

DESCRIPTION OF THE APPLICATION OF THE 2012 SGEI DECISION

1) INTEREST-SUBSIDY LOANS FOR SOCIAL HOUSING PRODUCTION

Clear and comprehensive description of how the respective services are organised in your Member State

Explanation of what kind of services in the respective sector have been defined as SGEI in your Member State. **Please list the contents of the services entrusted as SGEI** as clearly as possible.

Interest subsidy can be paid out of State funds for loans granted for the construction, acquisition or renovation of social rental, right-of-occupancy or partial-ownership dwellings. Such interest-subsidy loans always include collateral security by the State. The aim of interest-subsidy loans is to ensure the provision of reasonably-priced, high-quality housing for people who are unable to find suitable housing on the market due to solvency constraints.

The recipients of interest-subsidy loans have a public service obligation to produce and maintain housing with reasonable housing costs, which meets the needs of residents selected on social grounds. In order to guarantee that State aid is only allocated for the benefit of residents, interest-subsidy loans are only granted to local authorities and other public corporations fulfilling a public service obligation as well as to private entities and to companies under their direct control. The conditions relating to the public service obligation that recipients of interest-subsidy loans must meet when carrying out their operations have been laid down in legislation. One of the requirements is that a corporation must engage in the construction and provision of rental or right-of-occupancy dwellings for residents selected on social grounds, with the objective of securing good and safe living conditions for residents at a reasonable cost. The possibilities of a corporation to take risks and to grant loans and lodge security have been restricted by law. A corporation may not enter as income for its owner anything other than a reasonable profit on the funds invested by the owner in the corporation. In other respects, accrued assets must be used for the corporation and residents. A for-profit corporation may also establish a subsidiary that meets the above requirements and fulfils a public service obligation for which it receives an interest-subsidy loan. In this way, the aid scheme combines strict control of the allocation of aid with the opportunity for all operators to receive aid.

In addition, restrictions on the use and assignment of dwellings financed by subsidy-interest loans have been laid down in legislation. The rent must be determined according to the absorption principle, i.e. the residents may only be charged rent corresponding to the amount needed to cover expenses arising from the financing of the dwellings and related premises and from sound real estate management. The dwellings must be assigned to households with the most acute need for housing: the criteria for tenant selection include the applicant household's need for housing, their financial means and income, with priority being given to applicants with the most urgent need for housing, the lowest income and the most modest means. In addition, the assignment of property and the assignment price are limited by law so that the assignor cannot earn a profit from the transaction.

Explanation of the (typical) **forms of entrustment**. If standardised templates for entrustments are used for a certain sector, please attach them.

The Finnish Act on interest subsidy for rental housing loans and right of occupancy housing loans (604/2001) provides for the general conditions for granting interest-subsidy loans and for the content of the public service obligation imposed on borrowers. The authority, the Housing Finance and Development Centre of Finland (ARA), that decides on accepting a loan as an interest-subsidy loan draws up a written decision for the borrower on all the interest-subsidy loans it approves, including details of the public service obligation imposed on the borrower and the compensation paid for it, together with the relevant terms and conditions. The decision includes a reference to the Commission's SGEI Decision. No interest subsidy is granted if the operator is paid other interest subsidy for the same purpose out of State funds or if the borrower has been granted a loan for the same purpose from State funds. Detailed provisions on all the conditions for the approval of an interest-subsidy loan and the payment of interest subsidies, as well as the parameters applied in the calculation, monitoring and adjustment of the amounts of subsidy are laid down in legislation and documents issued by authorities.

Average duration of the entrustment (in years) and the proportion of entrustments that are longer than 10 years (in %) per sector. Specify in which sectors SGEI were entrusted with a duration exceeding 10 years and explain how this duration is justified?

The restrictions on the operations of a corporation receiving an interest-subsidy loan and on the use and assignment of dwellings financed by such loans remain in effect for 30–40 years, depending on the purpose of the loan. In other words, the duration of the public service obligation imposed on the borrower ranges from 30 to 40 years according to the project. As stated in the Commission's SGEI Decision, a period of entrustment exceeding 10 years is justified in the area of social housing, where the significant investments required need to be amortised over a long period of time - several decades - in accordance with generally accepted accounting principles.

Explanation whether (typically) **exclusive or special rights** are assigned to the undertakings.

None are assigned

Which **aid instruments** have been used (direct subsidies, guarantees, etc.)?

Interest subsidies and guarantees, possibly also direct grants (see below).

Typical **compensation mechanism** as regards the respective services and whether a methodology based on cost allocation or the net avoided cost methodology is used.

ARA selects housing projects eligible for interest-subsidy loans on the basis of the applications submitted to it and only approves an application if the applicant and the housing project meet the legislative requirements for granting interest subsidies. A condition for the approval of an interest-subsidy loan is that ARA approves the construction plans and costs submitted to it before work starts. A subsidy is paid only as required by the fulfilment of the undertaking's public service obligation. In addition, the borrower must follow competition and public procurement rules when implementing a subsidised project. New construction and renovation projects must be put out to tender, and contracts for interest-subsidy loans may only be awarded through competitive tendering. Interest subsidies are paid by another national authority, the State Treasury.

Depending on the project being financed, the amount of an interest-subsidy loan is 80-95 per cent of the approved construction, purchase or renovation costs. The remaining costs are self-financed by the borrower. In addition, the borrower must always pay a certain percentage of the interest payable on the

loan. In 2016 and 2017, the borrower's own remaining liability for the interest was 1.7-3.5 per cent, depending on the project. If the interest on the loan exceeds the amount of the borrower's own liability, a certain percentage of the excess is paid in interest subsidy to the credit institution that granted the loan. The amount of the payable interest subsidy gradually reduces to zero over a period of 23 years. The interest charged by the lender on an interest-subsidy loan may not exceed the interest generally applied to loans with a similar risk and similar terms in each case. Interest subsidies are used entirely for the benefit of the residents, and the non-profit corporation or its owner receives no profit on the subsidies. According to the law, a non-profit corporation may only charge its tenants a reasonable profit on the corporation's self-financing and the corporation may only enter as income for its owner a reasonable profit on the funds invested by the owner in the corporation.

In 2016 and 2017, projects financed by interest-subsidy loans were also granted start-up grants in the Helsinki area for a fixed period of time. All provisions and restrictions applied to interest-subsidy loans, their recipients and projects for which loans have been granted also apply to these grants. The aim of the start-up grants has been to boost the production of ordinary rental dwellings in the Helsinki area, which has been lagging behind other regions in recent years, and to compensate for construction costs that are higher than elsewhere in Finland. The amount of the grant was EUR 10 000 per dwelling.

Since the beginning of August 2016 it has been possible to grant short-term interest-subsidy loans. Their content is similar to that described above: the rent of dwellings financed with short-term interest-subsidy loans must be determined according to the absorption principle, the residents must be selected on social grounds (there is a maximum euro income limit), there are limits on the non-profit corporation's operations and such a corporation may only enter as income for its owner a reasonable profit on the funds invested by the owner in the corporation. The amount of the interest-subsidy loan and the borrower's liability for the interest are as described above. However, the duration of the public service obligation for short-term interest-subsidy loans ranges between 10 and 30 years. Interest subsidy is paid on the loans and a State guarantee granted only for the duration of the public service obligation and the restrictions on the use and assignment of the dwellings.

In addition, a State guarantee (guaranteed loan) was in place in 2016 and 2017 for the construction of rental housing as a form of aid supplementing the interest-subsidy loan. The shortage of reasonably priced housing is a chronic problem in the largest growth regions in Finland. The supply of rental housing cannot meet demand. This in turn means higher rents, places low- and middle-income service-sector employees in a particularly difficult position on the housing market, and prevents employees from moving to areas where the need for labour is highest. Guaranteed loans have been an attempt to address this problem. Ultimately, the aim of these guaranteed loans is likewise to secure housing for people in a vulnerable position. Such housing can therefore also be considered social housing, although there is no obligation to apply criteria for tenant selection similar to those applied in the case of ordinary interest-subsidy loans. A guaranteed loan takes the form of collateral security and applies to loans used for the construction of new rental dwellings. Unlike with interest-subsidy loans, in the case of guaranteed loans the borrower is only required to be able to repay the loan and engage in its rental housing business, and the dwellings must be used as rental dwellings for the duration of the guarantee period - at least 20 years. There are no other use restrictions. However, the provisions on the obligation of borrowers to put their contracts and financing out to tender and comply with public procurement legislation also apply to guaranteed loans. Furthermore, the terms and conditions of the loan, the interest and other loan-related costs charged by the lender must be reasonable when compared with the terms and conditions, interest and costs of loans generally granted for similar purposes. State guarantees are only in effect on condition that the lender administers the guaranteed

loan and its collateral in accordance with the law and sound banking and recovery practices. Only a small number of guaranteed loans were approved in 2016-2017 compared to the number of interest-subsidy loans approved during the same period.

Typical arrangements for avoiding and repaying any overcompensation.

The arrangements for avoiding and repaying any overcompensation: the interest-subsidy scheme is so constructed that State aid is channelled for the benefit of residents in the form of cheaper rents. This is mainly achieved through three complementary mechanisms: ensuring that subsidies are of the right amount by imposing obligations on corporations receiving interest-subsidy loans and applying restrictions on the use and assignment of dwellings financed through interest-subsidy loans. ARA guides and monitors the process by means of price-quality control, thereby ensuring that the dwellings are correctly located in terms of regional development and demand, that they are of high quality and that their price is estimated correctly. Price-quality control and other legislation are important in ensuring that housing costs remain reasonable and that residential areas become diverse and attractive.

Subsidy legislation and the terms and conditions of decisions taken by public authorities prevent the payment of excessive subsidies. ARA, the State Treasury and the local authorities ensure that the beneficiaries comply with the conditions and restrictions provided for in legislation. Activities in breach of the provisions may lead to the termination of the subsidy payments, excessive or unjustified subsidies may be recovered and the borrower may be ordered to pay a penalty. Additionally, ARA may suspend the processing of other pending applications for State-subsidised housing production made by a non-compliant corporation or another corporation in the same group until the corporation has brought its activities into line with the provisions. All data on subsidised projects is kept for 50 years. Checks by ARA have shown that, with just a few exceptions, the subsidies paid and the activities have complied with the law and the official decisions taken.

A short explanation of how **the transparency requirements** (see Article 7 of the 2012 SGEI Decision) for the aid above EUR 15 million to undertakings that also have activities outside the scope of the SGEI are being complied with. In your answer, please also include some relevant examples of information published for this purpose (e.g. some links to websites or other references), indicate whether you have a central website on which you publish this information for all aid measures concerned in your Member State (and if so, provide the link to this website), or alternatively explain if and how the publication takes place at the level granting the aid (e.g. central, regional or local level).

No aid amounts above EUR 15 million were granted in 2016-2017 or previously. Should such high amounts be granted, ARA would publish the relevant information on its website (www.ara.fi).

Amount of aid granted

Total amount of aid granted (in millions EUR). This includes all aid granted in your territory, including aid granted by regional and local authorities. (A+B+C)

2016	2017
Interest subsidies paid for the entire interest-subsidy loan portfolio (EUR mill.) 4.4	Interest subsidies paid for the entire interest-subsidy loan portfolio (EUR mill.) 3.8
Interest-subsidy loan portfolio covered by State guarantee (EUR mill.) 1 038	Interest-subsidy loan portfolio covered by State guarantee (EUR mill.) 1 143
Start-up grants (EUR mill.) 20	Start-up grants (EUR mill.) 20
Loan portfolio approved as short-term interest-subsidy loans (EUR mill.) 70	Loan portfolio approved as short-term interest-subsidy loans (EUR mill.) 46
Loan portfolio approved as guaranteed loans (EUR mill.) 15	Loan portfolio approved as guaranteed loans (EUR mill.) 124
A: Total amount of aid granted (in millions EUR) paid by national central authorities	
2016	2017
Interest subsidies paid for the entire interest-subsidy loan portfolio (EUR mill.) 4.4	Interest subsidies paid for the entire interest-subsidy loan portfolio (EUR mill.) 4.4
Interest-subsidy loan portfolio covered by State guarantee (EUR mill.) 1 038	Interest-subsidy loan portfolio covered by State guarantee (EUR mill.) 1 038
Start-up grants (EUR mill.) 20	Start-up grants (EUR mill.) 20
Loan portfolio approved as short-term interest-subsidy loans (EUR mill.) 70	Loan portfolio approved as short-term interest-subsidy loans (EUR mill.) 70
Loan portfolio approved as guaranteed loans (EUR mill.) 15	Loan portfolio approved as guaranteed loans (EUR mill.) 15
B: Total amount of aid granted (in millions EUR) paid by regional authorities	
2016	2017
C: Total amount of aid granted (in millions EUR) paid by local authorities	

2016	2017
Share of expenditure per aid instrument (direct subsidy, guarantees etc.) (if available)	
2016	2017
Additional quantitative information (e.g. number of beneficiaries per sector, average aid amount, size of the undertakings)	
2016	2017
Number of dwellings financed by interest-subsidy loans 7 794	Number of dwellings financed by interest-subsidy loans 11 128
- new construction 5 971	- new construction 7 288
- renovation and acquisition 1 893	- renovation and acquisition 2 840
Number of borrowers (projects) 179	Number of borrowers (projects) 179
Number of dwellings financed by short-term interest-subsidy loans 409	Number of dwellings financed by short-term interest-subsidy loans 330
	Number of borrowers (projects) 10

2) Grants aimed at improving the housing conditions of special needs groups (the interest-subsidy loan referred to in section 1 is always a precondition)

Clear and comprehensive description of how the respective services are organised in your Member State

Explanation of what kind of services in the respective sector have been defined as SGEI in your Member State. Please list **the contents of the services entrusted as SGEI** as clearly as possible.

Grants aimed at improving the housing conditions of special needs groups may be provided for the construction, acquisition and renovation of rental dwellings financed by interest-subsidy loans and intended for persons from such groups. The following categories are considered special needs groups: the disabled, elderly persons with memory disorders or who are in poor health, the homeless, people recovering from mental health or intoxicant problems, students and young people in need of special support. The purpose of special needs grants is to enable the most vulnerable people to acquire accommodation that meets their needs. The grants are used to compensate for the special investment costs of providing common and service facilities in accommodation for special needs groups and other special solutions regarding space, facilities and equipment. The grant is specifically for accommodation and housing and none of it is allocated for care and nursing services for elderly or disabled residents in sheltered housing, for example.

A condition for receiving a grant is that an interest-subsidy loan referred to in section 1 has been approved for the same project. Consequently all the provisions on interest-subsidy lending, its beneficiaries and recipient projects, such as those relating to the criteria for selecting residents, the determination of the rent according to the absorption principle and the operating conditions of the

corporation also concern special needs projects receiving a grant and those implementing such projects. There is also a 20-year special use restriction concerning projects receiving a grant, during which time the accommodation must be used for the special needs groups referred to in the grant decision.

Explanation of the (typical) **forms of entrustment**. If standardised templates for entrustments are used for a certain sector, please attach them.

The Finnish Act on Subsidies for Improving the Housing Conditions of Special Groups (1281/2004) and the Finnish Act on Interest Subsidy for Rental Housing Loans and Right of Occupancy Housing Loans (604/2001) lay down the general conditions for awarding grants and the content of the public service obligation imposed on beneficiaries. In addition, there are provisions on the general requirements for awarding grants in the Act on Discretionary Government Transfers (688/2001), which applies as a secondary Act to all grants granted from State resources in Finland. Detailed provisions on all the conditions for awarding and paying the grants and on the parameters used when calculating, monitoring and adjusting the amounts of aid are laid down in these Acts. The authority that decides on awarding grants, i.e. ARA, draws up a written decision for the beneficiary on all grants awarded, including details of the public service obligation imposed on the beneficiary and the compensation paid for it, together with the relevant terms and conditions.

Average duration of the entrustment (in years) and the proportion of entrustments that are longer than 10 years (in %) per sector. Specify in which sectors SGEI were entrusted with a duration exceeding 10 years and explain how this duration is justified?

The restrictions on the operations of a corporation receiving an interest-subsidy loan and on the use and assignment of dwellings financed by such loans remain in effect for 30–40 years, depending on the purpose of the loan. In other words, the duration of the public service obligation imposed on the borrower ranges from 30 to 40 years according to the project. As stated in the Commission's SGEI Decision, a period of entrustment exceeding 10 years is justified in the area of social housing, where the significant investments required need to be amortised over a long period of time - several decades - in accordance with generally accepted accounting principles.

Explanation whether (typically) **exclusive or special rights** are assigned to the undertakings.

None are assigned

Which aid instruments have been used (direct subsidies, guarantees, etc.)?

Direct grant

Typical **compensation mechanism** as regards the respective services and whether a methodology based on cost allocation or the net avoided cost methodology is used.

ARA selects housing projects eligible for interest-subsidy loans on the basis of the applications submitted to it and only approves an application if the applicant and the housing project meet the legislative requirements for granting interest subsidies. A condition for the approval of an interest-subsidy loan is that ARA approves the construction plans and costs before work starts. Thus a subsidy is paid only as required by the fulfilment of the undertaking's public service obligation. In addition, the borrower must follow competition and public procurement rules when implementing a subsidised project. New construction and renovation must be put out to tender, and contracts for interest-subsidy

housing loans can only be awarded through competitive tendering. Interest subsidies are paid by another national authority, the State Treasury.

Depending on the project being financed, the amount of an interest-subsidy loan is 80-95 per cent of the approved construction, purchase or renovation costs. The remaining costs are self-financed by the borrower. In addition, the borrower must always pay a certain percentage of the interest payable on the loan. In 2016 and 2017, the borrower's own remaining liability for the interest was 1.7-3.5 per cent, depending on the project. If the interest on the loan exceeds the amount of the borrower's own liability, a certain percentage of the excess is paid in interest subsidy to the credit institution that granted the loan. The amount of the payable interest subsidy gradually reduces to zero over a period of 23 years. The interest charged by the lender on an interest-subsidy loan may not exceed the interest generally applied to loans with a similar risk and similar terms in each case. Interest subsidies are used entirely for the benefit of the residents, and the non-profit corporation or its owner receives no profit on them. According to the law, a non-profit corporation may only charge its tenants a reasonable profit on the corporation's self-financing and the corporation may only enter as income for its owner a reasonable profit on the funds invested by the owner in the corporation.

In 2016 and 2017, projects financed by interest-subsidy loans were also granted start-up grants in the Helsinki area for a fixed period of time. All provisions and restrictions applied to interest-subsidy loans, their recipients and projects for which loans have been granted also apply to these grants. The aim of the start-up grants has been to boost the production of ordinary rental dwellings in the Helsinki area, which has been lagging behind other regions in recent years, and to compensate for construction costs that are higher than elsewhere in Finland. The amount of the grant was EUR 10 000 per dwelling.

Since the beginning of August 2016 it has been possible to grant short-term interest-subsidy loans. Their content is similar to that described above: the rent of dwellings financed with short-term interest-subsidy loans must be determined according to the absorption principle, the residents must be selected on social grounds (there is a maximum euro income limit), there are limits on the non-profit corporation's operations and such a corporation may only enter as income for its owner a reasonable profit on the funds invested by the owner in the corporation. The amount of the interest-subsidy loan and the borrower's basic liability for the interest are as described above. However, the duration of the public service obligation for short-term interest-subsidy loans ranges between 10 and 30 years. Interest subsidy is paid on the loans and a State guarantee granted only for the duration of the public service obligation and the restrictions on the use and assignment of the dwellings.

In addition, a State guarantee (guaranteed loan) was in place in 2016 and 2017 for the construction of rental housing as a form of aid supplementing the interest-subsidy loan. The shortage of reasonably priced housing is a chronic problem in the largest growth regions in Finland. The supply of rental housing cannot meet demand. This in turn means higher rents, places low- and middle-income service-sector employees in a particularly difficult position on the housing market, and prevents employees from moving to areas where the need for labour is highest. Guaranteed loans have been an attempt to address this problem. Ultimately, the aim of these guaranteed loans is likewise to secure housing for people in a vulnerable position. Such housing can therefore also be considered social housing, although there is no obligation to apply criteria for tenant selection similar to those applied in the case of interest-subsidy loans. A guaranteed loan takes the form of collateral security and applies to loans used for the construction of new rental dwellings. Unlike with interest-subsidy loans, in the case of guaranteed loans the borrower is only required to be able to repay the loan and engage in its rental housing business, and the dwellings must be used as rental dwellings for the duration of the

guarantee period - at least 20 years. There are no other use restrictions. However, the provisions on the obligation of borrowers to put their contracts and financing out to tender and comply with public procurement legislation also apply to guaranteed loans. Furthermore, the terms and conditions of the loan and the interest and other loan-related costs charged by the lender must be reasonable when compared with the terms and conditions, interest and the costs of loans generally granted for similar purposes. State guarantees are only in effect on condition that the lender administers the guaranteed loan and its collateral in accordance with the law and sound banking and recovery practices. Only a small number of guaranteed loans were approved in 2016-2017 compared to the number of interest-subsidy loans approved during the same period.

Typical arrangements for avoiding and repaying any overcompensation.

The interest-subsidy scheme is constructed so that State aid is channelled for the benefit of residents in the form of cheaper rents. This is mainly achieved through three complementary mechanisms: ensuring that subsidies are of the right amount, imposing obligations on corporations receiving interest-subsidy loans and applying restrictions on the use and assignment of dwellings financed through interest-subsidy loans. ARA guides and monitors the process by means of price-quality control, thereby ensuring that the dwellings are correctly located in terms of regional development and demand, that they are of high quality and that prices are estimated correctly. Price-quality control and other legislation are important in ensuring that housing costs remain reasonable and that residential areas become diverse and attractive.

Subsidy legislation and the terms and conditions of decisions taken by public authorities prevent the payment of excessive subsidies. ARA, the State Treasury and the local authorities ensure that the beneficiaries observe the conditions and restrictions provided for in legislation. Activities in breach of the provisions may lead to the termination of the subsidy payments, excessive or unjustified subsidies may be recovered and the borrower may be ordered to pay a penalty. Additionally, ARA may suspend the processing of other pending applications for State-subsidised housing production made by a non-compliant corporation or another corporation in the same group until the corporation has brought its activities into line with the provisions. All data on subsidised projects is kept for 50 years. Checks by ARA have shown that, with just a few exceptions, the subsidies paid and the activities have complied with the law and the official decisions taken.

A short explanation of how **the transparency requirements** (see Article 7 of the 2012 SGEI Decision) for the aid above EUR 15 million to undertakings that also have activities outside the scope of the SGEI are being complied with. In your answer, please also include some relevant examples of information published for this purpose (e.g. some links to websites or other references), indicate whether you have a central website on which you publish this information for all aid measures concerned in your Member State (and if so provide the link to this website), or alternatively explain if and how the publication takes place at the level granting the aid (e.g. central, regional or local level).

No aid amounts above EUR 15 million were granted in 2016-2017 or previously. Should such high amounts be granted, ARA would publish the relevant information on its website (www.ara.fi).

Amount of aid granted

Total amount of aid granted (EUR million). This includes all aid granted in your territory, including aid granted by regional and local authorities. (A+B+C)

2016	2017
110	118
A: Total amount of aid granted paid by national central authorities (EUR million)	
2016	2017
110	118
B: Total amount of aid granted (EUR million) paid by regional authorities	
2016	2017
C: Total amount of aid granted (EUR million) paid by local authorities in EUR)	
2016	2017
Share of expenditure per aid instrument (direct subsidy, guarantees etc.) (if available)	
2016	2017
Additional quantitative information (e.g. number of beneficiaries per sector, average aid amount, size of the undertakings)	
2016	2017
Number of dwellings financed by interest-subsidy loans 2 244	Number of dwellings financed by interest-subsidy loans 5 287
- new construction 2 541	- new construction 3 395
- renovation and acquisition 793	- renovation and acquisition 1 992
Beneficiaries (projects) 82	Beneficiaries (projects) 84

Beneficiaries (projects) 82 Beneficiaries (projects) 84

3) Social housing loans granted by the State

Clear and comprehensive description of how the respective services are organised in your Member State

Explanation of what kind of services in the respective sector have been defined as SGEI in your Member State. Please list **the contents of the services entrusted as SGEI** as clearly as possible.

Loans were previously granted through State resources for the construction, acquisition and renovation of rental and right-of-occupancy dwellings. These Arava loans have not been granted since the 2000s, but the loan portfolio and housing stock financed using the loans still exist. Arava loans were granted to the same corporations as interest-subsidy loans today. Their recipients were subject to similar conditions for their operations, and dwellings for which Arava loans had been granted were subject to the same restrictions on use and assignment as those described in section 1.

Arava financing may be supplemented by additional subsidies awarded if the necessary legislative conditions are fulfilled. Only a small number of such subsidies are granted each year, mainly for under-occupied rental housing in remote areas and for their owner corporations. Without these subsidies, the terms and conditions of Arava loans at the time they were granted would be unreasonably onerous for the rental housing corporations and under-occupation would lead to excessively high rents for the residents.

Explanation of the (typical) **forms of entrustment**. If standardised templates for entrustments are used for a certain sector, please attach them.

Although Arava loans are no longer granted, the legislation concerning them remains in force on the basis of the current loan portfolio and housing stock. The Act on State-subsidised Housing Loans (Arava Act 1189/1993) and the Act on the Use, Assignment and Redemption of State-Subsidised (Arava) Rental Dwellings and Buildings (1190/1993) provide for the general conditions for granting Arava loans and for the content of the public service obligation imposed on borrowers. The supplementary subsidies relating to Arava loans, the pre-requisites for granting the subsidies and the conditions associated with the subsidies themselves are provided for in separate special laws. A decision in writing was issued to borrowers on the granting of Arava loans, including details of the public service obligation imposed on the borrower and the compensation paid for it, together with the relevant terms and conditions. Furthermore, a specific official decision for beneficiaries is taken on supplementary subsidies relating to Arava loans. Detailed provisions on all the conditions for the approval and payment of Arava loans and the supplementary subsidies, as well as the parameters used in the calculation, monitoring and adjustment of the amounts of subsidy paid are laid down in legislation and documents issued by the authorities.

Average duration of the entrustment (in years) and the proportion of entrustments that are longer than 10 years (in %) per sector. Specify in which sectors SGEI were entrusted with a duration exceeding 10 years and explain how this duration is justified?

The restrictions on the operations of a corporation receiving an interest-subsidy loan and on the use and assignment of dwellings financed by such loans remain in effect for 30–40 years, depending on the purpose of the loan. In other words, the duration of the public service obligation imposed on the borrower ranges from 30 to 40 years according to the project. As stated in the Commission's SGEI Decision, a period of entrustment exceeding 10 years is justified in the area of social housing, where the significant investments required need to be amortised over a long period of time - several decades - in accordance with generally accepted accounting principles.

Explanation whether (typically) **exclusive or special rights** are assigned to the undertakings.

None are assigned

Which **aid instruments** have been used (direct subsidies, guarantees, etc.)?

Low interest rate, amendments to the loan terms and conditions, direct grant (see below)

Typical **compensation mechanism** as regards the respective services and whether a methodology based on cost allocation or the net avoided cost methodology is used.

ARA selected the housing projects eligible for Arava loans on the basis of the applications submitted to it. The loan was paid by the State Treasury. The same authorities decide on the supplementary

subsidies associated with Arava loans on the basis of the applications submitted and approve them if the applicant and the housing project meet the requirements laid down by law for granting the subsidy.

The amount of the Arava loan granted could not exceed 80 % to 95 % of the approved construction, acquisition and renovation costs, depending on the project in question. Approximately EUR 4.6 billion of the ARAVA loan portfolio remained at the end of 2017. The State aid element in Arava lending was the low interest rate charged compared with normal market rates. However, owing to the low rate of interest on the market, Arava loans did not represent any aid at all in the form of low interest rates in 2016 or 2017. The supplementary subsidies associated with Arava lending are the following: making a temporary amendment to the loan terms and conditions, reducing the amount of Arava loan to be repaid, and granting reorganisation aid to rental housing corporations and aid for the demolition of rental buildings. These supplementary subsidies are for rental property that has been under-occupied for a long period as a result of an unexpectedly dramatic fall in the population. Supplementary subsidies are paid only as required by the continued activities of the undertaking and the fulfilment of its public service obligation or by a controlled wind-down of the activities so as to protect the position of the residents.

Typical arrangements for avoiding and repaying any overcompensation.

The interest-subsidy scheme is constructed so that State aid is channelled for the benefit of residents in the form of cheaper rents. This is mainly achieved through three complementary mechanisms: ensuring that subsidies are of the right amount, imposing obligations on corporations receiving interest-subsidy loans and applying restrictions on the use and assignment of dwellings financed through interest-subsidy loans. ARA guides and monitors the process by means of price-quality control, thereby ensuring that the dwellings are correctly located in terms of regional development and demand, that they are of high quality and that prices are estimated correctly. Price-quality control and other legislation are important in ensuring that housing costs remain reasonable and that residential areas become diverse and attractive.

Subsidy legislation and the terms and conditions of decisions taken by public authorities prevent the payment of excessive subsidies. ARA, the State Treasury and the local authorities ensure that the beneficiaries observe the conditions and restrictions laid down by law. Activities in breach of the provisions may lead to the termination of the subsidy payments, excessive or unjustified subsidies may be recovered and the borrower may be ordered to pay a penalty. Additionally, ARA may suspend the processing of other pending applications for State-subsidised housing production made by a non-compliant corporation or another corporation in the same group until the corporation has brought its activities into line with the provisions. All data on subsidised projects is kept for 50 years. Checks by ARA have shown that, with just a few exceptions, the subsidies paid and the activities have complied with the law and the official decisions taken.

A short explanation of how **the transparency requirements** (see Article 7 of the 2012 SGEI Decision) for the aid above EUR 15 million to undertakings that also have activities outside the scope of the SGEI are being complied with. In your answer, please also include some relevant examples of information published for this purpose (e.g. some links to websites or other references), indicate whether you have a central website on which you publish this information for all aid measures concerned in your Member State (and if so provide the link to this website), or alternatively explain if and how the publication takes place at the level granting the aid (e.g. central, regional or local level).

No aid amounts above EUR 15 million were granted in 2016-2017 or previously. Should such high amounts be granted, ARA would publish the relevant information on its website (www.ara.fi).

Amount of aid granted

Total amount of aid granted (EUR million). This includes all aid granted in your territory, including aid granted by regional and local authorities. (A+B+C)

2016	2017
Average interest rate on ARAVA loans 2.22 %	Average interest rate on ARAVA loans 1.79 %
Aid included in Arava loans in the form of low interest rates (EUR) 0	Aid included in Arava loans in the form of low interest rates (EUR) 0
Compositions, reorganisation aid and demolition aid relating to ARAVA loans (EUR million) 1.8	Compositions, reorganisation aid and demolition aid relating to Arava loans (EUR million) 3.3

A: Total amount of aid granted paid by national central authorities (EUR million)

Average interest rate on ARAVA loans 2.22 %	Average interest rate on ARAVA loans 1.79 %
Aid included in Arava loans in the form of low interest rates (EUR) 0	Aid included in Arava loans in the form of low interest rates (EUR) 0
Compositions, reorganisation aid and demolition aid related to Arava loans (EUR million) 1.8	Compositions, reorganisation aid and demolition aid relating to Arava loans (EUR million) 3.3

B: Total amount of aid granted (EUR million) paid by regional authorities

2016	2017

C: Total amount of aid granted (in millions EUR) paid by local authorities

2016	2017

Share of expenditure per aid instrument (direct subsidy, guarantees etc.) (if available)

2016	2017

Additional quantitative information (e.g. number of beneficiaries per sector, average aid amount, size of the undertakings)

2016	2017
Number of beneficiaries (projects) granted compositions, reorganisation aid and demolition aid relating to Arava loans 17	Number of beneficiaries (projects) granted compositions, reorganisation aid and demolition aid relating to Arava loans 33

Ensuring the electricity supply - Tunturiverkko Oy and Enontekiön Sähkö Oy

Clear and comprehensive description of how the respective services are organised in your Member State

Explanation of what kind of services in the respective sector have been defined as SGEI in your Member State. Please list **the contents of the services entrusted as SGEI** as clearly as possible.

The public service obligation, which applies to all electrical network owners in Finland, including Tunturiverkko Oy and Enontekiön Sähkö Oy, is provided for in the Finnish Electricity Market Act (588/2013). Electrical network operations are natural monopolies and they are subject to the Electricity Market Act. General obligations concerning network operations, including the obligation to develop the network, are defined in Chapter 3 of the Act. Electrical network operations refer to the establishment of an electrical grid for those who need electricity transmission and other network services. They include the design, construction, maintenance and use of the electrical network, the connection of the electrical equipment of customers to the grid, the measurement of electricity consumption as well as other operations required for electricity transmission and other network services.

Under the Electricity Market Act, a company needs a licence for electrical network operations. Such a licence is granted if the applicant has the technical, economic and organisational capabilities required for its electrical grid operations. The licence granted to an electrical network operator specifies the licensee's geographical area of responsibility, in which the company has an exclusive right to operate. The licence is granted by the national regulatory authority, the Energy Authority.

The electrical network operator has obligations associated with its activities, the main ones being the obligation to develop the network, connect electricity use sites and power plants, and transmit electricity. It is the Energy Authority's task to ensure that operators fulfil their obligations. Furthermore, it uses established methods to ensure that the charges collected for electrical network services are reasonable.

Explanation of the (typical) **forms of entrustment**. If standardised templates for entrustments are used for a certain sector, please attach them.

1) Tunturiverkko Oy

The entrustment was given by decision of the Ministry of Employment and the Economy on 10 December 2009. The public service obligation has been laid down in the electrical network licence issued under the Electricity Market Act.

The entrustment aims to ensure that the electricity transmission charges in the Utsjoki area remain moderate by supporting the merger between the local electrical network company Utsjoen Sähköosuuskunta (Utsjoki Electricity Cooperative) and Inergia Oy. The aid is granted to the new company, Tunturiverkko Oy, formed by merging these two undertakings.

The municipality of Utsjoki is located in northern Lapland, one of Europe's most sparsely populated areas according to Eurostat. The population density of Utsjoki municipality is approximately 0.2 inhabitants per square kilometre, while the average in the EU is 117 and in Finland 17.9. For this reason, the size of the electrical network per customer in the Utsjoki region is more than twice the average for other electrical network companies in Finland. In addition, the municipality's population has fallen by almost 10 % in the last 10 years, which has reduced further the

customer base of the company. These exceptional circumstances make it challenging to run an electrical network in the area profitably and at a competitive price.

Most of the electrical networks in the Utsjoki region were constructed in the 1960s and 1970s, with the State's contribution covering more than 80 % of the costs. Without such aid the network would not have been built to its current extent. The technical service life of its components (40-50 years) has been exceeded in many places, and the network is in urgent need of refurbishment so that the security of energy supply can be kept at the level required by law.

2) Enontekiön Sähkö Oy

The entrustment was given by decision of the Ministry of Employment and the Economy on 4 February 2014.

The entrustment aims to ensure that Enontekiön Sähkö's electricity transmission charges remain moderate. Even now the transmission charges collected by Enontekiön Sähkö Oy are among the highest in Finland. The company operates in the municipality of Enontekiö in northern Lapland, which is the most sparsely populated area in Europe according to Eurostat. The population density of Enontekiö municipality is approximately 0.2 inhabitants per square kilometre, while the average in the EU is 117 and in Finland 17.9. For this reason, the size of Enontekiön Sähkö's electrical network per customer is more than twice the average for other electrical network companies in Finland, and this increases the company's investments. In addition, the municipality's population has fallen by almost 10 % in the last 10 years, which has reduced further the customer base of the company. These exceptional circumstances make it challenging to run an electrical network in the area profitably and at a competitive price.

Most of the electrical networks of Enontekiön Sähkö were constructed in the 1960s and 1970s, with the State's contribution covering more than 80 % of the costs. Without such aid the network would not have been built to its current extent. The technical service life of its components (40-50 years) has been exceeded in many places, and the network is in urgent need of refurbishment so that the security of energy supply can be kept at the level required by law. For this reason, in the coming years Enontekiön Sähkö will have to make network replacement investments that are significant considering its turnover. The need for investment is estimated at EUR 10-15 million over the next 10 years. The annual turnover of the company totals around EUR 1 million and consist exclusively of transmission charges collected from customers. Enontekiön Sähkö Oy has not made a profit in recent years. The investments required mean that charges for the transmission of electricity would have to be raised by more than 100 %. Such an increase would have a significant impact on the economy and consumers in the area.

The entrustment is for a single large investment to replace an individual approximately 110-km long, 20-kV electric cable that supplies the Kilpisjärvi area and to increase the connection's capacity. The connection is technically in very poor shape and requires immediate refurbishment. The cable supplies electricity to the village of Kilpisjärvi and to Saana Fell, which form a nationally important cultural site and tourist destination. This area also accounts for most of the growth in electricity consumption in the region. The investment required to refurbish the cable is approximately EUR 8 million. It would be almost impossible for the company to acquire the required capital from its own resources.

Average duration of the entrustment (in years) and the proportion of entrustments that are longer than 10 years (in %) per sector. Specify in which sectors SGEI were entrusted with a duration exceeding 10 years and explain how this duration is justified?

1) Tunturiverkko Oy

The entrustment was given for the period 2011-2019.

2) Enontekiön Sähkö Oy

The entrustment was given for the period 2014-2016.

Explanation whether (typically) **exclusive or special rights** are assigned to the undertakings.

In Europe, electrical network operations are considered natural monopolies, where it is not economically viable to construct competing electrical networks. The entrustment does not extend the scope of the duties and rights laid down for the undertakings in the Electricity Market Act.

Which **aid instruments** have been used (direct subsidies, guarantees, etc.)?

Direct grants

Typical **compensation mechanism** as regards the respective services and whether a methodology based on cost allocation or the net avoided cost methodology is used.

1) Tunturiverkko Oy

Tunturiverkko Oy was granted a total of EUR 1 000 000 in subsidies by a decision of the Ministry of Employment and the Economy of 10 December 2009. This aid has been granted to the network company to be set up following the merger of the electrical network operations of Utsjoen Sähkösuuskunta and Inergia Oy, for the purpose of covering the costs of the investments to replace the electrical network in the area of Utsjoen Sähkösuuskunta. The grant will amount to no more than 50 % of the total costs of each project/site. The operator will be liable for the remainder. The payments will be made in 2011-2019.

2) Enontekiön Sähkö Oy

Enontekiön Sähkö Oy was granted State aid to replace the Kilpisjärvi electrical cable by a decision of the Ministry of Employment and the Economy of 4 February 2014. The grant amounts to 60 % of the final amount of the investment and to no more than EUR 4.6 million. Payments are made annually in arrears over a period of three years and on the basis of the actual and verified costs. The company will itself fund any other replacement investments in its network.

Typical **arrangements for avoiding and repaying any overcompensation**.

In order to avoid overcompensation, the maximum percentage of aid has been defined in the aid decision as a share of the eligible costs. For Tunturiverkko this is 50 % and for Enontekiön Sähkö 60 %.

The provisions of the Act on Discretionary Government Transfers (688/2001) apply to the repayment and recovery of aid. In addition, the Energy Authority ensures that the transmission charges collected by the companies are reasonable.

The aid was granted to Tunturiverkko Oy in 2009, taking into account Commission Decision 2005/842/EC on the application of Article 86(2) of the EC Treaty to State aid in the form of public service compensation granted to certain undertakings entrusted with the operation of services of

general economic interest. The arrangement also complies with the updated Commission SGEI Decision.

The aid was granted to Enontekiön Sähkö Oy in 2014, taking into account Commission Decision 2012/21/EU on the application of Article 106(2) of the Treaty on the Functioning of the European Union to State aid in the form of public service compensation granted to certain undertakings entrusted with the operation of services of general economic interest.

A short explanation of how the **transparency requirements** (see Paragraph 60 of the 2012 SGEI Framework) are being complied with. In your answer, please also include some relevant examples of information published for this purpose (e.g. some links to websites or other references), indicate whether you have a central website on which you publish this information for all aid measures concerned in your Member State (and if so provide the link to this website), or alternatively explain if and how the publication takes place at the level granting the aid (e.g. central, regional or local level).

The Act on the Openness of Government Activities (621/1999) applies to aid decisions, while beneficiaries are subject to the Act on financial transparency within certain undertakings and their obligation to provide information (19/2003).

Amount of aid granted

Total amount of aid granted (EUR million). This includes all aid granted in your territory, including aid granted by regional and local authorities. (A+B+C)	
2016	2017
EUR 0.918 million	EUR 0.845 million
A: Total amount of aid granted (in millions EUR) paid by national central authorities in EUR)	
2016	2017
EUR 0.918 million	EUR 0.845 million
B: Total amount of aid granted (in millions EUR) paid by regional authorities	
2016	2017
-	-
C: Total amount of aid granted (in millions EUR) paid by local authorities	
2016	2017
-	-
Share of expenditure per aid instrument (direct subsidy, guarantees etc.) (if available)	
2016	2017

Direct grants EUR 0.918 million	Direct grants EUR 0.845 million
Additional quantitative information (e.g. number of beneficiaries per sector, average aid amount, size of the undertakings)	
2016	2017
Number of beneficiaries: 2	Number of beneficiaries: 2
Average aid amount: 0.459 million EUR	Average aid amount: 0.4225 million EUR
Size of the undertakings: small	Size of the undertakings: small

Pilotage services in the Saimaa Canal - Finnpiilot Pilotage Oy

Clear and comprehensive description of how the respective services are organised in your Member State

Explanation of what kind of services in the respective sector have been defined as SGEI in your Member State. Please list **the contents of the services entrusted as SGEI** as clearly as possible.

SGEI aid is granted for the organisation of pilotage services in the Saimaa Canal. Pilotage services in the Saimaa Canal and the Saimaa waterways are provided by the State-owned enterprise Finnpiilot Pilotage Ltd. The company mainly operates in sea areas but exceptionally also in the large inland water area of Saimaa. The purpose of the pilotage is to ensure safe access for vessels from the Saimaa area to the sea. Due to geographical conditions, fees would be higher than those charged for sea transport. Piloting assignments are considerably longer in the Saimaa area than in sea transport.

In the Saimaa Canal and the Saimaa waterways, a pilotage fee based on a reduced unit price is charged. The profits lost by Finnpiilot Pilotage Oy due to the reduced unit price are compensated for by an appropriation from the State budget. Owing to this price support, transport in the Saimaa Canal is subject to the same pilotage fees as sea transport, considering the volumes transported.

Explanation of the (typical) **forms of entrustment**. If standardised templates for entrustments are used for a certain sector, please attach them.

The entrustment and the payment of aid is confirmed every year separately by decision of the Ministry of Transport and Communications. The reduced unit price applied to pilotage in the Saimaa Canal and the related compensation paid to the pilotage company are also laid down in the Pilotage Act (940/2003).

Average duration of the entrustment (in years) and the **proportion of entrustments that are longer than 10 years** (in %) per sector. Specify in which sectors SGEI were entrusted with a duration exceeding 10 years and explain how this duration is justified?

The company is notified annually of the entrustment and the confirmation of the payment of aid. However, under legislation this arrangement is in force under further notice.

Explanation whether (typically) **exclusive or special rights** are assigned to the undertakings.

Pilotage is a special case, because this activity is carried out exclusively by the specialised State-owned company Finnpiilot Pilotage Oy. The exclusive right of Finnpiilot Pilotage Ltd is based on the Act on transforming the State pilotage enterprise into a limited liability company (1008/2010). Provisions on the supply of pilotage services and the related tasks and obligations are laid down in the Pilotage Act (940/2003). Provisions on compulsory pilotage in the Saimaa area are issued by Government Decree (246/2011).

Which **aid instruments** have been used (direct subsidies, guarantees, etc.)?

Aid is paid in arrears as a direct grant on the basis of the costs incurred. The aid may not exceed the operating deficit.

Typical **compensation mechanism** as regards the respective services and whether a methodology based on cost allocation or the net avoided cost methodology is used.

Compensation paid monthly in accordance with the cost allocation method.

Typical **arrangements for avoiding and repaying any overcompensation**.

Any overcompensation is offset once a year. Finnpiilot Pilotage Ltd keeps separate accounts for costs and revenues in the area. The ratio of aid to costs is compared annually, and any overcompensation must be repaid to the State, if necessary.

A short explanation of how **the transparency requirements** (see Article 7 of the 2012 SGEI Decision) for the aid above EUR 15 million to undertakings that also have activities outside the scope of the SGEI are being complied with. In your answer, please also include some relevant examples of information published for this purpose (e.g. some links to websites or other references), indicate whether you have a central website on which you publish this information for all aid measures concerned in your Member State (and if so provide the link to this website), or alternatively explain if and how the publication takes place at the level granting the aid (e.g. central, regional or local level).

Amount of aid granted

Total amount of aid granted (in millions EUR). This includes all aid granted in your territory, including aid granted by regional and local authorities. (A+B+C)

2016	2017
4.161763	3.426725

A: Total amount of aid granted (in millions EUR) paid by national central authorities

2016	2017
4,161763	3,426725

B: Total amount of aid granted (EUR million) paid by regional authorities

2016	2017
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C: Total amount of aid granted (in millions EUR) paid by local authorities	
2016	2017
Share of expenditure per aid instrument (direct subsidy, guarantees etc.) (if available)	
2016	2017
Direct grant 4.161763 million	Direct grant 3.426725 million
Additional quantitative information (e.g. number of beneficiaries per sector, average aid amount, size of the undertakings)	
2016	2017

DESCRIPTION OF THE APPLICATION OF THE 2012 SGEI FRAMEWORK

No arrangements were approved under the SGEI Framework in Finland during the 2016-2017 reporting period.

COMPLAINTS BY THIRD PARTIES

There have been no complaints by third parties in Finland during the reporting period.

Social housing

Clear and comprehensive description of how the respective services are organised in your Member State

Explanation of what kind of services in the respective sector have been defined as SGEI in your Member State. Please list **the contents of the services entrusted as SGEI** as clearly as possible.

The Provincial Government grants aid for the construction of rental housing and for maintaining the standard of these properties. Through the support scheme, it also grants interest rate support for loans granted by credit institutions and a guarantee from the province as partial security for the loan.

The support is granted against a commitment to keep the properties as rental housing for a long period – between 10 and 45 years depending on the form of support. The Provincial Government grants aid for new construction in areas where it is required and where there is a need for housing for the most vulnerable groups on the housing market.

The Provincial Government's interest rate support is designed to provide borrowers with stable cost developments for the capital and thus to enable them to maintain the charges to the tenants at a stable level.

If a service provider breaches the terms of the support, it is obliged to repay the support received, with interest, for the entire funding period.

Explanation of the (typical) **forms of entrustment**. If standardised templates for entrustments are used for a certain sector, please attach them.

The service is entrusted on application and by decision of the Provincial Government.

The service providers that receive support may be natural or legal persons whose place of origin is a municipality on Åland. The forms of support used in the period 2016-17 are listed under the question 'Which aid instruments have been used (direct subsidies, guarantees, etc.)?' below.

The services are regulated in accordance with the following acts and decisions:

- Act of Åland (1999:40) on housing production
- Act of Åland (1982:14) on support for housing production
- Act of Åland (1982:13) on support for housing improvements
- Decision of the Åland Provincial Government (17 January 2002) on rules for approving mortgages for rental housing, and corresponding older rules.
- Decision of the Åland Provincial Government (7 July 2008) on mortgages for rental housing
- Decision of the Åland Provincial Government (23 January 2014) on mortgage guarantees
- Decision of the Åland Provincial Government (20 June 2017) on interest rate support for the production of rental housing, and corresponding older rules.

Average duration of the entrustment (in years) and the proportion of entrustments that are **longer than 10 years** (in %) per sector. Specify in which sectors SGEI were entrusted with a duration exceeding 10 years and explain how this duration is justified?

The support is granted against a commitment to keep the properties as rental housing for a long period – between 10 and 45 years depending on the form of support. In the period 2016-17, the duration of the support was longer than 10 years.

Explanation as to whether (typically) **exclusive or special rights** are assigned to the undertakings.

No special rights are assigned apart from the possibility for beneficiaries in areas with a weak housing market to postpone payment of loan instalments, or in exceptional cases to capitalise the interest on the loan.

Which **aid instruments** have been used (direct subsidies, guarantees, etc.)?

Aid is primarily granted for investments in real estate. The aid is granted/has been granted under four support schemes:

1. Mortgages for the production of rental housing (no longer granted)
2. Interest rate support for the production of rental housing
3. Guarantees for the production of new rental housing
4. Support for owners of property with rental housing mortgages who are in financial difficulties

1. Mortgages for the production of rental housing

The mortgages have been granted for the production of rental housing regardless of the principal's legal form. The properties are rented to the public with priority given to vulnerable groups on the housing market. The mortgages have been granted with a term of 35–45 years at lower interest rates than market rates. During the term of the loan, the principal is obliged to keep the properties as rental housing. Rents are regulated at a level that corresponds to cost price, which includes operating costs, equity costs and a reasonable return on equity. The rents are decided by the Provincial Government following an application by the property owner. The properties' design and rents are subject to approval by the Provincial Government. The rental housing is allocated in order of priority, with an assessment of the applicants' housing need. The most important target groups are vulnerable groups on the housing market such as the homeless, disabled, recent immigrants, families with children and the elderly. Only once the needs of these groups have been met are the properties rented out to the general population. The last mortgage was granted in 2012 and was not included in the Åland budget for 2016-17.

2. Interest rate support for the production of rental housing

Interest rate support can be granted on the same basis as the mortgages under point 1 and has the same conditions as the mortgages issued after 2002. The interest rate support runs for a term of 35 years if granted prior to 2009 and 10–30 years if granted from 2009 onwards. Interest rate support loans can be granted regardless of the principal's legal form. During the term of the loan, the principal is obliged to keep the properties as rental housing.

3. Guarantees for the production of new rental housing

Guarantees have been given for loans granted interest rate support (see point 2) for the production of rental housing. Guarantees are granted on 20–50 % of the production value, with the lowest percentage in Mariehamn and the highest percentage in the archipelago municipalities. The security for the guarantee is a second charge mortgage on the property, but within 95 % of the market value. A one-off fee is charged for the guarantee, amounting to a maximum of 1.0 % of the guarantee amount. Guarantees for construction in the archipelago do not incur a fee.

4. Support for owners of property with rental housing mortgages who are in financial difficulties

This form of support is used to a very limited extent and the amounts are low. The support that has been granted has targeted service providers for housing on very weak housing markets in the archipelago. The housing market is weak in the sense that the demand for rental housing varies greatly over time and the range of rental properties available is small and essentially limited to those undertakings that received mortgages from the Provincial Government before these stopped being granted in 2012. The undertakings that own the rental properties are also very small (owners of 5-10 homes) and thus very sensitive to changes in demand on the housing market.

Information on the typical **compensation mechanism** for the respective services. Please state also whether a cost allocation method or the net avoided cost method has been used.

The maximum amount permitted for an interest rate support loan is 90 % of the total project cost. If the project cost is less than the original budget, the loan is reduced proportionately.

Rents are regulated at a level that corresponds to cost price, which includes operating costs, equity costs and a reasonable return on equity. Rent levels are initially set by the Provincial Government following an application by the property owner, and the owner is then free to raise the rents in line with the consumer price index. The interest rate support is paid out as half the interest, but so that the customer's interest rate is always above 2.0 % and the Provincial Government's rate is no higher than 3.0 %. In this way, the service provider can supply rental properties at lower rents for a long period of time. The support scheme is designed so that the service provider can supply rental housing to the most vulnerable people on the housing market for a reasonable rent over a long period of time. The support essentially constitutes the difference between the rent on an unregulated market and the rent of the subsidised housing. The funding does not therefore exceed what is required to cover the net costs in order to meet the obligation to supply rental housing at lower rents than on the free market.

Typical arrangements for avoiding and repaying any overcompensation.

The granting of support and its amount are regulated in law and subsidiary rules and handled by a single authority, which means that, in practice, excessive support or overcompensation cannot occur. Channelling all public support through one authority avoids the possibility of cross-subsidisation. The interest rate support is linked to the actual interest rate and to the credit balance, which means that the risk of overcompensation is extremely low.

A short explanation of **how the transparency requirements** (see Article 7 of the 2012 SGEI Decision) for the aid above EUR 15 million to undertakings that also have activities outside the scope of the SGEI are being complied with. In your answer, please also include some relevant examples of information published for this purpose (e.g. some links to websites or other references), indicate whether you have a central website on which you publish this information for all aid measures concerned in your Member State (and if so provide the link to this website), or

alternatively explain if and how publication takes place at the level granting the aid (e.g. central, regional or local level).

The forms of support that are available for social housing cannot exceed EUR 15 million under current legislation and conditions.

Amount of aid granted

Total amount of aid granted (in million EUR). This includes all aid granted in your territory, including aid granted by regional and local authorities. (A+B+C)

2016	2017
i) Interest rate support loans <u>EUR 7.87 million</u> ii) Provincial Government guarantees <u>EUR 1.23 million</u> iii) New homes <u>35 units</u> iv) New properties <u>5 units</u> v) Support (EUR 1 000) for undertakings with mortgages on rental properties that are in particular financial difficulties <u>EUR 0</u> vi) Interest rate support paid out (EUR 1 000) in the course of the year (including interest rate support for older interest rate support loans, see below) 45.6	Interest rate support loans <u>EUR 0.59 million</u> ii) Provincial Government guarantees <u>EUR 0.27 million</u> iii) New homes <u>6 units</u> iv) New properties <u>1 unit</u> v) Support (EUR 1 000) for undertakings with mortgages on rental properties that are in particular financial difficulties <u>EUR 0</u> vi) Interest rate support paid out (EUR 1 000) in the course of the year (including interest rate support for older interest rate support loans, see below) 42.2 vii) Current loans (31 December 2017) - Provincial Government loans EUR 51.8 million - Interest rate support loans EUR 50.4 million

Air or maritime links to islands (Art. 2(1)(d))

Clear and comprehensive description of how the respective services are organised in your Member State	
Explanation of what kind of services in the respective sector have been defined as SGEI in your Member State. Please list the contents of the services entrusted as SGEI as clearly as possible.	<p>Air services The Provincial Government maintains air services on the route Mariehamn (MHQ)–Stockholm/Arlanda (ARN) in accordance with its public service obligations.</p> <p>Ferry services The Provincial Government maintains services on certain routes in the Åland archipelago. Free-moving ferry services are entirely provided by private contractors, which maintain services in accordance with a timetable set by the Provincial Government. Four ferry routes out of a total of six are operated by the Provincial Government itself. The busiest ferry route has an annual timetable, one of the less used routes has a summer timetable, and the</p>
Explanation of the (typical) forms of entrustment . If standardised templates for entrustments are used for a certain sector, please attach them.	<p>Air and ferry services Public procurement, open tender.</p>
Explanation of the (typical) duration of the entrustment and the range of durations of the entrustments. Please also specify the proportion of entrustments that are longer than 10 years.	Four (4) years. No entrustments are longer than ten (10) years.
Explanation as to whether (typically) exclusive or special rights are assigned to the undertakings.	The Åland Provincial Government limits access to the Mariehamn–Arlanda route to a single airline (Nextjet Ab) for four (4) years (contract period 2016-2020).

Explanation of the (typical) compensation mechanism as regards the respective services, including the aid instrument (direct subsidy, guarantee, etc.) used. Please state also whether a cost allocation method or the net avoided cost method has been used.	Monthly compensation in accordance with a contract.
Explanation of the (typical) arrangements for avoiding and repaying any overcompensation.	<p>Comparison with market prices for equivalent routes, if such exist. Follow-up of the contract and invoicing of the airline.</p> <p>The air services contract contains a clause limiting overcompensation if the passenger volume exceeds a certain number of passengers.</p>
Amount of aid granted	
Total amount of aid granted. This includes all aid paid in your territory, including aid paid by regional and local authorities.	<p>Air services (agreed monthly payment)</p> <p>2016 (12 months) EUR 1 079 894</p> <p>2017 (12 months) EUR 1 031 912</p> <p>Ferry services</p> <p>The compensation paid in accordance with the contract is not regarded as aid.</p>
Other quantitative information	

1. DIFFICULTIES WITH THE APPLICATION OF THE SGEI DECISION OR SGEI FRAMEWORK (ÅLAND)

Nothing to report.

2. INTERESTED PARTIES' COMMENTS (ÅLAND)

Cooperation is smooth. In 2017 the airline Nextjet Ab had financial difficulties, which could be solved through, among other things, a new issue.

3. OTHER (ÅLAND)

The new air services contract, with the renewed services obligation, entered into force on 1 March 2016 and will expire on 29 February 2020. Any new contract concluded after that will require, in addition to a political decision by the Provincial Government, a renewal of the service obligation.

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In 2017 Nextjet Ab could increase the number of passengers on the MHQ-ARN route by 14 % compared to 2016.