The loan officer at Credins Bank helped us understand the benefits of energy efficiency in our home. With the money borrowed from the bank we fixed the windows and insulated our apartment. Our home is more comfortable now and we spend less on energy bills.”

— Public employee in “Nene Tereza” hospital in Tirana and client of Credins Bank
The Opportunity

According to McKinsey Quarterly, capital constraints, particularly for low-income households, prevent developing countries from fully realizing their energy saving potential.

Albania’s economy is no exception. The country, like many of its neighbors in Eastern Europe, is undergoing a transition to a competitive market economy. Yet Albania’s development is constrained by an insecure energy supply and consequent frequent power shortages. One of the ways to address this issue is to optimize energy consumption, especially in those areas where electric power is used most inefficiently.

A study conducted by IFC ascertained that the country’s residential sector, consuming 54 percent of all electricity in Albania, has substantial potential for energy saving. Overall, the potential market for financing capital repairs in residential buildings is estimated at $300 to $700 million.

While the benefits from energy efficient renovations are obvious, few Albanian families can afford a large upfront investment in home improvements. To finance capital repairs, local homeowners need access to capital and yet only about 30 percent of the population has a bank account, and even less people can get a loan.

In addition, local banks have little experience in financing energy efficient improvements in the residential sector. Combined with growing energy tariffs, the situation presents a challenge for the Albanian market and opportunities for financial institutions and citizens alike.

Our Approach

To help Albanian residential sector reduce energy consumption, IFC launched the Albania Residential Energy Efficiency Project in 2010. The project works with local financial institutions to introduce loans for individual homeowners implementing energy efficiency improvements.

The project supported four Albanian financial institutions - Credins Bank, Besa Fund, NOA, and Societe Generale Albania Bank. IFC helped them:

- Design and launch an Energy Efficiency Loan product;
- Develop marketing plans and outreach campaigns;
- Connect with suppliers of energy efficient products and services in Albania;
- Develop a methodology for assessing cash flows from energy savings;
- Train staff in residential energy efficiency finance.

IFC also invested $13.3 million in Credins Bank, the fifth largest bank in the country. At least 20 percent of this loan was allocated for residential energy efficiency finance.

As of June 2013, Credins Bank, Besa Fund, NOA, and Societe Generale Albania Bank have disbursed over 2,500 loans for residential energy efficiency improvements totaling $10 million. These loans have benefited 2,500 households and 11,000 people, and helped save over 13 million kWh of energy.

Albania Residential Energy Efficiency Project also made a significant contribution to creating a better enabling environment for energy efficiency investments. IFC experts were instrumental in drafting the new Energy Efficiency Law and corresponding by-laws. The new legislation has incorporated international best practices as well as compliance with the European Union Standards.

To raise public awareness about benefits of energy efficiency finance, the project works with various stakeholders:

- Organizes workshops for municipalities, banks, construction companies, architects, suppliers of energy efficient products, to create critical market linkages;
- Has launched a comprehensive web resource on energy efficiency finance to educate homeowners on the benefits of energy savings; distributes leaflets and other materials on energy efficiency finance.

IFC, a member of the World Bank Group, is the largest global development institution focused exclusively on the private sector in developing countries.