belgium, Bulgaria, Croatia, Cyprus, Denmark, Estonia, France, Finland, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Malta, Netherlands, Norway, Poland, Portugal, Romania, Slovenia, Spain, Sweden, UK.

4.4.3 Design

In this review, we are concerned particularly with two main types of financial allowances in use across Europe: energy cost allowance and energy efficiency allowances.

Energy cost allowances

Energy cost allowances refer to direct financial transfers, subsidies and benefits provided to households to reduce the proportion of income spent on energy. These measures are designed to ensure access to essential services such as heating, cooling and electricity, and are typically targeted at low-income and vulnerable populations. They are thus seen as key tools to mitigate the risk of energy poverty, especially in the context of increasingly volatile energy prices. Energy cost allowances provide immediate, targeted relief to vulnerable households, and stand in contrast to supply-side measures aimed at systemic change that may, over time, lower energy prices. The effectiveness of energy cost allowances is often evaluated in terms of the proportion of energy costs covered or the income-adjusted support provided (HousingEurope, 2030). Assessments normally involve comparison against established thresholds, such as a percentage of disposable income or the official poverty line.

Some European countries provide direct subsidies, tax reductions or vouchers to low-income households to cover the cost of energy bills (e.g., heating, electricity). These allowances are often linked to income levels, family size, and energy consumption. It is worth noting that Barella et al. 2021 have questioned the effectiveness of direct payments in alleviating energy poverty (e.g. Thermal Social Allowance in Spain, due to design issues) due to the difficulty in identifying those in need and then addressing effectively energy poverty through a combination of policy measures.

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Energy efficiency allowances

Upgrading energy efficiency, especially through improved insulation and renewable heating systems, has been identified as capable of reducing utility bills, emissions, while improving living conditions. Energy efficiency upgrades can, however, increase property values and rents and landlords may also pass renovation costs onto tenants. This highlights the need for integrated policies to address both housing affordability and energy poverty. Recent research shows that increased and integrated public spending on social exclusion benefits, housing allowances, and energy efficiency improvements helps reduce the risk of long-term energy poverty (Ozdemir and Koukoufikis, 2024). Recent research published in Housing2030 reports argued that the following combination of measures is necessary to alleviate energy poverty: systematic refurbishment of housing stock, retrofitting, especially in the affordable / social housing market. But serious obstacles are apparent, not least huge up-front investments required and costs of subsidies when energy prices rise. The setting and implementation of regulation is also crucial (to retrofitting and other measures), and most be clear and reliable enough to encourage sustained investment, meeting e.g. Minimum Energy Performance Standards (MEPS) and stricter building codes for new builds.

There are a range of schemes available. Up‐front grants or vouchers that cover a fraction (or sometimes most/all) of the cost of installing insulation, replacing windows, upgrading heating systems, adding renewable heating or solar PV. Alternative measures include, low-interest loans or financing (in some cases with repayment grants or interest rebates) or tax relief or credits for energy efficiency improvements have been offered (e.g. in Germany) (Heller et al., 2024). Some measures focus specifically on low-income or vulnerable groups, often meaning higher subsidy percentages or full funding for households on means‐tested benefits. These are often combined with programmes for social housing / housing associations, where governments or local authorities fund upgrades in housing provided for low‐income tenants. Most recently, the EC (2024) has argued that many funding schemes have been shown to deliver energy savings, but there is variation in terms of cost‐effectiveness, reach and uptake with low-

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income households. The chapter argues that better programme design and coordination is necessary, with clearer targeting, avoidance of duplication (EC, 2024).

4.4.4 Impact

Energy Costs

Energy Bill Subsidy. Example: France provides the Chèque énergie (Energy Check) programme, which entails financial assistance to households for energy bills or energy-saving work. Research has shown that the programme may have led to a reduction in arrears and disconnections, at least in 2021, but that it is hard to discern the effects of the programme without a consideration of the related measures being implemented and doubt over the size of payments (Legros and Martin, 2022). Other examples: Italy has the Bonus Sociale Energia (Social Energy Bonus), which helps low-income families pay their electricity and gas bills. Norway: Norgepris, which was started in 2025.

Heating Assistance/ Allowances

These specifically target energy costs during colder months, often providing financial support for winter heating bills. There is variation in societal coverage of subsidy, with many schemes aimed at low-income groups and others provided universally. For example, in the UK the Warm Home Discount which covers October-March is available to low income but means-tested, pensioners and those with high energy costs. In contrast, the Energy Bills Support Scheme (EBSS), a response to price crisis in 2022-2023, was available to all consumers. This provided £400 to all households in Great Britain in 6 monthly instalments from October 2022 to March 2023. Delivered via energy suppliers as a discount on bills (no application needed). Part of a broader package including the Energy Price Guarantee and targeted support for low-income and pensioner households. Examples: Hungary has the Winter Heating Allowance, which helps low-income households pay for winter heating costs. Portugal has a similar program where eligible low-income households receive financial support for heating expenses.

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Social Tariffs for Energy

Many countries offer social tariffs for energy, where low-income households pay reduced rates for electricity, gas, and heating. These social tariffs are usually available for households receiving social welfare benefits or with low income. Examples: Spain offers a Social Electricity Bonus (Bono Social), providing discounts on electricity bills for vulnerable households (e.g., pensioners, low-income families). However, such programmes often face challenges in targeting, as some eligible households are unaware of the discounts or fail to apply in time. Additionally, social tariffs are generally seen as a temporary solution rather than a long-term fix to energy poverty. Other examples include: Greece provides the Power Allowance to low-income households, reducing their electricity costs; Portugal-Social Electricity and Natural Gas Tariffs (Tarifa Social) offers a 30-35% discount on electricity and gas bills for eligible low-income or vulnerable customers. Automatically applied based on income or receipt of certain social benefits (Sgaravatti, 2021).

Housing Benefit or Housing/ Rent Allowances

Many countries, notably Germany, Denmark and Sweden, provide housing benefits that can be used toward rent or utility bills. These tend to be found in countries where energy poverty is less prevalent and remain largely targeted within the broader context of income poverty, with solutions sought through social policy frameworks (Bouzarovski et al. 2021, 9). However, Poland is an example of a country with prevalent energy poverty and an approach still rooted in wider social security policy. Czechia also has a combined housing and energy subsidy program for low-income families to cover both rent and energy costs. In the United Kingdom the Housing Benefit system helps cover the rent costs for low-income individuals. Studies have shown that housing benefits, when combined with energy-specific allowances, can significantly reduce the likelihood of energy arrears and prevent utility shut-offs e.g. Joseph Rowntree Foundation (2013; 2018).

Germany offers Wohngeld (housing allowance) to help people with the cost of rent or homeownership, which can indirectly help with energy costs. Research

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(Grösche 2018) on Wohngeld shows that it can reduce housing-related financial stress and indirectly help mitigate energy poverty by ensuring that households are able to cover both rent and energy bills, with around 500,000 receiving direct financial assistance: part of social benefit for low income in 2024. Because of the rising energy costs in recent years, the government has developed a permanent heating costs mechanism to be reviewed every two years. However, there is some question as to whether the allowance is always sufficient to meet rising energy costs, particularly in larger or poorly insulated homes. Indeed, it has been further argued that the provisions for Wohngeld, notably that the rent cost must be low, generally leads people to live in energy inefficient accommodation, which in turn increases their costs on energy and can negate any allowance provided (Grösche 2018)

Price caps (electricity, gas, heating)

Example: Hungary: Universal Price Caps on Electricity and Gas. There are fixed, regulated prices for electricity and gas well below market rates, regardless of income. These caps were in place even before the Ukraine war and remain in place.

Tax reductions

Example: Netherlands-Temporary VAT Cut on Energy. The Dutch government reduced the VAT on energy from 21% to 9% for 6 months in 2022 to ease household burdens. This measure was complemented by other relief schemes like one-off energy compensation payments (Sgaravatti, 2021).

Energy Efficiency Allowances

Allowances/grants/subsidies targeting low□income households. Housing2030 has collected a number of practices where mainly national governments or, less commonly, regions provide financial support to low-income households to help with the costs of both renovating for energy efficiency, and in some cases, to help manage energy bills. Examples include: Lithuania, Germany, Slovakia, France and the Netherlands where programmes specifically help low income people with

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renovation and energy costs (Housing2030). The Habiter Mieux ("Better Living") programme in France aims to complement existing financing for energy renovation, specifically focussing on low‑income households. Germany's state-owned development bank, KfW Bank, offers a range of financial products to support energy efficiency improvements, including insulation in residential properties, such as a large number of low-interest loans and grants for retrofitting buildings to improve their energy performance. In Lithuania, there are national programmes (e.g. the Jessica II Fund) offering subsidised credit for multi‑apartment building modernisation. Some key features include: fixed low interest over a long repayment period, grace periods, and partial write‑offs of subsidies if certain energy performance targets are met (Housing2030).

In addition to national and EU-wide initiatives, some regions and municipalities have created their own programs to address energy poverty, focusing specifically on improving the insulation of low-income homes. In Spain there are numerous regional policies, with Catalonia being very active in establishing programmes to support the energy renovation of residential buildings, including insulation, in both private and public housing.

Revolving funds & auctioning mechanisms

Some countries (e.g. Austria, Czechia, France, Poland, Slovakia and Slovenia) have set up revolving funds, which are low-interest loans and grants provided, organised and managed to reduce upfront cost burdens for households (especially low income and vulnerable). A revolving fund is a financial instrument designed to maintain a sustainable cycle of capital for designated purposes, such as project financing or loan provision. As repayments are made, the recovered capital is redeployed to support subsequent initiatives, thereby enabling continuous reuse of the initial financial resources. The process begins with the establishment of an initial capital base, usually provided by government, nonprofit organisation, financial institution, or via grant funding. This capital serves as the source from which loans, grants, or targeted projects are initially financed. Finance is then distributed to eligible recipients to support the designated activities -for example, housing renovation works - with obligations

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related to loan repayment or other forms of financial return. The supported projects subsequently generate financial returns, either through direct revenue or cost savings. These returns are channelled back into the revolving fund. In the context of housing renovations, for instance, repayment may occur when the property is sold or rented, at which point the renovation costs are returned to the fund and become available for future housing projects. As funds are replenished through repayments or returns, they are reallocated to finance new initiatives, thereby sustaining an ongoing cycle of investment and ensuring the long-term continuity of the financial mechanism.

In many cases, revolving funds are complemented with specialised guidance, e.g. on energy consumption, intended to enhance the effectiveness and long-term viability. Besides outright grants, there are schemes using soft/low interest loans, revolving funds, often linked to conditions for achieving energy savings. In some programmes, a portion of the loan can be written off if performance targets are reached. Auctioning of CO_2 allowances is one recent source for financing renovation grants (e.g. in some EU states).

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Policy Snapshot 4.6: Slovakia Revolving Funds

The Green for Households (Zelená domácnostiam) programme-financed primarily through European Union resources-provides direct financial incentives in the form of vouchers to households for the installation of small-scale renewable energy technologies, such as photovoltaic systems and heat pumps. The scheme is designed to support the deployment of small-scale renewable energy (RES) technologies in households, comprising both single-family homes and residential apartment buildings. The primary beneficiaries of the initiative are private individuals, and the project is implemented across the entire country.

The project seeks to mitigate the economic barriers associated with the extended payback periods of small RES technologies, as well as the financial constraints arising from the disparity between their purchase costs and the actual purchasing power of households. For electricity generation, a small-scale device is defined as a system with an installed capacity of up to 10 kW. In the context of heat production, a small-scale device refers to a system capable of meeting the building's overall energy demand.

Financial support is provided in the form of vouchers. These vouchers are issued following the submission of an application by the household and become valid upon activation by an accredited technical provider. The initiative supports the installation of a range of RES technologies, including photovoltaic panels, solar thermal collectors, heat pumps, biomass boilers, and wind turbines.

The first three phases of the national Green for Households project were financed by the European Regional Development Fund (ERDF) through the Operational Programme Quality of Environment (2014–2020). The current phase is financed by the ERDF under the Programme Slovakia (2021–2027).

This scheme operates in parallel with SHDF initiatives (see below) by promoting household-level adoption of renewable energy solutions.
It has been identified as 'good practice' by "Intereg Europe", who noted the uptake of more than 86,000 technologies:

State Housing Development Fund (SHDF)

A revolving fund established in 1996 to implement the state's housing policy objectives, with a focus on new construction, renovation, and upgrading of the existing housing stock. It provides long-term, preferential loans to individuals and entities for housing construction and refurbishment, including measures aimed at improving energy performance. Largely self-sustaining through the recycling of loan repayments, supplemented by allocations from the state budget and European Union funding sources.

Source: https://www.interregeurope.eu/good-practices/zelena-domacnostiam-green-for-households

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4.4.5 Conclusion

Ultimately, there is a fundamental tension between cost and affordability in building upgrades. Many low-income households live in the worst-performing buildings, hence targeting support to those worst buildings is most effective in reducing energy poverty. Substantial and effective renovations require investment and these costs too often fall onto tenants through higher rents or building maintenance costs. Tenant protection is thus essential to avoid gentrification, the displacement of vulnerable households through increasing housing costs. Some countries, like Denmark, have adopted integrated solutions that combine housing allowances, energy support and energy efficiency improvements.

While energy efficiency measures are important, most research points to the significance of their integration in wider measures (as above, also recommended in recent EU legislation). Housing2030 argue that integrated programmes have proven to be more successful in reducing energy poverty compared to single-focus policies. Thomson and Bouzarovski (2019) argued in a report for the European Energy Poverty Observatory that combined approaches provide long-term solutions, improving both the affordability of energy and the energy efficiency of homes, reducing arrears, improving health outcomes, and enhancing financial stability for low-income households. In summary, evidence from a number of European studies shows that insulation and other energy efficiency improvements have been highly effective in reducing energy poverty for low-income households. However, common challenges include financing the upfront costs for vulnerable households, administrative barriers, and better targeting building inefficiencies.

Extensive research on Europe suggests that the allowance measures covered here, from subsidies to retrofitting schemes, do have traction, as do social and welfare policies (energy allowances). However, there is great divergence across countries, with big differences in base conditions, climate, housing stock, policy culture and income levels (Heller et al, 2024). The nature of allowances varies according to whether they are targeted or universal. There is also a temporal dimension, with short-term emergency measures, contrasting with longer-term

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policies, more structural in their effects. Direct energy cost relief can reduce incentives to invest in long-term energy efficiency. Targeting immediate support to the most vulnerable, while focusing efficiency measures on buildings suitable for renovation, would likely be more effective. Financial and institutional barriers are strong, notably high up-front costs of renovations / energy efficiency upgrades, especially in older and inefficient buildings. Subsidies are often not sufficient to overcome these costs barriers. Sudden energy price shocks (e.g. 2022-3) can reverse gains and make households vulnerable in spite of allowances (Heller et al, 2024). While energy efficiency upgrades can help reduce energy consumption, they sometimes lead to increased property values in areas undergoing renovations, causing displacement of low-income residents (green gentrification) (Anguelovski et al., 2022).

Alongside, this, issues of assessing the effectiveness of policies remain prominent, with challenges in collecting and monitoring data. Energy poverty itself is hard to define uniformly because indicators vary and are often difficult to access, with many being self reported, such as the inability to heat, share of income spent on energy and arrears in bills. One of the main challenges identified in housing allowances and energy support programmes is poor targeting, where some eligible households do not receive benefits due to lack of information or complex application processes. In some countries, a significant portion of the population at risk of energy poverty remains undocumented or untargeted by existing programs (e.g. Energy Poverty and Social Inclusion Reports (2020)). This complicates policy comparisons, tracking and learning (Heller et al,2024). Further, there are still many countries with few or no measures specifically aimed at energy poverty. This means that what works in one country may not in another. Against this background, the notion of best practice is challenging if not problematic, and requires careful consideration before its use in policy and research recommendations.

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4.5 Conclusions

This chapter has shown that allowances are having significant impacts in addressing housing affordability and energy poverty, particularly in the light of more structural or far-reaching regulatory changes in the markets of housing and energy. The costs of allowances have been increasing as both housing and energy prices have risen steeply and become volatile. Summarising the findings from the three main sections, we can state the following:

Housing Allowances

Housing allowances exist in all countries, but their expenditure, design and role vary, ranging from a basic safety net to broader affordability support, sometimes supplemented by social security assistance. They can significantly improve housing affordability and reduce poverty as a result of housing costs. Potential risks include rent inflation, “upmarketing,” and work disincentives, though these are not well evidenced and can also be mitigated. With reduced supply-side subsidies, housing allowances have become more important and can also support access to social housing and leverage private investment, with their impact strongest when combined with social housing provision.

Allowances assisting homeownership and rent guarantees

International evidence indicates that not all homeownership support promotes affordable and inclusive access. The most effective policies for low-income or marginalized groups are targeted cash grants or downpayment assistance, shared-equity models, and well-regulated mortgage guarantees, which increase ownership while maintaining affordability and market stability. In contrast, mortgage tax deductions, broad transaction tax exemptions, and untargeted subsidized mortgages are regressive, often inflating prices and benefiting higher-income households. Overall, combining targeted upfront support, shared equity schemes, and supply-side measures is the most promising approach.

Regarding rent guarantees, schemes in France, Spain, and Belgium have improved access to the private rental sector but are often limited by their fragmentation, administrative complexity, low public awareness, uneven

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coverage and landlord distrust. Centralised or universal public rent guarantee funds can be recommended as ways to enhance effectiveness, equity, and accessibility for low-income households.

Allowances addressing Energy Poverty

Research shows that subsidies, retrofitting schemes, and energy allowances can reduce energy hardship, but effectiveness varies widely due to differences in climate, housing, policy and income levels. Targeted short-term support for vulnerable households combined with long-term energy-efficiency measures is generally seen as more effective than universal or emergency relief alone. Barriers include high upfront renovation costs, limited subsidies, poor targeting, and sudden energy price shocks, while energy-efficiency upgrades can inadvertently cause displacement ("green gentrification"). Measuring policy impact is challenging due to inconsistent indicators, limited data, and undocumented energy-poor populations. Cross-country differences complicate comparisons, making "best practice" recommendations difficult, which is compounded by uneven monitoring and evaluation.

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