



# (RE)-BUILDING THE HOUSING STOCK IN UKRAINE

## FUNDING OPTIONS

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# Objective and main messages

- How to finance (re)-construction and role of DFIs
- Models: covered mortgage bonds, funds and crowdfunding
- Prioritize established models known to investor community
- Combination of different resources
- Promote capital market solutions to facilitate private sector engagement



# Rebuilding housing stock – what is needed?

Infrastructure

Equipment,  
materials

Capacities,  
Expertise



## Sources of funds

- Capital market
- Government(s)
- International Community
- European Union
- Russian reparations?

# Role of Development Finance Institutions (DFIs)

- Advice
- Finance
- Risk sharing (e.g. guarantee)
- Blended finance (especially foreign exchange risk)



# Options to finance construction



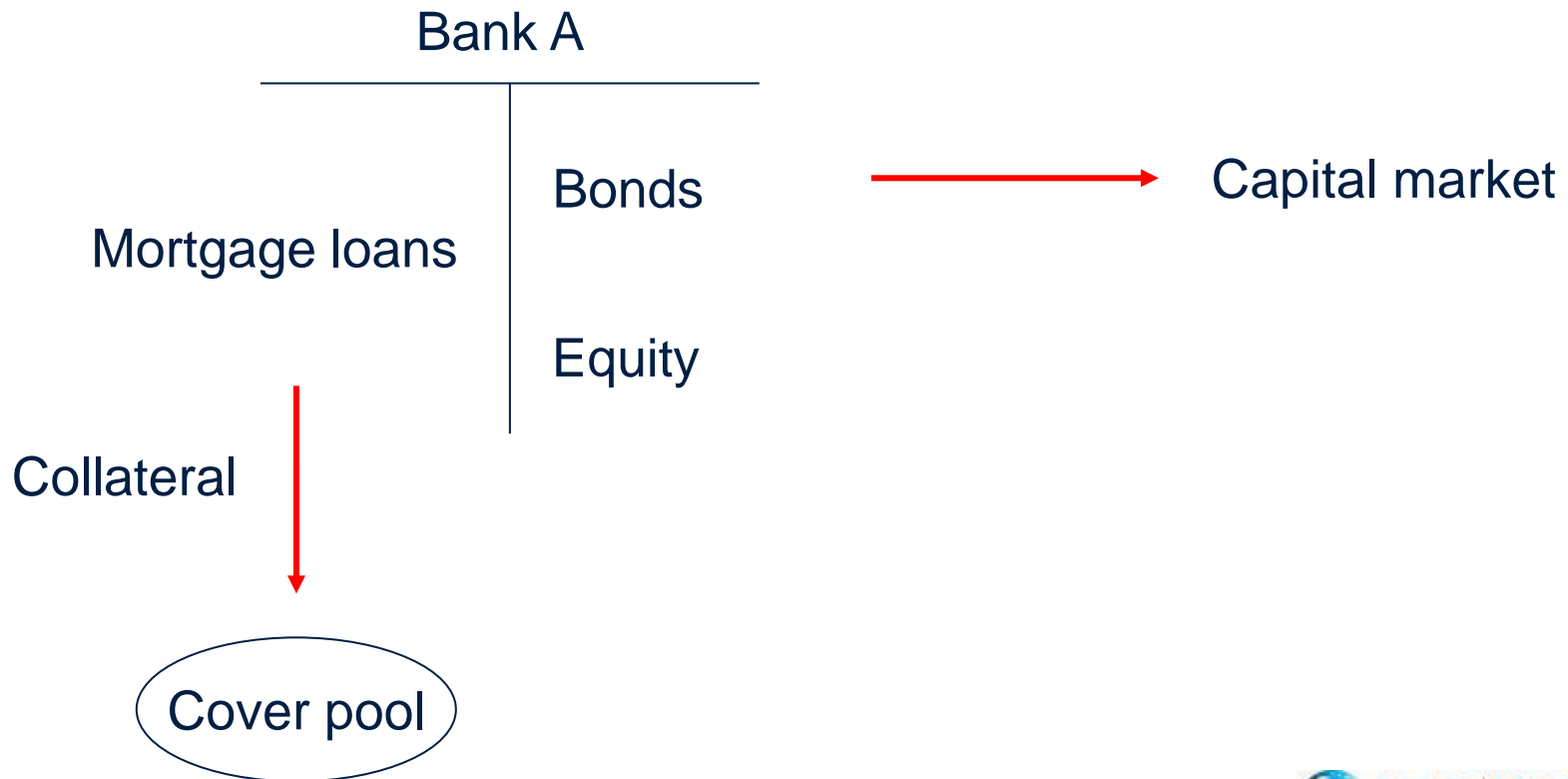
Covered Mortgage  
Bonds

Funds (eg EFSE)

Crowd funding



# What is a covered mortgage bond (CMB)?



# Definition Covered Mortgage Bond (CMB)



A covered mortgage bond is a debt instrument which is secured against a dynamic pool of specifically identified, eligible mortgages

# Covered bond legislation in Europe

- CMBs account for 17% up to 100% of residential mortgage funding in individual EU countries
- Important for commercial real estate industry
- Volume outstanding: USD 3.3 trillion (2017)



<https://hypo.org/app/uploads/sites/3/2021/09/ECBC-Fact-Book-2021-FINAL.pdf>

Link: ECBC European Covered Bond Factbook

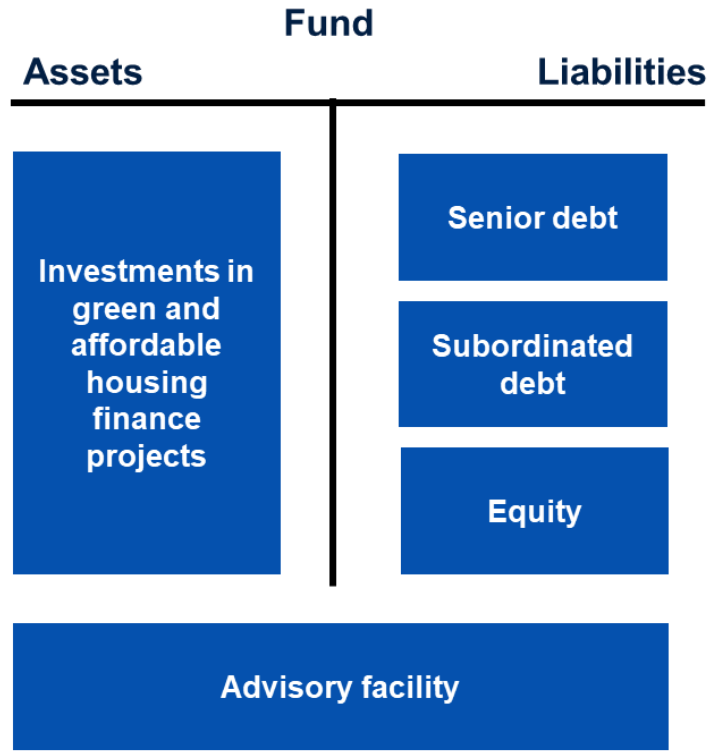
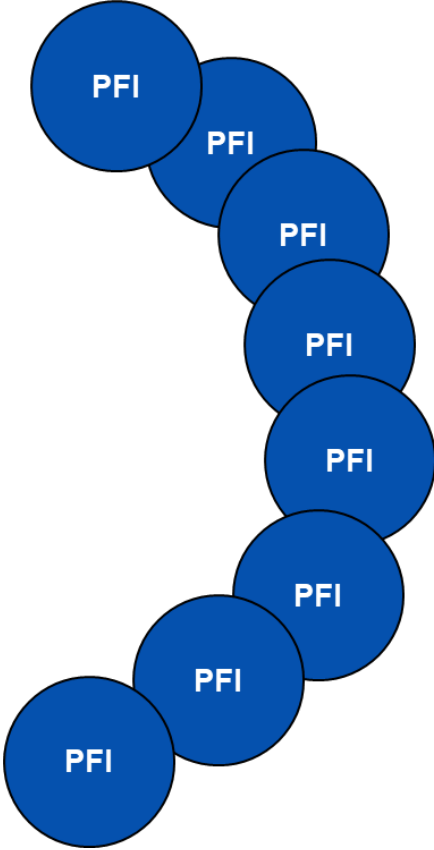


## What makes a bond a CMB?



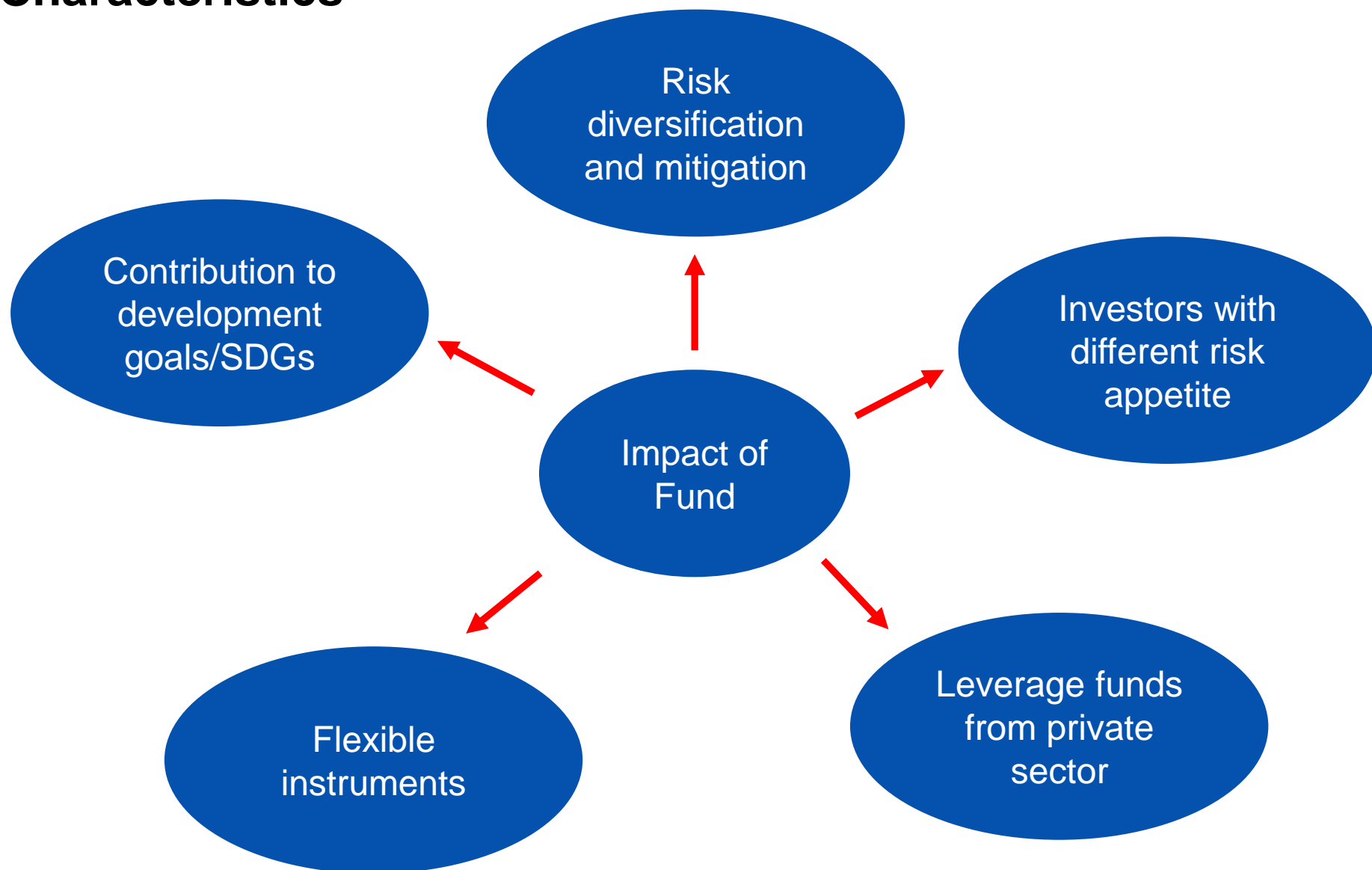
- Specific legislation regulating characteristics, issuance and monitoring of CMBs
- Loans remain on balance sheet of issuing banks
- Bankruptcy remoteness through cover pool and preferential claims of bondholders
- Dual claim of bondholders
- No implicit or explicit state guarantee

# Potential structure of fund



- Facility targets investments in lenders and developers
- Open-ended vehicle
- Promoters – DFIs, Government(s), EU
- Different risk/return profiles and inclusion of concessional equity

# Characteristics

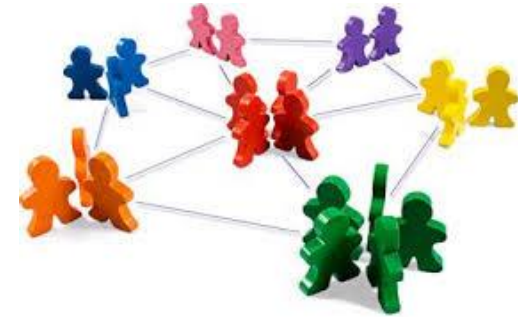


# Considerations for establishment

- Target size and expected rate of return
- Manager of Facility
- Pipeline of deals
- Management of foreign currency risk
- Organizational structure
  - Governance
  - Legal framework of operation
  - Funding structure
- Structure of Advisory Facility and pricing of services offered



# Crowdfunding to finance real estate construction?



- Definition - Crowdfunding is practice of funding project or venture by raising monetary contributions from large number of people, today often performed via internet-mediated registries
- Channel remittances into housing construction
- Often not regulated
- Several operating in USA and UK





# Ideas for next steps



- Quantify need (as much as possible)
- Assess feasibility of proposed model
- Which work can be done now?
  - What is the sequencing of infrastructure priorities?
- Who is best qualified to help (expertise and funds)?



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