



OUTCOMES OF THE GAP ANALYSIS OF THE HOUSING SECTOR IN WESTERN BALKAN COUNTRIES - IMPLICATIONS FOR IMPROVING ENERGY EFFICIENCY

**ECE/ENERGY - 8th Session of the Group of Experts
on Energy Efficiency**



Analysis objective and approach

- Analysis focused on energy efficiency in Multi-Apartment Buildings – one of the largest energy user in each country, with a substantial potential for energy efficiency improvement, but also the most difficult to implement
- Provide comparative gap analysis with the benchmarked best practices from the regions that have made substantial progress in MAB refurbishing (e.g., Slovakia);
- Review of current housing policies, institutional structures, energy efficiency policies, reform agendas, as well as the banking sector landscape in the selected Western Balkans countries
- Identify opportunities for legislative and regulatory improvements, capacity building, and financing models for developing enabling environment for energy efficiency investment by HOAs
- Help focusing on the principal issues hindering energy efficiency improvement by future development assistance programming, policies and regulations
- Help banking industry better understand the residential energy efficiency market size, potential and risks

Residential housing energy efficiency in Western Balkans

Main stakeholders, main issues

Homeowners



- Privatization gave households their ownership over real estate in all Western Balkan countries
- Multi-apartment Building (MAB) households are responsible for O&M and repair of buildings, including energy efficiency improvements.
- Mixed incomes / affordability
- Decision-making is difficult

Government



- Ministries, agencies, municipalities
- Insufficient legal-regulatory framework,, poor enforcement
- Lack of national housing policy or building renovation strategy
- Discrepancies between state and local government responsibilities

HOAs & Maintenance Co's



- Ageing building stock in urgent need of renovation
- Need for capacity building for Home-owner associations (HOAs) and private building maintenance companies performing routine maintenance and capital renovation
- Lack of resources for comprehensive renovation, insufficient level of fees, poor enforcement of fees
- Limited institutional capacities in management, financing, energy efficiency

Sources and Types of Financing



- National housing and energy related funds
- Municipal budgets, subsidies
- International/bilateral donors grants
- International financial institutions loans
- Commercial banks/credit institutions loans
- Green funds and non-governmental institutions loans and grants
- “Unintended” impact of subsidies, grants and soft loans

Analysis Revelations – obvious and not that obvious

- Virtually all energy efficiency implementations has grant component to “get the energy efficiency investment engine started” – for the last 3 decades !!
- Very similar in each Western Balkan country, energy efficiency investment is hindered by several complex, interrelated issues, such as insufficient legal and regulatory environment, subsidized energy prices, low capacity for implementation, banking industry reluctance
- Banks perceive lending to HOAs as extremely high risk due to multiple decision-makers/accountability, HOA legal status, low maintenance fees, irregular payments, difficult payment enforcement, lack of collateral
- Rehabilitation of residential buildings in Western Balkans is Euro 4 bln market - single largest untapped market with large potential for CO2 reduction, job creation, positive impact on energy poverty, housing affordability, homelessness
- Such level of investment cannot be funded by only public funds – it requires private, commercially based funding, not distorting market by grants and subsidies
- Complex solution must include provisions for assisting vulnerable population

Recommended actions and next steps

Governments

Continue reform in housing, energy efficiency, banking regulations

Develop clear strategies in prioritizing and financing building renovation

Carefully target public/municipal finance for leveraging commercial EE lending in Building renovation (grants, guarantees, support schemes)

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, financing building reinforcement/accessibility, 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, factoring)

Partner with private sector (ESCOs) to manage and minimize risks

Report can be accessed at:

https://pdf.usaid.gov/pdf_docs/PA00X3QN.pdf

Thank you

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



USAID
FROM THE AMERICAN PEOPLE