COMPARATIVE STUDY OF THE GAPS IN HOUSING REGULATIONS IN THE WESTERN BALKAN COUNTRIES

Energy Community Secretariat
Workshop on Building Renovation Wave
17-18 March 2021
Content:

• Background, Issues
• USAID Regional Activities in Energy and Infrastructure
• USAID principles and approach to residential sector energy
• Study Objective and process
  o Housing legal and regulatory framework
  o Energy efficiency of building stock
  o Availability and accessibility of funds for investment
• Study findings and recommendations
The cost of utilities in the residential sector is an important factor in housing affordability, population health, homelessness and residents well being.

Residential housing stock, largely Multi-Apartment Buildings (MAB) are generally poorly maintained, energy inefficient, and present substantial opportunity for reducing the cost of utilities through energy savings.

Current solutions to high cost of utilities involve too many “flat” subsidies, cross subsidies, grants, or soft loans, causing unsustainable drain of public funds and distortion of market.

Governments want to ensure affordable housing, eliminate/reduce subsidies; Commercial banks want to expand residential lending market; Industry wants to create jobs; Residents want to have affordable, nicer, more comfortable homes.

**BUT**

Implementation of energy efficiency to reduce the cost of living in multi-apartment buildings in South-East Europe is still slow.
USAID Regional Activities in Energy and Infrastructure

Residential Energy Efficiency for Low Income Households (REELIH) - Habitat for Humanity
- Pilot energy efficiency projects in multi-apartment buildings,
- Technical assistance in development and implementation of projects,
- Development and testing options for sustainable financing of energy efficiency investment in multi-apartment buildings.

Development of Regional Energy Markets (DREM) - Tetra Tech
- Energy sector reform, utility management, environmental resource management
- Regional energy planning, trade and energy security, energy efficiency

Energy Technology and Governance Program (ETAG) - USEA
- Supporting establishment of competitive and transparent energy markets that are integrated with Europe
- Diversification of energy supply and investment in aging infrastructure, protecting critical infrastructure

Enhancing Stability and Technical Expertise in Energy Markets (ESTEEM) – NARUC
- Provides assistance in regulatory issues, developing guidelines, establishing regulator’s role in promoting service quality
- Tariff design, capacity building
USAID Residential Sector Activities Principles

• Focus on necessary legislative and regulatory changes needed to improve management of the housing stock

• Commercially based approach to energy efficiency investment, limiting subsidies only to social assistance based on need

• Development of sustainable financing mechanism for energy efficiency, with manageable risk for banks and affordability for the borrowers.

• Practical, low risk, efficient implementation approaches

USAID commissioned gap analysis study to quantify issues hindering the implementation of energy efficiency investments in multi-apartment buildings
REELIHs approach to supporting investments in energy efficiency in MABs

Disclaimer: This graphics is made possible by the support of the American people through the United States Agency for International Development (USAID). The contents are the sole responsibility of the Habitat for Humanity Europe, Middle East and Africa and do not necessarily reflect the views of USAID or the United States Government.

USAID supports development of sustainable, commercially based financing mechanism for reducing energy poverty through investments in energy efficiency, reducing use of primary energy resource and its cost.
Study objective, outputs and process

• Gap analysis of housing sector in four Western Balkan Countries – Bosnia and Herzegovina, Kosovo, North Macedonia, and Serbia with focus on multi-apartment building and Home Owners Associations (HOAs) benchmarked against Slovak Republic

• Gap Analysis focused on three perspectives:
  - Housing legal and regulatory framework
  - Energy efficiency of building stock
  - Availability and accessibility of funds for investment

• Findings and recommendations of the interdisciplinary critical analysis provided in the study report: https://pdf.usaid.gov/pdf_docs/PA00X3QN.pdf
# Main Stakeholders/Issues in Residential Housing

## Homeowners/HOAs
- Privatization gave households **ownership and responsibility** for managing real estate in all Western Balkans
- Mixed incomes of home owners, need for **low income safety net**
- Lack of resources, knowledge, economic incentives, prevailing passivity

## Management & Maintenance Companies
- Private maintenance companies perform required services, collect fees for routine maintenance and capital renovations
- Lack of resources for comprehensive renovation, poor enforcement of fees
- Limited institutional capacities in management, financing, energy efficiency

## Government
- Legislative changes related to housing sector needed for improved management of the housing stock are painfully slow, often derailed by contradicting interests
- **Tendency to solve housing affordability through energy subsidies** that are economically not viable and put extreme burden on state budgets
- Transition to full cost recovery tariffs, targeted need-based subsidies is considered a political risk

## Banks, Funds, IFIs, Donors
- Banks recognize large, untapped residential housing market potential but mostly unwilling to **share risk** – view HOAs as risky clients
- National / municipal / green funds programs reach limited number of beneficiaries
- IFIs provide incentives in several schemes to advance lending, thus **distorting commercial market**
- Donors prefer working with public buildings
- Lack of sustainable financing scheme

---

Privatization gave households **ownership and responsibility** for managing real estate in all Western Balkans.

Mixed incomes of home owners, need for **low income safety net**

Lack of resources, knowledge, economic incentives, prevailing passivity

Private maintenance companies perform required services, collect fees for routine maintenance and capital renovations.

Lack of resources for comprehensive renovation, poor enforcement of fees.

Limited institutional capacities in management, financing, energy efficiency.

Legislative changes related to housing sector needed for improved management of the housing stock are painfully slow, often derailed by contradicting interests.

**Tendency to solve housing affordability through energy subsidies** that are economically not viable and put extreme burden on state budgets.

Transition to full cost recovery tariffs, targeted need-based subsidies is considered a political risk.

Banks recognize large, untapped residential housing market potential but mostly unwilling to **share risk** – view HOAs as risky clients.

National / municipal / green funds programs reach limited number of beneficiaries.

IFIs provide incentives in several schemes to advance lending, thus **distorting commercial market**.

Donors prefer working with public buildings.

Lack of sustainable financing scheme.
**Housing legal and regulatory framework**

**BENCHMARKED CRITICAL HOUSING POLICIES GOVERNING MAB OPERATION:**

- Legal obligation to form an HOA or engage a Registered/Licensed Building Management (RBM) company
- Legal status and functioning of HOs/HOAs
- Voting rights of homeowners and decision-making process on renovation investment
- Method of creation of maintenance and reserve funds
- Legal obligation to pay fees and analysis of enforcement ability and practices
- Enforcement of Laws on housing and building management (LHBM) and related legislation in practice
- Bylaws that regulate management/maintenance of MABs
- Institutional infrastructure of the enforcement
Some of the Key Findings by Country

**Bosnia and Herzegovina (RS and FBiH)**
- A major legislative obstacle to implementing major renovation work on MABs is the legal requirement to have the unanimous (100%) consent of all home owners. (RS and FBiH)
- Enforcement of payment is complicated and lengthy, not always successful
- HOAs do not have a legal entity status in FBiH; HOAs are recognized as legal entities in RS
- Policies and strategies to improve the management of housing is not a political priority & social support for housing is marginal.

**Serbia:**
- Residential Building Management legislation recently enacted, not yet applied/enforced
- Establishment of HOAs cumbersome, time consuming due to legal gaps and inconsistency in registration of common property with other laws
- On the positive side - the law declares thermal rehabilitation as priority activity in public interest. Belgrade was the first to establish Budget Fund for Energy Efficiency
Some of the Key Findings, cont’d

**North Macedonia**

- Home owners may chose between registering HOA or engaging a Licensed Management Company (LMC)
- Low quality of Management & Maintenance services due to poor oversight of the work of LMCs
- Irregular payment to maintenance and reserve funds, weak enforcement and inconsistency of housing law with other laws
- Weak state policy and failure of state institutions to comply with housing policy goals
- Only 64% of MAB are managed, mostly by LMCs.

**Kosovo**

- Low number of HOAs, poor condition of MABs, high investment need (cca 300M USD)
- Significant legal gaps, especially the obligation to have 100% support of homeowners to establish HOA
- No obligation to form Legal Entity – most of the HOAs registered as NGOs - or hire Registered Building Manager.
## Existing legal framework overview

<table>
<thead>
<tr>
<th></th>
<th>Slovakia</th>
<th>North Macedonia</th>
<th>Serbia</th>
<th>Kosovo</th>
<th>Bosnia and Herzegovina</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>HOAs Legal Entity</strong></td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes, but very few exist</td>
<td>No</td>
</tr>
<tr>
<td><strong>Control Mechanism</strong></td>
<td>No, self-regulated sector</td>
<td>Yes, State Regulatory Committee &amp; Municipal Inspectorate</td>
<td>Yes, Inspectorate</td>
<td>Yes, Inspectorate</td>
<td>Yes, Inspectorate</td>
</tr>
<tr>
<td><strong>Laws Affecting MAB Management</strong></td>
<td>75 Laws 31 Legal norms</td>
<td>9 Laws 13 By-laws</td>
<td>6 Laws 6 By-laws</td>
<td>2 Laws 5 By-laws</td>
<td>N/A 8 Laws</td>
</tr>
<tr>
<td><strong>Impact Assessment</strong></td>
<td>Yes</td>
<td>Initial</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
</tbody>
</table>
# Group decision-making provisions overview

<table>
<thead>
<tr>
<th></th>
<th>Slovakia</th>
<th>North Macedonia</th>
<th>Serbia</th>
<th>Kosovo</th>
<th>Bosnia and Herzegovina</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Quorum for HOAs</strong></td>
<td>50% + 1</td>
<td>50% + 1</td>
<td>50% + 1</td>
<td>100%</td>
<td>50% + 1* mixed</td>
</tr>
<tr>
<td></td>
<td>(1 apt = 1 vote)*</td>
<td>% votes</td>
<td>(1 apt = 1 vote)</td>
<td>(1 apt=1vote)</td>
<td>(1apt=1vote)</td>
</tr>
<tr>
<td><strong>Investment Decisions</strong></td>
<td>50% + 1</td>
<td>50% + 1</td>
<td>66% if HOA is borrowing, otherwise 50% + 1</td>
<td>50% + 1, Except redelegation</td>
<td>50% + 1</td>
</tr>
<tr>
<td></td>
<td>Except adding new units</td>
<td>Except installing video surveillance</td>
<td></td>
<td></td>
<td>100%</td>
</tr>
<tr>
<td><strong>Obligation to Pay</strong>**</td>
<td>All members, enforced</td>
<td>All members, but not enforced</td>
<td>All members</td>
<td>All members</td>
<td>Only those who vote</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>All members</td>
</tr>
<tr>
<td><strong>Method of Securing Payment</strong>*</td>
<td>Legal, lien</td>
<td>Legal, execution, in conflict with other laws</td>
<td>Legal execution, obligation law</td>
<td>Legal, lien, but real collection against value Is 25%</td>
<td>Individual</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Individual</td>
</tr>
</tbody>
</table>
Energy efficiency perspective

Energy-related support programs for building rehabilitation in line with the EU Energy Performance of Buildings Directive (EPBD) and Energy Efficiency Directive (EED)

• EE targets and building renovation strategies
• EE fund establishment
• EE obligation (EEO) scheme (utility-based residential EE investments)
• Building energy certification for existing MABs
• Possibility of ESCO/EPC in residential buildings
• Accreditation of energy auditors/building energy assessors and certifiers
### Status of transposition of EPBD and EED into primary legislation and policy planning

<table>
<thead>
<tr>
<th></th>
<th>Slovakia</th>
<th>North Macedonia</th>
<th>Serbia</th>
<th>Kosovo</th>
<th>Bosnia and Herzegovina</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>EED:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NEEAP 1</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>100%</td>
<td>42%</td>
<td>65%</td>
<td>80%</td>
<td>62%</td>
</tr>
<tr>
<td><strong>NEEAP 2</strong></td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td><strong>NEEAP 3</strong></td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td><strong>NEEAP 4</strong></td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td><strong>Building Renovation Strategy</strong></td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td><strong>NECP</strong></td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>Slovakia</td>
<td>North Macedonia</td>
<td>Serbia</td>
<td>Kosovo</td>
<td>Bosnia and Herzegovina</td>
</tr>
<tr>
<td>-----------------------------</td>
<td>-------------------------------</td>
<td>------------------------------</td>
<td>------------------------------------</td>
<td>---------------------------------------------</td>
<td>---------------------------------------------</td>
</tr>
<tr>
<td><strong>Ministry</strong></td>
<td>Ministry of Economy</td>
<td>Ministry of Economy</td>
<td>Ministry of Mining and Energy</td>
<td>Ministry of Economy and Environment</td>
<td>Federal Ministry of Spatial Planning</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Ministry of Industry, Energy and Mining</td>
</tr>
<tr>
<td><strong>Agency</strong></td>
<td>Housing Agency</td>
<td>Energy agency</td>
<td>No, energy agency was closed</td>
<td>Kosovo Energy Efficiency Agency</td>
<td>No, but EE Law 2017 provides for creation of EE agency</td>
</tr>
<tr>
<td><strong>Fund</strong></td>
<td>State Fund for Housing Development</td>
<td>No</td>
<td>Not established. Operating a budget Fund</td>
<td>Kosovo EE Fund</td>
<td>Environmental Protection Fund</td>
</tr>
<tr>
<td></td>
<td>130–160 million EUR/year</td>
<td>EUR 110 mln allocated in 2020</td>
<td>EUR 5–6 million /year on average</td>
<td>EUR 14.5 million</td>
<td>EUR 2.5 million</td>
</tr>
<tr>
<td><strong>Share of Grant Financing for EE Funds</strong></td>
<td>From 90% in 1990s to 10% at present</td>
<td>Not specified</td>
<td>100%</td>
<td>60%–70% from MCC-SEEK, ~20% from the municipalities</td>
<td>Grants and soft loans</td>
</tr>
<tr>
<td><strong>Investment Gap for EE in Buildings</strong></td>
<td>EUR 302 million</td>
<td>EUR 1,636 million</td>
<td>EUR 83 million</td>
<td>EUR 783 million</td>
<td></td>
</tr>
</tbody>
</table>

Banking perspective

Non-legal obstacle to commercial lending to HOAs:

• Insufficient understanding of the residential housing market
• Risk perceptions among commercial bankers

Suggested approaches for removing such obstacles:

• Analysis of HOA risk and the banking sector’s perception of risk
• Review of banking regulations, requirements and rules, monetary policy
• Establishment of guarantee mechanisms for lending to HOAs
• Development of commercial banking products targeting HOAs
• Analysis of products offered by development banks in the country and their availability to HOAs
## Commercial Lending to HOA

<table>
<thead>
<tr>
<th>Risk and Risk Perception of HOAs by Banking Sector</th>
<th>Slovakia</th>
<th>North Macedonia</th>
<th>Serbia</th>
<th>Kosovo</th>
<th>Bosnia and Herzegovina</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>FBiH</td>
</tr>
<tr>
<td>There is legal a framework for HOAs</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>HOAs can legally borrow money from banks</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>HOAs have property subject for collateral</td>
<td>Yes</td>
<td>Some</td>
<td>Some</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Existing demand of HOAs for credits</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>HOAs have credit history or financial data in last 2 years</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Banks have understanding of HOA credit market; HOAs are in banks’ business niche</td>
<td>Yes</td>
<td>Some</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Have banks satisfied the market demand, and to what extent?</td>
<td>To large extent</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
</tbody>
</table>

- **Do banks grant loans to HOAs based on their creditworthiness or based on co-guarantees with members of HOAs/owners of property units?**
  - Banks lending with guarantees, state support/guarantees for refurbishment of the housing stock
  - Banks avoid lending to HOAs; there is some lending to HOAs with owners serving as co-guarantors
  - Banks consider households as clients; HOAs can only borrow if all households co-sign
  - Directly/co-guarantees
  - No loan products for HOAs
  - Each area of creditworthiness is considered, and co-guarantees are used

- **Any other remarks important for improvement lending process given from banking sector side?**
  - Banks consider lending to NGOs in general (not only HOAs) risky
  - Banks reluctant to lend directly to HOAs, but would finance service companies for HOA retrofits
  - Banks are reluctant to start financing HOAs based on their creditworthiness
  - Without regulating the HOAs’ legal status, banks’ lending to HOAs is unlikely
  - Banks perceive HOA lending market too risky and have no perception of true market size
<table>
<thead>
<tr>
<th>Guarantee Mechanisms for Lending to HOAs*</th>
<th>Slovakia</th>
<th>North Macedonia</th>
<th>Serbia</th>
<th>Kosovo</th>
<th>Bosnia and Herzegovina</th>
</tr>
</thead>
<tbody>
<tr>
<td>Do guarantee schemes or guarantee funds exist in the country?</td>
<td>Yes, state guarantee and Development Bank</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>No, but limited</td>
</tr>
<tr>
<td>Level of development of existing guarantee mechanisms</td>
<td>The program started in 2000</td>
<td>Moderate; only institutional / donor-supported guarantee funds focused on economic development</td>
<td>Minor</td>
<td>Yes. Kosovo Credit Guarantee Fund</td>
<td>Weak</td>
</tr>
<tr>
<td>Guarantee mechanism available</td>
<td>Yes</td>
<td>There are no existing guarantee schemes for HOAs</td>
<td>No, there is no guarantee mechanism</td>
<td>Guarantee Fund. KCGF supports private sector</td>
<td></td>
</tr>
<tr>
<td>HOAs have access to guarantees?</td>
<td>Yes</td>
<td>Under development</td>
<td>Not for HOA; EE funds available on national and, to some extent, municipal level</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Are there any other initiatives for establishing a mechanism to ensure repayment of the loan to the HOAs or EE financing?</td>
<td>Yes</td>
<td>Partnership between Habitat Macedonia and two banks</td>
<td></td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Do HOAs have access to any subsidy funds for housing support, EE, etc.?</td>
<td>Yes</td>
<td>Subsidies from local governments/ municipal budgets</td>
<td>Yes, in some municipalities and in Vojvodina province</td>
<td>Millennium Foundation Kosovo (MFK) grant; Commercial bank loans supported by EBRD grant</td>
<td></td>
</tr>
<tr>
<td>Any initiatives to support development of guarantee schemes?</td>
<td>Completed</td>
<td>HFH- Macedonia guarantee fund to HOAs and RBM companies available upon request</td>
<td></td>
<td>No</td>
<td>No</td>
</tr>
</tbody>
</table>

*HOAs = Homeowner Associations.
## Development banks’ credit lines available to HOAs

<table>
<thead>
<tr>
<th>Existing Commercial Banking Products Available to HOAs from Development Banks</th>
<th>Slovakia</th>
<th>North Macedonia</th>
<th>Serbia</th>
<th>Kosovo</th>
<th>Bosnia and Herzegovina</th>
</tr>
</thead>
<tbody>
<tr>
<td>Availability of specialized loan products or credit lines to finance HOAs</td>
<td>Yes, since 1996, loans have been available from SHDF</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Method for distribution of loans: Directly to HOA or by wholeselling to financial institutions</td>
<td>State Guarantee and Development Bank (since 2000)</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Availability of government and local communities funding for housing support and social funds through development banks</td>
<td>Yes</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Projects by development banks/IFIs or credit lines connected to EE financing</td>
<td>Yes</td>
<td>Yes</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Development banks’ commitment to finance market failures in housing and EE, and access to some EU financial instruments</td>
<td>Yes</td>
<td>Yes</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Preconditions and added requirements for EE financing (i.e., complex technical requirements and housing standards)</td>
<td>No</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Any special conditions offered, i.e., lower interest rate, rebate on principal, technical assistance, etc.</td>
<td>Yes</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>
Recommended actions on improving the regulatory framework

- Define HOAs as a legal entity, (or other legal status) enabling HOAs to access financing
- Establish clear and well functional Bylaws for HOAs, including simplifying decision making rules, rights and responsibilities,
- Define and enforce solo purpose of operation, assets and revenues, clear financial rules
- Ensure HOAs ability to enforce regular payment to maintenance and reserve funds and to expediently recover arrears
- Develop social housing policy provisions for low income, vulnerable households need-based support
- Continue reforms in providing legal requirements for building energy certification, building energy codes for renovated buildings, and engagement of ESCOs and EPC in residential EE investments

CONSIDER APPLYING BEST PRACTICES FROM OTHER COUNTRIES WITH SUCCESSFUL PERFORMANCE RECORD
Recommended actions on policy reform

- Develop policies and strategies to improve management and renovation of housing
- Create and offer specialized loan products/credit lines for investment in EE-integrated maintenance, retrofitting and structural upgrades
- Develop policy tools and support schemes for low-income households providing
  • Income-related, need-based subsidies for refurbishments
  • Social assistance for low-income households
- Develop building renovation strategies
Recommendations for: Technical assistance, institutional support, and capacity building

- Develop regulatory reform provisions with clear, specific implementation milestones
- Establish EE funds, housing agencies, or other institutional arrangements
- Establish/recruit institutions for supporting HOAs and banks through community groups, municipalities, NGOs, energy auditing / consulting groups
- Develop cadre of energy auditors and EE building design professionals
- Improve coordination among government, donors, and IFIs
Recommendation for: Raising awareness and promoting the concept of commercial financing for HOAs

- Raise HO awareness about taking full ownership for the maintenance and renovation of common parts of HOA buildings
- Raise awareness in the banking sector about the market potential for financing HOAs
- Establish a dialogue/platform between banks and HOAs to close the gaps in understanding on both sides
- Disseminate and promote information among key decision makers about best practices for financing.
Recommendations for: Developing commercial financing support

- Establish government supported loan guarantee program specifically for HOAs investment in building renovation
- Develop and introduce HOA credit lines offered by international development and local institutions specifically designed to support on-lending to HOAs
- Partially secure bank loans to HOAs by government grants to cover economically vulnerable groups
Recommended actions and next steps

Governments
- Continue reform in housing, energy efficiency, banking regulations
- Develop clear strategies in prioritizing and financing building renovation
- Target public/municipal finance for leveraging commercial EE lending in Building renovation
- Enroll (existing/new) public agencies in promotion and facilitation
- Learn from best practices: Slovakia, Romania, Poland, Croatia Hungary, Baltics

Donors
- Streamline technical assistance for policy reform
- *Strengthen the capacities of market players*; particularly the HOAs for better creditworthiness
- Help design tailor made support mechanisms, support in development, implementation and monitoring of high-quality projects in building EE renovation
- Raise awareness of all players on the benefits of EE renovation
- Seek targeted use of grants for improving bankability of investments, subsidizing socially vulnerable households
- Seek pooled financing by multiple donors/IFIs

Financial Institutions
- Provide affordable, tailor-made financing for building renovation to HOAs
- Partner with government in setting up guarantee facilities
- Require elimination of distortionary grant subsidies and aim for gradual commercialization of building EE investment finance
- Work with central banks/treasuries to design flexible financing products (project finance, unsecured lending)
- Partner with private sector (ESCOs) to manage and minimize risks
Thank you!

United States Agency for International Development

Andrew Popelka  
Senior Energy Advisor, Energy and Infrastructure Division  
Bureau for Europe and Eurasia  
U.S. Agency for International Development  
T 202-567-4514 | apopelka@usaid.gov

Astghine Pasoyan  
Building Energy Efficiency Financing Expert  
RTI International  
T 37493611619 | astghine@gmail.com