

PRINCIPLES OF FINANCING RESIDENTIAL BUILDINGS' RENOVATION IN CENTRAL AND EASTERN EUROPE

Sustainable financing model for renovation of residential buildings in CEE

On the example of:

The Visegrad four (Hungary, Slovakia, Czech Republic, Poland) and the Baltic states (Latvia, Lithuania and Estonia)

Similarities:

- Over **95%** of the dwellings are privately owned;
- Prefabricated buildings are **very low energy efficient**, in need of renovation;
- Multifamily buildings - **many owners**, organization of the management of common parts is a difficult endeavor;
- The "**Poor owner**" **phenomenon** - only in CEE, a significant number of energy poor with no capacity to invest in energy efficiency.

LEADING PRINCIPLES (1)

AVAILABILITY OF WIDE RANGE OF PROGRAMS: instead of "one size fits all"

- Focused on **different target groups** (single-family, multi-family buildings);
- Funding / supporting **a variety of activities** - deep renovation or single-stage interventions for staged renovation, etc.
- Different **intensity** of financial assistance - for preparatory activities, for construction works, for consultancy services, etc.
- Use of **different sources of financing**, efforts to attract **private** investments,

LEADING PRINCIPLES (2)

FINANCIAL SUPPORT

for RENOVATION OF MULTI-FAMILY RESIDENTIAL BUILDINGS:

- **Grant** component (less than 50%) - control is kept in condominiums, most often covers soft measures and percentage of construction works;
- Facilitated **access to credit** resources (loans provided to Condominiums), existence of **financial / guarantee mechanisms**, so that commercial banks can be involved (risk-sharing);
- Targeted **support for insolvent owners** in multifamily buildings - long-term government policy

LEADING PRINCIPLES (3)

RELIABLE LEGISLATION

that ensures the fulfillment of the owners' obligations towards the condominiums and the decisions of the general meeting

PROFESSIONAL MANAGEMENT OF BUILDINGS

Renovation for EE is a complex activity requiring different competencies (technical, legal, financial)

THE ROLE OF PUBLIC AUTHORITIES

- Define the **policies**, ensure adequate **legislative** framework,
- Formulate the **objectives** and create the necessary **mechanisms**,
- Coordination (including information and awareness), **control** and sanctioning functions,
- **Do not directly administer the process**

MULTIFAMILY BUILDINGS' RENOVATION IN BULGARIA

- A large scale **National Program** for Renovation of Multifamily Buildings (NPRMB) - 2015 -2018;
- **100% grant support** from the national budget;
- **Overall administration** of the process from public authorities.
- The allocated resource of EUR 1 billion for the implementation of the NPRMB is declared committed and over; the objectives of the 100% grant considered achieved (convincing results, fears and negative attitudes overcome).
- Given the limitation of public resources, renovation in the residential sector is planned **to continue under a cost-share model**.

Major modifications from the currently operational model of the NPRMB will be introduced from 2019 -

1

- Continuation under **a new financing model** with focus on “market-based financing mechanisms”
- The new financing model provides for:
 - grant support will continue, however **at lower level** than 100% and differentiated according to pre-established criteria (level of energy savings and/or social vulnerability);
 - Support for co-financing by owners - public funding for **subsidizing and guaranteeing** loan taking.

Major modifications from the currently operational model of the NPRMB will be introduced from 2019 - 2

Newly defined roles for main actors and stakeholders and changed responsibilities at central and local level:

- The state will be responsible for the establishment of a **comprehensive housing subsidy system**, and provision of funds for the grant support, "subsidies" and "financial instruments" components.
- **The Municipalities** will withdraw from direct implementation. The main responsibilities involve organizing the renovation process on local level "on the basis of well-established housing programs, proven housing needs, well-designed investment projects and attracted local resources - both public and private".

Major modifications from the currently operational model of the NPRMB will be introduced from 2019 - 3

Enforcement of Professional Management and Maintenance

In order to ensure adequate management and maintenance of the housing stock under the new market model, entrepreneurial activity in the management of the condominiums will be regulated through:

- ✓ Introduction of **normative framework** and uniform **professional standards** for companies, doing such business;
- ✓ A mechanism for **permanent control** over the managing organizations and for sanctioning established violations will be established;
- ✓ Professional management will be a **mandatory condition** for accessing public financial support for multifamily buildings' renovation.

THANK YOU FOR YOUR ATTENTION!

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