I. Introduction and Context

After years of strong performance in the run-up to the European Union (EU) accession, Bulgaria’s growth has slowed down and poverty remains the highest in Europe. Building on the achievements of the last decade and moving to a higher growth path in the current economic environment, requires bold government actions and investments. Recognizing the potential of targeted public investment policies to stimulate more inclusive and climate smart growth, the Government launched on February 1, 2015 a National Energy Efficiency Program for Energy Efficiency in Multifamily Buildings (referred as ‘the program’ hereinafter).

The program aims to tap into the vast energy savings potential in the residential sector, which accounts for one fourth of the country’s final energy consumption. Pre-1990 buildings account for 90% of the building stock, they are in very poor condition due to lack of maintenance, and their energy consumption is at least twice as high as those built according to current standard mostly due to the very low quality of insulation.

Program for Results (PforR) is proposed as a suitable instrument to support the Government’s program because: (i) it is an ongoing program implemented using national standards and systems (technical, fiduciary, and safeguards), (ii) it would allow to focus on improving the overall efficiency and effectiveness of the program implementation, and (iii) it has tangible and measurable results which are fully aligned with the country’s energy savings and GHG emissions reduction targets.

The World Bank has substantial experience with implementing building retrofit programs in the ECA Region, including in multifamily apartment buildings (e.g., Belarus, Lithuania, Poland),
which can contribute to strengthening this Program and help address bottlenecks that are likely to arise during implementation.

II. Program Development Objective(s)

The program development objective is to improve the Energy Efficiency (EE), comfort and safety in renovated multifamily apartment buildings.

Key program results would include:
- Reduced energy consumption in renovated multifamily buildings meeting a Class “C” (EU energy efficiency certification) and compliant with building code for structural integrity and safety
- Reduced energy consumption in renovated buildings
- Reduction of CO₂ emissions as a result of energy savings
- Increased household satisfaction for improvements in air quality, safety, and indoor temperature
- Strengthened capacity to plan and implement EE renovations in residential buildings by the Government of Bulgaria, municipalities, and Home Owners Associations (HoAs).

III. Program Description

The key characteristics of the Program include the following:

i. **Targeting:** Residential prefabricated concrete panel buildings, with at least 36 apartments. Eligible buildings will have to have a registered HoA and reach a 100% agreement of the owners to participate in the Program. HOAs will be selected on a “first-come first-serve” basis.

ii. **Financial support:** Up to 100% grant support for eligible expenditures covering mainly measures to improve the EE of the buildings and measures to improve the structural soundness of the buildings to comply with the current building code. Measures to be implemented should bring the energy consumption of buildings to at least Class C (energy use of 191 kWh/m² to 240 kWh/m²) at the lowest cost.

iii. **Implementation mechanisms:** The Program will be administered mainly through municipalities. All 265 municipalities are eligible to participate in the Program. They would be responsible for the procurement and supervision of the energy and structural audits, detailed designs, construction permits, construction works, construction supervision and building certification. Procurement will be done in accordance with the Bulgarian Public Procurement Law. Supervision and oversight will be done in line with existing national legislation and auditing and construction standards. District Governors in their capacity of representatives of the state have an oversight role of the Program in their respective district.

iv. **Financing:** The overall Program cost is estimated at BGN 1 billion which would be financed through sovereign guaranteed loans which have been included in the budget for 2015. The Bulgarian Development Bank (BDB) will be responsible for mobilizing the financing for the Program and channeling the resources to Municipalities according to signed contracts with the municipalities and District Governors.

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1 Based on the Bulgarian transposition of the European Energy Performance in Buildings Directive (EPBD).
IV. Initial Environmental and Social Screening

The program will predominately have long-term positive effects once the buildings have been renovated, while potential negative impacts will be short-term and linked to the construction/rehabilitation phase. The positive expected environmental and social impacts include among others: a) a reduction in greenhouse gas emissions associated with a decrease in energy consumption; b) positive visual impacts on the urban environment due to the renovation of old buildings; c) improvements in living conditions, d) reduced burden of energy expenditures in the household’s budgets –especially middle and lower-income.

The negative environmental and social impacts are expected to be low to moderate and site specific. The expected negative environmental impacts include: a) impact on ambient air quality due to construction works (dust particles and volatile organic compounds from solvents); b) generation of construction and household waste, and to a lesser extend hazardous waste: asbestos contaminated waste, oil contaminated parts of boilers, oiled filters and cloths, etc.; c) noise emission occurring during the construction works phase; and d) impact on soils tied to the possibility of inadequate waste handling, transport or/and working machinery handling.

V. Tentative financing

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<th>Borrower/Recipient</th>
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<td>IDA</td>
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<td>Others (EIB, CEDB)</td>
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<td><strong>Total</strong></td>
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VI. Contact point

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