Categorisation of Social Housing in EU National Accounting Rules: Implications for Social Housing Finance, Provision and Implementation of the EU Affordable Housing Action Plan.

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Introduction:

Recent years have seen significant changes to the categorisation of social housing providers and financing mechanisms in national accounts of several European Union member states. In the majority of the Northwestern European countries, where social housing sectors are large by international standards, most providers of these dwellings were categorised as 'non-profit institutions serving households' (NPISH) in these accounts until recent years. A 2017 survey of this EU region found that most or all social housing landlords in Austria, the Netherlands, Belgium (Wallonia and Brussels regions), Luxembourg, France, Germany, and Denmark were included in this category (McManus, 2017). Consequently, their borrowing, income, and expenditure were classified 'off balance sheet', i.e., not included in government borrowing, revenue or spending in the national accounts. This situation has changed since then in some countries, while further changes are currently under active consideration in others. In Ireland, for instance, non-profit sector social housing providers (referred to in this article as housing associations) were removed from the NPISH category following a 2018 review and recategorised into the government sector (Central Statistics Office, 2017). In Finland, the loans that fund social housing provision, rather than the providers themselves, were moved from NPISH into the government category in the national accounts in 2021 (Statistics Finland, 2022).

This paper examines the diverse character and significance of these changes for the provision of affordable housing in Europe. It begins by outlining the historical development of national accounting rules and their standardisation across countries before explaining the rules currently used in the EU and highlighting the elements most relevant to the social housing sector. The paper then details the changes made or under discussion in three EU member states (Ireland, Finland, and the Netherlands) in recent years and examines the implications of these for the social housing sectors in these countries. The closing section considers the implications of the preceding analysis for affordable housing policy more broadly in EU member states and outlines suggestions for addressing these. This analysis draws on a review of the relevant literature, all publicly available documents on EU national accounting rules and their implementation in the case study countries, and 20 in-depth interviews with civil servants, officials of national statistics agencies (NSAs), and social housing providers in these countries.

History of National Accounting and International Standardization of Rules:

The OECD defines national accounts as "a coherent, consistent and integrated set of macroeconomic accounts, balance sheets and tables based on a set of internationally agreed concepts, definitions, classifications and accounting rules" the purpose of which is to "provide a comprehensive accounting framework within which economic data can be compiled and presented in a format that is designed for purposes of economic analysis, decision-taking and policy-making" (cited in Miranda Sarmento (2019) p. 76). The emergence of national accounting was prompted by governments' need to clarify the resources available to fund their participation in wars. The first national accounts were produced in England and France in the seventeenth and eighteenth centuries for this purpose. National accounting methodology strengthened in the early twentieth century in several European countries, enabled by advances in economic theory and measurement, most notably the work of John Maynard Keynes (Vanoli, 2005). However, the need to clarify the resources available to fight World War II and subsequent reconstruction prompted significant advances in national accounting methodology. Particularly influential contributions were produced for the USA in 1934 by Simon Kuznets and for the UK in 1941 by Richard Stone (see Table 1) (Lequiller and Blades, 2014).

Stone also played a central role in the further development of national accounting rules and in efforts to standardise these rules across countries (see Table 1). His 1947 report for the League of Nations Committee of Statistical Experts and 1952 report for the Organisation for European Economic Co-operation (later to become the OECD) (intended to enable member countries to monitor post-war reconstruction under the Marshall Plan) were key milestones in the development of international national accounting standards. The latter report was revised the following year by the United Nations, and this document – commonly known as the 1953 SNA (system of national accounts) – is the first standardised national accounting system widely used by governments across the world. Over the subsequent decade, some 60 countries began to regularly publish national accounts, albeit based on crude estimates in many cases. Further revisions to the SNA were published in 1968, 1993, and 2008, each of which increased the accuracy, scope, depth, and comprehensiveness of its measurements of economies and government activities (Vanoli, 2005).

In the 1960s, the fledging European Union decided it needed a harmonised national accounting system for member states. So, in the 1970s, it published a version of the SNA called

Table 1. Milestones in the Development of National Accounting Systems and the Cross-National Standardisation of These

Date	Development
1934	First modern national income statistics were produced for the United States in 1934 by Simon Kuznets
1941	First national income statistics produced for the United Kingdom by Richard Stone
1947	Richard Stone's report on the *Definition and Measurement of the National Income and Related Totals* is published
1952	Richard Stone's *Standardised System of National Accounts* is published
1953	Revised version of Stone's work (entitled a *System of National Accounts and Supporting Tables*) is published. This is commonly known as the 1953 SNA (system of national accounts).
1968	1968 SNA published by the United Nations (entitled *A System of National Accounts*)
1970	First SNA adapted for the European Union (called the European System of Accounts – ESA) was published
1979	Revised ESA published
1993	Revised SNA published (SNA1993)
1995	Revised ESA published (ESA1995)
2008	Revised SNA published (SNA2008).
2010	Revised ESA published (ESA2010)

Source: adapted from Lequiller & Blades (2014) and Miranda Sarmento (2019).

the European System of Accounts (ESA) and revised these in 1979, 1995 and 2010 (see Table 1). The early iterations of the ESA made an important contribution to thinking about the cross-country harmonisation of national accounting rules and they influenced the iterations of the SNA that followed (Vanoli, 2005). However, over time the content of the ESA and SNA have themselves harmonised. Lequiller & Blades (2014, p. 445) estimate that "The 1995 ESA is 99% consistent with the 1993 SNA".

Although the differences between the SNA and ESA are now minor, they are highly significant from the perspective of the discussion at hand. They concern the ESA's use of a) more precise definitions of terms and their measurement and b) more precise implementation guidelines that both EU member states and candidate countries for EU membership have been legally required to follow since 1996 (Vanoli, 2014). For instance, the 2010 version of the ESA (hereafter referred to as ESA2010) includes more detailed definitions of 'market' and 'nonmarket' institutions than the SNA2008 (Eurostat, 2010). The national statistics agency in each EU member state is legally responsible for implementing the ESA and in doing so, these agencies follow detailed methodological advice from Eurostat (the EU's statistical agency which oversees and coordinates member state's statistical reporting) (Eurostat, 2022). In contrast, the SNA is designed to have sufficient flexibility to be used by countries at different stages of economic development and with varying levels of administrative capacity (Miranda Sarmento, 2019).

Lequiller & Blades (2014) attribute the ESA's greater precision and stricter application to its distinctive institutional functions in EU administration and policy implementation. The ESA statistics were originally used to decide how much each country should contribute to the EU budget and how regional development funds should be allocated. Since the 1992 Maastricht Treaty, however, they have also been used to assess whether member states' public finances are sustainable. After the Stability and Growth Pact was adopted in 1997, and as it has been updated over time, this monitoring role has expanded. ESA statistics are now used to track a wide range of indicators of 'macroeconomic imbalances' and to support the enforcement of EU rules that require governments to address any problems identified. From the perspective of the discussion at hand, the most significant of these fiscal rules are limits on government deficits to less than 3% of GDP and on the public debt-to-GDP ratio to below 60% (Schuknecht, 2024).

It is notable that the stringency of arrangements for applying the ESA have strengthened in parallel with the expansion of its policy and administrative role (Piron, 2024). The ESA's role in monitoring public finances was specified in an annexe to the 1992 Maastricht Treaty. To ensure the reliability and comparability of member states' national accounts, in 1995 Eurostat was formally designated as the guarantor of the quality of these statistics but its ability to fulfil this mandate was undermined by underfunding and limited legal powers. (Savage, 2011). Following conflict with member states regarding adherence to ESA rules, Eurostat's legal powers and budget were significantly strengthened in 2005 in the wake of the scandal regarding the Greek government's misrepresentation of its economic strength to qualify to adopt the Euro currency. These were extended further in the wake of the second revision to Greece's (inaccurate) public debt statistics in 2009 (Savage and Verdun, 2016).

European Government Finance Statistics Compilation Methodology:

The methodology used to compile data on government finances in the ESA2010 is set out in regularly updated Eurostat manuals and guidelines, primarily the *Manual on Government Deficit and Debt* (Eurostat, 2022). These documents explain that, when compiling these government finance statistics, NSAs may review the classification of any institution, activity or transaction considered relevant and, on this basis, make recommendations to Eurostat (which since 2009 has ultimate decision-making authority) regarding any changes to classifications required. Such reviews can be initiated in response to new or clarified guidance from Eurostat, or information received from the member state government or on the statistical agency's own initiative. National statistics agencies commonly initiate reviews as part of their bi-annual updating of their 'Register of Public Sector Bodies' – a list of organisations categorised in the general government sector or outside of government but under state control, which is the basis for its production of government financial accounts.

The Eurostat manuals also detail the methodology which the NSAs should employ when conducting these assessments. For instance, they specify, that for the purposes of the ESA, all 'domestic institutions' should be organised into one of five, mutually exclusive, sectors - general government. households, non-profit institutions serving households. non-financial corporations and financial corporations – the combination of which constitutes the total domestic economy. These sectors may be further divided into sub-sectors (e.g., the local government sub sector of general government) and further categorised as: public, national, private or foreign controlled. Each of these is assigned a sectoral (S) number in the ESA and among these the categories most relevant to this paper are: public non-financial corporations (NFCs) (S.11001), private non-financial corporations (S.11002), general government (S.13), and nonprofit institutions serving households (S.15).

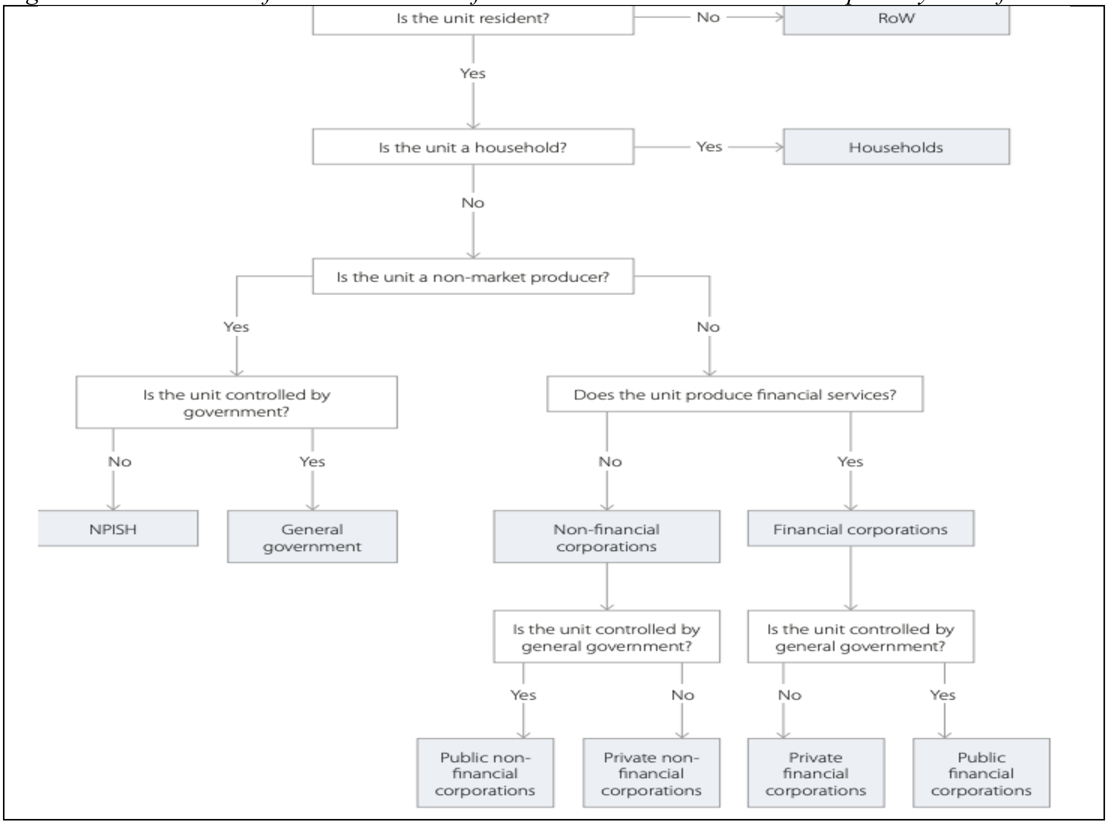
Figure 1 summarises the decision-making process national statistics agencies follow when deciding how to categorise domestic institutions in the national accounts. These decisions are determined primarily by the application of three interrelated questions:

1) Is the entity a distinct institution? If the answer is no, it is classified to the same sector as the unit which controls it (e.g., its 'parent' ministry or agency). If the answer yes, then the classification process moves on to the subsequent steps.
2) Is the entity a non-market institutional unit? If the answer is no, then it is classified as a financial or non-financial corporation depending on its type of activity.
3) Is the entity controlled by government? For non-market entities, if the answer is yes, they are classified as part of government and if the answer is no, they are classified as NPISH. For market entities, if the answer is no, they are classified as private financial or non-financial corporations, if the answer is yes, they are classified as public financial or non-financial corporations.

The three specific 'tests' must be conducted to answer these questions. These tests, which assess whether organisations are distinct institutions, market or non-market producers and government controlled, are summarised in Table 2.

The decisions reached on foot of these tests have the following practical implications. Nonmarket institutions that are government controlled are categorised in the general government sector and therefore on balance sheet. Whereas non-market institutions that are not government controlled are categorised as NPISHs and are off balance sheet. Notably, market institutions are categorised off balance sheet, irrespective of whether they are deemed to be government controlled or not. Therefore, both the publicly controlled non-financial corporations and the private NFCs identified in Figure 1 are off the government balance sheet.

Figure 1. Decision Tree for the Allocation of Institutions to Sectors in the European System of Accounts.



Source: Eurostat (2010).

Table 2. Tests Used to Allocate Intuitions to Sectors in the European System of Accounts.

Test	Measure
Institutional Unit Test	Examines whether an organisation has sufficient autonomy to be categorised as a distinct institutional unit. This is measured by its capacity to own assets, make independent economic decisions, incur liabilities, and produce full accounts.
Market /Non-Market Test	Assesses whether the organisation is a market or a non-market producer on the basis of three criteria: • two are qualitative (whether the organisation charges 'economically significant' prices and if the publicly controlled producer is the only supplier to government of goods or services, whether it does so based on competition) and • one is qualitative (whether it covers at least half its production costs through market-based revenues). For the purpose of this test: • economically significant prices mean prices that influence an organisations' willingness to supply a produce and consumers' willingness to consume it. • 'Production costs' are defined as the sum of intermediate consumption, compensation of employees, consumption of fixed capital, other taxes on production payable and the net interest charge (while other subsidies on production receivable are not deducted) Organisations deemed to market producers under this test are further categorised into financial corporations (involved in finance) or non-financial corporations (that produce other products). .
Government Control Test	Examines the extent of State influence over the organisation which is assessed with reference to the organisation's ability to determine its general policy. Control may be established through factors like powers to appoint personnel or boards, legislation and the level and conditions government funding. Notably, a single strong indicator of control may suffice for the classification of an institution within the general government sector.

Source: Eurostat (2010).

Recent Developments in the Categorisation of Social Housing in the National Accounts of Selected EU Member States:

Ireland:

Social housing accommodated 10% of households in Ireland in 2022, 70% of which were accommodated by municipalities and the remainder by non-profit housing associations (Table 3). However, in recent years, housing associations in Ireland have provided half of the new social housing output (Housing Commission, 2024).

The Irish NSA commenced the process of reviewing the status of housing associations on the national accounts in 2014, when it assessed the sector's compliance with the ESA2010. These organisations had been classified as NPISH in applications of the 1995 iteration of the ESA. The 2014 review concluded that "Having reviewed these entities we are satisfied that the balance of control of these entities currently rests in the privately constituted boards which govern their operation." (Central Statistics Office (2017) Appendix One). This assessment was based on three criteria:

- housing associations appoint their own board.
- many engage in multiple activities as well as housing provision and their boards can change their remit or relationship with or without government approval.
- In terms of risk exposure, the debt financing provided to housing associations from government transfers all risk to the borrower.

On this basis the Irish NSA recommended that housing associations should remain classified as NPISH, but subject to the qualification that: "Should the expected new developments in relation to social housing materialise, the status of these bodies under any revised relationship with … [municipalities] … or any other government body will be reviewed at that point." (Central Statistics Office (2017) Appendix One).

A further review was conducted in 2017 and as mentioned above, on this occasion the Irish NSA recommended to Eurostat that 14 housing associations should be reclassified as part of the general government sector in the national accounts and this categorisation has since been extended to an additional 37 housing associations. The rationale for this assessment is that while housing associations are distinct institutions, application of the 'market test' indicates that they are non-market producers, because the rents levied on most of their dwellings are linked to tenants' incomes, and therefore are 'not economically meaningful' charges (see Table 2). However, in contrast to its 2014 assessment, the Irish NSA's 2017 application of the 'control test' concluded that housing associations were government controlled. Although, the 'primary'

Table 3. Comparison of Social Housing Sectors in Finland, Ireland, Northern Ireland, and the Netherlands

Characteristic	Finland	Netherlands	Ireland
Population	5.6 million	18.1 million	5.2 million
Social Housing Dwellings	404k out of 2.8m; 14%	2.3m out of 8.1m; 28.5%	202k out of 2.1m; 10% (3% housing associations)
Key Regulatory Body	VARKE (Centre for State-Subsidised Housing Construction)	Ministry of the Interior	Approved Housing Bodies Regulatory Authority (AHBRA)
Legal Framework	Social Housing Law, VARKE oversight	Housing Act, performance agreements	1966 Housing Act, but no Social Housing Act
Main Providers	Housing associations and Municipal Housing Companies	Housing associations	Municipalities (i.e. local authorities) and housing associations
Funding Model	Subsidies, state loans	Independent finance, state-backed loans	Public grants, loans and revenue subsidies
Government Role	Oversight, financing	Regulatory framework	High control, motivated by compliance & accountability
Autonomy	Conditional but functionally private	Financially autonomous associations	Semi-autonomous; high control
Classification Strategy	Loans reclassified due to fiscal risk	Still off-balance sheet, under review	Classified as local govt entities
Classification Changes	2022: S.11001: Public NFCs (but Interest Subsidy Loans moved to S.13)	No recent change; S.11002: Private NFCs	2014 NPISH 2018: S.1313 (local government sub-sector)
Control Mechanism	Funding conditions, VARKE oversight	Guarantees + regulation (WSW)	Terms of public grants, loans and revenue subsidies

Source: Elsinga & Wassenberg, (2014); Housing Commission (2024); Pittini et al., (2021); VARKE (2023).

government controls over housing associations (i.e. control over the appointment of officers and staff and 'enabling instruments' such as governing documents and membership rules), had not strengthened over this period, in 2017 the NSA's assessment of government controls over the sector exercised via funding and other contractual agreements reached different conclusions. On this occasion it estimated that "over 99% of capital financing" for housing association dwellings is derived from three government loan programmes (Central Statistics Office (2017), p. 23). Although it acknowledged that there is some variation between the terms and conditions of these schemes, it concluded that the extent of the associated government controls alone is enough to classify any housing association primarily dependent on this funding as part of the government sector rather than the non-profit sector. This is because the terms of these schemes afford housing associations very limited control over the following critical aspects of their service:

- Rent calculation: housing associations must use the same rent calculation formula as municipalities for dwellings funded by some schemes or at least take account of tenants' incomes when calculating rents in other cases
- Dwelling allocation: municipalities can nominate between 75 and 100% of tenants depending on the funding scheme, and
- Dwelling design: which must adhere to the housing ministry guidelines.

The Irish NSA also argues that significant government risk exposure exists because the state is meeting its obligations to households entitled to social housing via the housing associations.

Finland:

In Finland 14% of homes are state-subsidised and regulated as Services of General Economic Interest under EU law (see Table 3). These are provided mainly by some 1,000 municipal housing companies, but more than 500 housing associations provide some 3.4% of the overall housing stock (Pittini, Turnbull and Yordanova, 2021).

Rather than the providers of social housing, however, the mechanisms used to finance the capital costs of its provision has been central to debates about the application of the ESA2010 in this country. Interest subsidy loans play a central role in Finland's housing system by supporting the construction and maintenance of social rental housing and other forms of 'affordable housing'. These are provided by MuniFin (Municipality Finance Plc), a special credit institution primarily owned by Finnish municipalities and the state, that provides loans backed by municipal guarantees. The purpose of the interest subsidy is to even out interest payments over the long term by reducing repayment costs when interest rates rise above a target level. This subsidy covers 90% of the excess interest in the first year and then declines by 2.25 percentage points annually as a percentage of the excess interest, thereby supporting affordability in the short-term while reducing long-term costs to government. Dwellings financed through interest subsidy loans are subject to strict regulations. Typically, rental obligations extend for 40 years, dwellings cannot be sold without permission from government, and rents are set at cost-recovery levels. Tenant selection is determined by need and income, and tenant democracy is emphasised through co-decision rights.

As part of its oversight of implementation of the ESA2010, Eurostat recommended that the Finnish NSA review the recording of interest subsidy loans in the national accounts in 2021 (Statistics Finland, 2022). At this time these loans were not included in Finland's general government debt nor were the debts of the housing associations that received these loans (which were categorised as public non-financial corporations, S.11001). The review considered recategorising these organisations as part of government and therefore on balance sheet, but because they draw on a variety of funding sources, it was instead decided to recategorise the loans as part of general government debt (in S.13), and therefore on balance sheet.

This decision reflects the significant control over social housing providers government exercises via the terms of these loans in the view of the Finnish NSA and its risk exposure in the event of non-payment. In particular, the binding conditions attached to these loans and the broader regulatory framework influenced this decision, and the following specific controls were cited in the decision:

> Restrictions concerning… interest subsidy loans are the determination of rents and maintenance charges through expenses [i.e. cost recovery rents], profit limitations, provisions on the selection of tenants and the conditions for the transfer of assets. In exchange for these restrictions, the loans have public interest subsidy and a supplementary state guarantee (Statistics Finland, 2022, p. 1).

The Netherlands:

The Netherlands has the largest social housing system in Europe, accounting for approximately 28.5% of the total Dutch housing stock in 2023. This housing is provided by some 270 non-profit housing associations (*woningcorporaties)* which own and manage 2.3 million social rental homes (see Table 3). A deliberate feature of this sector is that, despite its large scale, it has stayed off the public balance sheet. Housing associations are currently classified as Private Non-Financial Corporations (S.11002) in ESA2010. This classification was enabled by a suite of legal, financial, and institutional reforms devised and implemented in the early 1990s in response to the public borrowing and spending controls introduced by the 1992 Maastricht Treaty and designed specifically with this intention in mind. This process culminated in the *Brutering* ("grossing and balancing") accounting reform in 1995 which cleared the mutual debts and obligations between the state and the housing associations and in return ended public subsidies and loans while granting housing associations full financial independence. From this point forward, housing associations have funded their operations, maintenance, and construction activities without <u>direct</u> state investment and, until recently, with limited state control (Elsinga and Wassenberg, 2014).

Since 1995, their social housing development has been financed primarily through a combination of private sector capital and housing associations' internal receipts. Housing associations generate these funds primarily from tenants' rents but also from the sale of assets, such as older properties or land, and Dutch law requires that all these funds must be used solely for social housing purposes. Private loans provided for approximately 60% of new housing project funding in 2021/22 (Turnbull, 2025). These are mainly sourced from two quasi-public banks: *Bank Nederlandse Gemeenten* (BNG Bank) and the *Nederlandse Waterschapsbank* (NWB Bank), both of which have a mandate to support public and semi-public sectors at low cost. Low interest rates are enabled by guarantees provided by the *Waarborgfonds Sociale*

Woningbouw (WSW - the Dutch Social Housing Guarantee Fund) which minimises the risk to lenders. WSW employs a three tiered- guarantee structure which encompasses:

- **Tier 1**: encompasses the WSW's own risk capital, built up through fees charged to member housing associations and investment income. In the event of a default the WSW uses this capital to absorb the initial losses and recovers funds by calling collateral obligations from the defaulting housing association, e.g. by selling assets or securing rental income streams
- **Tier 2**: if these supports are insufficient to cover losses, WSW calls on a mutual guaranteed mechanism. The remaining losses are distributed among all other WSW member associations, with each contributing in line with its financial capacity.
- **Tier 3** encompasses formal backstop agreement whereby the Dutch central government and local municipalities commit to providing interest-free loans to the WSW if both the first and second tiers are exhausted, and the sector faces a systemic crisis. While this provision has never been triggered, its existence reassures lenders of the sector's financial backing.

Due to this tiered structure, the WSW holds a AAA credit rating and like the housing associations was traditionally categorised off the government balance sheet.

Though housing associations are largely financially independent from government, this is balanced with public responsibilities that are enforced through government regulation and performance agreements negotiated with municipalities and tenant organisations. Notably, government controls of the housing associations, which had been liberalised in the mid-1990s, were strengthened again by the Housing Act, 2014 which was introduced on the recommendation of a parliamentary inquiry into financial mismanagement in one of the largest associations (Tweede Kamer, 2014; Hoekstra, 2017). Since then, a regulatory authority called the *Autoriteit woningcorporaties* (Aw) supervises housing associations' governance, financial health, and compliance with their core social mission and can intervene in cases where the required standards are breeched. Allocation of social housing tenancies is governed by a combination of national regulations, tri-party performance agreements between housing associations, municipalities and tenant organisations and eligibility is based primarily on household income. Social housing rents are determined by the *Woningwaarderingsstelsel* (Housing Valuation System), which assigns points according to a dwelling's characteristics, such as size, energy performance, amenities, and location. These points translate into a maximum legal rent (€900.07 in 2025), beyond which a dwelling is no longer considered social housing. On average, rents are about 62.5% of the maximum and annual rent increases are capped, typically linked to national income growth. Tenants who cannot afford their rent can claim a rent allowance from government to help with this cost.

In most recent reviews of the ESA2010 categorisations of the Dutch social housing sector in July 2023 (Part 1) and 1 January 2024 (Part 2) Eurostat raised doubts that the sector should remain classified off-balance sheet:

> Eurostat is not convinced that social housing entities are market producers, based on a multi-factor analysis (borderline case regarding autonomy of decision and the market/non-market character) where the criteria were jointly considered. Certain points raised by Eurostat during the meeting pointed towards the appropriateness of reclassifying the social housing entities inside government, while others raised by Statistics Netherlands [the NSA] point towards these units being public market producers (Eurostat (2025) p. 25).

In its report of the final findings of this review, Eurostat referenced indicators of government control including "the government's extensive regulation of social housing policy" and the "government's involvement in the corporations' daily operations and the financial risks borne by the government" (Eurostat, 2025, p. 23). The Dutch NSA had informed Eurostat that WSW (i.e., the guarantee) should be reclassified inside the General Government sector (S.13) as part of the 2024 revision "as the funds are not operating on a commercial basis and are benefiting from the counter guarantee of government" and this change has been implemented (Eurostat, 2025, p. 24). The *potential* reclassification of the housing associations themselves, from S.11002 (Private NFCs) to S.11001 (Public NFCs), or even into S.13 (General Government), remains a key focus of the dialogue between the Dutch government and Eurostat, highlighting the ongoing debate about the degree of government control.

Impact of Recategorisation for Social Housing Provision in the EU:

The practical impact of the ESA2010 reclassifications described above has varied between the three countries under examination, depending on the details of the Eurostat decision, the size, character, and financing of the social housing sector, and the wider political and economic context in that country. However, due to the specifications of the categories used in the ESA2010 and the associated tests, the central role these decisions play in the implementation of the EU's fiscal rules and the design of these rules, social housing's ESA2010 categorisation has the potential to significantly impact the sector's future across the EU.

In Ireland the ESA recategorisation of housing associations has had limited impact on the sector to date for technical and practical reasons. This is because most capital and revenue funding for social housing provision in Ireland comes from government and was therefore already included in public spending and borrowing figures, consequently the inclusion of the housing associations in the general government sector increased these figures only minimally (by the value of the associations' (modest) rental income and associated spending). Furthermore, very strong economic growth and tax revenue in recent years has enabled a marked increase in public spending on social housing in Ireland to one of the highest levels in the EU (as a % of national income) while still adhering to Stability and Growth Pact spending and borrowing rules (Housing Commission, 2024) (see Table 3). However, a government appointed commission to review housing policy has raised concerns about the sustainability of this investment, which is enabled by windfall tax revenues from the profits of multi-national corporations based in Ireland (Housing Commission, 2024). This commission pointed out that historically the funding of the sector on balance sheet has resulted in a highly variable, pro-cyclical pattern of investment, whereby public capital spending is cut radically in recessions. To break this cycle, it recommended that the government should work to have the housing associations recategorised off balance sheet.

In the Netherlands the inclusion of WSW on balance sheet has also had minimal impact to date because the ESA2010 categorisation of loans it guarantees has not changed and no decision has yet been made by Eurostat on the categorisation of Dutch housing associations. However, if these housing associations are recategorised as part of the general government sector their debt (which stood at €100 billion in 2024) would be treated as government debt (which was €491.7 billion in the same year). This development would radically increase the Dutch dept to GDP ratio from its 2024 level of 43% to 52%. While this would not result in the Netherlands breaching the EU's fiscal rules on the ratio of public debt to GDP, it would significantly limit the ability (and presumably the willingness) of the Dutch government to invest in further social housing development or the refurbishment of the existing stock.

In contrast, the recategorisation of interest subsidy loans for social housing provision in Finland into the government sector has had a much more significant practical impact. In 2021 the Finnish government debt to GDP ratio increased by approximately six percentage points in 2021, from 66% to around 72%, (roughly €15 billion) (Statistics Finland, 2022). Subsequently, there was a radical redirection in housing policy, and the current centre-right government has significantly reduced state subsidies for social housing. These reforms include:

- Abolishing the ARA (the government housing finance agency) and absorbing its functions into the environment ministry from February 2025,
- Absorbing the housing fund previously managed by ARA which partially finances state-subsidised housing by providing interest subsidies and investment grants into the state budget from 2026.
- Cutting grants for investment, housing guidance, and accessibility improvements.
- Targeting social housing more stringently at lower-income groups from January 2025.
- Ceasing construction of 'right of occupancy' housing - an intermediate tenure (a mix of owning and renting) targeted at lower-middle income households (Housing Europe, 2025).

The size of the social housing sector in each of these three countries is at or above the EU average of 10.5% of dwellings (see Table 3), the combination of the ESA2010 and EU's fiscal rules are likely to create even greater challenges for EU member states where this tenure is small, and policy makers aim to expand it. This because, many of the countries where social housing sectors are smallest are currently in breach of the EU's maximum government debt and deficit rules and therefore are obliged to do reduce public spending and/or borrowing to address

Table 3. Social Housing, Public Balance and Government Debt to GDP (%) in EU Member States, 2024.

Country	Social Housing (% of Dwellings)	Dominant social housing rent calculation criteria					Government Debt to GDP %
		Market prices	Costs	Income-of tenants	Dwelling characteristics	Public Balance %	
Austria	23.6		X			-4.7	79.9
Belgium	6.1			X		-4.4	103.9
Bulgaria	0.8			X		-3	23.8
Croatia*	1					-1.9	57.4
Cyprus*	0					4.1	62.8
Czechia	5	X	X (primarily)	X	X	-2	43.3
Denmark	20.1		X			4.5	30.5
Estonia	1.3		X (primarily)		X	-1.7	23.5
Finland	15		X			-4.4	82.5
France	18		X	X (primarily)		-5.8	113.2
Germany	12.7	X (primarily)		X	X (primarily)	-2.7	62.2
Greece*	0					1.2	154.2
Hungary	2.4				X	-5	73.5
Ireland	10			X		4	38.3
Italy	3.5	X		X (primarily)	X (primarily)	-3.4	134.9
Latvia	2.5	X	X (primarily)	X	X	-1.8	46.6
Lithuania	0.8				X (varies across municipalities)	-1.3	38
Luxembourg	2			X (see note)	X	0.9	26.3
Malta	3.3	X	X	X (primarily)	X	-3.5	46.2
Netherlands	28.6	X	X	X	X (primarily)	-0.9	43.7
Poland	5.3				X	-6.5	55.1
Portugal	3			X		0.5	93.6
Romania	2.6			X		-9.3	54.8
Slovakia	2.5		X			-5.5	59.7
Slovenia	5.1		X		X (primarily)	-0.9	66.6
Spain	1.5					-3.2	101.6
Sweden**	16.1				X	-1.6	34

Note: * these countries provided no social housing at the time of writing. **: data are for public housing because Sweden does not have a social housing sector. Some
Source: Eurostat (2025), Norris *et al.*, (2015)

this (see Table 3). This is the case for: Cyprus, Greece, Hungary, Malta, Poland, and Portugal. Romania, Slovakia, Slovenia and Spain, for instance. Secondly, these fiscal rules limit member states' nominal deficit to 3% of GDP, which in ESA2010 is defined as the difference between total government revenue and expenditure (Savage, 2011). This rule (at least its initial version) does not differentiate between current and capital spending and due to the 'lumpy' nature of the latter (i.e. houses, roads and railways are consumed over the long term but must be paid for in full prior to consumption), large capital spending disproportionately impacts governments' ability to meet these targets and is therefore discouraged (Piron, 2024). Third, public debt calculations for national accounting purposes refer to 'government consolidated gross debt' meaning that they do not subtract the value of government assets. Accounting for the costs of capital investment but not its value further discourages governments from this type of spending. Finally, due to the specification of the different ESA2010 sectoral categorisations and the associated tests, summarised in Table 2, it is particularly difficult for small but growing social housing sectors to be included in the NPISH and NFC categories and thereby outside the government balance sheet. To be categorised as NPISH, housing associations would have to charge no or very low 'not economically meaningful' rents (to qualify as non-market institutions), but also not rely on very limited subsidies from government (to qualify as not controlled by government). This funding regime would make it very challenging to deliver housing at any significant scale. To qualify as NFCs housing associations would have to levy economically meaningful charges. The cost recovery rents charged by social housing providers in many European countries meet this criterion and, even in countries where the rents for individual dwellings are not formally calculated with reference to costs (but with reference to for instance the dwellings' characteristics), social landlords are often required by regulators to ensure that the rental income generated by their entire housing stock collectively covers costs (see Table 3) (Norris *et al.*, 2015). Thus, the requirement to charge economically meaningful rents this is not an insurmountable barrier for social housing providers in most EU member states. However, for social housing providers that are developing lots of new housing and therefore have substantial associated debts but don't have a significant stream of rental income from existing dwellings, meeting the 'quantitative' element of the market/ nonmarket test would be challenging. In this scenario a housing association's revenue from sales (i.e. rents) is likely to be insufficient to cover half of their production costs because these costs include interest payments (see Table 2).

More broadly the policy makers and housing researchers interviewed for this article raised concerns that housing policy decisions are shaped by national accounting considerations rather than housing need, evidence or good practice (Piron, 2024). They claimed that the ESA2010 rules were motivating governments to adopt 'creative accounting' solutions to stay off balance sheet, often involving privatised modes of public service delivery that offer poor value for money and generate financial and governance risks for governments (Milesi-Ferretti, 2000). Particularly strong concerns were raised about the use of public private partnerships (PPPs) to deliver affordable housing because they are categorised off balance sheet in ESA2010, although interviewees argued that in fact PPPs create a state liability because it would be politically impossible for a government not to re-house tenants made homeless due to the collapse of a PPP that it had sponsored (Brixi and Schick, 2002). Interviewees also criticised the ongoing public subsidy required by PPPs and suggested they provided worse value for money than non-profit social housing provision. Notably, this view is supported by the UK government National Audit Office's (2018, 2025) 2018 review of the use of PPPs for social housing provision in the UK which concluded they were substantially more expensive than direct government borrowing for investment. This led to the discontinuation of the use of PPPs for social housing provision in the UK.

Analysis: Options for Addressing these Challenges:

The developments in national accounting standards outlined in this paper has been accompanied by a lively debate about various aspects of their design, scope and purpose. While undoubtedly important, many of the issues raised in this debate (e.g. the measurement of welfare and environmental sustainability in national accounts) are not directly relevant to the critical issues about the social housing sector examined here. Within the EU, the fiscal rules have been the subject of significant debate and criticism but the issue of their interaction with the ESA2010 and the key role of latter plays in the enforcement of the former has received far less attention (Piron (2024) is an exception). Thus, the analysis presented in this paper addresses important gaps in knowledge about the impact of national accounting rules on housing policy in the EU. It also sheds light on some of the policy and technical options available to address the negative impact of these arrangements on social housing provision in some EU member states.

The first of these options is to reform of the EU's fiscal rules. This option has already been widely debated and partially implemented. It was first introduced temporarily when the rules were suspended in 2020 in response to the economic challenges arising from the Covid-19 pandemic and the Ukraine War. It then became permanent in April 2024, when the rules were reformed to give member states more flexibility in making fiscal adjustments to meet the SGP's debt and deficit targets. The reforms allow countries to agree on bespoke plans tailored to their specific circumstances and enable investment in infrastructure needed to support the digital and green transitions. An obvious solution to the housing problems outlined here would to be to extend this flexibility to include state investment in social housing provision. This approach has significant advantages over other alternative reform options such as lifting or significantly loosening all controls on public investment (see Elesse, Dorn and Lay, 2023), because as it would maintain the controls over public spending and debt which EU policy makers have decided are required to protect the EU's financial sustainability, while encouraging government investment to address the severe shortage of affordable housing in many member states, particularly in cities.

A second and related option for reform relates to the use of the ESA to monitor adherence to the EU fiscal rules. It is notable that these national accounting rules were not devised for this purpose and, while national accounts are widely used to inform public policy decisions in other parts of the world, this rarely operates in the same legally underpinned and therefore inflexible manner employed in the EU. To address the problematic housing policy outcomes generated by these arrangements, alternative indicators could be devised for monitoring adherence to EU fiscal rules, and the use of the ESA could be confined to its original purpose of national accounting. Governments in several high-income countries are currently exploring alternative measures of the public sector balance sheet. Significantly the aforementioned 2024 reforms to the EU fiscal rules provide for more bespoke monitoring by the European Commission of EU member states' compliance with any fiscal consolidation required for adherence to these rules, so the development of a bespoke suite of associated indicators would be a logical extension of these arrangements.

A third option has been proposed by the expert European Housing Advisory Board (2025) established to advise the European Commission on the EU's Affordable Housing Plan. It recommends that Eurostat should provide guidance on enabling off-balance sheet treatment of social housing providers. In view of the highly technical and complex nature of the ESA2010 rules, guidance of this type may be helpful for countries where social housing sectors meet many, but not all the criteria required to be categorised off balance sheet in the NPISH or NFC categories. However, this measure would not resolve the aforementioned significant challenges that many social housing sectors face in qualifying for off balance status under ESA2010 rules.

To address these problems the European Housing Advisory Board (2025, p. 40) also recommends that the ESA2010 should be revised "to ensure that housing providers with independent operations and financial sustainability are not classified as part of the government sector". However, it does not specify exactly how this should be done. The analysis presented in this paper points to two routes for implementing this recommendation – a radical, fundamental reform of the national accounting standards and a more narrowly focused solution.

The first route has been proposed by advocates of 'green budgeting' and other fundamental revisions to national accounting methodology. It involves incorporating 'public sector net worth', a statistical measure of both what the government owns and owes, i.e. of both its assets (financial and non-financial) and its liabilities, into national accounts (Zaranko, 2023). Its proponents argue that this approach provides a broader and more comprehensive picture of the public finances and of government action and inaction than more commonly used alternatives such as measuring of debt and borrowing. It can therefore better inform policy decisions on public asset purchases or sales and strengthen the rationale for investing in high quality assets, the value of which exceeds the financing cost. Sceptics argue that public sector net worth is very challenging to measure and estimates would vary significantly depending on the definitions and modelling assumptions used for this purpose and this measure would not provide any useful information about the government's ability to borrow from capital markets because non-financial public assets are difficult to value and generally cannot be sold to meet financing needs (Zaranko, 2023).

Incorporating public sector net worth into ESA2010 calculations would address the challenges created by the potential recategorisation of the Dutch housing associations on balance sheet, because the value of this sector's enormous housing stock would almost certainly outweigh its debts, probably several times over (see Table 3). However, it is unlikely that the application of this metric to the far smaller social housing sectors in other EU member states would achieve the same result. This reflects the fact that social housing's asset value is significantly lower than private housing, because social housing usually can't be repossessed and sold with vacant possession to repay bad debts, consequently social housing is generally valued at a multiple of the rent roll by lenders, and these rents are below market which depresses valuations.

The other narrower and, therefore. probably more politically viable, reform route involves the introduction of a new sectoral categorisation into the ESA (and potentially also the SNA) that is more appropriate for the social housing sector. An obvious option for achieving this is the category of 'social enterprises'. These are defined by the European Commission (2021, p. 5) as organisations that:

> operate by providing goods and services for the market in an entrepreneurial and often innovative fashion, having social and/or environmental objectives as the reason for their commercial activity. Profits are mainly reinvested with a view to achieving their societal objective. Their method of organisation and ownership also follow democratic or participatory principles or focus on social progress. Social enterprises adopt a variety of legal forms depending on the national context.

This concept better captures social housing providers' distinctive combination of non-profit missions, hybrid social and economic rules, capital intensive functions and use of mixed funding models (public, private and self-financing) to support these activities than the NPISH categorisation, which assumes primarily non-market funding, limited surpluses, and a reliance on donations or grants (i.e. charitable model) and the NFC category, which assumes primarily market funding and a profit making objective. A further key benefit of this concept is that it is already widely recognised in EU policy and the policies of EU member states. A possible reform route would therefore be either to redefine NPISH to explicitly encompass social enterprises or to introduce social enterprises as a distinct, new institutional category within the ESA.

Conclusion:

The analysis presented here shows that the interaction between national accounting rules and EU fiscal governance has become an increasingly significant but often overlooked factor in influencing social housing policy across Europe. Experiences in Ireland, Finland, and the Netherlands demonstrate that links between the EU fiscal rules and the ESA2010 framework can substantially impact upon governments' ability to finance, regulate, and expand social and affordable housing, sometimes in ways that conflict with national priorities. Although recent reforms to the fiscal rules introduce some flexibility, from the perspective of social housing provision, they do not resolve the structural tensions generated by their relationship to current national accounting classifications. Therefore, facilitating EU countries to address their affordable housing challenges will require reforms, whether targeted or systemic, to the national accounting framework that underpins fiscal decision-making. Without such changes, governments are challenged with designing housing interventions around accounting constraints or refraining from investment, instead of focusing on the scale of housing need and the most effective policy instruments and institutions to meet that need.

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