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## **Economic and Legal Mechanisms for Mutual Responsibility of Condominium Members Under Central Heating and Hot Water Supply Conditions**



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**Economic and Legal Mechanisms for  
Mutual Responsibility of Condominium Members  
Under Central Heating and Hot Water Supply Conditions**

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# 1. Legal Aspects of Community Joint Actions

## 1.1. Introduction

This report examines the installation of a shared heating and hot water supply system in multi-apartment households and the related legal aspects regarding the interaction with the condominiums. Any issue, discussed below, must be considered in this context.

The legal issues of condominium common actions are regulated by the following documents:

1. The Civil Code of Georgia
2. The Georgian Law on Condominiums
3. The Tax Code of Georgia
4. The Law of Georgia on State Registry
5. The Constitutional Court of Georgia Ruling N2/2/439 15.09.2009
6. The Constitutional Court of Georgia Claim N2/7/476 07.12.2009
7. Tbilisi City Assembly Ruling #14-78 – December 27, 2010 – “Funds allocation for the implementation of the “Condominiums Development and Assistance Program” and the condominiums registration rule assertion”
8. The Georgian National Bank President Order N24/04 (of April 7, 2011) about the assertion of instructions for opening accounts in banking institutions and performing foreign currency operations.

The conclusions below are based on these documents.

## 1.2. Legal Status

A condominium is not a legal entity. This is a union of owners of residential and non-residential spaces in multi-apartment buildings, including owners of commercial spaces. A multi-apartment house is a house, which is made up of more than two objects of individual property. A condominium is not a result of free will expression of the members of the house community. The membership of a condominium represents a reality conditioned by the objective circumstances of the need to meet basic subsistence and domestic needs. The reality on the other hand, is the fact that besides apartments or other individual property, residents also have shared spaces. A Condominium, due to the nature of the partnership has its objective tasks, determined by the need for care-maintenance of shared spaces. The condominium tasks are: care-maintenance of shared spaces, operation and development of common property.

The members of a condominium won't be able to set other goals to fulfill their own subjective aspirations within the frames of the Condominium, or to diminish the goals set for the Condominium, since this would oppose the nature of the partnership. It is not independent in the forming of its goals and the goals of the Condominium are not determined by the free will of its members.

The shared properties of the Condominium members include: the land on which the residential building is situated, as well as parts of the house and those building-structures, devices, engineering utility networks and equipment which are not individual property. A Condominium member is an owner of individual property and his share of the common property is determined by the ratio of the individually owned property area to the total area of all apartments in the multi-apartment building.

A Condominium can be registered in the related District Gamgeoba (municipality), which assists the Condominium's communication with the local government. A Charter, which will be adopted at the Condominium general meeting, plays a large role in its activity. A Charter can regulate a number of issues in a way that is different from the law, this right is granted to the members of the Condominium by the law itself. After the established regulatory law a number of articles state the following instruction: "If not otherwise agreed according to the Condominium Charter."

The issues in this report will be discussed in accordance with the regulatory rules established by the Georgian legislation and will relate precisely to a particular Condominium's internal order, if the latter doesn't have a Charter, or if its Charter does not regulate differently any of the issues listed below, or if it regulates them in the same fashion as the legislation. To specify the rules which are allowed to be changed, each one will be indicated by the asterisk symbol (\*).

### **1.3. Concluding Agreements**

A Condominium has the right to enter into any type of an agreement with a third party. The goal of the agreement must be the fulfillment of the objectives determined by the law and the Condominium Charter. A Condominium can on its behalf acquire property or non-property rights and obligations, movable property and real estate; it has the right to perform other actions determined by the Charter, which do not interfere with the Georgian legislation, though these actions must still be related to the activities of the Condominium and its objectives.

In legal relations the Condominium shall be represented by the chairman or any other person designated to do so\*. In standard cases, the Condominium general meeting members reach a decision, and the chairman as an executive entity ensures the execution of the decision, that is signing the agreement\*. A Condominium general meeting can make decisions if 2/3 of the members are present\*. The decisions are made with a 2/3 votes majority of present members\*. The exceptions to this rule established by the law are\*:

- Electing a chairman (2/3 of member votes)
- Imposing additional payments on Condominium members regarding the common property development (2/3 of member votes)
- Establishing a Condominium Charter (if the number of Condominium members does not exceed twelve, the Condominium members establish a Charter with 3/4 of votes, in all other cases – 2/3 votes)
- Recording the actual condition of household premises (basements, attics, etc.)(2/3 of member votes)
- Significant development of the common property of the Condominium members, which considerably alters the common property of the members and influences the use of the common property by other apartment owners (100% member votes). The latter is usually associated with the practice of members to transfer common property into individual ownership.

To execute the decision reached by the Condominium a general meeting is mandatory for each member, including those who didn't take part in voting for any reason\*. However there are exceptions to this rule: the owner who has not voted for the event, which is not directly related to the Condominium members' common property care-maintenance and operation, is not obliged to share costs for such activity, and hereby does not have the right to benefit from the results of such an event. \*

If we apply the rules described in this section to the case of introducing common heating and hot water supply systems in a multi-apartment, we get the following picture: the acquisition or use of a common heating and hot water supply system represents the development of the common property. The condominium general meeting reaches a decision with the simple majority of its member's votes. The member who did not vote for the positive solution of the given issues is not required to participate in the purchase or utilization costs, however he also won't have the right to benefit from the use of the shared heating and hot water supply systems.

## ***1.4. Leverages Towards Non-Participating and Non-Paying Members of the Condominium***

### **1.4.1. Responsibilities of Non-Participating Members:**

The members, who voted for the shared heating and hot water supply systems purchase/utilization, are required to make relevant payments and follow the decisions regarding the care/maintenance and operation of the systems, regardless if he/she voted for this particular question\* (regarding care-maintenance and operation).

However the law provides one more aspect – imposing additional costs regarding the Condominium members' common property development. Is allowed only if approved by 2/3 votes of the Condominium members.

It turns out that a member, who supported the acquisition/utilization of the systems, is responsible for any care-maintenance and operation-related costs, however the same member will only be obliged to pay additional costs for the development of such property if it's approved by 2/3 of the members.

### **1.4.2. Responsibilities of Non-Paying Members**

In case there has been an instance of a member avoiding one's obligations, the claims of the Condominium creditors can be satisfied through the property of the Condominium members. This law requires the reservation that all Condominium members are responsible for the decisions made by the Condominium in accordance with their share of the common property, personally and as joint debtors.

To make sure that members will comply with the obligations towards the creditor, several mechanisms can be incorporated:

**Mortgage:** A member-owned property (real estate) will be mortgaged before the obligations to the creditor and in case he fails to fulfill the obligations, it will be possible to compensate the creditor (the seller of the purchased property) with the sum of money received from the apartment sale. A mortgage contract, which is registered in the Public Registry, is signed for that reason. Mortgage is a very reliable way, because even if the member has sold the apartment or any other third person has realized it through a forced sale (e.g. auction sales) based on a court ruling or other legally established rule, the mortgage follows the property and the creditors (in whose favor the apartment is mortgaged) can anytime request the fulfillment of the obligation through force realization. Another positive side of the mortgage is the execution through notary papers. Based on the written agreement signed by the creditor and the owner, both sides can foresee that the transfer of the mortgaged item to the creditor

or its sale can be carried out on the basis of the enforcement order issued by a notary. In this case, the signed deal of the parties must be confirmed by the notary rule. A court appeal is not necessary in these circumstances; the enforcement bureau will directly realize the apartment and transfer it to the creditor by force.

**Registration of the Tied Obligations:** The chairman or any other designated authority in agreement with the Condominium general meeting members can register the obligation of a Condominium member towards the Condominium, as tied to a real estate item, if it exceeds 500 GEL.

The obligation tied to a real estate item means that the Public Registry will make a record of the individually owned space/apartment as the debt owned by the member towards the Condominium. In the case of individual property alienation, the new owner will personally and as a joint debtor be liable and responsible for the unfulfilled obligations towards the Condominium. In this case, personal responsibility, which in some cases can be of no use (for example when a person does not own any property anymore) is supplemented with a real estate guarantee.

In case of a tied obligation, if a third person enforces the sale of the member's property through an auction, the tied obligation doesn't follow and is cancelled, unlike in the case of a mortgage.

Another difference between the tied obligation and a mortgage is that, if a member fails to fulfill the obligation (doesn't pay), then the Condominium first applies to the court and only after the court ruling being in effect (this can include 1-3 instances and accordingly the period of time can be from three months to a year and a half), when a notary enforcement order goes into effect immediately. The terms can be reduced in an agreement about arbitration is incorporated into the contract, in case of an arising controversy the sides will appeal to private arbiter and the process will be ended in relatively short terms.

During the registration of tied obligations in the Civil Registry, only the member's obligation towards the Condominium is recorded; however it also becomes independently liable to the creditor.

**Noncompliance penalty:** including the penalty for noncompliance in the contract is one more way to increase the feeling of responsibility and the likelihood of complying with the obligations. In the case of violating the obligations, a penalty will be imposed on the member in favor of the creditor (this can be a single payment or intended for a certain period). Hereby to be considered is that transferring the payment must not be an automatic process, but only if requested by the creditor will the member be penalized.

If a penalty payment is automatically required, and the creditor will for certain considerations not impose them and not make the member pay, it will still be considered as taxable income and the creditor will be taxed for it in the normal manner.

### **1.4.3. Disconnection of a Violating Member from the Common Heating and Hot Water Supply Systems**

This is the simplest enforcement mechanism, it is both fair and follows from the basic norms of the Civil Code, however it is desired for such an option to be included in the agreement, as a warning and prevention measure. Though, such a mechanism doesn't ensure the receiving of the debt payment.

### **1.5. Relationships with Banks and Fundraising**

A Condominium may provide billing and other accounts in the bank, as well as other necessary data. Its bank account is created after presenting certain documents, namely:

- A request for opening an account
- Condominium Charter or agreement, if any
- Identification documentation and signature sample of a person(s) designated for the account opening and disposition
- Tax Registration Receipt (in the case of a taxable Condominium). If the Condominium is obliged to make a payment after opening the account, additional documents regarding the registration at other banking institutions will be provided for the bank, otherwise all responsibility rests with the Condominium.

A Condominium has the right to place monetary sources in banks or other credit institutions. A Condominium may utilize a bank credit. A Condominium may benefit from the Tbilisi City Assembly affirmed Condominiums Support Program, in the frames of which the Condominiums registered with the District Boards have a chance to receive partial financing for the works necessary for the Condominium members' common property operation and development. The City Assembly provides the list of such necessary activity and assigns a cost-sharing percentage index.

### **1.6. Services from Third Parties and Income Tax Payment**

For taxation purposes a condominium can be considered as an enterprise. By the law, listed are the following entities, which engage in economic activity or are designed to perform economic activity:

- A) Legal persons registered in accordance with the Georgian legislation
- B) Corporations, companies, firms and other similar formations registered according to a foreign country legislation, regardless of whether they have legal person status, as well as a permanent establishment of a foreign enterprise
- C) Associations, partnerships and other similar entities that do not correspond with "A" and "B" points of this section.

Economic activity is any activity that aims to gain profit, income or compensation regardless of the consequences of such activities. If a Condominium engages in Economic activity, it must register as a



taxpayer and will be considered a business from the tax viewpoint. The income received as a result of economic activity, must in the first place be utilized according to the Condominium Charter, to achieve the objectives of the Condominium. The taxable profit (income) will remain with the Condominium members in correspondence with their shares and will be incorporated into their joint income.

The income source of a Condominium can also include any other income type, which is not prohibited by the Georgian legislation. This can include grants, donations, or any other form of assistance. A Condominium can sign an agreement for receiving any type of service permitted by the law. When receiving service, several factors are used for deciding who bears the tax liability in the budget:

- **If the service provider is registered as a taxpayer** (company, organization, individual entrepreneur, association, partnership or other entity, which may incur a tax liability, a natural person who is registered as a taxpayer), then accounting with the budget is performed by the service provider.
- **If the service provider is not registered as a taxpayer**, there are two more options:
  - a) **If the Condominium is registered as a taxpayer** the condominium is required to hold the taxable payment of the service provider and transfer it to the budget.
  - b) **If the Condominium does not engage in Economic activity and is not a registered taxpayer** - then the service provider is to resolve the issues of tax compliance on its own.

### ***1.7. Incurring Common Capital and Running Costs***

This issue has been discussed in detail above. However as a short conclusion it may be noted hereby, that Condominium members (owners) bear the responsibility to make payments for the care-maintenance of the common property, be it capital repairs or other. However, the owner, who did not vote for the events that are not directly linked to the care-maintenance and exploitation of the common property of the Condominium members, is not obliged to reimburse the costs incurred in such an event, hereby, he/she does not have the right to request the benefits from such an event.

### ***1.8. Other Practical Issues***

The introduction of common use systems into multi-apartment houses can also carry some difficulties. The difficulties observed in practice can be of the following character:

**System damage.** Safety issues of the installed systems must be considered. The circle of persons designated for system maintenance and operation must be determined accurately and it should not be one person, but several people who will not act independently. This will allow the distribution of responsibility and easy identification of the responsible person in case of damage.

**The existence of a common meter.** The shared systems will most likely also have a common meter. The distribution of the total cost calculated by the meter can be problematic. A very precise principle must be formed and very accurate mechanisms implemented. For example, if individual meters are

installed for each member/customer, the meters must be validated to avoid unequal calculations across the floors due to the water pressure differences. Also, calculation formulas with maximal preciseness can be incorporated.

**Relationship with KazTransGaz.** If the use of natural gas is needed, one should take into account the principle of rates accrual by the LLC “KazTransGaz-Tbilisi”, which has both consumer rates and commercial rates with commercial rates being higher than those of consumers. When a multi-apartment house has a gas meter and the Condominium is registered as a customer, LLC "KazTransGaz – Tbilisi" considers this a commercial entity and sets a commercial gas supply rate. In order to avoid this, it is possible to register one of the members as a customer, however the responsibility of that member grows and none of the members may agree to this. LLC “KazTransGaz-Tbilisi” has not proposed any other solutions to this problem yet.

**Irresponsibility of members.** The sense of responsibility towards shared customer systems and general subjects are relatively low in Georgia. So this complicates the smooth and continuous work insurance for such systems. A low sense of responsibility can be identified by the failure of a member to make an assigned or careless treatment of the system and its damage. It is necessary to agree on every single nuance, every possible complication and ways of their eradication.

## ***1.9. Conclusion***

It can be concluded, that all issues orally agreed upon by the non-commercial or commercial entities and the Condominium during the discussion process of introducing common heating and hot water supply systems must first be represented in the Condominium Charter, which will be signed by all attending members and will be notary-certified, and then the same terms and conditions shall be filed in the agreement. In this way the interests of both parties will be protected.

## **2. Economic Mechanisms for Common Action of Condominiums**

### ***2.1. General Considerations***

Provision of communal service comprises a complex system of technical, human and economic factors that needs to be established and maintained through the efforts of various parties. Ideally the economic and legal system shall be stable in a sense that minor disruptions caused by equipment or human failures and noncompliance get compensated and lead to service restoration and long-term sustainability rather than system deterioration.

Here we will be mostly concerned with the potential economic mechanisms and contractual arrangements which to our understanding fit best the purpose of sustainable provision of communal service to the condominium members and that shall be reflected in decisions of community general meeting or the contracts between service providers and community.

The methods of cost allocation and payment are essential parts of the system of communal service. To a great extent they define the actions of the residents and therefore the fate of the system. The necessary requirement for such a mechanism is that it shall provide equitable distribution of responsibilities and payment obligations between the consumers and at the same time be flexible enough to allow sustainable provision of service for the whole condominium in case some of the members of the community, temporarily or in long term, fail to comply with their financial and other obligations under the above documents.

Disconnection capacity and discipline is a necessary balancing mechanism that the condominium members should be willing to apply in order to have a sustainable system. Those who will not pay for service should not be entitled to getting it.

The central heating case is not considered under the current pilot project proposal due to insufficient benefit over cost of such a measure. However, the main conclusions and recommendations of this section can be applicable also in the case of a central heat supply for residential block buildings.

Below we present what is believed to be equitable and fair principles of cost allocation among the condominium members. These principles can be used for discussion among the residents and final decisions shall be taken by the general meeting in each particular case. The analysis and conclusions in the rest of this section are pertinent to commercial implementation of the mentioned technologies rather than solely for the purposes of the pilot project, unless mentioned specifically.

## **2.2. Cost Allocation**

The equitable and fair cost allocation in the case of common property and common service is the basis for its sustainability. Below we will try to analyze the principles of cost allocation that best fit the long-term sustainability of the provision of common service of hot water and heating. It is clear that there are specific conditions in each condominium, which is why the final decisions shall be taken on a case-by-case basis by the general meeting of the condominium.

In general condominiums in Georgia are not strong enough to undertake serious capital investment projects and the feeling of common benefit is not very strong. Due to the need of collective action the ability of a condominium to achieve some goal is often defined by the ability of its weakest chain - in other words - its least wealthy or least interested member of the condominium. To overcome this problem it is necessary to have sufficiently pronounced common interest and some balancing schemes that would account for this weakness.

There are three major types of expenditure to be undertaken by condominium members:

1. Capital cost of new systems or facilities
2. Maintenance and operation costs

### 3. Emergency repair costs resulting from failures of the equipment or other emerging contingencies

Capital cost of installation is a one-time up-front cost to be borne by the condominium in order to acquire and install a new equipment or facility. As a rule this is a high cost to be divided by the residents. In case of new insulation or renewable energy systems, the capital costs are high and can be excessive for a substantial number of residents. Therefore it should be redistributed over time through loan mechanisms as much as possible, in order to allow lower income residents to participate and benefit from the new installation.

Maintenance and operation costs are in general moderate costs that can be more easily afforded by the condominium members. Emergency repairs require either some kind of reserve amount to be kept by responsible members of condominium or otherwise will be related to immediate collection in case of some emergency condition thus causing time delays in addressing the problem.

Based on the practice there are several ways of cost distribution among residents

- **Equal distribution of costs** – this is a common case for common services like stairwell lighting and cleaning
- **Per capita or per living area payment** – this is the way, for example, waste disposal services are paid for. This method is used for unmetered consumption by utility companies (including the provider of geothermal water)
- **Payment per service received** (electricity, gas, hot water)

The latter way is most fair, however requires proper metering. Below we will advocate that this method should be used for the provision of solar hot water systems.

#### 2.2.1. Central Heating

In this project we are not dealing with the installation of central heating systems, however most of the suggested principles are applicable in this case as well. In the case of new construction of a building these costs are normally included in the cost of apartment paid by tenants and are not a subject for further analysis. In the case of installation of a new central heating system in an existing building the most reasonable way of capital cost distribution would be the payment in proportion to heated space. However, in all cases this is the matter of agreement between the members of a community.

The running costs of central heating are connected mainly to fuel costs and also the maintenance costs. The fuel costs shall be redistributed according to service received. Although the energy flow meters are not cheap, this seems to be an essential element of the system, otherwise payments distributed on per capita or per living area basis will result in an unstable system where the individual resident is not motivated to save the costs of heat and as a result such a system will become wasteful in energy and money. It will have the problem of sustainability and can decay over a short period of time.

### **2.2.2. Geothermal Hot Water**

The geothermal water supply is managed by a private supplier, Geothermia LTD, who owns the license for the geothermal well and is also the distributor. The company takes the responsibility to maintain the supply system. In order to be successful in money collection the distributor needs to commercialize the system or otherwise have individual metering and disconnection capacity and observe strict policies in order to preserve payment discipline. The most natural way of cost allocation for Geothermia is to assure the installation of the system and to include its costs in the cost of water. In this case the responsibilities of residents will be individual rather than collective, although there should be the responsibilities of the residents not to take the actions that might undermine the whole process and threaten the supply to other consumers. Based on the commercial decision of Geothermia and an agreement with the residents there may be the responsibility of the consumers to connect to the supply system themselves, or alternatively to pay for such a connection. The rest of the process will be based on payment for the consumed hot water by residents and ability of Geothermia to maintain a reliable supply.

### **2.2.3. Solar Hot Water**

As mentioned before the communal use of solar hot water systems in residential block buildings may have a number of benefits that will allow their use on a wider basis.

- a. Due to economies of scale a common system can be an affordable system to more people, the common use may allow for more efficient use of the solar energy by heaters and
- b. The common use may allow the consumers of lower floors also to benefit from solar energy.

At the same time the case of solar hot water is different and more complicated than the above cases in several respects:

- There is a limited good to be distributed over a number of residents at the same time the running costs of the system are low or even negligible - therefore the residents may not have sufficient incentive to save the water and allow others to use their fair share.
- The capital cost of installation is quite high making it difficult to mobilize the finances for installation solely by condominium members, especially if the system is not affordable to lower income residents.
- There is no independent economic agent or service provider directly interested in provision and maintaining the service
- There is an option for residents to switch back to the original method of water heating.

These factors can make the solar hot water system too expensive and unstable in operation unless special precautions will be taken to motivate the residents to save the solar hot water and not to use it in excessive amounts, redistribute the payments over time and make the system (substantially) more

economical than the traditional water heating methods. It is also important to allocate both the capital and running costs according to the benefit received by each particular dweller. These factors shall be taken into account while designing the system of cost allocation and payment.

To solve the above problems it is necessary to:

- Install meters and disconnection valves at each dwelling so that the amount of hot water used can be independently metered and the supply disconnected in case of nonpayment;
- Find the external source of financing the installation so that capital cost can be amortized and paid over time
- Arrange for monthly payments from the residents
- For the purposes of a pilot project – arrange for the payment of a substantial part of the capital cost through donor funding, for further implementation of technology to develop and promote the schemes of municipal or government support

In the case of achievement of the above conditions the system operation will be as follows:

1. The decision on installation of the solar hot water system made by the general meeting of the condominium and obligation for payment of its capital cost fixed
2. The loan or lease agreement signed with the relevant party to assure partial payments for the system over a substantial period of time (3-5 years)
3. Solar system installed with proper warranty and maintenance agreement
4. Monthly meter readings and money collection by the responsible person appointed by the condominium<sup>1</sup>. The payments shall be calculated based on the amount due and the share of solar hot water used by each resident. Nonpayer(s) shall be disconnected and the benefit of the hot water redirected to other paying consumers
5. The loan/lease shall be repaid monthly according to the relevant agreement.

The above principles of cost allocation are independent from the arrangement – whether the consumers are paying for the whole installation or part of it is financed or paid by a third party. It can support (but not guarantee) sustainable operation of solar hot water if the system provides equitable distribution of costs in proportion to service received, a limiting factor that will prevent from uncontrolled and unreasonable use of solar hot water, allows to begin the use of solar hot water without substantial upfront costs and allows the members, unable to pay in the beginning, to join later.

One has to note that the common use of solar hot water is sensitive to observance of payment discipline in the case of violation of payment discipline the consumers may choose to switch back to the traditional methods of hot water supply and avoid the payments of the due amount. Therefore the legal

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<sup>1</sup> It is assumed that all technical problems including meter accuracy, possible differences in temperature etc. are properly addressed.

protection mechanisms in line with the principles of the previous section are needed in order to assure the sustainability of such a system. In the case of residents' failure to meet their obligations according to common decisions of the condominium the latter may decide to act according to legislation and the charter of condominium.

#### **2.2.4. Organization**

The discussion above shows that there is the inevitable need of third parties to be involved along with the vendors of equipment and installation, in order to make the common use of solar hot water systems possible.

**Bank financing** – in order to redistribute the capital costs over time, especially for solar hot water systems, bank loans might be used. In most countries there are special loans for the support of energy efficiency and renewable energy activities by commercial and residential energy consumers. There is a similar scheme - Energy Credit in Georgia as well. However the interest rates charged by Georgian banks under this program are pretty high and can result in a substantial increase in the final cost of installation to residents. New more supportive financing schemes with lower interest rates need to be developed.

**State/Municipal support** – at the early stages of technology deployment and dissemination state or municipal support mechanisms are essential for the success of the technology application and its further dissemination. In this respect the solar hot water systems as well as geothermal systems may be extremely sensitive, since the current upfront installation costs are high and overall economic performance depends critically on external subsidy. This is characteristic to the underdeveloped market and will be eliminated according to market development on a bigger scale. As an example one can mention the case of Ukraine where the government pays in full the interest on bank loans for energy efficiency purchases.

**Long-term lease by a supplier** – as a method for technology sales promotion, the vendors of solar hot water systems may in this case choose additional external support schemes, which may be required in order to reduce the risks for the vendors. Otherwise it may be difficult to take the risk of dealing with a big number of residents and rely on their full compliance with the agreements made.

**ESCO** – This is a well-known scheme used in many countries where the specialized commercial company takes the commercial risk for energy efficiency & renewable energy measures and gets the return on expenditures through energy savings.

Such an arrangement works well where there is a single commercial entity and energy savings can be measured and valued with confidence. In the case of condominiums and solar water heaters this is a high risk option for ESCO since it may require interaction with a big number of residents and also the economy of solar water heaters at the current prices may not be sufficiently good to support independent commercial ESCO activity.

At the same time there are a number of tasks necessary for the success and sustainability of this project:

- Technical oversight of project implementation and maintenance of equipment in cases of necessity
- Monitoring of system performance and eliminating potential problems in design
- Support of condominiums in establishing metering, collection and payment activities
- Dispute resolutions between community members and addressing technical and organizational complaints
- Accumulating and disseminating the experience for further use in other condominiums

These activities shall be conducted by an external ESCO-type company. The implementation project can become a good starting ground for real ESCO activity.