



CA EED – Good Practice Factsheet Template

Core Theme and topic	CT 5 Energy services and ESCOs, energy auditing, solving administrative barriers – Split incentives
Name of work programme/project	Energy Efficiency and Renewable Sources Fund (EERSF)
Project scope and description	
Short description of the programme & what it hopes to achieve	<p>The Energy Efficiency and Renewable Sources Fund (EERSF) was established through the Energy Efficiency Act adopted by the Bulgarian Parliament in February 2004. The initial <i>capitalization</i> of the EERSF is entirely with grant funds, its major donors being: the Global Environment Facility through the International Bank for Reconstruction and Development (the World Bank) - USD 10 million; the Government of Austria - Euro 1.5 million; the Government of Bulgaria - Euro 1.5 million and several private Bulgarian companies.</p> <p>EERSF has the combined capacity of</p> <ul style="list-style-type: none"> • a lending institution, • a partial credit guarantee facility, including portfolio guarantees and • a consulting company. <p>It provides technical assistance to Bulgarian enterprises, municipalities and private individuals in developing energy efficiency investment projects and then assists their financing, co-financing or plays the role of guarantor in front of other financing institutions.</p> <p>The underlying principle of EERSF's operations is a public-private partnership. EERSF is an independent legal entity, separate from any governmental agency or institution, and performs its activity in accordance with the EEA, Energy from Renewable Sources Act, current legislation framework, and the agreements with the major donors.</p> <p>EERSF is structured as a self-sustainable commercial entity that concentrates its efforts to</p> <ul style="list-style-type: none"> • facilitate energy efficiency (EE) investments, and to • promote the development of a working EE market in Bulgaria, in particular – <i>to kick-start the market of EE investments in the residential sector by providing market products that overcome the lack of proper legislation in the country.</i> <p>The Fund's main environmental objective is to support the identification, development and financing of viable EE projects, resulting in substantial reduction of greenhouse gases.</p>

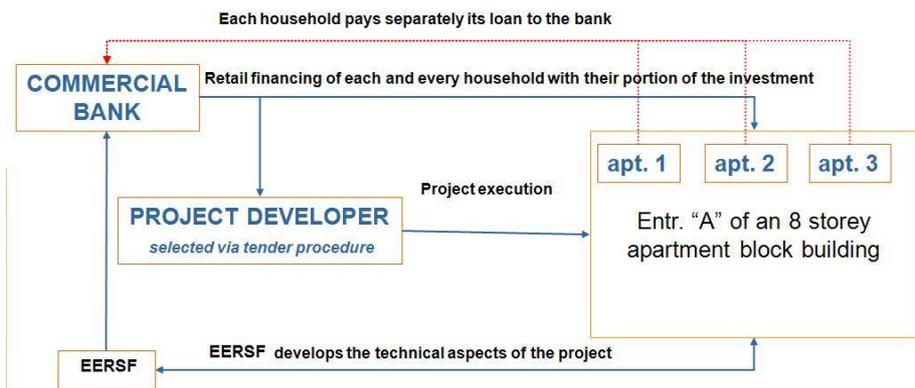




In case of the renovation of multifamily residential blocks of flats the EERSF provides credit guarantee facility, inter alias, **RESIDENTIAL PORTFOLIO GUARANTEES.**

Portfolio: BGN 10 000 000
Guarantee: BGN 500 000 (5% of portfolio)
Maturity: 5 years

Application with Commercial Banks



EERSF guarantees the first 5% defaults.
Statistically the % of the defaults in retail banking is less than 1% (Raiffeisenbank) to about 3%. EERSF will chose for partners banks with relatively low default rates (less than 5%).

The guarantee works in the following way: The EERSF helps the households in a building to develop a good project. Then a first class company is selected to implement the investment. The bank gives the funds to the project developer, but the repayments afterwards come from the individual households. Each household pays proportionately to their built-up area. The EERSF guarantees that it will **cover the first 5% of defaults** within this block (or portfolio of blocks). Statistically the default rates in customers' loans are from less than 1% in some banks, to about 2,5-3%, so a guarantee of 5% will **cover fully the risk of the commercial bank.**

This product is being developed as a **partnership with commercial banks.**

What is the scope of the project? e.g. -
National/regional/local
- Building type/owner

The project is run nationally. In general, projects of various areas are supported, except transport, in particular – renovation **of buildings** in all sectors, including the multifamily residential blocks of flats (households' associations, condominiumia).





<p>Who are the key people involved? e.g.: - Installers - Local Authorities</p>	<p>The Energy Efficiency and Renewable Sources Fund (EERSF) divides its customers into three strategic groups:</p> <ul style="list-style-type: none"> • Municipalities • Corporate Clients (incl. ESCOs) • Private Individuals (<i>incl. households' associations, condominiumia</i>) <p>The main reason for this segregation is the individual approach that is necessary for each of these groups, when evaluating their projects.</p> <p>In case of the renovation of multifamily residential blocks of flats the key people involved are the EERSF, households' associations (condominium of the building's owners), a commercial bank (or fund or other institution providing loan) and the project developer (e. g. ESCO or other). In other words, the parties involved in residential portfolio guarantee are:</p> <ul style="list-style-type: none"> ✓ the Applicant – households' association on whose behalf the guarantee is given; ✓ the Guarantor – the EERSF who gives (grants, issues) the guarantee; ✓ the Beneficiary – the commercial bank on whose favor guarantee is given.
<p>Who was the target audience?</p>	<p>The target audience (the Fund's customer) is the households' association (the condominium of the apartment block's owners).</p>
<p>How was this work programme/project financed?</p>	<p>The capitalization of the EERSF is entirely with grant funds (donations).</p>
<p>What was the cost of the work programme/project?</p>	<p>Annual fee for granting partial credit guarantees is 0,5÷2% with maximal tenor of up to 7 years. The guarantee cover is up to 80% and individual (per project) guarantee commitments shall not exceed BGN 800 000 (≈ EUR 409 000).</p>
<p>When did it start and end?</p>	<p>The programme/project started 2005 and the provision of partial guarantees started 2008. There is no end date available.</p>
<p>Project Outcomes & Communication</p>	
<p>What were the key achievements?</p>	<p>For the time being the project meets its aims. In fact, the residential portfolio guarantee given in favor of a commercial bank by the EERSF solves in some extent the difficulties in offering collaterals for a loan for this type of building renovation projects which beneficiaries is a group of households.</p>
<p>What were the outcomes and expected benefits?</p>	<p>As of September 2013 partial credit guarantees (residential portfolio guarantee) are granted under 3 investment projects amounting to BGN 5,9 million (≈ EUR 3 million) and the size of financing from the EERSF is BGN 3,2 million (≈ EUR 1,636 million).</p>
<p>What were the key lessons learned?</p>	<p>At the moment the project (this type of transactions) is at his beginning phase. The barriers in the implementation of renovation projects in residential sector can be bridged easier through partnership with the stakeholders – beneficiaries, project developers (ESCOs), funding banks, specialized support funds, operational programmes etc.</p>
<p>Is there anything you would do differently in future?</p>	<p>At the moment the project (this type of transactions) is at his beginning phase.</p>





What makes this a good practice example?	As mentioned before, the main reason why the EE investments in the residential sector have not materialized yet is because of the lack of adequate legislation. Moreover, in Bulgaria there is no tradition in <i>condominium ownership management</i> and there is a lack of trust and coordination between the families in one building. Granting this type of guarantee is a way to overcome all this imperfections by acting as a gluing component between the commercial banks and EE projects in the residential sector. In fact, the residential portfolio guarantee given in favour of a commercial bank by the EERSF solves the difficulties in offering collaterals for a loan for this type of building renovation projects which beneficiaries is a group of households.
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Please indicate if you can give a short (15 minute) presentation at a Plenary Meeting or other event	Yes
Please indicate if this case study can be made available to the public?	Yes

