

# Bulgaria

## DCA Facility for Municipal Energy Efficiency

The Europe and Eurasia Bureau has extended the successful lending facility for municipal energy efficiency projects with United Bulgaria Bank (UBB) under USAID's Development Credit Authority (DCA) program. The E&E-funded facility will provide for up to US \$10 million in loans to be issued by UBB, with partial guarantees provided by DCA. The projects will enable municipalities to lower energy costs, improve the quality of services delivered, and reduce harmful emissions. The DCA partial loan guarantees leverage \$40 in commercial loans for each dollar of cost to USAID for providing the guarantee. Additional technical assistance provided through USAID funding will work with municipalities to identify projects and prepare loan application materials. To date, under the extension two projects have been approved for financing by UBB, and seven potential projects are being prepared.

### **Building on Earlier Success**

The new facility builds on and expands an earlier DCA facility, funded by the Bulgaria mission, that provided loans to municipalities. Under the earlier facility, UBB provided loans to municipalities and industries for 33 energy efficiency projects. Through December 2003, the facility provided over US \$9.6 million in loans for projects totaling over US \$11.5 million. The projects have resulted in annual savings of 400 GWh electricity; 1.419 TJ fuel and thermal; and 530,000 tons CO<sub>2</sub>.

### **Why Does Municipal Energy Efficiency Matter?**

The DCA facility will enable municipals to make improvements to facilities providing important social services, such as schools, hospitals, street lighting, and district heating distribution systems. By cutting energy costs 20-40%, scarce municipal funds can be used to improve the quality of

service delivered by these institutions, such as buying more school books or medicine. There is also evidence of important indirect benefits, including increased school attendance and lower hospital re-infection rates.

### **Energy Efficiency DCA Elsewhere in the E&E Region**

The new Bulgaria facility is the first component of a regionally funded effort in Southeast Europe; similar facilities may be implemented in up to two additional countries. In addition, mission-funded energy efficiency DCA facilities were approved in the past year for Kazakhstan (\$15 million) and Georgia (\$3 million).

### **Support for IFI Energy Efficiency Lending**

In some instances the E&E Bureau is working with International Financial Institutions (IFIs) to introduce energy efficiency financing where conditions are not yet suitable for commercial lending. In Serbia, USAID provided technical assistance to design loan funds and prepare documents needed for a \$20 million World Bank loan for energy efficiency improvements in hospitals and schools, approved in March 2004, and a \$10 million GEF-funded revolving fund to lend for energy efficiency investments to homeowners that is still under preparation. In Bulgaria, USAID provided assistance in support of EBRD and World Bank loans to Sofia municipality (\$30 million and \$26 million, respectively) for the rehabilitation of the Sofia district heating system that will increase energy efficiency by 20%. USAID's assistance is meeting conditionalities of the loans by introducing private sector participation by preparing a tender for a private management contract. The Bulgaria DCA program also led to several larger IFI energy efficiency loans including the World Bank/GEF Bulgaria Energy Efficiency Fund and EBRD loans

for industrial and residential energy efficiency improvements.

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