

DEMONSTRATION PROJECT FOR THE RENOVATION OF MULTIFAMILY BUILDINGS

COMPONENT 1:

COVER PAGE

Country: Bulgaria

UNDAF Outcome(s): n.a.

Expected Outcomes: Poverty alleviated through jobs created and improved living conditions.

Expected Outputs:

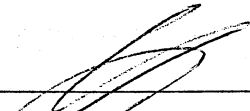
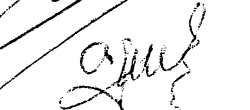

- 1) Management structures at national and local level established and operational;
- 2) At least 9 multifamily buildings renovated;
- 3) Public domain around beneficiaries' multifamily buildings renovated in at least 6 cities
- 4) Stock taking, lessons learned and recommendations for the implementation the NPRRB and its possible modification produced

Executing Entity: Ministry of Regional Development and Public Works (MRDPW)
Implementing Agency: UNDP

The project's objective is to develop and test for the first time in Bulgaria a full cycle renovation action on multifamily buildings as a means to provide practical experience and lessons for the future implementation and success of the National Programme for the Renovation of Residential Buildings (and possibly its amendment), including recommendations for legislative changes as well as good practices for the implementation of Action 2.1 Housing policy of the Regional Development Operational Programme. The project will contribute to the achievement of a multi-dimensional development impact in terms of: 1) preventing social exclusion by improving the targeted population's health and living conditions through housing renovation; 2) protecting the environment by reducing greenhouse gas emissions through energy efficiency; 3) promoting good governance by building urban social capital through supporting voluntary association of citizens. Specifically the project will: (1) Support the concerned Bulgarian institutions – the MRDPW and selected municipalities - to develop housing policy implementation mechanisms; (2) Contribute to the development of municipal capacity for the formulation and implementation of housing projects within the frame of urban development programmes; (3) Support residents of multifamily buildings to establish voluntary associations for the renovation of their building and the maintenance of common property.

Programme Period: 2006-2009
Project Title: Demonstration project for the renovation of multifamily buildings
Project ID: 00056192
Project Duration: April 2007- September 2008
Management Arrangement: National execution

Total Budget	USD 4,047,297
Allocated resources:	
• MRDPW	USD 1,885,135
• UNDP TRAC	USD 270,270
Unfunded budget:	
• Municipalities (tentative)	USD 608,108
• Private owners (tentative)	USD 1,283,784

	Signature	Title	Date
Agreed by: Ministry of Foreign Affairs _____		Deputy-Minister L. Kyuchukov	14/05/07
Agreed by the Executing Entity: Ministry of Regional Development And Public Works _____		Minister Assen Gerganov	25/04/07
Agreed by Implementing Agency: UNDP _____		Res. R-16 Neri Bulme	26/04/07

COMPONENT 2: SITUATION ANALYSIS

2.1. Background Information

2.1.1. *Housing conditions in Bulgaria*

According to the National Statistics Institute data from the last census in 2001 – the total number of dwellings in Bulgaria is - 3 691 787. 96.5% of the housing stock in the country is private property and 65 % of the dwellings in the cities are situated in multifamily buildings. Despite the fact that the housing stock in Bulgaria is comparatively new – around half of it has been constructed during the last 40 years and only 4% has been built before 1919 - it is not in good shape and is constantly degrading, mainly due to insufficient maintenance and inadequate management by the owners.

There is now a widespread recognition of the fact that the process of deterioration of the housing stock must be stopped. The Government has over the last few years taken a number of steps to address the problem, including: 1) adoption of a National Housing Strategy and a National Program for the Renovation of Residential Buildings (NPRRB); 2) adoption of an Energy Efficiency Act and establishment of an Energy Efficiency Fund; 3) adoption of a set of technical standards and energy efficiency norms; 4) ongoing preparation of enabling legislative measures 5) inclusion of an Action 1.2 Housing in the Regional Development Operational Program (RDOP).

Practically all the housing stock is considered to need renovation (with exception of the buildings, constructed within the last 15 years), because it does not meet today's technical standards and energy consumption requirements. Nevertheless, in the relevant national strategic documents - National Housing Strategy, National Program for Renovation of Residential Buildings and the Regional Development Operational Program (RDOP) - higher priority is specifically given to the industrially constructed residential buildings of the existing residential complexes which were built in the period 1960 – 1990.

The priority given to those residential complexes takes into account the effects of the severely deteriorated quality of life in the complexes which can lead to their transformation into social ghettos with impacts on the wider urban population. The problems of these poorly serviced, unregulated, congested and environmentally hazardous settlements are particularly extreme and complex in the country's urban sector. They also involve issues related to the complexes' cultural, economic and legal integration in the overall social and physical environment of towns and cities. As an integral part of the National Housing Strategy, Action 1.2 Housing of the RDOP will address the above interrelated elements with the objective to contribute to long term sustainable improvements in the living conditions of the urban population as a whole¹.

2.1.2. *European housing renovation practices*

“The owners are responsible for their dwellings” is the core principle of European policy and practices in housing management and maintenance. It is the responsibility of the state, however, to create the enabling environment for housing policy implementation, including renovation. The process of large-scale housing renovation and upgrading to modern standards in the developed European countries started in the 1990s, due to the following factors:

¹ RDOP, p. 74.

- ✓ Favourable conditions for the accumulation of capital both for renovation of existing housing and construction of new stock e.g. housing saving and loan system with financial incentives;
- ✓ System of housing subsidies, both direct and indirect;
- ✓ Existence of organisational structures in the form of associations of owners (condominiums) which are registered as legal entities with a bank account, a mandatory budget and monthly contributions from members;
- ✓ Existence of professional management of multifamily residential buildings;
- ✓ Mandatory building passport providing information on each building which serves as a basis for planning both ongoing maintenance and major repairs.

2.1.3. EU Cohesion Policy on housing renovation

Housing is not a component of EU Cohesion Policy and is thus the prime responsibility of the member states themselves. However, Clauses 5 and 6 of EC Regulation No 1080/2006 state that in *“the framework of an integrated urban development operation, limited actions to renovate housing in areas experiencing or threatened by physical deterioration and social exclusion in the Member States that acceded to the European Union on or after 1 May 2004 will be supported”*. Limited funding will be allocated to that effect (a maximum of 3 % of the ERDF allocation to the operational programs concerned) and the expenditures will be limited to the renovation of multi-family housing, situated in areas experiencing or threatened by physical deterioration and social exclusion. Furthermore, the urban areas have to meet at least 3 of several specific physical, social and economic criteria (high level of poverty and exclusion, high long-term unemployment, low level of economic activity, ethnic minorities or refugees, high level of criminality and delinquency, precarious demographic trends, particularly run down environment, a comparatively low level of housing value, a low level of energy performance in buildings) to be eligible for ERDF grant funding.

2.1.4. Housing renovation in Bulgaria in the European context

The review of the funding opportunities for housing renovation in the context of the Bulgaria's EU membership calls for at least **three different** types of programs in the future, as follows:

1. A possibility for home owners of an individual block of flats to access national funds for the renovation of a block of apartments (at the initiative of the condominium organization representing all the owners);
2. The possibility for municipalities to access national funds for the renovation of complexes of flats, i.e. a number of buildings including the surrounding areas around the buildings (at the initiative of the municipality);
3. Housing renovation in the context of the RDOP and in the frame of a municipal urban development plan. This will be possible for a limited number of residential complexes that will fulfil the requirements, as set by ERDF regulations.

2.2 National Institutional and Legal Framework

The **responsibility for the housing sector** at the national level is vested with the Ministry of Regional Development and Public Works (MRDPW). It plays a central role in the preparation of the related legislative framework and is responsible for the preparation of housing sector development strategies and programs. However, the MRDPW has no specific management structure responsible for the implementation of housing policy. Four directorates from the specialized administration “State property and housing policy”, “Spatial planning”, “Technical

rules and norms” and “State participation in commercial ventures” are assigned with different functions regarding housing issues.

The **Bulgarian strategic documents** outlining national policy in regard to housing renovation are the National Housing Strategy, the NPRRB and the RDOP. The NPRRB is the only approved program of the several programs which compose the National Housing Strategy. The implementation of the NPRRB is dependent on the approval of these other programs as well as on legislative changes envisaged by Strategy, both of which are still pending. The latter envisages changes both to the existing legislation and new legislation such as a Law for the Promotion of Construction and Renovation of the Housing Stock, a Condominium Law, and amendments/addendum to the recently adopted Energy Act.

The NPRRB delineates **the roles and responsibilities** for the implementation of the housing renovation program in the following manner:

- The MRDPW creates the necessary regulatory, financial, economic and institutional framework for the implementation of the program, coordinates activities and provides methodological support to the other involved actors;
- The municipalities develop and implement their own policies and investment programs within the framework of state policy, establish different forms of public-private partnerships, implement capacity building and awareness raising activities;
- The apartment owners have the responsibility to associate (*through the registration of legal entities*), act as partners to the municipality in the implementation of the program and bear the financial responsibility for the renovation, with the financial support of the state in the form of *subsidies and tax concessions*.

Presently, **the legal regulation of condominiums** is covered by the Property Act (PA) – Art. 37 – 49 and in the Regulation on the Management, Procedures and Supervision of Condominiums (RMPSC). The status of condominiums in the frame of the existing Bulgarian legislation and established legal practice **is not that of a legal entity**. The recently drafted Condominium Act provides an option for the registration of an association of condominium owners as a legal entity, but **does not restrict the other condominiums from applying** for renovation subsidies.

Renovation is closely related to environment preservation issues. Over the last few years, the legislation in this area was fully harmonized with European requirements. An **Energy Efficiency Fund** was legally established in 2004 to serve as a mechanism for facilitating access to loans and loan guarantees for energy efficiency measures (they form the bulk of the renovation activities). The Fund is opened to all potential beneficiaries: governmental institutions, private enterprises and multifamily residential buildings (provided its owners establish an association as per the requirements of the Energy Act). Currently the Fund is providing loans to municipalities and private companies only.

2.3. Problem to Be Addressed

While the policy and legal framework to address the problem of multifamily buildings' renovation is still in the process of being established, isolated initiatives on the ground are being implemented, but the fact remains that Bulgaria is still the only country in Central and Eastern Europe to have no **operational mechanism for large scale housing stock renovation** yet.

The reasons for this are not technical but rather socio-economic and developmental and can be traced back to the country's authoritarian past. Three main developmental constraints have been identified:

- The lack of tradition in the joint management of common property through associations of owners, while renovation in the required scope calls for the involvement of all residents, as an entity;
- Professional management of residential buildings is almost an unknown practice, but renovation requires a complex technical intervention, application of technical norms and achievement of high standards;
- The impoverishment of the population during the years of transition and therefore its inability to finance the renovation of the mostly privately owned housing stock, combined with the absence of supporting financial mechanisms (preferential loans and subsidies).

The NPRRB as adopted in 2004 envisages a very complex implementation mechanism which does not fully address all the issues indicated above. In the absence of practical experience in large scale housing renovation, all sorts of unforeseen bottlenecks can emerge which can put the successful implementation of the program at risk. This is why a more prudent approach is envisaged through developing the detailed operational mechanisms of the program and testing them on a small scale through a demonstration project before launching the program on a national scale.

2.4. Prior Assistance

In the absence of the necessary legislative framework, enabling financial mechanisms and given the limited capacity at national and local level for housing renovation, the NPRRB could not be initiated following its adoption two years ago. At the request of the MRDPW, UNDP initiated in the summer of 2006 a preparatory assistance project aiming at analyzing the program in the new European context, identifying bottlenecks and funding opportunities and preparing the ground for a demonstration project.

The immediate objectives of the Preparatory Assistance Project were 1) to pre-select on a competitive basis the beneficiaries of the demonstration project – urban areas for renovation intervention (consisting of at least one block with surrounding areas), and 2) to identify the most appropriate conditions, which will ensure the success of the Demo-project and develop them in an Operation Manual for its implementation.

Both goals were achieved within the frame of an extensive consultative process, involving all stakeholders.

Regarding the pre-selection of beneficiaries: municipalities and blocks:

At the first stage, within an opened competition for 34 municipalities², 18 applied. All of them undertook commitments to develop housing programs and finance them, provided they are selected to participate in the Demonstration project. Based on that, the 18 municipalities were approved to continue in the next stage – an information campaign, aiming at identification of final beneficiaries – blocks, where owners can achieve 100% agreement for voluntary

² In Bulgaria 34 municipalities have municipal centres with a minimum population of 30,000 people and they are expected to be the eligible beneficiaries to financing of the urban development plans from the Structural Funds

associating and renovating. The target group for the Demo project was identified using the following priority ranking:

- 1) panel blocks in residential complexes;
- 2) other multifamily residential buildings, industrially built in residential complexes;
- 3) industrially built multifamily residential buildings in other parts of the city;
- 4) other residential buildings, built at least 15 years ago.

The campaign was carried out by local teams, consisting of representatives from the respective municipal administrations, local NGOs with some experience in local governance and UNDP recruited project staff. A Community Development Team of experts was involved in the organized trainings to support local teams' building and to follow up later their progress.

As a result of the campaign, the municipalities were able to formulate concrete projects for particular residential area and apply for participation in partnership with identified condominiums. Applications from 8 municipalities were received. The final selection will be performed by a committee of the MRDPW, UNDP and National Association of Municipalities in the Republic of Bulgaria (NAMRB) representatives, on the basis of pre-set criteria. The municipalities were given also the chance to continue the information campaign and apply for participation in the frame of a second wave within the Demonstration project. Further in the project life a second batch of proposals will be approved and supported for implementation.

Regarding development of an OM

3 working groups were established at the MRDPW, to develop the technical and financial part of the Manual, as well as the implementation arrangements for the Demonstration project. The groups consisted of experts from the relevant departments in the MRDPW, experts from the National Assembly and the University for Construction and Architecture, as well as UNDP recruited consultants. All prepared documentation received final approvals from the MRDPW.

Last, but not the least, European best practices were studied and taken into consideration. That was done through the recommendations received from an International Project Adviser, a highly qualified and experienced European consultant, assigned by UNDP to perform this particular task. A study tour to Netherlands was organized for the relevant Government officials in charge.

Efforts were made to involve other stakeholders in the process of consultation. Those are expected to result in partnership agreements with the Energy Efficiency Fund and the National Association of Producers of Insulation Materials.

2.5. Intended Project Beneficiaries

The intended direct project beneficiaries will be:

1. The MRDPW which will benefit from the established and tested mechanisms to manage a housing renovation program;
2. The municipalities which will benefit from the project will have a designed and tested mechanism and improved capacities for the development and implementation of an integrated municipal plan for housing renovation;
3. The other Bulgarian municipalities which will benefit from an established and tested model which they can replicate in the future;
4. The Energy Efficiency Fund which will benefit from developed and tested mechanisms which will facilitate the absorption of its resources destined to housing renovation.

5. The residents of the multifamily residential buildings selected for renovation will ultimately benefit from the project in terms of reduced poverty through lower energy bills, improved quality of life, higher value of real estate property and increased capacity to cooperate in the maintenance of the buildings and the surrounding areas.

The successful future implementation of the program at the national level based on the experience and lessons learned from the demonstration project will multiply the above benefits and have an impact on the levels of poverty and quality of life of large segments of the population, boost labour intensive and thus employment generating economic activities (construction) and contribute to the preservation of the environment through improved energy efficiency in buildings.

COMPONENT 3: STRATEGY

3.1. Project Strategy

Renovation is considered a three dimensional problem, involving physical, social and economic implications. The types of the renovation programs, which will be implemented in the future, (e.g. housing renovation undertaken at the initiative of the condominiums or at the initiative of the municipalities) will determine the scope of the physical intervention. However, the socio-economic aspects of the problem, as stated above will always be faced and they need to find appropriate solutions in advance.

The strategy of the demonstration project consists of the testing on a small scale the whole cycle of a renovation process addressing all the complex and multi-dimensional aspects of such a process and offering appropriate solutions to a number of socio-economic and developmental issues. The project will support the establishment and functioning of condominiums as a mechanism for the organized professional management and maintenance of the multifamily buildings. The support provided will consist of advice and assistance in three main areas:

- The establishment and sustainable functioning of voluntary associations of owners;
- Ensuring that all the owners meet the banking system's collateral at one and the same time in order to be able to access bank loans for the renovation ;
- The management of the renovation process itself to ensure the achievement of the required technical standards, including technical/energy assessments, lay out plans, design work, selection of firms through a tendering process, technical monitoring of works, technical passportization, certification etc.

While the private owners must bear the financial costs of renovation, the European experience shows that a well designed incentive system is necessary to motivate them to engage in the process. Financial support will be provided to those condominiums which have reached 100% agreement for renovation. This financial support will cover those aspects of the renovation process owners are least ready to pay for .

The demonstration project will also contribute to the strengthening of the **relevant institutional capacities** at national and local level, including the identification of the appropriate institutional mechanisms in the MRDPW for the implementation of the NPRRB (and housing policy in general) as well as of a concept for the management of the renovation process on the local level.

Thanks to the demonstration project, the optimal level of institutional support to owners will be defined and hands on experienced in the implementation of large scale renovations will be gained before the initiation of the NPRRB. Recommendations will be made for possible modifications of the program to enable its future successful implementation, as well as for legislative changes. The good practices of the project will help the implementation of Action 2.1 Housing Policy of the RDOP.

3.2 Rationale for UNDP Assistance

The success of the project will contribute to the achievement of multi-dimensional “development impacts” which are in line with UNDP’s priorities in the country, but also globally: 1) preventing social exclusion by improving the targeted population’s health and living conditions through housing renovation; 2) protecting the environment by reducing greenhouse gas emissions through energy efficiency; 3) promoting good governance by building urban social capital through supporting voluntary association of citizens.

UNDP is well positioned to contribute to the success of the project given its long standing and successful partnership with the Bulgarian Government in initiating and implementing innovative projects which serve as models for national replication (Beautiful Sofia was the pilot of Beautiful Bulgaria). In the frame of the above projects, UNDP has capitalized significant experience in urban development issues, including in the establishment of public-private partnership schemes.

This project is linked to another UNDP Bulgaria initiative, on improvement of energy efficiency in buildings, the Energy Efficiency (EE) GEF Project. The latter project’s objective is to increase the quality of demand for energy efficiency investment, including at residential buildings. While the Demonstration Renovation of Multifamily Buildings Project will support the establishment of a renovation model, the EE project might take that experience further, exploring options to establish support centres and complementing its public awareness component in other Bulgarian cities. The EE project might also provide additional expertise on the incentive schemes to be elaborated and tested in the framework of this project. Finally, both projects would seek to complement each other in supporting the Government of Bulgaria, in finalizing specific instruments for the implementation of the NPRRB. Other opportunities for synergies will be explored in the course of the implementation of both projects.

3.3 Objectives

The project’s objective is to develop and test for the first time in Bulgaria a full cycle renovation action on multifamily buildings as a means to provide practical experience and lessons for the future implementation and success of the NPRRB (and possibly its amendment), including recommendations for legislative changes and institutional arrangements as well as good practices for the implementation of Action 2.1 Housing policy of the RDOP.

3.4. Outputs

Output 1: Management structures at the central and local level established and operational

A special management unit (Project Management Unit – PMU), staffed with appropriate expertise will be established at the national level. It will be responsible for dealing with the various dimensions of the implementation of the renovation program. The PMU will be put in charge of the entire management of the project:

- organization of the information campaign, through which beneficiaries are being identified;
- facilitation of stakeholders' relations, including signature of MOUs and contracts,
- technical and managerial support to the preparatory activities for the renovation process: establishment of voluntary associations of owners, preliminary assessment of the scope of works, etc.;
- support to the development of the financial support mechanism and testing it;
- technical and managerial support for the investment process (technical/energy surveys and assessments, design work, selection of firms through a tendering process, technical monitoring of works, elaboration of building passports, etc.)
- organization of the monitoring and dissemination of lessons learnt.

Local focal points will be established at a municipal level. The preparatory phase of the project has demonstrated success in the municipalities where local teams (consisting of local NGOs responsible for community relations and local experts contracted by the project) cooperated well with appointed municipal administration staff. However, different management modalities on local level will be tested to give grounds for evaluation and recommendations for the establishment of future sustainable structures.

Output 2: At least 9 multifamily buildings renovated

The first activity of the project's PMU will be to provide technical support to the private owners to:

- Associate into condominiums for the purposes of the renovation;
- Access loans for energy efficiency measures.

Loans for energy efficiency measures can be obtained thanks to a global guarantee provided by the EEF to the banks, under the following conditions:

- All private owners from the multifamily building, subject to renovation agree to associate voluntarily under this project;
- The amount of an individual loan does not exceed BGL 2,500 and is allocated for energy efficiency measures;
- The renovation works are subject to a tendering procedure.

The project through its PMU will, on behalf of the condominiums:

- Conduct technical and energy efficiency surveys, bidding procedures for selection of contractors, control over the renovation process in order to achieve high quality and compliance with the established standards;
- Elaborate technical passports for the buildings.

Financial support mechanisms will include a *20% direct subsidy* for the renovation works on each dwelling and the payment by the project of some necessary activities which the private owners are neither motivated nor willing enough to pay for, such as technical and energy surveys, elaboration of technical designs, some activities on common parts, technical supervision of process, monitoring etc.

It is expected that the above combination of technical and financial support will act as incentives to the private owners to establish condominiums, to reach 100% agreement for the renovation of their building and to apply for loans (if appropriate) and provide the necessary collateral.

Finally, the Project envisages to organize trainings for the Condominium Managers on management and maintenance of common property using the UNECE Guidelines, as a means to build sustainable capacity.

In the frame of a two phase public information campaign (the first one completed during the preparatory assistance and the second one planned in the frame of this demonstration project) eight to ten multifamily residential buildings in total will be selected on a competitive basis and supported for renovation.

Following an initial financial deposit on the part of the owners, the project will conduct technical and energy surveys which will provide the owners with the technical and cost parameters of the renovation. The renovation activities that will follow will be tendered. The condominiums will take part in the decision making processes throughout the renovation through their authorized representatives as appointed by the Condominium Assembly.

Output 3: Public domain around beneficiaries' multifamily buildings blocks renovated in at least 6 cities

The project will test a scheme for municipal urban development initiatives on a smaller scale. The participating municipalities are expected to prepare layout plans for upgrading the area around 6 renovated buildings by identifying needs in a participatory way and actually implement the renovation. This activity will strengthen municipal capacity and experience to formulate and implement participatory renovation initiatives. In particular, it will raise awareness and knowledge related to the formulation of urban development programs, which is a requirement for accessing Structural Funds for housing purposes.

In addition to the above, the project will support 3 additional activities aimed at raising the capacity of the beneficiary municipalities: a study tour to an EU country on the issue of the role of the cities in social cohesion, a round table on the same matter, a series of training seminars on specific relevant issues (in modules).

Output 4: Stock taking, lessons learned and recommendations for the implementation of the NPRRB and its possible modification

During the implementation an International Project Adviser will provide technical backstopping and advice as well as monitor the project and keep the MRDPW and UNDP informed on the latest developments in European housing policy. A team of social developers will continue to be involved in this demonstration project. Their task will be to capture relevant lessons from a sociological point of view and codify them for future use in relation to the implementation of the NPRRB.

At the end of the project, on the basis of the project experience and lessons learned, the following results will be expected:

- 1) Tested model of voluntary association of condominium owners for the purposes of renovation and future management of common parts;
- 2) Tested technical and financial support mechanism;
- 3) Tested technical model for renovation of a whole multifamily residential building;
- 4) Tested model for the preparation and implementation of an renovation programs on a small scale;
- 5) Recommendations for the mechanisms and institutional arrangements for the implementation on a national scale of the National Program for renovation of multifamily buildings;
- 6) Recommendations for changes to the relevant legislative framework;
- 7) Good practices to facilitate the implementation of Action 2.1 Housing policy of the OPRD.

COMPONENT 4: RESULTS AND RESOURCES FRAMEWORK

Intended Outcome as stated in the Country/ Regional/ Global Programme Results and Resource Framework: *Poverty alleviated through jobs created and improved living conditions.*

Outcome indicators as stated in the Country/ Regional/ Global Programme Results and Resources Framework, including baseline and targets.
 Percentage of the population living below the poverty threshold – Target 11%
 Applicable MYFF Service Line: 1.3

Partnership Strategy: The project is implemented in close partnership with MRDPW, The Energy Efficiency Fund, En Effect, the Bulgarian municipalities and condominium owners

Project title and ID (ATLAS Award ID):

Intended Outputs	Output Targets for (years)	Indicative Activities	Responsible parties	Inputs	
Output 1 Management structures at the central and local level established and operational	Output target 1.1 Management structures at the central and local level established and operational	Activity 1.1.1 Selection and contracting of CMU staff at central level	MRDPW	1.1.1 - 1.1.6 Description	
				Local Consultants	108,635
				Contractual Services	89,144
				Contractual Services - indiv.	161,635
				Equipment	20,270
				Comm and Audio Visual Equipment	12,742
	Activity 1.1.3 Procurement of office premises	MRDPW	Supplies	5,792	
			Information Technology Equipment	34,910	
			Rental & Maint of Other Equipment	9,266	
			Miscellaneous	33,938	
		Activity 1.1.5 Establishment of Project Board	MRDPW		
		Activity 1.1.6 Training of new project staff on the project procedures and technical implementation			
	Achievement date: May 2007	Timeframe: 2007-2008			

Output 2 At least 9 multifamily buildings renovated	Total Output 1	476,332
<p>Output target 2.1: Financial and incentives mechanism for private owners introduced and operational</p>	<p>Activity 2.1.1 Sign agreements and joint action with partners and stakeholders - MRDPW, UNDP and EEF (En Effect) - MRDPW, UNDP and selected municipalities - MRDPW, UNDP and preselected condominiums</p> <p>Activity 2.1.2 Establish a workable financial mechanism to support the condominium owners and test it Timeframe 2007-2008</p>	<p>MRDPW</p>
<p>Achievement date: June 2007</p>	<p>Activity 2.2.1 Implementation of information campaign II stage</p> <p>Activity 2.2.2 Production of printed materials for the campaign</p> <p>Activity 2.2.3 Identification of end beneficiary in 4-6 cities</p> <p>Activity 2.2.4 Application and selection of municipal integrated renovation projects</p>	<p>MRDPW</p> <p>MRDPW</p> <p>MRDPW</p> <p>MRDPW</p>
<p>Output target 2.2 End beneficiaries in at least 2 municipalities identified</p>	<p>Activity 2.3.1 Selection and contracting of consultants for technical and energy survey</p> <p>Activity 2.3.2 Selection of independent supervision companies</p> <p>Activity 2.3.3 Elaboration of technical and energy survey and design documentation</p>	<p>MRDPW</p> <p>MRDPW</p> <p>MRDPW</p>
<p>Achievement date: June 2007</p>	<p>2.2.1 - 2.2.4 Description Contractual Services</p>	<p>20,270</p>
<p>Output target 2.3 Renovation activities on 6 private multifamily buildings</p>	<p>2.3.1 - 2.3.7 Description Local Consultants Contractual Services Miscellaneous</p>	<p>24,099 1,688,290 4,912</p>

Output 3 Public domain around multifamily buildings renovated in at least 6 cities	<p>condominium managers on management and maintenance of multifamily buildings</p> <p>Timeframe 2007-2008</p>	<p>concurrent with the management and maintenance of multifamily buildings</p> <p>Timeframe 2007-2008</p>	<p>MRDPW</p>	<p>Activity 3.1.1 Selection of consultants for the preparation of layout plans for refurbishment of the areas where the proposed beneficiary buildings are located</p> <p>Activity 3.1.2 Community discussion on proposed activities</p> <p>Activity 3.1.3 Competition for the selection of construction companies and contracting</p> <p>Activity 3.1.4 Implementation of refurbishment works on surrounding areas</p> <p>Activity 3.1.5 Integrated housing renovation education and awareness among the beneficiary municipalities</p> <ul style="list-style-type: none"> - study tours - round table - training seminars on specific issues (in modules) <p>Timeframe: 2007</p>	<p>MRDPW</p>	<p>MRDPW</p>	<p>2,596,223</p>					
								Output target 3.1 Surrounding public areas renovated in at least 4 cities	Activity 3.2.1 Selection of consultants for the preparation of layout plans for refurbishment of the areas where the proposed beneficiary buildings are located	MRDPW	MRDPW	3.1.1 - 3.1.5 Description
								Achievement date: July 2008				Total Output 2
												Local Consultants
												International Consultants
												Contractual Services
												Miscellaneous
												Travel
Output 3 Public domain around multifamily buildings renovated in at least 6 cities	<p>condominium managers on management and maintenance of multifamily buildings</p> <p>Timeframe 2007-2008</p>	<p>concurrent with the management and maintenance of multifamily buildings</p> <p>Timeframe 2007-2008</p>	<p>MRDPW</p>	<p>Activity 3.2.1 Selection of consultants for the preparation of layout plans for refurbishment of the areas where the proposed beneficiary buildings are located</p> <p>Activity 3.2.2 Community discussion on proposed activities</p>	<p>MRDPW</p>	<p>MRDPW</p>	<p>11,293</p>					
								Output target 3.2 Surrounding public areas renovated in at least 2 cities	Activity 3.2.1 Selection of consultants for the preparation of layout plans for refurbishment of the areas where the proposed beneficiary buildings are located	MRDPW	MRDPW	3.2.1 - 3.2.5 Description
								Achievement date: End 2007				Local Consultants
												International Consultants
												Contractual Services
												Miscellaneous
												Travel

		<p>Activity 3.2.3 Competition for the selection of construction companies and contracting</p> <p>Activity 3.2.4 Implementation of refurbishment works on surrounding areas</p> <p>Activity 3.2.5 Integrated housing renovation education and awareness among the beneficiary municipalities</p> <ul style="list-style-type: none"> - study tours - round table - training seminars on specific issues (in modules) <p>Timeframe: 2008</p>	MRDPW									
<p>Output 4 Stock taking, lessons learned and recommendations for the NPRRB and its possible modification provided</p>	<p>Achievement date: July 2008</p> <p>Output target 4.1 Stock taking, lessons learned, and recommendations provided</p>	<p>Activity 4.1.1 Ongoing project promotion activities - webpage, media releases</p> <p>Activity 4.1.2 Seminars for journalists and other interested parties</p> <p>Activity 4.1.3 Regular monitoring</p> <p>Activity 4.1.4 Annual audit</p> <p>Activity 4.1.5 Meetings of the Project Board</p> <p>Timeframe: 2007-2008</p>	MRDPW	<p>Total Output 3 746,461</p> <p>4.1.1 - 4.1.5 Description</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Local Consultants</td> <td style="width: 20%; text-align: right;">2,027</td> </tr> <tr> <td>Contractual Services</td> <td style="text-align: right;">23,874</td> </tr> <tr> <td>Miscellaneous</td> <td style="text-align: right;">12,870</td> </tr> <tr> <td>Travel</td> <td style="text-align: right;">70,785</td> </tr> </table>	Local Consultants	2,027	Contractual Services	23,874	Miscellaneous	12,870	Travel	70,785
Local Consultants	2,027											
Contractual Services	23,874											
Miscellaneous	12,870											
Travel	70,785											
	<p>Achievement date: September 2008</p>	<p>Total Output 5 109,556</p>										

Total all inputs	3,928,571
Facilities and administration	118,726
Total budget	4,047,297

COMPONENT 5: ANNUAL WORK PLAN BUDGET SHEET(S)

EXPECTED OUTPUTS & MONITORING ACTIVITIES	PLANNED ACTIVITIES	TIMEFRAME												RESPONSIBLE PARTNER	Source of Funds	Budget Description	Amount							
		April	May	June	July	August	September	October	November	December	January	February	March					April	May	June	July	August	September	
Output 1: Management structures at national and local level established and operational	Activity 1.1 Selection and contracting of PMU staff at central and local level	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	UNDP, MRDPW	71400 Contractual Services - indiv. 71300 Local Consultants 72100 Contractual Services 75100 Facilities and Administration	362,311
	Activity 1.2 Procurement of office premises and equipment for PMUs	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	UNDP, MRDPW	72200 Equipment 72400 Comm an Audion Visual Equipment 72500 Supplies 72800 Information technology Equipment 73400 Rental & Maint of Other Equipment 74500 Miscellaneous 75100 Facilities and Administration	114,189
	Activity 1.3 Training of newly hired project staff on technical implementation	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	MRDPW	72100 Contractual Services 74500 Miscellaneous 75100 Facilities and Administration	10,135
Activity 1.4 Establishment	x																					MRDPW		

	of Project Board																		
Output 2: At least 9 multifamily buildings renovated	Activity 2.1 Signing of agreements and joint action with partners and stakeholders - MRDPW, UNDP and EFF (En Effect) - MRDPW, UNDP and selected municipalities - MRDPW, UNDP and preselected condominiums	x									MRDPW	MRDPW							
	Activity 2.2 Establishment of a workable financial mechanism to support the condominium owners and test it	x	x	x						MRDPW	MRDPW								
	Activity 2.3 Implementation of an information campaign to identify end beneficiaries and select integrated	x	x							MRDPW	MRDPW							72100 Contractual Services 75100 Facilities and Administration	21,284

COMPONENT 6: MANAGEMENT ARRANGEMENTS

6.1 Project Execution Modality

The Project will be nationally executed. The Ministry of Regional Development and Public Works will be the Executing Agency and fully responsible for attaining the planned project outputs as per the Project Results and Resource Framework, presented in Part III of this Project Document. The latter will appoint one of its officials to act as a National Project Director (NPD). The NPD will represent the MRDPW in the daily decision making related to the project implementation. The NPD will report to the Deputy Minister of the MRDPW.

The UNDP Country Office will provide Country Office Support to national execution in relation to the management of the overall project funds (UNDP funds and cost-sharing). All contracts under these funds will be signed by UNDP and all payments will be effected by UNDP.

6.2 Project Implementation Arrangements

The project will be managed and implemented according to the UNDP rules and procedures for National Execution.

A Project Management Unit (PMU) headed by a Project Manager (PM) will be responsible for project implementation. The PMU will include the following staff:

Project Manager
Deputy Project Manager and Chief Engineering expert
Senior Administrator
Financial and Accounting Expert
Legal Advisor
Engineering Expert
Administrative and IT Expert
Technical Assistant
2 Project Drivers

The Project Manager will be responsible to UNDP for the effective, efficient and timely implementation of the project activities as per the approved Project Resources and Results Framework (PRRF) and project Annual Work Plan. The Project Manager will work closely with the MRDPW and will report to UNDP.

The PMU will carry out the following project management activities:

- Prepare updates of the project Annual Work Plan (AWP) and budget, as required;
- Monitor project's funds and expenditures according to the approved AWP;
- Coordinate activities on national and local level;
- Prepare draft terms of reference for consultants and sub-contractors, technical specifications and other documents, as required;

- Coordinate sub-contracted assignments;
- Coordinate signature of all MOUs between institutions – MRDPW, EEF, banks, condominium owners, etc.
- Prepare tender dossiers (the selection procedure for the procurement of goods, services and works, as per standard UNDP procedures);
- Organize duty travel, seminars, public information and consultation activities as well as other project events, as appropriate;
- Implement other activities as required by the AWP.

Local staff and consultants will be recruited on a municipal level, where the demonstration project will be implemented. Local NGOs will be subcontracted for the purposes of liaison the local communities and raising public awareness.

UNDP will provide the following support services to the project:

- identification and recruitment of project personnel, consultants, experts;
- identification and facilitation of training events, and assistance for public advocacy purposes;
- procurement of goods and services;
- approval of AWP's and management of budget revisions in ATLAS;
- support services for assistance with reporting requirements;
- management assistance / advice to the Implementing Partner in relation to the project-related activities that it performs including but not limited to observance of the project work plans and selection of sub-contractors;
- assistance in liaising with national partners;
- project supervision for accountability, transparency, effectiveness and efficiency;
- processing direct payments for the following budget accounts: PMU staff, Monitoring and Evaluation, Audit, Consultants – local and international; Duty travel, requested by the Project Manager;

The procurement of goods and services and the recruitment of project personnel by the UNDP country office shall be in accordance with the UNDP regulations, rules, policies and procedures.

The detailed Implementation arrangements are attached as **Annex 1**.

6.3 Financial Arrangements

The management of the project's funds, including budget revisions, disbursements, record keeping, accounting, reporting, auditing, will observe the UNDP rules and procedures in force. Disbursements will be effected by the PMU through a separate project bank account, opened with a Bulgarian bank, where UNDP will advance the project funds. The PMU will provide UNDP with monthly Financial Reports, submitted to the UNDP Resident Representative no later than 10 days after the end of each month, in English. Any interest income attributable to the contribution shall be utilized in accordance with the established UNDP procedures.

Once the project's account is opened the payments from the project account will be effected by the PMU with the dual MRDPW/Project Manager signature.

6.4 Project Coordination

The overall coordination of the project activities will be done by the Project Board, which will be the inter-institutional body in charge of strategic oversight of the project. The Project Board will monitor implementation and the achievement of outputs. It will meet at least twice per year to review the project progress and to take strategic decisions pertinent to the project and the achievement of its objectives.

The Project Board will consist of the following officials or their authorized representatives:

- Deputy Minister of the MRDPW
- National Project Director – MRDPW
- Representative of the Directorate General “Programming of Regional development”
- UNDP Resident Representative
- Representative of the NAMRB

The Project Manager shall act as Secretary to the Project Board.

6.5 Project Assurance

Project Assurance supports the Project Board by carrying out objective and independent project oversight and monitoring functions. Project Assurance ensures appropriate management milestones are managed and completed. A UNDP Programme Officer will be delegated to hold the Project Assurance role for the UNDP Board member.

6.6 Funding Sources and Risks

Funding Sources

UNDP Bulgaria will provide core funds amounting to a total of USD 270,270 to the project budget for 2007 and 2008.

The MRDPW is providing a cost sharing contribution to the project budget, equivalent to USD 1,885,135

The project partner municipalities will provide cost-sharing contribution, which will cover 90% of the expenses for the renovation of the public domain, municipal flats and other costs, as will be specified in the MoUs to be signed between them, the MRDPW and UNDP. The exact amounts of the cost-sharing contributions to be provided by the participating municipalities will be specified after the detailed designs are ready. The deadline for the receipt of the municipal cost-sharing will be upon one month after the signature of the financial annexes of the MoUs

The private owners who will benefit from the project are expected to provide approximately USD 1,283,784 f cost-sharing contribution.

All cost-sharing contributions will be transferred to the UNDP corporate account in Sofia and administered according to the UNDP rules and procedures.

An amount of 5% on all project expenditures made from the MRDPW and municipal cost-sharing contributions to the project budget will be utilized by the UNDP Country Office for the provision of general management services to the project. UNDP will recover the cost of providing Implementation Support Services as per the provisions of UNDP's cost recovery policy.

Risks

The demonstration project itself is conceived as a mitigation strategy of the Government for the implementation of the NPRRB in Bulgaria. Considering the innovativeness of the project, its technical complexity and the complex partnership and multiple sources of co-financing, the project as a whole could be considered challenging and risky. The mitigation strategy as a whole will involve close monitoring, regular progress reviews and readiness for necessary adjustments.

RISKS	MITIGATION STRATEGY
1) Private owners will not be able to achieve 100% participation	The project will contract community relations experts
2) Some of the private owners will not manage to ensure their financial contribution	Financial resources will be set aside to address this risk in an appropriate way
3) Changes in the municipal administrations and municipal councils	The project will seek the payment of municipal cost-sharing right at the beginning of the project

COMPONENT 7 MONITORING AND EVALUATION

Within the project annual cycle

- Quarterly progress reports shall be submitted by the Project Manager to the Project Board through Project Assurance.
- An Issue Log shall be activated in Atlas and updated by the Project Assurance to facilitate tracking and resolution of potential problems or requests for change
- A Risk log shall be activated in Atlas and updated on a quarterly basis by the Project Assurance by reviewing the external environment that may affect the project implementation.
- A project lessons-learned log shall be activated and regularly updated by the Project Assurance to ensure on-going learning and adaptation within the organization, and to facilitate the preparation of the Lessons-Learned Report at the end of the project
- A Communication and Monitoring Plan shall be activated in Atlas and updated by the Project Assurance to track key management actions/events

- A quality log shall record progress towards the completion of activities, using the Atlas Activity Definition page. The quality log shall be maintained by the Project Assurance

Annually

To complement the above, an annual project review will be conducted during the fourth quarter of the year as a basis for assessing the performance of the project. In the last year, this review will be a final assessment. This review will involve all key project stakeholders and the Project Implementing Partner, and will focus on the extent to which progress is being made towards outputs, and that these remain aligned to project outcomes. The review will be structured by a set of common standards, and will be subject to spot external quality assurance assessments. This review should update output targets and results achieved in Atlas.

The project will be monitored and evaluated according to UNDP's monitoring and evaluation rules and procedures.

Detailed *Quarterly Project Work Plans*, fully in line with the *Annual Work Plans* will be prepared by the Project Manager in the beginning of each quarter and will be approved by UNDP and MRDPW.

Quarterly Progress Reports and *Annual/Final Project Reports* as per the applicable UNDP rules and procedures will be prepared by NPM and will be submitted to the Project Board for review and approval.

The project will be subject to an external audit according UNDP regulations, rules and procedures.

Project revisions that involve changes to project goals, or substantial modification of project outputs and activities, will be agreed in writing by all partners either by calling an ad hoc session, or by collecting (including through email) written opinions of all partners.

COMPONENT 8: LEGAL CONTEXT³

The Standard Basic Assistance Agreement between the Republic of Bulgaria and the United Nations Development Programme, which is a pre-requisite for UNDP programme support, was signed between the Bulgarian Government and UNDP on 20 August 1992. This project shall be implemented in accordance with the provisions of the Standard Basic Assistance Agreement and its Additional Protocol as ratified by the Bulgarian National Assembly. This project document shall be the instrument referred to as such in Article 1 of the Agreement. The host country executing agency shall, for the purpose of the Agreement, refer to the government co-operating agency described in it.

The following types of revisions of this Project Document may be effected with the signature of the UNDP Resident Representative only, provided that he/she has been assured that the other signatories of the Project Document have no objections to the proposed changes:

- revisions in, or additions to, any of the annexes of the Project Document;

³ This is the List of SBAA and Non-SBAA Countries

- revisions which do not involve significant changes in the goals, outputs or activities of the project, but are caused by the re-arrangement of inputs already agreed to, or by cost increases due to inflation;
- annual revisions which rephase the delivery of agreed upon project inputs into subsequent years, or reflect increased expert or other costs due to inflation, or take into account Implementing Partner expenditure flexibility.

COMPONENT 9: ANNEXES

Annex 1 attached herewith

ANNEX 1

IMPLEMENTATION ARRANGEMENTS:

The outline given below seeks to provide the tentative framework for the implementation of the project.

The Demonstration project will include the following **main activities**:

- Implementation of the Information campaign in the selected municipalities– II stage.
- Signing of agreements for understanding and joint action with partners and stakeholders:
 - a. MRDPW, UNDP and EEF (En Effect)
 - b. MRDPW, UNDP and the Bulgarian Association for Construction Insulation and Waterproofing, etc.
 - c. MRDPW, UNDP and selected municipalities
 - d. MRDPW, UNDP and pre-selected condominiums

The owners will be expected to advance a certain amount of funds as a guarantee for serious intension.

- Implementation of preparatory activities for renovation works:
 - a. Selection of consultants to conduct technical and energy efficiency survey;
The competition shall be conducted in compliance with UNDP rules and procedures. An evaluation committee (MRDPW and UNDP) will select one consulting company or consortium of consultancies. The scope of the assignment shall include all buildings.
 - b. Elaboration of technical and energy efficiency survey;
 - c. Elaboration of design documentation by parts, incl. BoQ;
 - d. Approval and issuance of a building permit;
 - e. Calculating the price of the renovation works and money due by each owner;
 - f. Prepare layout plans for refurbishment of adjacent areas, identify the needs and discuss activities with the residents;

A competition shall be conducted in compliance with UNDP rules and procedures for each municipality. An evaluation committee composed of the MRDPW, UNDP and the Municipality shall select a company to prepare the layout plans for refurbishment of the surrounding areas.

- g. Signing of financial annexes to the agreements with the condominiums and accumulating of private co-financing;

Once the full amount of the required funds for the whole renovation costs is paid to the condominium's account, this amount is transferred to the UNDP account on the basis of an

order of transfer, signed by the condominium's Manager, with the consent of all owners. It is only then that UNDP will be in a position to launch a tender procedure for the identification of a construction firm to perform the renovation works.

- > Implement construction and renovation works on pre-selected multifamily buildings:
 - a. Competitive procurement for works .
 - b. Evaluation of bids and selection of construction companies; The evaluation committee shall be composed of MRDPW, UNDP and an authorised representative of the Condominium for each project.;
 - c. Signing works contracts upon accumulating of private co-financing and transfer to UNDP bank account;
 - d. Selection of independent supervision companies;

The selection shall be conducted in compliance with UNDP rules and procedures. Local competition shall be announced by a Procurement notice. The evaluation committee shall be composed of MRDPW and UNDP.

- > Control over the renovation process in order to achieve high quality and compliance with the established standards. The control shall be executed by:
 - a. A condominium representative (technical expert) appointed to sign all documents accompanying the contract payments, protocols, etc.
 - b. Independent works supervisors responsible for the timely and comprehensive development and signing of all necessary documents, acts and protocols during the construction works; ensuring quality implementation of the construction and assembly works, according to the designs and the requirements, laid down in the technical specifications; prevention of any damage inflicted to third parties or real estates as a result of the construction and assembly works implementation at the site.
 - c. Project staff at the National project office (NPO), as well as the local focal points ensuring ongoing technical monitoring of works.
- > Elaboration of a technical passport for the building and possibility for energy certification.
- > Ongoing public awareness campaign during the Demonstration project: transparency of the project implementation through publications, interviews, project web-site, etc.
- > Seminars and specific training organised for:
 - a. The condominium managers – training on the spot on management and maintenance of multifamily buildings;
 - b. The municipalities – Integrated housing renovation education and awareness: study tours, round table, training seminars on specific issues (in modules) such as co-financing, EU practices and EU policy on housing renovation, etc;

- c. Seminars for journalists and other interested parties.
- Project monitoring and evaluation:
 - a. Quarterly and annual progress reports prepared by Project Manager to ensure compliance with the Annual Work Plan;
 - b. Regular meetings of Project Board.

ORGANIGRAM OF THE PROJECT FLOW OF FINANCES

