



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

UNECE Regional Online Workshop

Housing governance to support housing affordability

Focusing on housing affordability challenges in the South-Eastern Europe

23-24 February 2021

Background, Issues

- 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

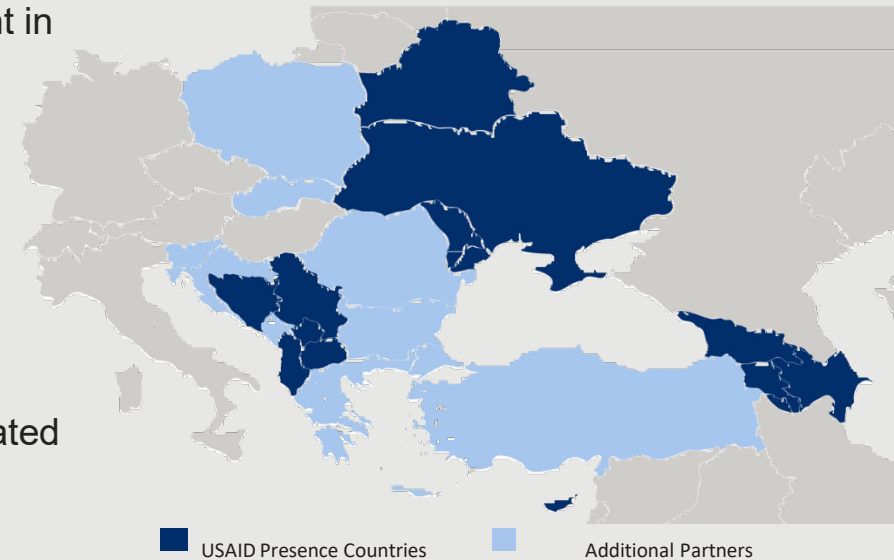
- Energy sector reform, utility management, environmental resource management
- Regional energy planning, trade and energy security, energy efficiency

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

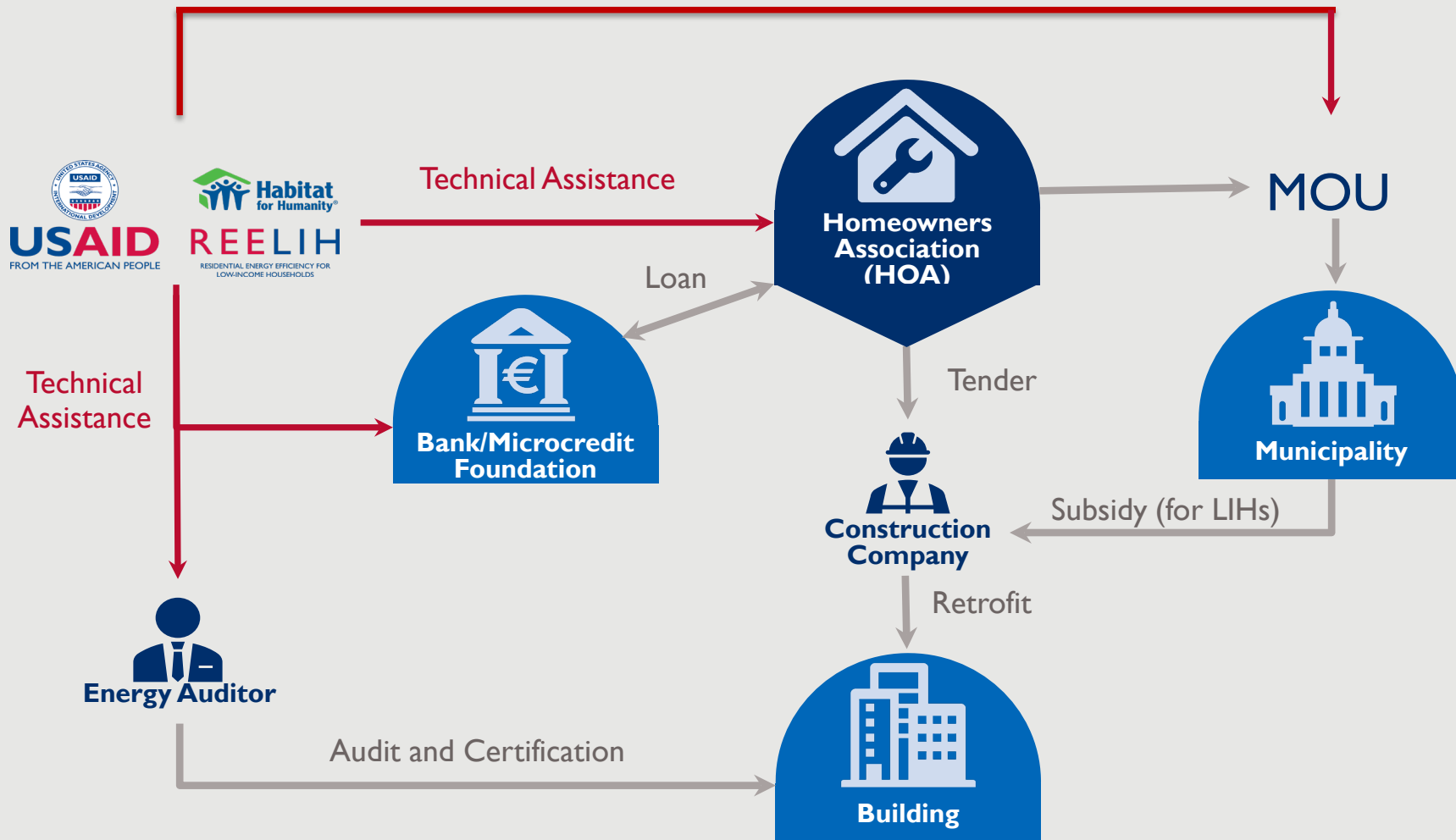


USAID Residential Sector Activities Principles

- 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



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

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

Existing legal framework overview

	Slovakia	North Macedonia	Serbia	Kosovo	Bosnia and Herzegovina	
					FBiH	Republica Srpska (RS)
Law	Condominium Act (1993)	Housing Law (2009)	Condominium Act (2016)	Condominium Act (2014)	Law on Maintenance	Law on Maintenance
HOAs Legal Entity	Yes	Yes	Yes	Yes, but very few exist	No	Yes
Control Mechanism	No, self-regulated sector	Yes, State Regulatory Committee & Municipal Inspectorate	Yes, Inspectorate	Yes, Inspectorate	Yes, Inspectorate	Yes
Laws Affecting MAB Management	75 Laws 31 Legal norms	9 Laws 13 By-laws	6 Laws 6 By-laws	2 Laws 5 By-laws	N/A	8 Laws
Impact Assessment	Yes	Initial	No	No	No	No

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



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 !

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