



# Bulgaria: Habitat for Humanity

*Renovating the unfit housing stock: case Study #2*



FEANTSA

European Federation of National Organisations Working with the Homeless

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# 1. Context

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Thousands of vulnerable families in Bulgarian villages and towns live in homes that are in poor condition and urgent need of repair. The health, and sometimes lives, of children and adults may be at risk due to the unhygienic and dangerous living conditions.

The majority of families living in unacceptable housing conditions are experiencing financial difficulties; 23.8% of Bulgaria's population is at risk of poverty. It is difficult for these households to meet their everyday needs and they usually cannot allocate resources for the improvement of their homes. Often, these families have an unfavourable social situation due to insufficient

professional qualifications, low education, and lack of access to information and services. Most of these families have no access to mainstream financing and are often victims of illegal money lenders.

A large portion of low-income households in Bulgaria face severe housing deprivation, experiencing at least one of the following housing situations, as per Eurostat:

- 1. A leaking roof, or damp walls, floors, foundations, or rot in window frames or floors,**
- 2. Neither a bath, nor a shower, nor an indoor flushing toilet, or,**
- 3. Not enough illumination.**

In 2019, the second highest rate of overcrowding in the EU-member countries was observed in Bulgaria, at 48.4%. More than 18% - three times the EU-27 average - of the population had severe problems related to housing.

Housing quality can also be judged by the availability of certain basic sanitary facilities in the dwelling, such as a bath or shower or indoor flushing toilet, and by the general condition of the dwelling. Nearly sixteen percent of the population in Bulgaria have no bath or shower, and another 26.2% of the population have no flushing toilet in the dwelling. The share of the population living in dwellings affected by at least two problems is 20.0% - the third highest in the EU. The situation in the Roma and rural

communities is even worse: 43.5% of the Roma population in Bulgaria live in substandard housing conditions – 76% live in overcrowded homes, 37.4% don't have indoor bathrooms and toilets, and 66.2% are at risk of poverty.

**“Bulgarian families living in poverty find it difficult to improve their living conditions due to the deficiency of financial resources and the lack of information...”**

Bulgarian families living in poverty find it difficult to improve their living conditions due to the deficiency of financial resources and the lack of information on how to improve their housing conditions reasonably and at a minimal cost. The predominant part of the targeted families live in poverty and have urgent housing needs. Despite the majority being motivated and willing to improve their housing situation, they are impeded by a variety of complex problems, such as very low levels of income and financial instability, low level of education, including illiteracy, and lack of basic skills and conceptual knowledge.

## Motivation

A complex set of problems like the above needs

to be addressed in an innovative way by mobilising different instruments, areas and levels of support.

## Source of Inspiration

For most beneficiaries, microfinance housing support is the only affordable financial product they can access. **Habitat Bulgaria's** support, incl. microloans, life-skills training, etc., combined with the multifaceted social support of the local CBOs, offers a complex, holistic approach instead of isolated, fractional measures.

**Habitat Bulgaria's** approach offers a hand-up instead of a handout and breaks the long-standing pattern of subsidised care and support to Roma, which makes them even more dependent and reliant.

## 2. Project Description

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Habitat Bulgaria (HFH BG) establishes partnerships with local non-governmental organisations actively working with vulnerable groups and communities at risk of poverty. They provide revolving home improvement funds to local partners, who then disburse small amounts as interest-free loans to families that meet the program criteria. These interest-free loans range up to €600 and are repaid in small monthly instalments for up to one year. All monthly instalments collected from the clients are diverted back to the local **Home Improvement Fund** and are disbursed to the following other families in need. These small amounts are usually used



*A room before renovation by Habitat Bulgaria*

for urgent home repairs such as leaking roofs, sanitary facilities, the changing of window frames, wall insulation, and interior renovations. Most microloan recipients live in segregated

Roma communities or small villages; their homes are often illegal and do not cover safety and hygiene standards. The eligible families usually benefit from the partnering NGOs and their



*A bathroom after renovation by Habitat Bulgaria*

various social services such as family counselling, adult education courses, training schemes, health care and many other services. The local partner organisations manage the home-improvement funds and contribute to identifying and selecting borrowers, and assessing the housing situation and prioritising the repair needs; providing consultations and assistance for purchasing materials or undertaking the repairs; collecting loan instalments; and controlling and monitoring the performed repairs. The program provides an additional opportunity to support the local community and the work of the local partners. At the end of each project year, up to 25% of the **Home Improvement fund** managed by the local partner organisation is granted to

social and community services offered by each local organisation. The services are focused on improving the lives and development of the children in the community and include counselling and social support provided by social workers; activities to prevent school drop-out and support school attendance; and training on basic life skills, including vocational training for parents. This sub-granting opportunity maximises the overall impact of the program.

In addition to this microfinance opportunity, **Habitat Bulgaria** provides numerous trainings designed to build capacity and improve the client's abilities to deal with real-life crises, such as **Family Budgeting Training**, **Home Maintenance Training**, and **Energy Efficiency Training**.

**Habitat Bulgaria** also developed an innovative educational game, ‘**Neighbourhood**’. Through the game, school-age children gain a first glance

**“Most microloan recipients live in segregated Roma communities or small villages; their homes are often illegal and do not cover safety and hygiene standards.”**

at complex concepts such as saving resources, energy efficiency, hygiene, and saving money.

The game is distributed to schools, centres for children, and other organisations working with students aged 8 –14 years. It can be used in

various extracurricular activities, in thematic hours, and at home.

## **Target Group**

Vulnerable, low-income families living in substandard housing. Predominantly, but not exclusively, Roma.

## **Issues Addressed by Measures**

The project addresses the lack of access to funding for renovations or decarbonisations, as well as the unfit housing conditions of vulnerable households.

## **Stakeholders involved**

Nine local community-based organisations (CBO) in the following locations: Targovishte,

Sofia, Dupnitsa, Kyustendil, Ruse, Sliven, Burgas,  
Sungurlare, and Rakitovo.

## Funding

- ◀ From 2014 – 2021: **Velux Foundations**; for a total of €890,000.
- ◀ 2022 – present: **Habitat for Humanity Global Mission Fund** for a total of \$105,000; and **Medicor Foundation** for a total of €130,000.



*Before and after a window renovation*

# 3. Outcomes

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## Positive Outcomes

For the period 2014 – 2020, **Habitat Bulgaria** capitalised €115,000 in local Home Improvement Funds, which revolved six times, thus investing a total of €670,000 in home improvements through 2,137 micro-loans, supporting 3,345 vulnerable households. Through this 1,093 participants attended life-skills training workshops and 35 small project initiatives grants were funded for a total of €107,000.

Thanks to the joint efforts of **Habitat Bulgaria** and its partners, the families receive a complex and holistic solution for at least some of their multiple problems. Partnership with **Habitat Bulgaria** complements and adds value to the

local NGOs' social support, healthcare, and educational services.

## Innovation and Key Success Factors

- ◀ Supporting low-income, non-bankable families financially is still a stand-alone practice in Bulgaria.
- ◀ Providing microfinance support through locally represented, reputable CSOs rather than directly to the beneficiaries ensures its success and high repayment rate
- ◀ Providing incremental home improvement support through small loans that are easy to manage and repay after a short period, allowing beneficiaries to renovate their homes

gradually.

- ◀ High repayment rate above 95% is substantial even for the microfinance industry standards.

## Barriers and Difficulties

Providing not-for-free financial support at a price to very low-income families, who are often working on minimal wages or without labour contracts, increases the risk of non-payment. In addition, microfinance social support is still a novel practice in Bulgaria, and both **HFH BG** and the local partners were pioneering and learning by practice.

The COVID-19 pandemic severely affected our target communities – many lost their jobs, negatively affecting the loan portfolio repayment rate.

## Keys of Transferability

This program showcases a relevant yet sustainable way of supporting those in greatest need. Local and national authorities and the European Commission already recognise habitat's community support mechanism. Its elements have already been embedded in national and EU strategies and programs. The project has been leveraged by the National Council for Cooperation on Ethnic and Integration Issues with the Bulgarian Council of Ministers as an existing good practice, included in compendiums of good practices of the EC. The HERO (Housing and Empowerment of Roma) Project implemented by the Council of Europe Development Bank drew on significant components, such as providing access to funding and financial literacy training in the Roma communities. The

project has also been outlined as a good practice in national and international reports, for example, in OSI Bulgaria's Precarious Housing in Europe Study and Eurofound's Unaffordable and Inadequate Housing in Europe.

## **Policy Recommendations**

Amendments to the Spatial Planning Act that would allow non-formal settlements legalisation and regulation. This would provide targeted vulnerable individuals and families access to multiple social services, including financial services such as consumer/mortgage bank loans.



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