



# Housing Development in Bulgaria Lessons learned from the OPRG 2014-2020 and recommendations for the PDR 2021-2027 and other relevant plans

<b>Project:</b>	<i>UNDA 11 Tranche Project “Strengthening the capacities of national and local governments to formulate and implement evidence-based and participatory housing policies and strategies”</i>
<b>Timeframe:</b>	2018-2020
<b>Elaborated by:</b>	Housing Europe
<b>In collaboration with:</b>	United Nations Human Settlements Programme (UN-Habitat) United Nations Economic Commission for Europe (UNECE) Ministry of Regional Development and Public Works (MRDPW)
<b>Version:</b>	21/12/2021

*FINAL VERSION*

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# 1 INTRODUCTION

## 1.1 Background

UN-Habitat, the United Nations Human Settlements Programme, is mandated by the UN General Assembly to promote socially and environmentally sustainable towns and cities with the goal of providing adequate and affordable housing for all. It works with organisations at every level, including all spheres of government, civil society and the private sector, to help build, manage, plan and finance sustainable urban development.

Since January 2018, UN-Habitat and UN Regional Commissions are jointly implementing the project *Strengthening the capacities of national and local governments to formulate and implement evidence-based and participatory housing policies and strategies*, supporting countries in the implementation of Sustainable Development Goal (SDG) 11 on “making cities and human settlements inclusive, safe, resilient and sustainable”. The Project is funded by the United National Development Account (UNDA) and has an inter-regional dimension. In addition to Bulgaria Paraguay, Angola and Malaysia are also partners. UN-Habitat works in collaboration with UN Regional Commissions as its strategic partners in the implementation of the project. The United Nations Economic Commission for Europe is an implementing partner of activities in Bulgaria.

The works to be carried out in Bulgaria include the following outputs:

- **Output 1.** A report with lessons learned on the current OPRG 2014-2020 and recommendations that can inform future housing policy as well as contribute to the implementation of the next regional development programme 2021-2027.
- **Output 2.** Regional workshops on the role of local government to implement social housing programmes.

**This report refers to Output 1 and provides the results of Output 2 in Annex 3.**

This report concerns the Operational Program “Regions in Growth” 2014-2020 (OPRG 2014-2020), one of the main programmes addressing housing needs in Bulgaria is with funds from EU. The OPRG 2014-2020 is an integrated operational programme focused on regional development and in particular targeted at achieving the objectives of the urban policy of Bulgaria, applying a special focus on energy efficiency in supporting centres in peripheral areas and contributing to the territorial dimension of the sectoral policies.

The basic principle of the programme is the application of a balanced and **integrated territorial approach**. The need for this approach results from the regional disparities between the Bulgarian and the average EU regions and from the advanced monocentric development of Sofia, which, in the long term, will lead to serious imbalances between different parts of the country, unused potential of the territory and increased migration towards the biggest centres and externally to other EU member states. The programme premises that **overcoming regional imbalances requires the mobilization of substantial institutional and organizational resources aimed at optimizing access to infrastructure, including housing**. With that understanding, Priority Axis 1 of the OPRG 2014-2020 aims at supporting the implementation of 39 integrated plans for urban regeneration and development (IPURDs) for overcoming the high concentration of economic, natural and social problems.

Housing Europe, the European Federation of Public, Cooperative and Social Housing, in collaboration with UN-Habitat’s Land, Housing and Shelter Section, the Housing and Land Management Unit and the Real Estate market Advisory Group (REM) of the UN Economic Commission for Europe and with inputs of national and local stakeholders in Bulgaria, has been selected to develop a report with lessons learned on the current OPRG 2014-2020 and recommendations that can inform future social housing policy as well as the next EU programming period 2021-2027.

The project team has worked combining desk research and enquiries with relevant European Commission and other relevant stakeholders such as the Ministry of regional development and public works, Habitat for Humanity Bulgaria, municipality of Sofia and Dupnitsa. The Report was informed by the mission report from January 2020 and the interim report from March 2020, amongst other relevant resources, and has

benefitted from Housing Europe analysis and knowledge of European Structural and Investment Funds (ESIF from now on) and of international experiences and good practices.

This report was complemented by workshops (Output 2) carried out with the participation of representatives from the six administrative regions in Bulgaria and other relevant stakeholders, which aimed at validating at the local level both the analysis of the main bottlenecks from previous programmes, as well as associated recommendations for upcoming programmes and policies in housing. The results of the workshops are provided in Annex 3.

## 1.2 Objectives

The overarching objective of this report is to help build multi-level institutional capacity to enhance policy making and implementation in social housing and address the complex and deep-seated housing problems in Bulgaria, in line with the UNDA's programme for *Strengthening the capacities of national and local governments to formulate and implement evidence-based and participatory housing policies and strategies*.

In addition, the following secondary and inter-related objectives are outlined:

- Identify key causes and issues hindering the implementation of social housing programmes in the current programming period.
- Identify specific issues and challenges faced by local governments to implement social housing programmes.
- Identify lessons learned from the OPRG 2014-2020 social housing components.
- Draw recommendations that will inform the next EU programming period 2021-2027.
- Draw recommendations that will inform broader national social housing policy and other development/sectoral programmes.

It is important to note here that this report takes a holistic perspective into social housing programmes, which goes beyond the promotion and/or provision of the shelter (house) itself. It includes its linkages to other urban systems and socioeconomic development overall. More details are provided in Chapter 2.

## 1.3 Context: key features of the housing sector in Bulgaria

Before venturing in the analysis of existing policy measures, it's useful to look at some key characteristics and trends in housing conditions in Bulgaria.

Public expenditure in the housing sector, and especially funding targeted to lower income and vulnerable groups, is less than 2%, of the overall budget. According to available data on government expenditure by function<sup>1</sup>, while public expenditures in supporting housing development amounted to 1.7% of the total government budget in 2019, those related to housing as part of social protection represented only 0.2% of total.

Overall, about 87% of households in the country are owner-occupiers and 13% are tenants<sup>2</sup>. This overwhelming majority of home ownership is partly a result of the fact that most apartments in buildings constructed by the state have been sold off to tenants since 1989 as part of the country's transition into a market-oriented economy.

Municipal housing is unlikely to exceed 3% of the total housing stock of Bulgaria (3.9 million). The figure is still falling (due to sales to tenants) and could be as low as 2%. This suggests a total municipal stock across the country of between 80,000 and 120,000 dwellings<sup>3</sup>. In Bulgaria, municipal housing is available to a broad range of applicants, including civil servants and other residents not necessarily in vulnerable situations. The lack of clear criteria to identify beneficiaries means several experts and stakeholders hesitate to define the municipal housing sector as 'social housing'.

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<sup>1</sup> Eurostat, General government expenditure by function (COFOG)[gov\_10a\_exp]

<sup>2</sup> State of Housing, Housing Europe, 2019

<sup>3</sup> UNDA Bulgaria Interim Report, March 2020

One third of all housing in Bulgaria is vacant with a higher proportion in some rural areas (the incidence of vacancy was 43% in rural areas and 25% in urban areas in 2011, the year of the latest Population and Housing Census). However, also the capital is affected by a high level of vacant property (over 25%), despite the high housing demand. The many competing explanations are dominated by depopulation and migration from rural areas, as well as title disputes and purchase of new housing for investment held unoccupied in the main urban areas<sup>4</sup>.

There are significant disparities at regional and local level. Many cities which were created or expanded to host state-owned industries have been left behind by the transition to a market-oriented economy and housing vacancies are extremely high, with some villages and towns facing complete abandonment<sup>5</sup>. The North-western region is the most scarcely populated, and it's also the most affected by outgoing migration flows, with the poorest economic development, high unemployment and serious social problems. On the contrary, the Southwestern region is the most densely populated region due to better living and employment opportunities, offered by the capital city. Similar disparities exist at the district and municipal levels. Almost half of the population lives in the Southwestern and the South-Central regions, and more precisely 34.5% of the population of Bulgaria lives in three of the districts – Sofia (capital city), Plovdiv and Varna<sup>6</sup>.

A study conducted during the period 2014–2015 by the Institute for Market Economics showed an increase in the number of 'problematic' districts: Ruse and Gabrovo were identified among the districts with the greatest contrasts as they show high level of health and educational services, but at the same time the most serious demographic problems resulting from the deteriorated economic condition, including a very high age dependency ratio. Vratsa and Kyustendil are identified as districts with poor infrastructure and poor demographic state, i.e. low natural increase and negative migration balance. The districts of Silistra, Razgrad and Sliven have the most deteriorated social environment (education and healthcare), but the levels of infrastructure are relatively good<sup>7</sup>.

One third of the population in Bulgaria is estimated to be living below the poverty line<sup>8</sup>, which poses serious challenges to the repair and upgrade of buildings, due to households limited financial resources: this problem has significant economic, environmental, health and demographic repercussions.

According to the European Commission<sup>9</sup>, high levels of housing deprivation hamper social inclusion. Severe housing deprivation in 2018 was 10 times the EU average, while every second Bulgarian at risk of poverty is living in a household overburdened by housing costs.

Although the majority of Bulgarians own a house or a flat, many struggles to maintain them. As a result, according to Habitat for Humanity, "Many live in big blocks of flats constructed 40-50 years ago that have never been maintained ever since"<sup>10</sup>. More specifically, according to official data on the building stock, 15% of residential stock was built between 1919 and 1945, 27% of residential buildings was built between 1946 and 1960, 19% between 1961 and 1970, 15% between 1971 and 1980<sup>11</sup>.

According to the Bulgarian National Renovation Strategy "the biggest problems with regard to the deterioration of the technical characteristics are seen in multifamily residential buildings made of large, prefabricated panels". Over 700 thousand housing units (about 18% of the total housing stock) are in buildings built with prefabricated technologies<sup>12</sup>.

Most important, indicators point to a widespread and growing level of fuel poverty: a third of the population in Bulgaria cannot afford to keep their dwelling warm (the country with the highest share among EU Member

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<sup>4</sup> Ibidem

<sup>5</sup> World Bank (2017), A Roof Over Our Heads. Housing in Bulgaria

<sup>6</sup> Troeva Vasselina (2016), Regionalism in Bulgaria. Assembly of European Regions Study on Regionalism

<sup>7</sup> Ibid

<sup>8</sup> Page 11, Bulgaria Mission Report of UNDA 11 Tranche Project, Jan 2020

<sup>9</sup> European Commission (2020) Country Report: Bulgaria

<sup>10</sup> <https://www.habitatforhumanity.org.uk/country/bulgaria/>

<sup>11</sup> Ministry of Energy, Republic of Bulgaria. National long-term programme for the promotion of investments in measures aimed at improving the energy performance of the national stock of public and private residential and commercial buildings 2016–2020. [https://ec.europa.eu/energy/sites/default/files/documents/bg\\_building\\_renov\\_2017\\_v2\\_en.pdf](https://ec.europa.eu/energy/sites/default/files/documents/bg_building_renov_2017_v2_en.pdf)

<sup>12</sup> Ibid

States), and just over 27% of households are facing arrears on their utilities bills (the second highest share in the EU)<sup>13</sup>.

Inadequate housing conditions are still widespread among the Roma population. According to the National Roma Integration Strategy, two fifths of Roma still live in houses without water supply, three fifths of the Roma houses are not connected to the central sewer system, and four fifths have no bathrooms inside.

Last but not least, more than a third of young adults are unable to afford a house, and hence are continuing to live with parents or other family. Job mobility and corresponding productivity is very low, and emigration is high, particularly among the educated youth. The loss of the educated young population is of enormous consequence for Bulgaria, and efforts to ameliorate this situation need to be further investigated.

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<sup>13</sup> Data from Eurostat SILC Database

## 2 LINKAGES BETWEEN HOUSING AND INFRASTRUCTURE AND URBAN DEVELOPMENT

Housing is an essential human need and a human right. Providing adequate and affordable housing is a core policy objective of every country, and it has also risen to the fore in international frameworks through the adoption of the 2030 Agenda for Sustainable Development – with its dedicated urban Sustainable Development Goal (SDG11) – and of the New Urban Agenda during the 2016 United Nations Conference on Housing and Sustainable Development (Habitat III, 2016)<sup>14</sup>.

Besides fulfilling a basic human need, ensuring access to decent and affordable housing has also recognized positive spillover effects and contribute to broader policy goals. The UNECE points out that housing is *'an integrative good, it is linked to many other sectors such as: health, economic security, energy security, transportation, education, employment. Housing also influences issues such as social cohesion and neighbourhood security [...]*<sup>15</sup>. More specifically

- Investing in affordable housing has a demonstrated multiplier effect for the local economy. When social housing is part of the urban regeneration project, it is proven that it **creates local employment opportunities** and **retains investment in the local and regional economy**. The “local economic multiplier effect” encompasses further economic activity (jobs, expenditure or income) associated with additional local income, local supplier purchases and longer-term development effects.<sup>16</sup>
- Availability of housing at reasonable costs is a key element influencing **work-related mobility and determining the possibility to access employment opportunities**. As highlighted by the World Bank<sup>17</sup> and the European Commission Joint Research Centre<sup>18</sup>, the increasing problem with housing affordability in European cities means finding adequate and affordable housing in places where job opportunities are increasingly hard, especially for young people.
- Better living conditions that mean increased quality of life: when social housing is part of an integrated urban project, a **gain in purchasing power of residents** can be observed<sup>19</sup>. In other words, lower housing costs free up resources for households to access other essential goods and services.
- The link between **housing conditions and health and wellbeing** have been increasingly documented over the years, including by the World Health Organisation<sup>20</sup>. Eurofound<sup>21</sup> estimated that the annual total cost to the economies of the EU of leaving people living in inadequate housing was nearly €194 billion in 2016 and that the cost of removing housing inadequacy would be repaid within 18 months by projected savings such as lower healthcare costs and better social outcomes. The role of housing as a social determinant of health has become even clearer recently in the light of the COVID-19 pandemic.

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<sup>14</sup> Ana Moreno-Monroy, Jared Gars, Tadashi Matsumoto, Jonathan Crook, Rudiger Ahrend and Abel Schumann (2020), Housing Policies for Sustainable and Inclusive Cities; OECD Regional Development Working Papers 2020/03, <https://doi.org/10.1787/20737009>

<sup>15</sup> UNECE (2015), Social Housing in the UNECE Region. Geneva, Switzerland, 2015 (ECE/HBP/182) Available at <https://unece.org/info/Housing-and-Land-Management/pub/2897>

<sup>16</sup> Page 10-11, Rethinking Investment in Homes-New policies needed to deliver affordable and decent housing in Europe, Housing Europe, 2013

<sup>17</sup> Inchauste, Gabriela, et al (2018), *Living and Leaving: Housing, Mobility and Welfare in the European Union*. The World Bank, Washington DC. Available at <http://pubdocs.worldbank.org/en/507021541611553122/Living-Leaving-web.pdf>

<sup>18</sup> European Commission (2019), The future of cities: opportunities, challenges and the way forward. Luxembourg: Publications Office of the European Union, 2019. <https://urban.jrc.ec.europa.eu/thefutureofcities/>

<sup>19</sup> Page 11, Ibidem

<sup>20</sup> See for instance World Health Organisation (2018) WHO Housing and health guidelines, <file:///C:/Users/user/Downloads/9789241550376-eng.pdf>

<sup>21</sup> Eurofound (2016), Inadequate housing in Europe: Costs and consequences, Publications Office of the European Union, Luxembourg. <https://www.eurofound.europa.eu/it/publications/report/2016/quality-of-life-social-policies/inadequate-housing-in-europe-costs-and-consequences>

- Good quality housing offering sufficient space to study is associated with **higher educational achievements** for children and teenagers – conversely overcrowding and exposure to noise has been found to negatively affect educational outcomes and overall children development.
- Last but not least, ‘greener’ housing is key to **achieving reduction of CO2 emissions and tackle climate change**. Buildings are responsible for about 40% of the EU's energy consumption, and 36% of greenhouse gas emissions from energy. But only about 1% of buildings undergo energy efficient renovation every year<sup>22</sup>, so effective action is crucial to making Europe climate-neutral by 2050. Furthermore, public policies to promote energy efficient renovation are also a response to energy poverty.

The shift towards a predominantly urban world calls for a focus on the role of housing for the future of sustainable urbanization, as a fundamental element of urban development. Furthermore, the fact that many of the most pressing housing issues (such as shortage of available housing, decreasing affordability, overcrowding, homelessness) are concentrated in cities and urban areas, add to the urgency of coming up with solutions to ensure good quality and affordable housing within the urban fabric. **UN-Habitat’s ‘Housing at the Centre’ approach**<sup>23</sup> recognizes the need for a long-term vision and commitment to housing sector development. ‘Housing at the Centre’ promotes housing policy and national urban policy blended in a context of increased importance on housing as an imperative for socioeconomic development and the sustainable future of cities, and a central element of social and economic policies of a country.

In order to place housing at the centre of national urban development, the following fundamental guiding principles should be considered:

- **Housing is inseparable from urbanization.** Housing policies and strategies at national and local levels should therefore be integrated into urban development policies and orchestrated with economic and social policies.
- **Housing is a socioeconomic development imperative.** Housing is a true support for survival making a substantial and prolonged contribution to socioeconomic development of people and cities. While housing provision is important for improving livelihoods, standards of living and welfare, it also accounts for a significant share of wealth and resources that can be an important source of economic growth, employment generation and a major component of the economic development agenda.
- **Systemic reforms, strong states and long-term policy and finance are needed to enable access to adequate housing for all.** National and local authorities should reassume a leading role in responding to housing needs and affordability constraints especially of the poorest segments of the population, being at the helm of formulating, regulating, implementing and monitoring policies.
- **A simultaneous twin-track approach with curative (upgrading) and preventive (new provision) housing policies** and programmes should be promoted ensuring participatory and coordinated efforts of national and local governments, development finance institutions, the private sector and civil society.
- **Housing and upgrading policies should be accompanied by national strategies** with a detailed plan of action, time frame, and provisions for ensuring that resources are available to implement the actions proposed as well as indicators for monitoring and evaluating. These processes need to be guided by the human rights principles of transparency and accountability.
- **Human rights principles and standards are of outstanding relevance** for urban development to lead to socially sustainable and inclusive cities. Targeting the poorest and groups in vulnerable conditions is crucial if the situation is not to deteriorate, and interventions cannot depart from addressing the root causes that prevent their access to adequate housing.<sup>24</sup>

<sup>22</sup> [https://ec.europa.eu/commission/presscorner/detail/en/IP\\_20\\_1835](https://ec.europa.eu/commission/presscorner/detail/en/IP_20_1835)

<sup>23</sup> See UN HABITAT (2015), Housing at the Centre of the New Urban Agenda, [https://unhabitat.org/sites/default/files/documents/2019-05/housing\\_at\\_the\\_centre\\_of\\_the\\_new\\_urban\\_agenda.pdf](https://unhabitat.org/sites/default/files/documents/2019-05/housing_at_the_centre_of_the_new_urban_agenda.pdf)

<sup>24</sup> Page 7-8 UNDA 11<sup>th</sup> Bulgaria Housing Report, 2020

## 3 ANALYSIS OF HOUSING PROGRAMMES

### 3.1 Housing programmes

Below, we briefly review existing programmes in Bulgaria in the area of municipal and social housing, as well as energy efficiency and renovation, going more into details concerning Operational Programmes funded by ESIF as they constitute the main focus of this report.

#### 3.1.1 *Municipal and social housing*

Social housing exists in Bulgaria, but it represents a very small share of the overall housing sector – less than 3%. According to OECD<sup>25</sup>, social housing is understood to include affordable housing for low-income households (dwellings owned and managed by a housing association under the authority of local authorities); public housing (rental dwellings for people with low to medium income or people with special needs, which are at least partially funded by the state and run by a non-profit and/or local authorities); housing for immediate accommodation (for people in immediate need, including women and children, victims of domestic violence); and, housing with integrated social services (for disabled people and others).

However, the municipal personnel of Sofia considered ‘social’ and ‘municipal’ housing to be entirely different - in origin, scale, purpose, rights and duration and basis of occupation, although in both cases the municipality owns the land and manages the properties. Municipal housing was all built and funded by the state, many years ago, but mostly sold since and in ever-decreasing numbers due to ongoing sales (tenants can rent indefinitely but can buy after five years)<sup>26</sup>.

In Bulgaria, social/public housing is a competence and responsibility of municipalities. Local governments are required to each have its own housing policy and criteria (in line with the Municipal Property Act) to provide social housing for those in need, but the public social housing program is considered by experts to be inadequate both in terms of quality and quantity<sup>27</sup>.

However, the sector lacks a strategic framework and coordination between national and local level administrations. One of the resulting effects is the need to further dedicate national investment in social housing<sup>28</sup>, since municipalities have been delegated the responsibility for investing in housing but have little resources available to this goal. There is no state funding dedicated to municipal housing, and the sector is shrinking.

Finally, municipal housing units are known to be scattered around different buildings and blocks. Although a positive aspect *per se*, since it could allow a better integration of housing units into the existing city fabric, the distribution of the housing stock makes the management and maintenance of the municipal housing stock particularly challenging, resulting in poor housing quality standards. Often municipalities fail to contribute to repairs or building upgrades organised by the homeowner associations.

There are no specific measures to prevent homelessness or with specific focus on the social reintegration of homeless people, except for temporary accommodation centres and shelters which are full to capacity in the winter season<sup>29</sup>. The new law on social services is expected to address homelessness with a new service from 2021.

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<sup>25</sup> Page 4, OECD social housing policy brief, 2020. Available at [social-housing-policy-brief-2020.pdf \(oecd.org\)](#)

<sup>26</sup> Page 8, UNDP Housing Report of Jan 2020

<sup>27</sup> World Bank (2017), A roof over our heads: housing in Bulgaria. Available at <http://documents.worldbank.org/curated/en/702751508505445190/pdf/120562-WP-P161988-PUBLIC-HousinginBulgariaShortreportEN.pdf>

<sup>28</sup> European Commission (2019) Country Report Bulgaria 2019 Including an In-Depth Review on the prevention and correction of macroeconomic imbalances. Available at [https://ec.europa.eu/info/sites/info/files/2019-european-semester-country-report-bulgaria\\_en.pdf](https://ec.europa.eu/info/sites/info/files/2019-european-semester-country-report-bulgaria_en.pdf)

<sup>29</sup> European Commission <https://ec.europa.eu/social/BlobServlet?docId=21594&langId=en>

### 3.1.2 Energy efficient renovation programmes

Since 2007, the responsible Ministry has funded several consecutive energy efficiency programs in residential buildings. The most recent of these programmes, the Energy Efficiency of Multi-Family Residential Buildings National Programme<sup>30</sup>, which was approved in 2015 and implemented over a period of two years with a budget of EUR 1 billion, was oriented to the renovation of multi-family residential buildings, with the objective to secure better living conditions for the residents, heat comfort and higher quality of living environment through implementation of energy efficiency measures.

The programme worked with funding from the central government, but it was operated in a decentralized way. Municipalities would carry out acceptance of applications, evaluation, approval, allocate funding, monitoring of the implementation of the measures for energy efficiency of buildings. Unlike its predecessors, the programme increased the subsidy element to 100% and it was opened up to everyone (not just low-income homeowners). Furthermore, the original requirement to have buy-in from 100% of homeowners in a multi-apartment building was reduced to 95%.

*Table 1. Indicators for the implementation of the National programme for energy efficiency of multi-family buildings (year of reference 2016)*

<b>Indicator</b>	<b>Value</b>
Registered OAs, number	5 716
Concluded contracts between a municipality and OA, number	4 057
Applications for financing submitted to the Bulgarian Development Bank, number	3 977
Concluded contracts for financing between municipality, regional governor and the Bulgarian Development Bank, number	2 022
Expected improved residential infrastructure (for all 2 022 buildings), m <sup>2</sup>	11 361 795
Block sections to be renovated, number	3 983
Apartments to be renovated (for all 2 022 buildings), number	147 761
Occupants to benefit from the improved infrastructure (for all 2 022 buildings), number	340 705
Expected energy savings from renovated residential buildings (for all 2 022 buildings), MWh/y	924 681
Expected annual reduction of GHG emissions (for all 2 022 buildings) kt CO <sub>2</sub> /p.a.	302
Buildings with started works, number	1 921
Buildings with approved and registered energy efficiency audits at AUER, number	1 681
Buildings renovated and put into service, number	214
Buildings under construction, number	548
Total buildings under construction and put into service, number	762
Improved residential infrastructure, m <sup>2</sup>	1 125 915
Renovated apartments, number	12 460
Apartments benefiting from the improved infrastructure, number	26 410
Expected energy savings from renovated residential buildings, MWh/y	88 153
Expected annual reduction of GHG emissions kt CO <sub>2</sub> /y	29.49
Expected improved residential infrastructure, m <sup>2</sup>	2 985 227
Apartments to be renovated, number	35 147
Occupants to benefit from the improved infrastructure, number	72 279
Expected energy savings from renovated residential buildings, MWh/y	272 591
Expected annual reduction of GHG emissions kt CO <sub>2</sub> /p.a.	81.18

Source: Republic of Bulgaria, Ministry of Energy (2017), NATIONAL ENERGY EFFICIENCY ACTION PLAN 2014-2020 - UPDATED 2017

Despite the wider uptake of the programme, some challenges remained. These challenges included establishing effective homeowners' associations and ensuring they set up capital reserves, enhancing the legal framework for condominium management, and ensuring more equity through targeted assistance proportional to the needs of households<sup>31</sup>.

<sup>30</sup> <https://www.mrrb.bg/en/energy-efficiency/energy-efficiency-of-multi-family-residential-buildings-national-programme/>

<sup>31</sup> World Bank (2017)

Also worth mentioning, dedicated loans are available for energy efficiency measures from banks through the Residential Energy Efficiency Credit Line REECL, and from the Energy Efficiency and Renewable Sources Fund (FEEVI)<sup>32</sup>.

Last but not least, significant funding for energy efficiency renovation as well as other measures has been provided to date by the Operational Programme for Regional Growth 2014 – 2020. The programme will be analysed in detail in the following section.

## 3.2 OPRG 2014-2020

The focus of the Operational Programme for Regional Growth was investment for growth, in support of the EU strategy for smart, sustainable and inclusive growth and the achievement of economic, social and territorial cohesion.

Overall, the OP had two priority axes under which housing is considered:

- **Priority Axis 1 (PA1):** Sustainable and Integrated Urban Development, envisaging among other measures also support for energy efficiency of residential buildings in 39 cities in Bulgaria as well as contributing to the spatial integration of marginalized groups in society and prevention of segregation, isolation and exclusion through modern social housing and social services;
- **Priority Axis 2 (PA2):** Support for Energy Efficiency in support centres in peripheral areas, supporting energy efficiency, smart energy management and renewable energy use in buildings, including the housing sector (through deep renovation of residential buildings).

Under these, Bulgaria allocated EU funding to two main areas of housing: energy efficiency renovation and construction of housing infrastructure which amounted to<sup>33</sup>:

- Energy efficiency renovation of the existing housing stock (under Investment priority “*Energy efficiency, smart energy management and renewable energy use in public infrastructures, including in public buildings, and in the housing sector*”): EUR 176,918,308
- Housing infrastructure: EUR 12,133,604 (under *Investment priority 1.4 Investing in health and social infrastructure*)

### 3.2.1 Energy efficiency

*As with the OPRD 2007 – 13, OPRG 2014 -20 projects were also funded to improve energy efficiency in various buildings including residential multi-family buildings. These were aimed at ‘supporting energy efficiency, smart energy management and renewable energy use in public infrastructures, including in public buildings, and in the housing sector’. The scale of the programme in OPRG 2014 -20 is significantly less than in OPRD 2007-13. Bulgaria sought to achieve certain results with EU support relating particularly to small cities of which there are 28. It was envisaged that proposals would improve energy efficiency in buildings, help reduce residents’ energy consumption, and thus also reducing greenhouse gas emissions.*<sup>34</sup>

In the housing sector the main objective was **to achieve the national target for increasing energy efficiency namely 25% higher energy efficiency by 2020** and indirectly - to reduce greenhouse gas emissions.

The planned actions included **deep renovation** consisting accompanying construction works; construction reinforcement; commissioning of installations for production of energy from renewable energy sources for the buildings as well as improving access for people with disabilities to the buildings. Very importantly,

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<sup>32</sup> Source: Republic of Bulgaria, Ministry of Energy (2017). National long-term programme for the promotion of investments in measures aimed at improving the energy performance of the national stock of public and private residential and commercial buildings 2016-2020.

<sup>33</sup> Page 24-25 Housing Europe Mid-term review: Implementation of European Structural Funds in 2014-2020

<sup>34</sup> Page 5, Page 5, UNDA 11<sup>th</sup> Bulgaria Interim Report, March 2020

**eligible for support were only buildings designed before 1999.** The aim of the operations was to **reach energy class "C"** through appropriate combination of energy efficiency measures.

As per the Programme, the main target groups included:

- Households in the concerned residential buildings (including multi-apartment buildings);
- Students living in the concerned dormitory buildings;
- Municipal and state institutions; and
- Members of vulnerable social groups who will have improved access to the buildings helping their social inclusion.

As for the nature of financing, in the case of the **multifamily residential buildings and administrative buildings of the state and municipal administration, no financial instruments** were envisaged to be used. However, it was envisaged that **financial instruments will be used in single-family residential buildings, as well as in combination with grants for student dormitories.**

Table 2. Programme-specific result indicator

<b>Indicator</b>	Final energy consumption of households
<b>Measurement unit</b>	Thousand tonnes of oil equivalent (thousand toe)
<b>Category of region</b>	Less developed regions
<b>Baseline value</b>	2 257,00
<b>Baseline year</b>	2013
<b>Target value (2023)</b>	2248
<b>Reporting frequency</b>	2018, 2022

**Priority could be given to buildings with the greatest need of renovation and potential for energy savings** and support available exclusively for owners who are socially disadvantaged and receive social assistance from the municipality or from the state<sup>35</sup>. No details are available on the number of households targeted to benefit from such investment, or the scale achieved to date.

### 3.2.2 Housing Infrastructure

Funding for **housing infrastructure** was allocated under Priority Axis 1 *Sustainable and Integrated Urban Development*. The main objective of this axis 1 is to improve the quality of life and the growth in the medium and big cities in Bulgaria. **Integrated strategies for sustainable urban development at the local level were developed** through combined support under four thematic objectives (TO 4, 6, 9 and 10).

- The **Thematic objective 9 supports social inclusion and combating poverty** of vulnerable and marginalized groups, including Roma.
- The significant financial resources under **Thematic objective 4 were used to tackle the poor condition and low energy efficiency of buildings** (public infrastructures, including in public buildings, and in the housing sector).
  - Still under objective 4, mitigation and adaptation measures could also be used, but only in the transport sector. Considering the territorial aspect of interventions, activities for **energy efficiency in residential buildings can be performed throughout the urban area** of the cities.
- Under TOs 6, 9 and 10 particular activities could be financed outside the intervention zones within the city and its periphery, in order to strengthen the functional links between cities and their peripheral areas.

Based on the results of the evaluations for 2018, the Managing Authority could reallocate financial resources from the inactive to more active cities. According to the Ministry of Regional Development and

<sup>35</sup> Page 5, UNDA Bulgaria Interim Report, March 2020

Public Works (MRDPW), the Managing Authority has not used this option as there was actually over-contracting under PA1.

Going more in detail, **Investment priority 1.3 aimed notably to improve the urban environment** and to revitalize cities. Among the planned activities we can find the **construction and rehabilitation of public recreation spaces**, for example parks, green areas, the spaces between multifamily housing buildings. Furthermore, the specific objective of **Investment priority 1.4 Investing in health and social infrastructure** was **to improve the housing conditions for marginalized groups of the population including the Roma.**

Table 3. Programme-specific result indicator:

<b>Indicator</b>	Representatives from marginalized groups, including Roma, with improved housing conditions
<b>Measurement unit</b>	Persons
<b>Category of region</b>	Less developed regions
<b>Baseline value</b>	905
<b>Baseline year</b>	2014
<b>Target value (2023)</b>	2833
<b>Reporting frequency</b>	2018, 2022

It is still early to see if the target value was reached as the implementation phase will end in 2023. According to the Managing Authority in February 2021, the projects are progressing as planned, and no problems have been identified in their implementation.

### 3.2.3 Programme Approach

The two main principles of the OPRG are outlined below. As it can be seen, they are very closely aligned with the “Housing at the Centre” approach (referred to in Chapter 2), placing housing within a broader socio-economic, environmental and spatial development perspective.

#### *Main funding principle: Reducing poverty and segregation*

In 2007-2013 all projects were required not to be segregated and to offer integrated services (education, employment, healthcare, social inclusion) provided by state agencies or NGOs. The OP 2014-2020 is the continuation of this ambition. The main principle for funding social housing projects is to **reduce the concentration of poverty and spatial segregation**. The measures for social housing should contribute to the spatial integration of marginalized groups in society and to prevent segregation, isolation and exclusion, avoiding the creation of separate territories.

#### *Integrated approach*

In 2014-2020 the **housing measures** are required to be combined with necessary measures to **provide technical (utilities-water, electricity, gas, etc.), social and educational infrastructure (schools, kindergartens, public services, etc.) and measures for improving urban environment and public transport**. In addition, the interventions in the housing should be combined with activities to ensure access to education, **employment, health and social services for disadvantaged groups**. The range of services provided in each locality were delivered between the Employment Agency and the Social Assistance Agency (SAA).

Eligibility criteria for residents were required to be specified in detail on municipal level, as in the previous period.

The required activities include:

- Support for the provision of modern social housing to vulnerable, minority and marginalized groups of the population and other disadvantaged groups through **construction, reconstruction,**

**renovation and expansion of social housing and the rehabilitation of the adjacent yard**, in which target group representatives to be accommodated.

- **Improving access for people with disabilities to the buildings** mentioned above as part of the remaining construction and **installation works** related to the corresponding objects.

### *Beneficiaries*

The eligible beneficiaries include 39 cities of the less developed regions ‘*throughout the medium and large cities of the 1st, 2nd and 3rd level of the national polycentric system*’ described in the OP.

It is understood that ‘*municipalities are required to dedicate at least 5% of the received funding to social housing - either for rehabilitating existing units or for construction of new units*’<sup>36</sup>. This is an improvement compared to the **OPRD 2007-2013, where the housing component of PA1 represented less than 5% of all funding** in the programme, according to the 2010 implementation report.

This 5% is required to be directed towards two Specific Objectives:

- “Improving the housing conditions for marginalised groups of the population including the Roma”; and
- “Improving conditions for modern social services”

All interventions were required to be in line with the *Municipal Urban Development Strategy* and be based on consultations with host communities before the application for funding by the Municipality.

The investment in social housing is accompanied by spending through the Operational Programme “Human Resources Development” (OPHRD). The programme refers to ‘*support marginalized groups of society, including investments for social housing*’ under OPRG and OPHRD is supporting common target groups and beneficiaries. The 2014-20 programme indicated that “soft” measures under OPHRD should start earlier, before development of buildings. **Complementarity between programmes** is identified as achievable and could be guaranteed through an interdepartmental working group to “oversee the overall policy on deinstitutionalization.”<sup>37</sup>

### *Planned objectives*

As the full implementation of the OP 2014-2020 is foreseen for 23.12.2023, only limited information is currently available for evaluation. In terms of the objectives under energy efficiency, the following plans are known:

Under PA1 and PA2, Bulgaria planned to improve the energy consumption classification of 12,901 households in total (residential buildings) which according to European Commission data decreased later to 6,562 households.

According to the MRDPW, the reason is that in 2018 the programme could not reach some of its milestones which resulted in **reallocation of performance reserve under PA1 and PA5** of OPRG to other priorities that have reached their targets. Due to the reallocation of performance reserve under PA 1 the MA of OPRG had to decrease most of the targets under PA. The new targets were based on forecasts and estimations of MA whether the targets can be reached by 2023 based on completed contracts and contracts in implementation, as well as project proposals in a selection process, which could contribute to the specific indicators.

The total number of households with improved energy consumption classification under already implemented grant contracts under OPRG is 6,400 households. The expected number to be reached in 2023 based on the targets of all contracts (implemented and under implementation) is 11,306, which is higher than the 2023 target of OPRG.

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<sup>36</sup> Page 4, UNDA Mission Report of 13-17 January 2020, and UNDA Bulgaria Interim Report, March 2020

<sup>37</sup> Page 5, UNDA Mission Report of 13-17 January 2020

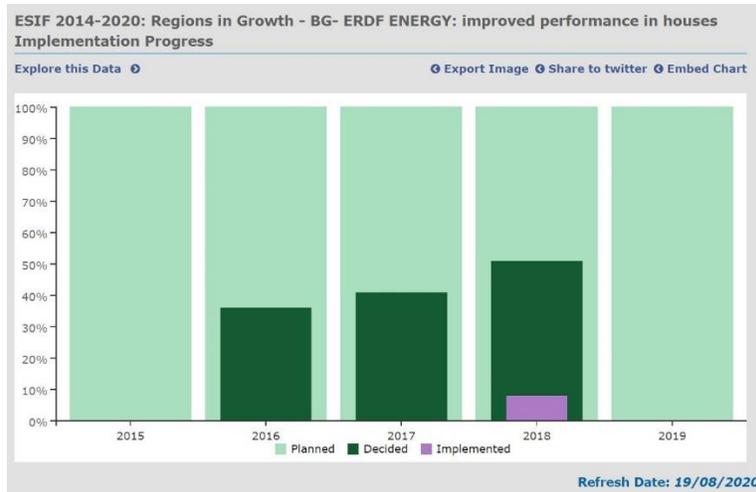


Figure 1. Improved energy performance in houses

Source: <https://cohesiondata.ec.europa.eu/programmes/2014BG16RFOP001>

In terms of the number of rehabilitated housing in urban areas, under the Thematic Priority of Social Inclusion, Bulgaria planned the provision of **560 housing units until 2023** which decreased to **473 housing units in 2018** as it was recognised that just **65** of these might be delivered by the midpoint milestone.

The rationale provided by the MRDPW concerns the preparation and implementation of the social housing projects. There were different unforeseen circumstances which prevented the implementation (e.g. **inaccurate cost estimates, problems with the foreseen construction site** etc.), but the most serious obstacle was **the fragmented social attitude towards social housing projects (negative reaction of the local communities** during the public consultations).

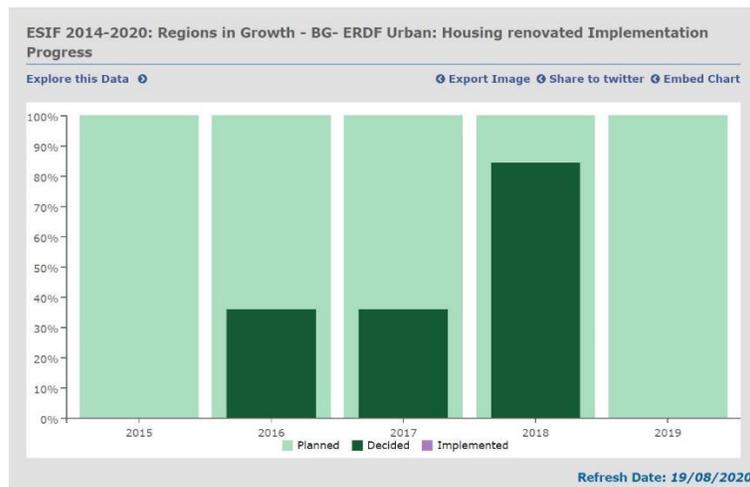


Figure 2: Housing renovation

Source: <https://cohesiondata.ec.europa.eu/programmes/2014BG16RFOP001>

### Social housing in cities

**From the eligible beneficiaries of above mentioned 39 cities, overall, 24 started implementing social housing construction projects**, with a total amount of the grant BGN 58,148,079.76. Sixteen of them involve new construction, two are for completion of already started construction and the remaining six are for reconstruction of existing buildings. The project duration of each project was generally scheduled to be three years, with possible extension of the grant agreements.

The earliest project approved in late 2016 in **Blagoevgrad** which is the first project to have completed the construction in 2020, with **183 new social housing**.<sup>38</sup> In total, two of the projects are finalised.

As described in the table in Annex 1, **22 municipalities are still completing** their projects until the end of 2023 (6 in 2021, 10 in 2022 and 6 in 2023). If everything is going as planned, overall, an **estimated 1095 social dwellings** will be built.

This is an important development from the previous programming period which served as a first pilot *for modern social housing 'to solve social problems in a permanent and sustainable manner'*. As a result, between **2007 and 2013, eight refurbishment projects were implemented** in the municipalities of Dupnitsa, Vidin, Devnya, Varna, Tundzha, Sofia, and of Lom through the programme *"Support to Provide Modern Social Housing for Vulnerable, Minority, and Indigent Groups of the Population and Other Disadvantaged Groups"*.

According to the OP implementation progress report of 2014, **the social housing schemes in 4 municipalities out of the 8 (Varna, Tundzha, Sofia and Lom) were cancelled and reallocated to other projects**. The report highlighted the following reasons:

- lack of capacity of the local authorities to implement the schemes,
- the lack of support from stakeholders,
- inadequate infrastructure,
- lack of capacity to plan, and
- in some cases, force major situations due to natural disasters.

In 2014-2020, the existing issues were accompanied by an important challenge: acceptance of the projects by the local community. Some municipal projects had to be cancelled again due to ***the refusal of the local community to host social housing projects due to the targeted beneficiaries from Roma communities.***

Building on this lesson, the responsible Ministry recognized the importance of ***measures to raise awareness and effectively communicate about the project scope and objectives with local authorities as well as with local communities.***

### Highlighted project – City of Dupnitsa

Despite the above-mentioned difficulties, an exemplary project from the city of Dupnitsa should be highlighted which could serve as a **demonstration example to be scaled up**.

<sup>38</sup> Page 5, UNDA Bulgaria Interim Report, March 2020

## Highlighted project from 2007-2013

### **Providing 150 modern social houses and inclusion measures**

Beneficiary: City of Dupnitsa

Total budget: €6,311,757.06 from ERDF (grant funding from OP "Regional Development 2007-2013")

Timeframe: 2012-2015

Aim: Improving housing conditions and giving marginalized groups the opportunity to remain in permanent jobs so they are able to maintain the dwellings in which they are housed and to pay rent

Actions:

- **Construction of 15 buildings (150 social homes) for at least 460 vulnerable people**, including Roma population, in single-family and multifamily residential buildings, located in a new regulated urban area adjacent to other residential areas and access to infrastructure and public services.
- **Establishment of a new Community centre** for counselling, retraining, vocational guidance, housing, professional advice
- **Intervention to avoid segregation**: participation in maintenance activities of areas for public use, joint neighbourhood councils and participation in joint initiatives;
- Creation of a **social enterprise** that caters new homes

Why to be scaled up:

- ✓ Neighbourhood approach
- ✓ Complex measures
- ✓ Participation of tenants

The city constructed 15 buildings providing 150 modern social houses to at least 460 vulnerable, socially and economically disadvantaged citizens in a district where 90% of the population are Roma. To further improve their living conditions, the city established a **new community centre for counselling, retraining, vocational guidance, housing, professional advice** on situations leading to poverty and social exclusion.

### **BASED ON PARTICIPATION**

Emphasis in the **selection of the target group** of the project was put on a neighbourhood shown by data to have the greatest housing problem and a lack of normal household conditions. The district has a total area of 85,000 square metres. There are 372 homes with 1,655 inhabitants. Children under 18 years make up 532 of the residents, while those 18 to 64 years make up 1,040. There are 83 persons over age 65. These data are for the entire neighbourhood, as **90% of the residents are Roma**, according to self-determination of their ethnicity.

**Over 50% of the population in the neighbourhood live in very poor conditions.** All the participants involved in the project were the subjects of research for identifying their living conditions and social inclusion.

### **LESSONS LEARNT ABOUT THE ROMA POPULATION**

Partners as Habitat for Humanity worked directly with more than 1,000 Roma families to assist them to apply for accommodation in the new social homes. According to Habitat, at the end of the project, only 25 families got accommodated. The issue lied in the fact that most of the families refused to be relocated. Therefore, Habitat recommends **new social housing construction to be combined with the upgrade of the informal settlements** by providing them with access to basic infrastructure and services. This latter also complies with SDG 11, the New Urban Agenda and the New European Urban Agenda. Relocation is needed in this case too, as the process of upgrading of existing Roma communities requires providing proper access to all properties and demolishing dwellings with compromised and unsafe structures. Bulgaria already had such experience, namely the successful project in the Municipality of Kyustendil that upgraded the Roma community settlement “Iztok”.

### **WHY SHOULD THE PROJECT BE SCALED UP?**

The whole **implementation is connected to the “soft measures”** which lead to improving the quality of life of vulnerable groups but also the liveability of an entire neighbourhood. The activities focus on **education, employment, health and social services** for disadvantaged and vulnerable groups. It targets **social and economic cohesion in parallel**, removing barriers to employability and investment at the same time as promoting social and environmental goals. Finally, the **participation of tenants** (in maintenance, in joint neighbourhood councils and in joint initiatives) allows to aim for a long-term impact: the sustainability of the project and the protection of newly built social housing.<sup>39</sup>

### **GOING FORWARD**

Building up on the project in Dupnitsa that implemented a complex local project with soft measures and the participation of tenants, the next step would be to **organise the local projects on national level**.

Also, in order to avoid the lack of local acceptance of social housing projects in the future, effective **communication about the social impact** is necessary to the host community and to all stakeholders. The project of the Czech Republic that provided methodological and informational support to municipalities to develop social housing (2016-2020) can give practical insights.

Details of the project and replication possibilities can be found in Annex 2.

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<sup>39</sup> More information on <http://urbact.eu/home-everyone>

### 3.3 Main bottlenecks

The implementation of ESIF started very slowly in 2016 across Europe, however there was an acceleration in investments in 2018<sup>40</sup>. The slow uptake is due to the late agreement on the Operational Programmes and also due to other barriers. In terms of energy efficiency measures, the European Commission identified - in a report of 2014 - the main barriers of financing buildings which include administrative obstacles (regulatory issues), financial barriers (limited access to finance, high upfront costs, long payback period), information & skills barriers (lack of understanding of the rules).

As discussed below, these barriers among others are also present in Bulgaria. Going more into detail, the assessment found the following main bottlenecks in the implementation of the OPRG 2014-2020, as well as other housing programmes. Recommended actions for the upcoming PDR 2021-2017 are discussed in Chapter 4.

#### Bottleneck 1: Lack of capacity and skills

The project application, payment procedures and the **reporting put a heavy burden** on municipalities in terms of the new processes and skills that these require. The municipalities are responsible for managing and implementing the social housing projects, including the additional social services provided to beneficiaries, the building maintenance and the occupants selection as well as eligibility. However, in OPRG 2014-2020 there was **no dedicated budget for project management and maintenance** transferred to local governments. Therefore, it is questionable if municipalities have enough personal/financial capacity and adequate skills to deal with the social housing projects alone. A need for improved skills and better capacities in municipalities is clear.

#### Bottleneck 2: Inadequate funding schemes

As the Ministry of Energy explains<sup>41</sup>, there is a **need to develop future support mechanisms** to distinguish between those: A. unable to repay any loan and therefore should be eligible for a full grant. B. able to repay a loan and able to access a soft loan – therefore without grant; C. able to contribute, with partial grant support; These criteria for vulnerable groups are due to be developed together with the Social Policy Ministry.

#### Bottleneck 3: Financial barriers (lack of pre-financing, co-financing, internal/social costs) and Maintenance challenges of municipalities

Local **governments are the ones responsible** for the implementation and future maintenance of social housing projects. Besides, they face huge pressures from a strong decline in revenues due to the decline of economic activities.

In terms of project start, **pre-financing** options of projects are often not available, and local authorities might have difficulty to secure enough **co-financing**. It can be also problematic that further costs due to modifications of the initial project - required during the operations - are not eligible for reimbursement. **Internal costs and social costs** necessary to implement the project are often not eligible to reimbursement. As an example, cost related to design or **internal cost assisting old or disadvantaged tenants** during a refurbishment project cannot be included.

The increased capacity is not only crucial for the implementation but is also key to achieve long-term sustainability, as after the implementation further **management and maintenance** need to be carried out.

#### Bottleneck 4: Collaboration issue between different levels (lack of bottom-up approach)

In Bulgaria, it is understood that the relevant work is shared between **different Ministries** which makes the information sharing and implementation fragmented.

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<sup>40</sup> Page 72, Mid-term review on the use of Structural Funds, 2018, Housing Europe

<sup>41</sup> Page 6, UNDA Bulgaria Interim Report, March 2020

Currently municipalities don't present clear issues to the Government of Bulgaria. They rely on EU funding to address local issues, whereas funding priorities, guidelines and processes are decided top down and without consulting local authorities. At the end **municipalities are left responsible** for reconciling requirements and **regulations from different Ministries** in implementing projects locally.

Social housing and social services are delivered and managed locally, and it is observed that each municipality has its own **definition of social housing** with **different guidelines for beneficiaries' eligibility**. There is a great lack of clear and coherent definitions and **eligibility criteria**.

Finally, on the level of municipalities, collaboration with **stakeholders** could be improved.

#### Bottleneck 5: Understanding target groups' needs

As the UNDP Housing Report 2020 mentions<sup>42</sup>, housing interventions to support or integrate Roma people **did not take sufficiently into account the Roma lifestyle** in the design of social housing.

Also, according to Habitat for Humanity<sup>43</sup> that had been engaged on project level in Bulgaria, many Roma families prefer not to move out of their communities to new housing developments, and they do not have capacity and skill to apply for municipal or social housing.

In addition, once moved into the new social housing, these vulnerable beneficiaries have been given a three-year occupancy period that might make their **futures uncertain at the conclusion of the occupancy**.

#### Bottleneck 6: Difficulty to engage with the local community

The Ministry of Labour and Social Policy informed that the main issues related to **push-back from local communities** about who would live in the social housing and - once they were built, how applicants would be selected. In one location, push-back from the surrounding community had led to the proposals being withdrawn.

As the UNDP Housing Report also confirmed<sup>44</sup>, the projects that fail to engage the local community have significantly lower rates of success. The key lesson learnt from recent OPRG experience is that **smaller municipalities** tend to be **better at implementing programmes due to greater local knowledge and being closer to the people**.

#### Bottleneck 7: Lack of tailored measures in different regions

As underlines in the Introduction, the regional disparities between the Bulgarian and the average EU regions and from the advanced monocentric development of Sofia and the 6 cities is a key issue which in the long term will lead to serious imbalances between different parts of the country, unused potential of the territory and increased migration towards the biggest centres and externally to other EU member states.

In this regard, **municipal housing** is in a challenged situation, as it **should address these demographic issues** (depopulation, internal migration), especially concerning the young population. Habitat for Humanity Bulgaria noted during the interview with the UN<sup>45</sup> that **modern social housing could be significant for young households and key to demographic recovery**. However, there are significant urban versus rural differences which would need tailored measures to be implemented. For that, the needs of different regions should be further analysed, and evidence-based policy decisions should be made.

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<sup>42</sup> Page 5, UNDA Bulgaria Interim Report, March 2020

<sup>43</sup> Page 9, Ibidem

<sup>44</sup> Page 14 Ibidem

<sup>45</sup> Page 10, Ibidem

## 4 RECOMMENDATIONS

Based on the evaluation carried out in the previous section the following recommendations are crafted for consideration of the MRDPW and the Government of Bulgaria for both the PDR 2021-2027 and the National Housing Policy and other relevant plans associated with housing and urban development.

### 4.1 For the PDR 2021-2027

#### 4.1.1 Overview

The 2021-2027 Programme "Development of the regions" (PDR) falls in a period when Bulgaria faces a highly difficult situation with a shrinking economy causing a more than an 8% national unemployment rate and more than 38% of the population in risk of poverty.

##### Access to adequate housing

The draft PDR underlines the importance of '*Development of the basic infrastructure and provision of access to adequate housing*, that **will contribute to raising the standard of living of the population in all regions and support the regional economic growth.**'

Furthermore, the PDR also highlights the analysis in the draft National Housing Strategy 2018-2030 that shows the constant rising of the price/income ratio as well as the increased number of people in need of support to buy or rent. As the Strategy writes, the number of uninhabited homes is more than 30% in Bulgaria and at the same time there are many young families and vulnerable groups who cannot afford to own or even rent one. Therefore, the PDR formulates **an urgent need for large-scale renovation** of the existing housing stock and increase of its usability, as well as **ensuring financial affordability of housing**.

The PDR is also raising the issue of **energy poverty**, saying that obsolete housing stock with a low level of energy efficiency contributes to energy poverty. This happens **especially through the pollution of fine dust particles** which is the most serious problem at national level. It is related to the use of solid fuels for domestic heating during the winter season by **more than half of the country's population**.

#### 4.1.2 Thematic priorities

Comparing to the period 2014-2020, the new PDR is addressing the complex problems by a holistic approach translated into two thematic priorities:

- Priority 1 - "Integrated Urban Development"
- Priority 2 - "Integrated territorial development of the regions"

The two priorities create a link between the different territorial needs, so the '*local potential can be improved*'. Housing infrastructure is included under both priorities.

##### **Priority 1 "Integrated Urban Development"**

Integrated urban development is implemented under policy objective 5 of "Europe closer to the citizens". Under this Priority 1, **ten urban municipalities** in Bulgaria will be supported, the main centers of growth, according to the updated National Concept for Spatial Development (NCSP)<sup>46</sup>. The approach seems to be **more focused compared to the 2014-2020 period** where 39 cities were included as potential beneficiaries.

Further improvement in the PDR is the requirement of preliminary identification of local needs in order to benefit from support:

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<sup>46</sup> These are the following municipalities: Vidin, Pleven, Ruse, Veliko Tarnovo, Varna, Burgas, Stara Zagora, Plovdiv, Sofia Municipality and Blagoevgrad.

- “The types of **activities to be supported must be in advance identified in the integrated development plans** of the municipalities developed by the local municipal authorities (bottom-up approach).
- Measures related to the sectors of road infrastructure, education, health, **social policy** and culture **must be based on a preliminary mapping of the needs at national level by the national institutions and agencies** responsible for developing these policies and duly reflected in the integrated development plans of the municipalities (top-down approach). “

#### Energy efficiency and renovation of residential and public buildings

The PDR highlights the great opportunity that the European Green Deal and in particular the establishment of the Fair Transition Fund means for the country.

Concerning the renovation works, they will be implemented in accordance with the Bulgarian Long-term renovation strategy (by 2050). The PDR specifies the eligible actions:

- “On the external side of buildings: replacement of joinery (windows, doors, etc.), thermal insulation of external walls, roofs, floors, etc.;
- On the systems for maintaining the comfort in the building: major renovation, modernisation or replacement of local heat systems/boilers or their adjacent facilities; construction of systems for use of energy from renewable sources for the energy needs of the building, if technically possible and economically feasible; repair or replacement of the heating, cooling and ventilation systems of the building for increasing energy efficiency; reconstruction of the vertical heating system; repair or replacement of electrical installation and implementation of energy-saving lighting; installing systems for automatic centralised control of heat supply at local sources; installation of an automated centralised system lighting control; energy efficiency measures for elevators. Improving access for people with disabilities to the above-mentioned buildings “

PDR is planned to fund **measures related to repair or replacement of heating and air conditioning systems with the exception of those that are on solid fuel**. The Environment Programme, which is also financed by ERDF, will fund the replacement of heating appliances and solid fuel heating systems (including in buildings for which energy efficiency measures are funded by the Regional Development Program). PDR focuses on increasing the energy efficiency of buildings, while the Environment Programme focuses on achieving the goals of reducing the level of fine dust particles in the air.

#### Sustainable urban mobility and Road infrastructure, connectivity and road safety

As described in the PDR, in 17 of the municipalities in the country the relative share of motorways and roads from first class is below the national average, which proves high territorial disproportions. Nevertheless, compared to the previous programming period (2007-2013), the structure of the high-class service road network is definitely improving, above all in the regions of Southern Bulgaria. The lower level of construction of the high-class road network in the northern, peripheral and border parts of the country limits the opportunities for economic development of the territories far from it decreases quality of life and their investment attractiveness.

One of the three strategic goals of the national transport policy by 2030 (Integrated Transport Strategy 2030) is “improving transport connectivity and accessibility (internal and external)”. It includes two priorities that have a direct impact on the national territory: *improving the connectivity* of the Bulgarian transport system with the European transport network and *ensuring quality and affordable transport* in all regions of the country.

In terms of the link with housing, an integrated approach can be observed in the draft PDR, **taking into consideration the great need to develop infrastructures to more remote areas**. The investments need to contribute to the **strengthening of the functional connections between the separate territories** and settlements-which is a key objective within the CP 5. The definition of functional areas will be based on the identified opportunities in the integrated territorial strategies.

The PDR lists the relevant actions such as:

- *'Development of an infrastructural route network with new destinations to more remote ones, residential areas and settlements falling within the scope of the city municipality;*

- *Improving the connections between the integrated urban transport, the intercity transport bus, rail, air, inland waterway and sea transport, as part of realization of intermodal transport' - ... 'logical connections between the elements of the infrastructure and others.'*

The draft PDR intends to fund such actions through the integrated territorial strategies of the municipal/ regional level so that they are integrated and implemented in coordination with other measures. Similarly, energy efficiency interventions would also be carried out in accordance with the integrated territorial strategies.

As a requirement for investments, the spatial and functional relationships between the individual settlements/municipalities/districts of the region should be analysed and guidelines should be given for their development.

#### 'Green urban infrastructure and security in public spaces'

The '*Green urban infrastructure and security in public spaces*' is a **new feature** in the PDR. It includes

- construction of public recreation areas and green areas, including green infrastructure for buildings;
- measures to increase security in urban public spaces, including road safety
- renewal of neighbourhoods of cities with unfavourable socio-economic characteristics;
- creating an accessible architectural environment.

#### Municipal housing provision

In terms of Municipal housing, the PDR is planning to continue supporting the provision of '*modern and affordable municipal housing for the accommodation of vulnerable groups<sup>47</sup> and other disadvantaged groups<sup>48</sup>, including Roma people*'.

The support can be used not only for 'construction, reconstruction, repair and expansion of affordable housing' but also for the 'rehabilitation of the surrounding areas'.

#### Supporting policy formulation

A new and much welcomed area that the PDR is going to support is **innovative approaches to financing policy of municipal housing** (including experimentation with sustainable urban development) as well as the promotion of architectural design and the construction of sustainable homes, and '*that have a special attention to climate change mitigation*.' This help will be crucial for municipalities in order to upscale the implementation of existing pilots.

*These innovative financing schemes will be developed by the Managing Authority in agreement with the European Commission. No further information is known for the moment.*

#### Educational Infrastructure

The draft PDR briefly highlights the needs of additional investments to improve energy efficiency through renovating school buildings. In addition, it raises attention regarding the need to achieve better integration of marginalized groups, especially Roma in education. However, **there is no special reference to the need to invest in the most vulnerable neighbourhoods.**

#### Health and social infrastructure

The last area to be supported under the Priority 1 is '*Health and social infrastructure which specifies the provision of integrated health and social services in the community for vulnerable groups, the elderly, people*

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<sup>47</sup> Vulnerable social groups specified in the OP are children, the elderly, people with disabilities, poor people, unemployed, illiterate, people with less skills and/or education in a working age, homeless, large families, single parents, marginalised groups, including Roma; other vulnerable social groups from the population specified in legislative documents at municipal or state level;

<sup>48</sup> And other target groups identified by the local authorities in the territorial strategies developed by them.

*with disabilities or children, including crèches*. Accompanying actions during the implementation of social housing projects could fall under this scope.

#### Need for territorial strategies

The financing of measures is planned to be carried out **on the basis of territorial strategies** (plans for integrated development of the municipality), developed under the responsibility of the respective territorial bodies (municipal administrations of the 10 municipalities), which will perform functions related to the pre-selection and evaluation of projects and measures.

#### Budget allocation

In terms of the allocation, at least **8% of ERDF funds** at national level under the Investment for Growth and Jobs objective, other than technical assistance, **are allocated to municipalities (sustainable urban development)**. This allocation follows the requirement of the ERDF and Cohesion Fund (CF) Regulation that required 5% in 2014-2020. The PDR plans to distribute 50% of this 6 % to infrastructure and to the rest as follows:

- Population - 15%;
- Territory - 15%;
- Gross value added - 20%;

#### **Priority 2 - Integrated territorial development of the regions**

**All other urban municipalities** that are not falling under Priority 1, are eligible for support under Priority 2.

In the area is '*Housing, including renovation of neighbourhoods/specific territories of cities with unfavourable socio-economic characteristics*', the following measures are planned to be supported:

- **Energy efficiency and circular economy related measures** both in residential and public buildings. These include the energy efficiency measures-already mentioned under Priority 1- that are prescribed mandatory for the building in the energy performance audit of buildings (such as replacement of joinery, modernisation or replacement of local heat sources, etc). As under the Priority 1, the scope of PDR support is related to repair or replacement of heating and air conditioning systems with the exception of those that are on solid fuel. The environmental program will fund the replacement of solid fuel heating systems.
- Structural **restoration/reinforcement** activities, which are prescribed as mandatory in the technical inspection of buildings.
- **Construction and installation** work on the buildings, which include: roof repair; replacement of elevators; repair of stairwells, platforms, corridors, elevators, etc.;
- Accompanying construction and **installation works** related to the implementation of energy efficiency measures and restoration of the original condition damaged as a result of the renovation.
- **Energy efficiency inspections** and **technical inspections** of existing buildings.
- **Improving access** for people with disabilities to the above-mentioned buildings.

#### 4.1.3 Total budget allocation

Under Priority 1 and 2 the total ERDF allocation is planned to represent **EUR 1 423 926 500 grants** which will be complemented by **EUR 74 943 500 financial instruments (accompanying assistance)**. The PDR is quite ambitious in terms of goals: 5,316 housing units will benefit improved energy efficiency and over 3 million people will be impacted by the different projects.

Table 4. Indicative allocation of PDR by relevant type of intervention

Type of intervention	Priority 1	Priority 2
Update of the available housing stock to increase energy efficiency, demo projects and supporting measures	EUR 36 401 454	EUR 98 496 846

Type of intervention	Priority 1	Priority 2
Infrastructure for alternative fuels	EUR 7 280 291	EUR 175 105 504
Rehabilitation of industrial zones and contaminated terrain	EUR 80 892 120	EUR 16 416 141
Residential infrastructure (other than this for migrants, refugees and persons under international protection or applicants for such)	EUR 6 066 909	EUR 16 416 141
Other infrastructure, which contributes for the social inclusion in the community	EUR 14 156 121	EUR 38 304 329
<b>TOTAL</b>	<b>EUR 384 237 570 (Grants) EUR 20 223 030 (Support through financial instruments: Accompanying assistance)</b>	<b>EUR 1 039 688 930 (Grants) EUR 54 720 470 (Support through financial instruments: Accompanying assistance)</b>

### Inclusion of financial instruments

In 2021-2027 Bulgaria is planning to include financial instruments in the funding (under both Priority 1 and 2) because as the draft PDR argues, it will stimulate income-generating investments and it allows greater flexibility. The use of financial instruments will be **based on the simplified provisions** to ensure better and easier and faster implementation. The relevant sector that the financial instruments will be used are **energy efficiency, and urban environment**. The PDR plans that the financial instruments will be provided in combination with grants. The Managing Authority is in charge of the development, with the help of the European Commission.

### Technical assistance

Crucial for the implementation and a great help for local authorities is that projects financed with financial instruments (under both Priority 1 and 2) can be combined with **technical support for project preparation and energy efficiency inspections**, as well as **technical inspections** of existing buildings.

Table 5. Targets by indicator for Priority 1 and 2

Indicator	Priority 1 Reference year (2024)	Priority 1 Target for 2029	Priority 2 Reference year (2024)	Priority 2 Target for 2029
Housing with improved energy characteristics (in housing units)	0	1813	0	3 503
Public buildings with improved energy characteristics (in square meters)	0	86 787 m2	-	167 737 m2
Population benefitting by the projects within the strategies for territorial development (in number of people)	0	2 008 188	0	1 084 076
Integrated projects for territorial development (in number of projects)	NA	NA	0	20
Annual primary energy consumption (of which: dwellings, public buildings, enterprises, etc.) MWh/year	108 529,59 MWh/year	48 493,71 MWh/year	293 664,72 MWh/year	131 216,68 MWh/year

Indicator	Priority 1 Reference year (2024)	Priority 1 Target 2029	for	Priority 2 Reference year (2024)	Priority 2 Target for 2029
Expected greenhouse gas emissions (in CO2 tonnes)	23 483,10	11 285,92		63 541,73	30 537,99

#### 4.1.4 Recommendations

According to the analysis of previous programmes, as well as the proposal for the upcoming PDR, the following are preliminary recommendations that can inform the implementation of the next programming period. ***It is important to note that the following recommendations will be validated and complemented accordingly during the workshops to be carried out in each of the six regions in Bulgaria.***

#### **Priority 1 – "Integrated Urban Development"**

Concerning Item 1: Energy efficiency and renovation of residential and public buildings

Item 7: Municipal housing provision

#### Recommended actions related to the lack of capacity and skills

In 2021-2027, **technical assistance coming from the central level** is key to move forward to increase capacity at local level.

For the municipalities, it is advisable **to establish project implementation units** (including municipal housing/energy managers and experts, designers, auditors) in order to facilitate the preparation of proposals and implementation. In addition, it is recommended that an **independent person monitors the process** using a common pre-defined framework of the programme based on the overall objectives. Thus, this person will support personal and organisational learning and improvement of implementation.

Further, the technical assistance should also target the development of:

- **Instructions to prepare energy audits** for the implementation of renovation projects;
- **Instructions for the "step-by-step" implementation** of construction works and energy efficiency measures in housing renovation, including standard details and technological units for public authorities;
- **A package of supporting materials for contractors** - manuals, instructions and guidelines, including standardised technical solutions and details, minimum technical requirements, maximum prices - differentiated for energy efficiency and other technical measures.<sup>49</sup>

These elements will facilitate the implementation of large-scale renovation programmes at local level.

Further, in terms of the refurbishment of multi-apartment buildings, it is recommended to organise **trainings for housing managers** of the homeowner associations, so any issue about the refurbishment can be solved at an early-stage. As the European Commission highlights in its technical guide<sup>50</sup>, a **Certification scheme for housing professionals** can provide a uniform basis for the upskilling of housing managers, construction sector workers and training of workers from other sectors on a range of areas, including energy and resource efficiency, climate resilient housing, renewable energy technologies and digital technologies in housing.

In terms of implementation, the **national government should ensure a dialogue with union representatives, employers' organisations and relevant education institutes** to discuss the plan. **A**

<sup>49</sup> Accelerating the renovation of the Bulgarian building stock, BPIE, May 2016

<sup>50</sup> Reforms and Investments - Renovation wave aimed at enhancing energy and resource efficiency, European Commission [https://ec.europa.eu/info/sites/info/files/component\\_renovation.pdf](https://ec.europa.eu/info/sites/info/files/component_renovation.pdf)

**consultation group** between the national and local administrations, union representatives and employers' organisations should be set up to define standards. Crucial to mention that such initiatives to develop the **skills are in general not caught by State Aid rules**. However, public funding to train the workforce of specific undertakings may constitute training aid. Training aid of a maximum EUR 2 million per scheme will be compatible with the Internal Market if it complies with the conditions set out in Chapter I and in Article 31 of the General Block Exemption Regulation (GBER).<sup>51</sup>

In terms of knowledge exchange between local authorities, the establishment of **peer-2-peer exchanges (city-to-city)**, as well as the provision of **methodological support and thematic expertise** will improve the implementation of municipalities in the new period<sup>52</sup>. The latter can be provided by the creation of a **Liaison Centre that will give methodological support to municipalities** and liaise with stakeholders, by using ESF support (such as the example of the Czech Republic).

Finally, part of the capacity building could include **study visits** abroad in person or online to countries who already implemented similar models.

### Recommended actions related to inadequate funding schemes

In order to be able to implement more projects for more target groups in the new period, it is advisable to use available financial instruments together with grants. This will help the development of innovative financing mechanisms tailored for different target groups. Internationally known good practices are available below to be studied and replicated. Provision of guarantees by the State or local authorities on loans (PPP, social impact bonds) are all options.

**Public-private partnership (PPP)** The **PPP model** is an innovative way of delivering infrastructure, which, when well structured, can occur at a faster pace and **at lower expense to the State** as it offers recorded off balance sheet for government. Under this contract, the private partner bears significant risks and management responsibilities. The public authority makes performance-based payments to the private partner for the provision of the service or grants the private partner a right to generate revenues from the provision of the service. The first PPP programme for social housing in Europe were signed in Ireland in 2019.<sup>53</sup>

The establishment of a PPP can be challenging for an unexperienced local authority, therefore, the European PPP Expertise Centre<sup>54</sup> - part of EIB advisory services- was set up in 2008 to provide adequate support in delivering PPPs.

The European Commission published a Recent Guidance to Member States in September 2020 on possible reforms and investments under the Renovation wave. The below models could be considered for the Bulgarian situation:<sup>55</sup>

**One-stop shops:** they aim to address administrative barriers in providing permits, certification and to support households and housing associations with legal, technical (including energy audits) and financial advice. Additional challenges that need to be addressed are the burden of managing the execution, the quality and performance control of the renovation, and knowledge gaps in incorporating resource efficient and circular approaches. To this end, **dedicated one-stop-shops in each NUTS-3 region** can be set up to streamline the administrative processes, to ease access to finance and to enhance the absorption capacity in energy and resource efficiency building renovations. The advantage of the scheme is that it offers a non-

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<sup>51</sup> For training aid that would not comply with the requirements of the GBER, the country should envisage a sufficiently early notification to allow for the necessary compatibility assessment by the European Commission. The assessment should follow the principles set out in the Communication from the Commission on the Criteria for the analysis of the compatibility of State Aid for training subject to individual notification (2009/C 188/01).- Page 10, Reforms and Investments - Renovation wave aimed at enhancing energy and resource efficiency, European Commission

<sup>52</sup> Page 11, UNDA Bulgaria Interim Report, March 2020

<sup>53</sup>First social housing PPP in Ireland: <https://www.housingeurope.eu/resource-1262/the-first-ppp-programme-for-social-housing-in-europe-signed-in-ireland>

<sup>54</sup> <https://www.eib.org/epec/index.htm>

<sup>55</sup> Reforms and Investments - Renovation wave aimed at enhancing energy and resource efficiency, European Commission [https://ec.europa.eu/info/sites/info/files/component\\_renovation.pdf](https://ec.europa.eu/info/sites/info/files/component_renovation.pdf)

institutional space for neighbours and helps increasing the awareness of homeowners for energy efficiency and energy poverty alleviation. The implementation period is estimated to be 18-24 months according to the European Commission.

Areas that should be considered when implementing one-stop shops in Bulgaria:

- ✓ **High political ambition and consensus** needed to set up local incentive schemes with public funds
- ✓ **Creation of a new legal structure** (public, public-private or private): the one-stop-shop must comply with banking regulations and assure its re-financing.
- ✓ **Financial and human capacity** is needed to set up and run the physical/online energy desk. In addition, assistance for low-income households with the coordination of renovation works might be needed.
- ✓ **Cooperation with the private sector**: Contracting with suppliers providing a quality service
- ✓ **State aid regulation**: The service package directly competes with other market players; thus the EU state aid regulation applies
- ✓ **Homeowners should be competent**: depending on the sub-model of the one-stop shop, homeowners would need to deal with the paperwork to access financing and have to coordinate and follow up the renovation works

[Energy and resource efficiency scheme through Energy performance contracts \(EPC\)](#): The focus can be the renovation of worst-performing public buildings, and social infrastructure and those occupied by low-income households. The scheme is expected to reduce annual GHG emissions over the full life cycle of buildings and have significant positive social implications, improving the conditions of residents. The scheme will allow residents' participation where appropriate. The implementation should be **coordinated by the Ministry of Energy/Housing, in close cooperation with the Public Energy Authority, and regional and local authorities operating the relevant building stock**. The scheme will be implemented mainly through publicly procured comprehensive energy performance contracts that guarantee a minimum energy performance after renovation and take into account resource efficiency, climate adaptation measures, adoption of digital technologies and affordability. The scheme will start with worst-performing buildings (those with an EPC class F and lower) and those occupied by low-income households (i.e., those with less than 60% of the median national income), through a larger scale district approach. The implementation time is expected to take 3-4 years.

A best practice from Lithuania can be found in Annex 2.

[Home renovation support scheme](#): in order to address the high upfront costs of building renovation and the perceived long payback periods, the Government can set up a renovation scheme. This will allow low-income households to live in renovated, energy and resource performant buildings, enjoying better living conditions and a lower financial burden linked to housing costs. The scheme provides guarantees (covering 80% of the loans) for loans for energy efficiency measures and a grant component of investment costs calculated so that the estimated repayment of the loan needed to cover the remaining investment costs is limited to 90% of the estimated energy savings. The grant component aims at covering part of the upfront costs and ensuring the repayments for the loan will not exceed the energy savings, in particular for low-income households. The support scheme will be a **national aid scheme, implemented at local level**. It will be implemented by local authorities **in partnership with financial institutions, housing associations and energy utility providers**. To facilitate the access to loans for beneficiaries, a third-party payment system will be put in place by local authorities, in partnership with financial institutions and the national development bank, or another intermediary selected in an open non-discriminatory procedure. The implementation can take up to 5 years<sup>56</sup>.

Success factors of the renovation schemes<sup>57</sup>:

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<sup>56</sup> Page 14-15, Reforms and Investments- Renovation Wave, European Commission

<sup>57</sup> Page 78-79, Feasibility study to finance low-cost energy efficiency measures in low-income households from EU funds, European Commission,

[https://ec.europa.eu/energy/sites/ener/files/documents/low\\_cost\\_energy\\_efficiency\\_measures\\_-\\_final\\_report.pdf](https://ec.europa.eu/energy/sites/ener/files/documents/low_cost_energy_efficiency_measures_-_final_report.pdf)

- ✓ **Include flexibility into the scheme:** The ability to adapt to changes whether internal (e.g. changes in partner organisations) or external (e.g. changes in funding streams), allows the scheme to maintain a sustained offering to low-income households<sup>58</sup>.
- ✓ **One central coordinating entity:** This creates a clear point of contact for households and a single point responsible for coordinating delivery of the measures.
- ✓ **Schemes should be piloted:** Pilots can test the effectiveness of the scheme design and pinpoint potential issues, allowing these to be overcome before implementation.
- ✓ **Easy access to the funding schemes:** Online or offline, easy access to application can achieve greater engagement of households.
- ✓ **Establishing ongoing review processes** that allow for continuous improvement.

Best practices from Estonia and Ireland can be found in Annex 2.

[Project aggregation-Investment platforms](#) In order to up-scale the existing municipal pilots in Bulgaria, the establishment of an Investment platform could be envisaged. The logic of an Investment Platform is to bundle local projects together by involving private investors, municipalities and other financial intermediaries.

The private investors provide capital funding which will assume the development risk, the municipalities will pay investors if performance objectives reached (based on savings to public budget). The Social Impact Bonds, Housing Impact bonds are working through this logic and used for integrated solutions (substance dependency / training services).

In 2017, the European Commission published a factsheet providing information on how to establish an investment platform.<sup>59</sup>

If the Bulgarian Government would like to establish an Investment Platform, the EIB Advisory Hub<sup>60</sup> is providing support for the set-up by assessing the rationale and potential, structuring the combinations of EU funds and supporting the development of underlying projects.

There are numerous benefits of establishing an Investment platform in Bulgaria:

- **It can be set up on national/regional or on a city level** with specific policy objectives (e.g. energy efficiency), as for example the Housing Finance Corporation (UK) and the City of Lisbon (PT).
- The Platform **aggregates capital (supply) and projects (demand)** which can overcome the scale problem to use financial instruments of EIB.
- **Risk-sharing mechanisms:** it allows a faster use of resources and generates multiple socio-economic benefits.
- The Platform can **pass through lending rate** (in addition to the operating expenses) **to the developer** unlike commercial banks.
- **Ensuring a Long term (20,30 years) at fixed rate financing** (unlike the commercial banks that require refinancing).

Key elements for its replicability in Bulgaria:

- **Strong policy, public interest** which can reduce programme risks.
- **Finding the right intermediaries:** collaboration between financial institutions, Foundations, Cities, Regions, and the Government. A municipality could act as focal actor for intermediation.
- **Technical assistance** for setting up the intermediary in case it is not a municipality.
- **Availability of guarantee schemes** at European level (EFSI); **Grants** to finance the study phase (Structural Funds, Elena technical assistance).

<sup>58</sup> The Multi-family Building Renovation Programme in Lithuania experienced low engagement from low-income households. In response, the scheme changed its rules so that low-income households had to engage or risk having their energy support subsidies removed. This led to much greater engagement from these households.

<sup>59</sup> Investment platform factsheet on how to establish and investment platform, European Commission 2017: [https://ec.europa.eu/commission/publications/how-set-efsi-investment-platform\\_en](https://ec.europa.eu/commission/publications/how-set-efsi-investment-platform_en) and Factsheet on what is an investment Platform: [https://ec.europa.eu/info/sites/info/files/investment\\_platforms\\_factsheet\\_en.pdf](https://ec.europa.eu/info/sites/info/files/investment_platforms_factsheet_en.pdf)

<sup>60</sup> <http://eiah.eib.org/>

- **The possibility to replicate** on a larger scale following the first pilot projects.

The details of a recently established Investment Platform in Poland can be found in Annex 2.

Finally, the Social Impact Bonds, Housing Impact bonds are working through the same logic and are used for integrated solutions (substance dependency / training services)<sup>61</sup>. More details about the Bonds' structure are explained in the Annex 2.

### Recommended actions related to financial barriers and maintenance challenges

In order to deal with the increased workload that the project requires (analysing local needs, defining selection criteria, administrative changes), capacity building should be supported financially by the central level through **technical assistance**.

Concerning the project development phase, external funding could be used such as the **ELENA**<sup>62</sup> tool that provides up to 90% of the project development under the form of technical assistance (including feasibility studies, business plans and audit).

In terms of project management, **ESF hand in hand with national funding** could be allocated to the local authorities through the dedicated Operational Programme.

Concerning the maintenance issue, an interesting solution to decrease the costs is **the involvement of tenants in the maintenance works**. An excellent example is the Dutch Startblok project<sup>63</sup> from 2017 that housed 50% young people from the neighbourhood, and another half newcomers. Today the building of 565 housing units is self-maintained. Other models could also be studied for implementation such as the co-housing (for example Moitoinous project in France<sup>64</sup>) or the CLT model (Calico-Care and living in community project in Belgium<sup>65</sup>).

### Recommended actions related to collaboration issue between different levels

First of all, there is a **need for improved collaboration among Ministries**. On housing matters, the MRDPW needs to coordinate more effectively with other ministries - Labour & Social Policy, Education, and Finance, since funding for housing programmes are exclusively coming from sources outside the Government of Bulgaria rather than under the auspices of the Minister of Finance. Regular meetings, information sharing, mutual learning can improve the development of plans and proposals. An establishment of **interinstitutional steering groups** for specific projects activities facilitate the evaluation and identification of lessons learned.

Secondly, in order to improve collaboration between the central level and municipalities, the following are advised:

The Central level should **engage with local authorities to achieve bottom-up support**. It is advisable for 2021-2027 to **organise regular meetings** with the local authorities' representatives about the local needs and supporting them in developing their approaches and capacities for the identification of needs. This will enormously facilitate the work of the Ministries.

Via the centrally established **Liaison Centre**, **methodological support** and thematic expertise could be provided to municipalities in order to ensure the long-term sustainability of projects.

<sup>61</sup> A study on the benefits of using social outcome contracting in the provision of social services and interventions has been recently published by the European Union:

<https://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=8384&furtherPubs=yes>

<sup>62</sup> More about ELENA: <https://www.eib.org/en/products/advising/elena/index.htm>

<sup>63</sup> More about Startblok: <https://www.housingeurope.eu/blog-963/housing-a-better-future>

<sup>64</sup> More about the Moi toi nous project in France: <https://www.housingevolutions.eu/project/one-roof-several-generations-toitmoinous/>

<sup>65</sup> More about Calico project: <https://www.housingevolutions.eu/project/calico-care-and-living-in-community/>

In order to organise the feedback procedure, the cities could consider the establishment of ‘**cities network**’ that provide public rental housing (KOVA in Finland for example<sup>66</sup>), which would make easier and faster the design and implementation. Also, that can be a **place to discuss and harmonize the eligibility criteria** and can function as a **point of reference** when it comes to consultation with the Central level.

Further, in order to improve the success of implementation, **local government personnel could be more involved in the conception of the operational programme** and in exploring, developing and testing how projects might work in practice. Local knowledge and perspectives could usefully shape national bids for funding. In addition, **creating channels** for using such experiences adds potential to build capacity and **professional learning networks** which become useful later in approaching sound implementation.<sup>67</sup>

Finally, in order to improve collaboration on local level, **cooperation with local communities is required**. Thus, the municipalities can have the adequate support to address local housing issues in the long term.

That means that the integrated urban strategies should be prepared in partnership with **stakeholders, especially with grassroots organisations** that have extensive knowledge on the ground (in particular with accompanying measures). This will save the municipality time and money in long-term.

### Recommended actions related to understanding target groups’ needs

Housing design measures should be responsive to the needs and lifestyle of target communities: the way of living of Roma communities and cultural factors should be therefore considered during the project design.

For 2021-2027, a **better analysis of vulnerable communities’ needs** and aspirations is required together with a better understanding of their willingness to participate in integration programmes.

As often said, residents know best about their situation, thus their **involvement from an early stage** to identify what their needs are and build these into programme design as possible is key to achieve the right results.

The municipalities should however take into consideration that different target groups would need **different method of communication (face-to-face, group meetings, by phone, etc.)**. For this reason, there is a clear **need for skilled mediators/social workers that understand the way of living of target groups**. In order to ensure the long-term sustainability of projects, social mediators are advised to be involved continually to **help households** with money management, job seeking, care for children, etc. The Money House project in Greenwich that developed an accredited financial literacy programme for vulnerable youth is a good example on how to secure more rent with fewer arrears.<sup>68</sup>

In addition, the key lessons from the already implemented Bulgarian projects with the active involvement of future tenants could be taken. As National Council for Cooperation on Ethnic and Integration Issues (NCCEI) underlines<sup>69</sup>, the **success factors included a careful selection of targeted beneficiaries** (having minimum one worker per household). In addition, a small-scale project of single storey houses developed by a religious organization in close collaboration with the beneficiary Roma community was also implemented successfully.

In terms of helpful examples, the project of Paris Habitat involving the future tenants and various stakeholders in a new social housing project – which won the European Responsible Housing Award in 2016<sup>70</sup> - and the project Kaleidoscope of the Office Publique de l’Habitat in Villeneuve-Saint-Georges - which won the European Responsible Housing Award in 2019 – can offer successful methodologies.

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<sup>66</sup> KOVA is a national umbrella association for non-profit rental housing companies and foundations in Finland. More information on: <http://www.kovary.fi/>

<sup>67</sup> Page 6, UNDA Bulgaria Interim Report, March 2020

<sup>68</sup> More on Money Youth on <https://www.housingevolutions.eu/project/the-money-house-youth-homelessness-prevention-programme/>

<sup>69</sup> Page 11 UNDA Bulgaria Interim Report, March 2020

<sup>70</sup> More on the Paris Habitat project in Paris: <https://www.premiosdearquitectura.es/en/awards/35-european-responsible-housing-awards-2016/all-proposals/765-involve-the-various-stakeholders-in-the-conversion-of-a-former-military-barracks>

Concerning the occupancy period, the municipalities – with the help of relevant stakeholders – should examine in detail **the added value** of the 3 years occupancy and explore the **possibility to increase that occupancy period** to ensure a better integration of target groups.

Research shows that the short-term occupancy is likely to contribute to the distancing of the social housing sector and its residents from the perceived mainstream of society, reinforce their stigmatisation, and may also serve to undermine community stability and work incentives. All of this appears a heavy price to pay for gains which are, marginal, uncertain and distant in time.<sup>71</sup>

The evaluation of a complex site programme in Hungary found that the 2-3-year occupancy period was not enough to change working and housing conditions of the selected groups in a sustainable way. In terms of housing, the selection of 'mobile' families, their preparation, the renovation of flats and relocation of families is a 4-5 year process. Also, finding a sustainable job needs an analysis of the opportunities, the organisation of a specific training and provision of experience. This all could take up to 4-5 years. The evaluation also confirmed that it is not only important that the project ends later, but also to not to end all project activities at once.<sup>72</sup>

As the Action Plan of the EU Housing Partnership also underlines<sup>73</sup>, **'unlimited' contracts** give the tenant the security they need, **increase wellbeing and independence**. Social housing is an integral element of the welfare state which prioritises access for those otherwise unable to secure appropriate housing of a reasonable standard. These include households on the lowest incomes and/or those who are vulnerable due to mental and physical health status, living with a disability, of younger/older age and, or Roma. Therefore, the withdrawal of security of tenure could have negative consequences on the life of these vulnerable groups that will be unable to secure private tenancy and find their prospects of establishing a stable, long-term home ever more remote.<sup>74</sup>

### Recommended actions related to the difficulty to engage with the local community

An improved communication with the hosting community about the future social housing projects is crucial to improve acceptance. Communicating clearly, in a transparent way would allow a **better understanding about the circumstances and can minimize discrimination of future tenants**.

In 2021-2027 it is therefore recommended to do the communication exercises in an organised way. The establishment of a transparent **Liaison Centre** is therefore advised that could lead

- the **organisation of national and regional conferences about the integration of social housing** into the urban landscape and about the added value of these programme of the quality of life of local population;
- the **communication strategies with local communities** (social media, mass media, conferences, resident panels);
- the clear **communication on the selection criteria of tenants** as well as with the **organisation of citizens' forums** where the problems and needs can be discussed, and social impact can be explained;
- the cooperation with **local stakeholders** and their consultation;
- the provision of **methodological support and thematic expertise to municipalities** (see the Czech national example above).

The UNDA 11<sup>th</sup> Bulgaria Report also confirms that **communication exercises such as local face-to-face meetings, social media, mass media** are key elements to shape programmes. *The earlier and more regularly this happens, the more trust can be built, and more progress can be made. Having a sound*

<sup>71</sup> Page 1035, Suzanne Fitzpatrick & Beth Watts (2017) Competing visions: security of tenure and the welfarisation of English social housing, *Housing Studies*, 32:8, 1021-1038, DOI:10.1080/02673037.2017.1291916

<sup>72</sup> Page 85, Evaluation of a complex site programme (TAMOP 5.3.6-11) in Hungary, Metropolitan Research Institute, 2016

<sup>73</sup> Page 70, Action Plan of the EU Housing Partnership, 2018 <https://ec.europa.eu/futurium/en/housing/housing-partnership-final-action-plan>

<sup>74</sup> Page 601, Ending Security of Tenure for Social Renters: Transitioning to 'Ambulance Service' Social Housing? S. Fitzpatrick & H. Pawson, 2013, Accessed on: <http://dx.doi.org/10.1080/02673037.2013.803043>

foundation of relationships of trust with affected communities about general problems, needs and opportunities, makes it much easier to conduct formal consultation about specific proposals at a later stage.<sup>75</sup> The French project Big Conversation by Est Metropole Habitat in Lyon<sup>76</sup> can provide an inspiring example about face-to-face meetings with tenants.

Finally, **the introduction of 'social mix'** in the new social housing projects also contributes to an increased social acceptance by the host community. A recent proof to that is the French Urban renovation project, Autre Soie<sup>77</sup>, that changed the housing paradigm by placing vulnerable groups at the heart of the city while demonstrating how they can bring societal and economical value to their district. The project is putting people back at the heart of the city: make culture a driver of citizenship and social mix by offering cultural activities.

## **Priority 2 - Integrated territorial development of the regions**

*Concerning Item 1: Housing, including renovation of neighbourhoods/specific territories of cities with unfavourable socio-economic characteristics'*

### **Recommended actions related to the lack of tailored measures in different regions**

What is required to target efforts and funding is a **detailed analysis of the state of social housing and its surroundings** to reveal the regions most in need of investment. Policies and **measures should be tailored** to different regions. Within each area, the **target population should be clearly defined** (people below poverty line, particular ethnic groups, age groups, different tenures, or income groups) so that **tailored funding measures** can be developed.

During the interview with the UNDP in January 2020<sup>78</sup>, the municipality of Sofia highlighted that the social housing projects should consider the neighbourhood characteristics before moving people to the new homes such as transport connectivity, access to social infrastructure and to jobs. Thus, residents can sustain their families and pay their rent. The **new Integrated Territorial Approach** in the draft PDR 2021-2027 supported by regional/local governments, **should contribute to integrated programmes (such as ITI)** on the basis of local needs. The programmes should have a holistic approach, considering the overall well-being of the targeted population and linking housing with other social infrastructures (social, health) and transport.

## **4.2 For the National Housing Strategy and other development/sectoral plans**

### **4.2.1 Overview**

In terms of policy/legal framework, the **National Housing Strategy** adopted by the Council of Ministers in 2005 still guides housing policy in Bulgaria despite having become obsolete.

However, **the draft of the next National Housing Strategy with a time horizon until 2030 has been crafted by the Ministry of Regional Development and Public Works and is currently in the process of public consultation.** The strategy is a framework document for the development of the housing sector, which contains a package of public housing policy objectives, the means to achieve them and the respective responsibilities of stakeholders, including citizens, the state, municipalities, the private and non-governmental sectors<sup>79</sup>.

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<sup>75</sup> Page 7, UNDA Bulgaria Interim Report, March 2020

<sup>76</sup> More information about the Big conversation project in Lyon: <https://www.housingeurope.eu/blog-559/a-big-conversation-in-lyon>

<sup>77</sup> [L'Autre Soie - Inclusion at the heart of Urban Planning - Housing Evolutions Hub](#)

<sup>78</sup> Page 8 of the UNDA Bulgaria Interim Report, March 2020

<sup>79</sup> Dimitrina Nikolova, Agency for Social Assistance, Bulgaria Vesela Radeva, Sofia Municipality, Bulgaria (2020) Peer Review on "Housing exclusion: the role of legislation?"  
Peer Country Comments Paper – Bulgaria

According to the Ministry of Regional Development<sup>80</sup> the new strategy should develop a solution of the following existing problems:

- Outdated and unsupported housing stock needing system repair and renovation;
- Risk from structural problems in part of the building stock;
- High energy consumption of the existing building stock;
- Low comfort and unhealthy living conditions;
- Predominating number of illegal residential buildings that are not in line with statutory standards;
- Lack of social housing stock that secures access to homes for the disabled relevant to the needs of the population;
- Constantly increasing rate of the uninhabitable homes;
- Lack of financial mechanisms for providing access to home purchase and demising for people with low incomes;
- Lack of appropriate conditions, stimulating young people to seek satisfaction of their long term living needs in Bulgaria.

Moreover, housing features in other national strategies, such as the National Strategy for Reducing Poverty and Promoting Social Inclusion 2020 and the National Roma Strategy should be integrated into the Housing Strategy.<sup>81</sup>

The new **National Strategy for Reducing Poverty and Promoting Social Inclusion 2020**<sup>82</sup> is aimed at developing and implementing a unified and sustainable policy on social inclusion, based on an integrated approach and cross-sector cooperation.

In terms of basic services, the Strategy focuses on children, especially the ones in low-income households, disabled children, children deprived of parental care, children living in poor housing conditions. Taking into account poverty-causing factors, it is essential that poverty is no longer transmitted across generations.<sup>83</sup>

Secondly, the need of accessibility is mentioned particularly of persons with disabilities and reduced mobility. Providing an accessible physical environment is an issue requiring the adoption and implementation of special measure aimed at providing physical access to public buildings, housing, open spaces.

Thirdly, homelessness and the deprivation of the possibility for housing is also a target area. The Strategy notes that ensuring the housing right remains a significant challenge in Bulgaria which creates the need to develop appropriate and complex measures, such as prevention and overcoming of homelessness.

Fourthly, housing conditions for the Roma are still relatively poorer than for the rest of the population. The unregulated or missing infrastructure in Roma neighbourhoods is a serious issue. The share of illegal buildings is high. In many cases the illegally built house is also illegally connected to electric and water supply installations, as well as sewage, which poses a risk for the lives and health of people.<sup>84</sup>

The PRIORITY 8 of the Strategy '*Improving the housing conditions for vulnerable groups and supporting the homeless people*' setting up measures such as ensuring access to housing; and creating integrated cross-sectoral services for the homeless, including child/adult beggars. The suggestions include

- Making uninhabited dwellings available;
- Ensuring affordable housing introducing a new subsidizing system and a specialized system for savings and loan-granting for housing;
- Provision of utilities in the dwellings of Roma community;

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<sup>80</sup> <https://www.mrrb.bg/en/housing-policy/housing-strategy/>

<sup>81</sup> Page 18, UNDA Bulgaria Interim Report, March 2020

<sup>82</sup> Text of the National Strategy for Reducing Poverty and Promoting social inclusion 2020  
<http://www.strategy.bg/FileHandler.ashx?fileId=9429>

<sup>83</sup> Page 13, National Strategy for Reducing Poverty and Promoting social inclusion 2020

<sup>84</sup> Page 14, National Strategy for Reducing Poverty and Promoting social inclusion 2020

- Development of integrated cross-sectoral services (social, health, educational and employment services beyond accommodation).

The Strategy follows a multi-level approach, detailing that the implementation should be a cooperative effort between the Ministries, municipalities, district administrations and other social partners and NGOs. It relies on state budget, municipal budgets and the EU Structural Funds for its implementation.

Finally, the **National Roma Integration Strategy (2012-2020)** includes different elements of Roma inclusion such as health and housing. The Strategy highlights problems faced by Roma such as the increasing spatial isolation and the deterioration of the opportunities for the young generations, hence the increasing difficulties they encounter in seeking and finding jobs. The Strategy aimed to achieve the following objectives that are relevant to housing policies:

- Improving the housing conditions in neighbourhoods with compact Roma population, aimed at ensuring modern housing environment.
- Providing new plots for house construction allowing to deconcentrate the compact Roma neighbourhoods.
- Continuing the process of devising cadastre registers to cover the zones with compact Roma population and the newly designated zones for housing construction.
- Updating/creating detailed spatial development plans of existing and newly designated land plots.
- Designing and building technical infrastructure – water and sewer networks, streets, public works, etc.
- Building and providing social housing.
- Ensuring appropriate housing for Roma persons moved out of illegally occupied houses or evacuated in case of danger for their safety and health.
- Improving and closing the laps uses in the housing legislation.
- Building/reconstructing the social infrastructure for the purposes of education, culture, etc.
- Forming an attitude of responsibility and diligence in the Roma people when giving them the right to use real estate. Attracting NGOs and prominent local community leaders in creating modern patterns of behaviour.

#### 4.2.2 Recommendations

The PRD 2021-2027 will be an important driver making available significant funding that can be channelled to the housing sector, and the recommendations provided above can significantly contribute to the success of its implementation. However, the complex issues characterizing housing in Bulgaria require a dedicated overall framework driving policies and measures both at national and local level.

Therefore, in this section, we focus on governance and policy framework, drawing on information gathered through #Housing 2030<sup>85</sup> - a joint international initiative of housing experts from over 56 governments through UNECE and UN-Habitat and 43,000 affordable housing providers and neighbourhood developers represented by Housing Europe. It aims to improve the capacity of national and local governments to formulate policies that improve housing affordability and sustainability. The governance chapter of the Housing 2030 report describes practical tools policy makers can use to promote sustainable housing systems, illustrated by examples of good governance practice. Among the numerous tools, we will focus on the ones that are most relevant for the Bulgarian context and on the national housing strategy in particular.

Table 6. Good governance tools

Tool	Definition
Strategic frameworks	Agreed goals and long-term plans which focus efforts of stakeholders towards aspired outcomes, often in the form of a national housing strategy.

<sup>85</sup> See <https://www.housing2030.org/>

<b>Tool</b>	<b>Definition</b>
Leadership and commitment	High level, long term commitment to achievement of affordable and inclusive housing policy goals, championed by a key figure, such as a ministry responsible for housing policy.
Institutional capacity	Authority and resources to implement housing responsibilities are provided to relevant stakeholders such as a government agency, land banker, finance agency or social landlords. This may involve political power, legal authority, financial resources and industry networks and professional skills.
Multi-level governance and partnership	Multi-level governance (MLG) refers to the coordination and sharing of responsibility and jurisdictional authority between the different actors involved in housing policy making and implementation. This can be between national, regional and local government (vertical governance) and/or across different government agencies and departments (horizontal). MLG structures can also include other private and public actors/organizations actively involved in projects, programs, and policies
Evidence based policy reform	Housing policy should be informed by rigorous and objective evidence, for example evidence of need for adequate housing amongst different household types and in different locations and estimates of homelessness.
Standard setting	Important housing standards relate to quality (including fire safety), space per occupant (relating to overcrowding), security (freedom from no-grounds eviction) affordability in relation to different incomes and household types, access for different groups of households (youth, aged, migrants) and proximity to key resources (employment and education).
Purposeful commissioning processes	Commissioning and public procurement policies should deliver the public policy outcomes governments want and improve societal well-being, economic development and environmental sustainability. To do this they must encompass evidenced based planning, effective monitoring and evaluation of expenditure.
Accountability & supervision	Accountability incorporates a range of governance processes including stakeholder participation, monitoring obligations and impacts of policy. It also involves remedies and redress, and enforcement measures.
Regulating housing providers	Governance of social housing takes place through norms, charters, regulations and laws which define their purpose and operation. Specific regulations concern household eligibility and priority of allocation, the setting and indexing of housing costs and the rights and duration occupancy.
Tenant involvement in managing rented housing	In some countries, tenants play an active role in the governance of their dwellings and in the estates where they live. The extent and nature of this involvement varies significantly, also between different types of rented housing.

In terms of strategic framework, the **new National Housing Strategy constitutes a key opportunity to improve coordination of all stakeholders around housing issues.**

There are some key elements that such a strategic document should include.

First and foremost, it should be based on guiding principles for concentrating national efforts on key housing challenges. The **UN's Sustainable Development Goals, the Geneva UN Charter on Sustainable Housing<sup>86</sup> and Guidelines on the Right to Adequate Housing<sup>87</sup>** offer relevant guidance in this sense.

<sup>86</sup> The Geneva UN Charter on Sustainable Housing aims to support countries as they seek to ensure access to decent, adequate, affordable and healthy housing for all. It was endorsed by the United Nations Economic Commission for Europe on 16 April 2015.  
<https://unece.org/housing/charter#:~:text=The%20Geneva%20UN%20Charter%20on,and%20healthy%20housing%20for%20all.>

<sup>87</sup> <https://www.ohchr.org/EN/Issues/Housing/Pages/GuidelinesImplementation.aspx>

Furthermore, such a strategy should provide a basis for inter-governmental co-ordination, which is necessary for more effective policy making and reform. Decisions relating to housing are undertaken by all levels of government, across the realm of land and environmental policies, economic development and financial regulation as well as labour and social welfare policies. In the case of Bulgaria it would be very important to **ensure the new National Housing Strategy reflects and incorporates housing-related objectives of the existing National Strategy for Reducing Poverty and Promoting Social Inclusion, the National Roma Integration Strategy as well as the National Long-Term Renovation Strategy2020** so that they can function in synergy and achieve consistent results.

A good strategy is also based on a **rigorous understanding how a local housing system actually works** to generate core housing outcomes. With a critical understanding of the causes and contingent factors underlying housing outcomes, a housing strategy can set out appropriate actions to improve housing conditions. These **actions should be tangible and also specify clear standards, targets, responsibilities and resources required** to implement the housing strategy over a suitable time period, such as 5 to 30 years, with periodic evaluation and revision. The Slovakian State Housing Concept (SSHP) follows a series of five yearly plans and provides a good illustration of long term, cumulative housing reform to shape better housing system in Central Europe (see Annex 2).

Promoting a balanced range of housing options to address different and changing housing needs is key. Accurate **analysis of housing conditions and projections of future housing needs** are required. Such assessment is missing in the case of Bulgaria, and requires a coordinated effort from local governments. The Scottish National Housing Strategy constitute a relevant example (see Annex 2).

Finally, National Housing Strategies increasingly **promote a range of tenures**, through policy reforms defining housing rights and standards, as well as tax incentives and subsidies, in order to shape fairer market processes and improve access to adequate and affordable housing. In the case of Bulgaria, home ownership is currently by far the predominant tenure, the rental sector overall is under-developed and municipal & social housing is very small compared to other European countries. Tackling this imbalance requires looking at both regulation and incentives to foster the rental sector. In particular, **a specific legal framework for social housing should be foreseen** including criteria for the selection of beneficiaries, common elements for rent setting, quality standards, identification of providers. The framework should allow local authorities to adapt social housing provision to the local need but at the same time offer the level of coordination and consistency which is currently lacking.

Most important, a clear financing framework is equally needed. Long term commitment to achieving housing policy goals can be institutionalized by establishing **long term funding agreements** over decades and also **sustainable ‘revolving funds’** which invest, channel and revolve investments over time, again often over generations. In terms of local authorities’ needs for housing related allocation, it is very important that agreements are made over the transfer and use of resources – particularly for housing. The Austrian example can give some inspiration (see Annex 2).

Finally, the recommendations made for the PDR 2021-2027 – e.g. those related to lack of capacity and skills, inadequate funding schemes, and understanding target groups’ needs – could also be integrated into the National Housing Strategy on a broader perspective. This will not only ensure that the PDR works under an umbrella framework on housing, but also that the proposals made are reflected in other housing initiatives in the country.

### 4.3 For the COVID-19 Recovery Plan

The plan for European recovery (NGEU) is a new recovery instrument of €750 billion with the aim of addressing the consequences of the COVID-19 and to set the Union on the path to a sustainable recovery.<sup>88</sup> **The Plan presents a good opportunity for scaling up investments with housing in alignment with the PDR 2021-2017 even further.** Overall, the same recommendations of the previous sections concerning the PDR 2021-2027 and the National Housing Strategy would apply in this case.

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<sup>88</sup> More details: [Council conclusions](#) on the Recovery Plan and Budget, July 2020

Among its 3 Pillars, affordable housing investments could benefit the most from the Pillar 1 (Recovery and Resilience Facility) and Pillar 2 (InvestEU):

- InvestEU will act as a single EU mechanism englobing all financial instruments. Its overall aim is to mobilise public and private investment within the EU that fulfil the criterion of additionality, thereby addressing market failures and sub-optimal investment situations that hamper the achievement of EU goals regarding sustainability, competitiveness and inclusive growth.
  - A dedicated Just Transition Scheme will be established under InvestEU (as the second pillar of the Just Transition Mechanism) that would serve as an **excellent tool to be used for energy efficiency renovation programmes for the most vulnerable/energy poor neighbourhoods**.
- Regarding the Recovery and Resilience Facility, Member States shall prepare their **National recovery and Resilience Plans for 2021-2023** that will benefit from the Facility until May 2021.
  - In terms of the allocation, the Facility offers EUR 560 billion of which grants amount to EUR 313 billion. As for Bulgaria, it is already known that the country will benefit from a **EUR 5.98 billion grant allocation**. These grants can be combined with other Funds such as InvestEU, Connecting Europe Facility, LIFE and Horizon Europe. National funds can be added as well to **ensure scaling up of planned support schemes** (e.g. for **renewables, for energy efficiency in buildings**).
  - **Loans** will be also available but **can only be used for recovery** and they should remain below 4.7% of GNI of the country. In fact, countries that borrow at a higher rate than the EU borrowing rate would benefit from a loan from the EU and that opportunity could be interesting for Bulgaria.

#### Technical assistance

In order to absorb the allocation in an efficient manner, EU funding is made available under the Technical Support Instrument. Technical support requests should be addressed to DG REFORM of the European Commission through the national Coordinating Authority for the Technical Support Instrument.

#### Flagship areas that allow absorbing the available grants

The Recovery Plan should enable the country to enhance its job creation and economic and social resilience, and to meet the green and digital transitions. In September 2020 the European Commission presented a guidance to Member States on how best to present their Plans together with a standard template.<sup>89</sup> The Guidance describes flagship areas that need to be included into the Plans. The relevant flagship areas for affordable housing investments are:

- The use of renewables.
- The improvement of energy efficiency of public and private buildings.

Moreover, there should be a direct link with the National Energy and Climate Plans (NECP), as well as with the long-term renovation strategies. NECPs are expected to highlight their specific parts that could support the recovery of the EU economy, in particular on the green transition: *'building renovation and affordable, energy-efficient housing, deployment of renewables'*.

In addition, the **sustainability principle** should appear: the positive impact of the Plan is expected to be long-lasting - the Plans should meet the **climate mainstreaming target of 37% of the EU**.

Concerning renovation, the European Commission prepared a **guidance document** to help Member States ensuring coherence with the European flagships and to give examples of investments that Member States

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<sup>89</sup>European Commission Communication of 17 September 2020, available at [https://ec.europa.eu/commission/presscorner/detail/en/ip\\_20\\_1658](https://ec.europa.eu/commission/presscorner/detail/en/ip_20_1658) and Template available at [https://ec.europa.eu/info/files/commission-staff-working-document-draft-template-recovery-and-resilience-plans\\_en](https://ec.europa.eu/info/files/commission-staff-working-document-draft-template-recovery-and-resilience-plans_en)

could include under the component *Renovation wave aimed at enhancing energy and resource efficiency*.<sup>90</sup>

### Social impact

Finally, the EU requires to include areas in the Plan that not only have the economic but also **social impact**<sup>91</sup>. At the same time cohesion need to be ensured which means concrete contribution to the **reduction of disparities between regions**.

Including affordable housing investments - either construction, renovation and accompanying social measures – would be a win-win formula as they fulfil all the above-mentioned criteria and serve the rebuilding of our societies after this major crisis.

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<sup>90</sup>Example of component of reforms and investments – Renovation wave aimed at enhancing energy and resource efficiency, European Commission [https://ec.europa.eu/info/sites/info/files/component\\_renovation.pdf](https://ec.europa.eu/info/sites/info/files/component_renovation.pdf)

<sup>91</sup> Example: GDP, Inflation/wages, employment, unemployment, labour force participation, the social situation, including poverty or social exclusion and inequality risks (Social Scoreboard accompanying the European Pillar of Social Rights)

## 5 CONCLUSIONS AND WAY FORWARD

Housing plays a fundamental role in social, economic and environmental conditions affecting people and the planet.

Policy makers recognise that not all households have the same capacity to meet their housing needs and households in need often have little market power. For this reason, they should aim to design policies to build capacity to equitably access promote adequate and affordable housing. Policy makers also should design effective measures to protect vulnerable households from unfair housing practices that discriminate, exclude and marginalise certain groups within their communities.

**Various evidence shows that affordable, adequate home is a vital form of social and economic infrastructure, providing not just shelter but also a place to work, learn, create and sustain healthy fulfilling lives.**

The issues that local governments face during the implementation of housing programmes are cross-cutting and are present in different levels and areas of implementation. The main bottlenecks found include the lack of capacity and skills, collaboration issue in different levels, inadequate financing mechanisms, difficulty to engage with local community and financial and maintenance barriers of municipalities. It has been also understood that Bulgaria faces important regional disparities that would need tailored measures, especially fitting the local needs – such as the Integrated Territorial Investment (ITI).

The recommendations to close the identified gaps in the following programming period (PDR 2021-227) target different levels and include the creation of inter-institutional working groups, the creation of a Liaison centre between stakeholders, involvement of grass-root organisations into the analysis of target groups' needs, involvement of future residents themselves, introduction of a social mix and development of innovative financial schemes.

In terms of the broad National Housing Policy, it should be closely integrated with key development/sectoral plans such as the current and the draft National Housing Strategy, the National Roma Integration Strategy and the National Strategy for Reducing Poverty and Promoting Social Inclusion. Moreover, it should reflect governance tools that contribute to the promotion of affordable housing systems-illustrated by examples across Europe – in particular the need for a comprehensive and long-term strategy and high-level political leadership for executing; as well as long-term budget allocation and definition of responsibilities.

As it can be seen, most proposals here made are of institutional nature. Rather than significant resources, they require coordination between different actors operating commonly towards shared objectives. Therefore, institutionalizing these proposals via strategies and plans is crucial so as to ensure frameworks are in place for these actions to move forward in a sustainable and structured manner.

### 5.1 Next steps

Moving forward, **six subnational workshops** will be organised in Q2 2021 on the role of local government to implement social housing programmes workshops in the six NUTS2 regions. The subnational workshops will be hosted by the government of Bulgaria with technical support from UN-Habitat and UNECE. The workshops will target national and regional local government representatives and relevant stakeholders.

The scope and purpose of the workshops include communicating the findings of this preliminary report to local authorities and key stakeholders at the regional level, promoting discussions and knowledge exchange on the identified bottlenecks as well as propose solutions.

The results of the workshop are incorporated into this report so as to consolidate a concrete way forward for the implementation of the PDR 2021-2017 and the National Housing Strategy.

## ANNEXES

## 1 Projects focusing only on social housing construction<sup>92</sup> (edited by Housing Europe)

Beneficiary	Project name & number of dwellings constructed	Total	Grant	Self-financing by the beneficiary	Actual amount paid	Implementation status
Stara Zagora Municipality	Building of social houses in Stara Zagora city (69)	3 279 276.14	3 179 276.14	100 000.00	2 543 420.91	In execution 14.01.2019-14.01.2021
Blagoevgrad Municipality	Construction of Social Housing in the fourth microregion (no info on number of dwellings)	9 009 433.84	9 009 433.84	0.00	7 604 800.00	Closed 21.11.2016-12.02.2020
Burgas municipality	"Construction of social housing in zone D of" Meden rudnik "district, surveyed land plot VIII, kv.151, Burgas" (47)	4 610 395.69	3 945 311.80	665 083.89	2 089 218.34	In execution 05.05.2020-05.11.2022
Varna municipality	Construction of Social Housing for Disadvantaged People in Varna (10)	2 020 088.69	1 963 388.69	56 700.00	0.00	In execution 02.11.2020-02.05.2023
Velingrad municipality	Construction of new social housing in the town of Velingrad (90)	4 010 784.40	4 010 784.40	0.00	2 478 407.54	In execution 11.07.2019-11.01.2022
Vidin Municipality	Construction of Social Housing in Vidin (37)	2 016 827.01	2 016 827.01	0.00	0.00	In execution 23.10.2020-23.04.2023
Vratsa municipality	Reconstruction and repair of municipal housing in modern social housing to accommodate vulnerable groups and other disadvantaged groups (30)	1 088 816.01	1 027 204.12	61 611.89	359 521.44	In execution 11.05.2020-11.06.2022
Gotsedelchev municipality	Reconstruction of an existing building for construction of social housing in Gotse Delchev (30)	1 734 806.58	1 734 806.58	0.00	0.00	In execution 02.09.2020-02.09.2022
Kazanlak Municipality	"Building of social houses" (10)	1 288 120.54	1 288 120.54	0.00	450 842.19	In execution 30.06.2020-30.06.2022
Kardzhali Municipality	"Construction of social housing in the town of Kardzhali" (69)	2 169 957.96	2 169 957.96	0.00	759 485.29	In execution 11.07.2018-11.03.2021
Lovech municipality	Construction of social houses for accommodation of vulnerable groups of the population in the quarter of Goznitsa, town of Lovech (49)	2 129 872.31	2 129 872.31	0.00	1 703 897.85	In execution 21.05.2018-12.09.2020
Municipality of Lom	"Provision of shared social housing for vulnerable groups in	1 496 909.78	1 496 909.78	0.00	0.00	In execution 06.10.2020-06.04.2023

<sup>92</sup> According to the data retrieved from the Operational Programme website [UMIS 2020 \(eufunds.bg\)](https://umis2020.eufunds.bg)

Beneficiary	Project name & number of dwellings constructed	Total	Grant	Self-financing by the beneficiary	Actual amount paid	Implementation status
	the municipality of Lom" (25)					
Municipality of Pernik	Construction of social housing in the neighborhood "Teva" - Municipal building with capacity for 100 people (no data on number of homes, probably 40)	1 647 981.67	1 647 981.67	0.00	640 339.85	In execution 31.08.2018- 03.03.2021
Petrich municipality	Building social housing for disadvantaged groups (18)	852 000.00	852 000.00	0.00	298 200.00	In execution 08.07.2020- 08.10.2022
Razgrad municipality	Construction of social housing for accommodation of minority and socially disadvantaged groups in Orel district, meeting the modern hygienic requirements (48)	2 421 999.99	2 421 999.99	0.00	847 700.00	In execution 02.08.2018- 05.04.2021
Plovdiv municipality	Construction of social housing in Plovdiv city (74)	7 165 650.82	7 165 650.82	0.00	0.00	In execution 01.09.2020 -01.03.2023
Ruse municipality	Construction of social housing for accommodation of persons from minority groups of the population and socially disadvantaged persons, who cannot benefit from the housing terms of Ruse Municipality (28)	2 248 075.04	2 075 036.29	173 038.75	1 321 995.98	In execution 05.09.2018 -05.03.2021
Svishtov municipality	Construction of a social dwelling in the town of Svishtov (27)	1 200 000.00	1 200 000.00	0.00	420 000.00	In execution 10.06.2020- 10.06.2022
Municipality of Silistra	Construction of the building for social housing in Silistra (16)	1 327 866.04	1 327 866.04	0.00	464 753.11	In execution 03.12.2019- 21.06.2022 Temporarily suspended
Municipality of Smolyan	Construction of new social residential building in Smolyan (35)	1 864 690.11	1 864 690.11	0.00	652 641.54	In execution 17.09.2018- 17.05.2022
Municipality of Targovishte	Building a modern housing environment for disadvantaged families in Targovishte municipality (18)	1 296 531.00	1 296 531.00	0.00	0.00	In execution 14.08.2020- 14.02.2023
Municipality of Shumen	"Construction of social housing in Shumen" (51)	2 910 238.55	2 867 499.60	42 738.95	1 003 624.86	In execution 11.05.2020- 11.05.2022

## 2 Best practices

### 2.1 Methodological support to municipalities to develop social housing in the Czech Republic

Similar context to the Bulgarian situation

In 2015, 40% of the population was **housing cost overburdened** in the Czech Republic. Housing exclusion and **homelessness is increasing**, homeless people and people at risk of losing housing represent already 187,000 in 2015. In 2017, the need for homeless shelters is already double than the available capacity. Moreover, the lack of affordable quality rental housing is real in the country. The public rental represents only 8 % of the total housing stock. Therefore, social housing is crucial to address the needs of vulnerable groups.

The main challenge however in the Czech Republic was the **discrimination of target groups**, that is why the project is strongly based on principles of inclusion and non-discrimination. This means that:

- all of collaborating municipalities must follow the non-discriminatory measures and general help to fight prejudices (analysis and guidelines provided);
- there should be a special focus on vulnerable groups (people at risk of eviction, single parents with kids, people with disabilities, young people after leaving institutionary care).

The municipalities were helped by a four-year project (2016-2020), which was part of the Czech government's effort to introduce social housing to the Czech Republic. The objective of the project was to **help in the setting up and developing of a system of social housing and to provide adequate methodical support to 16 municipalities and other social housing providers**. The total budget of the project was **€3 759 945, 0310** of which 77,56 % was covered by ESF (under OP Employment) and 22,44 % by the State budget.

The project included the five following activity areas<sup>93</sup>:

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1. International cooperation	Based on the experience gathered from foreign partners <sup>94</sup> : <ul style="list-style-type: none"><li>• good practices from other EU countries,</li><li>• translated handbooks,</li><li>• research activities and</li><li>• regular consultations with experts in the field.</li></ul>
2. Research and analysis	The research activities consisted of field research and four types of analysis for the implementation of social housing: <ul style="list-style-type: none"><li>• <u>analysis of residential segregation</u> in 10 selected municipalities</li><li>• <u>research of neighbor relations</u> in localities where social housing is being implemented</li><li>• <u>comparative analysis of foreign practices</u> with focus on equal access to social housing</li><li>• <u>long-term field research of housing conditions</u></li></ul>

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<sup>93</sup> More information: <https://www.mpsv.cz/web/en/> and on <https://www.housingevolutions.eu/project/methodological-informational-support-to-municipalities-to-develop-social-housing/>

<sup>94</sup> Study visits were made to the Netherlands (Jutphaas Wonen), Finland (Y-Säätiö), UK, Scotland (Motherwell and Wishaw Citizens Advice Bureau), Belgium (Housing Europe), Austria (Verein Wohnen), Sweden (SABO and the City of Stockholm), Ireland (Focus Ireland)

3. The education and methodologies support	<ul style="list-style-type: none"> <li>• seminars &amp; lectures to social workers from municipalities and employment offices' workers dealing with clients in social housing</li> <li>• regional workshops for representatives of municipalities</li> <li>• practical guidelines, case studies (how to interlink social work and housing policies with other social policy instruments)</li> </ul>
4. Collection and distribution of information through the newly established Liaison Centre	<ul style="list-style-type: none"> <li>• Liaison Centre gathers relevant knowledge and share it with Municipalities, other key players (such as NGOs, Academia, etc.) and with the general public.</li> <li>• In order to face difficulty in social acceptance, the Liaison Centre carried out <b>communication activities to raise public awareness</b> about social housing (press releases, newsletters, web pages, conferences, seminars, brochures, etc.)</li> </ul>
5. Municipalities carried out the pilot testing of social housing models.	<ul style="list-style-type: none"> <li>• The Liaison Centre provided Methodological leadership in the pilot testing.</li> <li>• The study visits abroad helped the Ministry to better design the city pilots.</li> </ul>

### Lessons learned

The cooperation between the government and municipalities allowed **mutual learning**. In fact, the Liaison Centre consists of a group of ministerial employees, who gained valuable experience in dealing with individual clients and from the administrative process on the regional level. This insight is reflected in national strategic policies, making them grounded in practice and better applicable.

The most important contribution of the project is the support to municipalities, which has led to **the creation of services providing social housing** or expanding it in 16 municipalities across the state. Those cities and villages now function as an example providing inspiration and experience to other interested parties while simultaneously proving that social housing is a successful and beneficial concept, advantageous for the whole community.

Thanks to the project, municipalities improved their **client selection processes** and **catalogued their housing capacities**. Local housing departments and social departments are engaging with NGOs and other civic groups. Cooperation on the municipal level shows that local social housing policies can be implemented without an overarching national policy. However, such policy is still required to guarantee basic housing rights for all citizens.

Finally, an important lesson is the fact that even **small municipalities need social housing**. Moreover, social work with clients in social housing facilitates smoother and **faster integration and recovery**, also vastly improving the odds of the client retaining the housing. A roof to live under and a social worker's support are the main factors in improving clients' quality of life.

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### Factors to take into account to replicate the project in Bulgaria

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- ✓ Political will: the Czech project was identified as a priority of the Ministry of social affairs

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- ✓ Multi-level governance: The ownership does not only belong to the Ministry level, but also to the Liaison Centre and to municipalities

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- ✓ Transnational nature: learning from other countries, then designing its own model

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- ✓ Pilots: testing on local level

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- ✓ Long-term vision: Establishment of a Liaison Centre that will be available beyond the implementation period to invest in peoples' future
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- ✓ Multi-stakeholder approach: The Liaison Centre should exchange not only with municipalities but also with NGOs and other key players that provide further feedback on implementation
- 
- ✓ Transparency: The Liaison Centre should share information with the general public and keep them up to date with all the latest developments
- 

## 2.2 Jessica II national renovation programme in Lithuania<sup>95</sup>

The scheme aims to support energy efficiency and the use of renewable energy:

**Duration:** 2009 - 2023

**Target group:** home-owners in multi-apartment buildings

**Organisations involved:**

- European Investment Bank
- Financial intermediaries (commercial banks and public agency)
- Ministry of Finance and Ministry of Environment
- National housing cooperatives and home-owners

**Funding method:** ERDF funds, private resources and JESSICA reflows

**Financing method:** preferential loans (issued at a 3% fixed interest rate with maturity of a 20 years)

Jessica is a revolving financial instrument, which blended EU and national funds to bridge the financing gap for energy efficiency projects in Lithuania. In addition, homeowners were initially eligible for up to 40% subsidy upon reaching certain energy efficiency goals after the renovation.

One important priority was to maximise the leverage of its assets through private finance in order to minimise national public contributions to the scheme. To this end, the fund manager (the European Investment Bank) created a specific instrument called 'pre-financings', which are secured by the future reflows from the Jessica II portfolio. This instrument was used to attract €180 million of resources from financial intermediaries, including commercial banks and a public agency.

This was the first time that these institutions took risks on these type of loans in Lithuania. All of Lithuania's 60 municipalities have participated in the Modernisation Programme and this latter had a positive effect on job creation and economic growth.

*Transferability of the project to Bulgaria*

The following elements are crucial to be followed:

- ✓ Strong support from the public sector at regional or national level – the programme may need to be customised in order to better bridge the market gap.
- ✓ Subsidised loan support scheme – the initiative must be affordable to the home-owners and they have to clearly see a payoff in a reasonable timeframe,
- ✓ Existence of dedicated housing providers – required to facilitate the mobilisation of home-owners to engage in the programme.

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<sup>95</sup> More information on the Jessica II scheme on <https://www.energypoverty.eu/observatory-documents/jessica-ii-fund-multi-apartment-building-modernisation> or on [https://www.fi-compass.eu/sites/default/files/publications/Residential%20energy%20efficiency%20financial%20instruments%20in%20Lithuania\\_2.pdf](https://www.fi-compass.eu/sites/default/files/publications/Residential%20energy%20efficiency%20financial%20instruments%20in%20Lithuania_2.pdf)

- ✓ Expertise from the public sector side, the housing associations and the financial intermediaries – efficient project pipeline management, project preparation, procurement processes and financing procedures.
- ✓ Trust between participants – assurances aid developing trust in the programme, which leads to higher interest from the public to participate, and increased private sector invests which leverage the available public funds.

### 2.3 Home renovation support schemes in Estonia and in Ireland

KredEx Revolving Fund for energy efficiency in apartment buildings in Estonia

Estonia shows some similarities with the Bulgarian challenges such as:

- Affordability and accessibility issues
- Ageing and poor energy performance of housing
- Growing demographic challenges
- around 60% of the Estonians are living in apartment buildings<sup>96</sup>

The KredEx Fund', started in 2009, has been provided by ERDF, the Government of Estonia, the Council of Europe Development Bank (CEB) and by the KredEx Foundation.

Aim of the Fund: to renovate at least 1,000 buildings and to target energy savings of at least 20% for buildings with a net area of less than 2000 m<sup>2</sup> and at least 30% for buildings with a net area of more than 2000 m<sup>2</sup>. The Fund provided revolving project finance, under the "Apartment building renovation loan programme" **to multi-family apartment building owners and housing associations** who wish to improve the energy performance and living conditions of their homes, achieve substantial energy savings and reduce their energy consumption. It also administers grants in the energy efficiency and housing sector on behalf of the Estonian national and local authorities.

#### Organisations involved

- Government of Estonia
- the Council of Europe Development Bank (CEB)
- KredEx Foundation which acts as an intermediary for reconstruction grants and grants related to efficiency audits, expert evaluation and project design documents

**Funding:** €72 million (including €3 million ERDF and about €40 million coming from the sale of CO<sub>2</sub> emission allowances)

The Fund is in line with the European Commission's recommendation to have an alternative use of the available ERDF funds for sustainable urban development which were before mainly used as a grant instrument.

**Target group:** home-owners in multi-apartment buildings

**Financing method:** The Fund provides preferential loans and loan guarantees (for renovation of apartment buildings).<sup>97</sup>

Two schemes targeting energy poor households in Ireland:

- *The Better Energy Warmer Homes Scheme*<sup>98</sup>:

Managed by Sustainable Energy Authority of Ireland (SEAI) and the Department of Communications, Climate Action and Environment, the scheme has been established since 2009. It is part of the wider Better Energy Programme which comprises a number of related initiatives under one banner. When households

<sup>96</sup> More on the scheme at <http://citynvest.eu/content/kredex-revolving-fund-energy-efficiency-apartment-buildings>

<sup>97</sup> More information on the Kredex Fund and model: [http://citynvest.eu/sites/default/files/library-documents/Model%2023\\_KredEx%20Revolving%20Fund%20Estonia\\_final.pdf](http://citynvest.eu/sites/default/files/library-documents/Model%2023_KredEx%20Revolving%20Fund%20Estonia_final.pdf)

<sup>98</sup> More information: <https://www.seai.ie/publications/Scheme-and-Application-Guidelines.pdf>

eligible for one component are identified during activities under another, these households can be easily referred to the relevant initiative.<sup>99</sup>

Other organisations involved: the works are delivered through a panel of contractors and community-based organisations, augmented by a panel of private contractors in order to ensure national coverage.

**Aim:** The scheme aims at improving the energy efficiency of the household at risk and in the process, reduce the amount of expenditure that is required to be spent on energy.

**Funding method:** Recipients of the scheme do not receive grants but have measures installed free of charge.

**Target group:** It targets privately owned housing units (built before 2006) of low-income households at risk of energy poverty.<sup>100</sup> Given that the scheme relied on self-referral of vulnerable households, the simplicity of its application procedure (a one-page online application form) proved particularly effective.

**Result:** In 2016, 11,376 low-income households in the South & East region have had their energy efficiency improved. Since its creation, the scheme has upgraded in total 126,889 dwellings with more than €175 million invested.

<b>Beneficiary</b>	<b>Sustainable Energy Authority of Ireland (SEAI)</b>
<b>Total Budget</b>	€21million in 2017, €40 million in 2016 (partly from ERDF and co-funded by the Irish Government)
<b>Timeframe</b>	Regional Operational Programme 2014-2020
<b>Operations</b>	Funding energy efficiency improvements in the homes of the elderly and vulnerable, making the homes more comfortable, healthier and more cost effective to run.  Detailed eligible operations: attic insulation; cavity wall insulation; external/internal wall insulation; other secondary measures such as lagging jackets, draught proofing & energy efficient lighting; and in some cases, heating upgrades and/or window replacements may also be recommended.

- *Local Authority Housing Upgrade Scheme*<sup>101</sup>

Local Authority Housing Upgrade Scheme operates a number of programmes targeted at those homes owned by the state and provided to people with low incomes. Similarly to the Warmer Homes scheme, local authority housing tenants receive the **energy efficiency upgrades free of charge**.

Budget: €50 million has been allocated for energy efficiency work in 2016 and €70million in 2017.

#### 2.4 Establishment of an Investment platform for social and affordable housing in Poland<sup>102</sup>

The investment platform supporting social and affordable housing projects in different municipalities across Poland was signed in 2017, with the aim of investing in total PLN 2.1bn (around EUR 496m) until 2021 in.

Organisations involved included:

- EIB

<sup>99</sup> Page 52, [https://ec.europa.eu/energy/sites/ener/files/documents/low\\_cost\\_energy\\_efficiency\\_measures\\_-\\_final\\_report.pdf](https://ec.europa.eu/energy/sites/ener/files/documents/low_cost_energy_efficiency_measures_-_final_report.pdf)

<sup>100</sup> These vulnerable groups include chronically/severely diseased, households on social benefits, pensioners and unemployed.

<sup>101</sup> More information: <http://www.environ.ie/housing/social-housing/finance/2016-funding-social-housing>

<sup>102</sup> More information: [http://www.eib.org/infocentre/press/releases/all/2017/2017-126-eib-and-bgk-establish-investment-platform-for-social-and-affordable-housing-in-poland-under-juncker-plan.htm?cid=sn\\_twitter\\_na\\_2017-09-01-02\\_en\\_na\\_Poland\\_EFSI](http://www.eib.org/infocentre/press/releases/all/2017/2017-126-eib-and-bgk-establish-investment-platform-for-social-and-affordable-housing-in-poland-under-juncker-plan.htm?cid=sn_twitter_na_2017-09-01-02_en_na_Poland_EFSI)

- Bank Gospodarstwa Krajowego (BGK), the Polish development bank
- Non-profit housing enterprises (TBS)
- Municipalities

The projects to be financed under the investment platform concern **the construction (more than 100 000 housing units) or retrofitting of social and/or affordable housing** units for rental, as well as the **construction of regulated affordable rent-to-buy housing**. In addition, the construction of associated infrastructure (such as roads, drainage, utilities) specifically designed to meet the needs of the housing units will also benefit from this financing.

Beneficiaries: Municipal authorities and registered social and affordable housing providers, such as non-profit housing enterprises (TBS)

The Platform is based on three main pillars.

1. The first pillar – the **National Programme for Support of Social Housing** – already exists, and receives **EIB support** in the form of partial funding for projects totalling PLN 800m (around € 190 million). Complementary lending aimed at the largest projects is to be provided through individual loans for an amount up to a total of PLN 400 million (around € 95 million) from the EIB.
2. These individual loans will be covered by the European Fund for Strategic Investments (**EFSI**), a central element of the Investment Plan for Europe. BGK will complement EIB lending in many cases by using its own funds. The EFSI financing represent € 95million out of the total € 496 million
3. The last pillar, also totalling PLN 400m, consists of **intermediated loans** – projects will be financed by BGK, partially or entirely based on EIB funding.

More details on the Polish model will be presented by BGK during the Housing 2030 conference online on 14<sup>th</sup> April 2021 and the Bank can eventually be invited to the regional workshops to answer further questions. <https://www.housing2030.org/>

## 2.5 The Social Impact Bonds, Housing Impact bonds

The Impact Bond model is an innovative method **allowing wide access to capitals** from the world of investments, **as governments/municipalities guarantee the risk against the commitment to pay for the quantifiable impacts** (e.g., savings to public budget). Through the collaboration between the public actors, this model also improves the quality of public spending and maximizes the investors' return.<sup>103</sup> The Bonds have drawn significant interest in the context of integrated solutions which link different activities together, such as energy efficiency, training services, Housing First and social inclusion measures. The affordable housing sector is already developing such instruments across the continent, some of which are presented below:

- Hémisphère Social Bond, for urgent accommodation in France, with a total of €100 million budget (Caisse des Depots, 2017);<sup>104</sup>
- 2 affordable Housing Bonds in the Netherlands, launched in 2018, to finance the lending to Social Housing Organizations;<sup>105</sup>
- A €500 million Impact Bond, launched in 2018 by the Council of Europe Development Bank for 7 years, to support social-housing and education, through gathering investors' interest of €1 billion to financing loans.<sup>106</sup>

<sup>103</sup> Briefing of the European Parliament on Social Impact Bonds, 2014 <https://www.europarl.europa.eu/EPRS/538223-Social-impact-bonds-FINAL.pdf>

<sup>104</sup> More info on Hémisphère: <http://www.caissedesdepots.fr/groupe-sni-6-000-places-dhebergement-durgence-financees-par-le-fonds-impact-social-hemisphere>

<sup>105</sup> More information on the Dutch Housing Bonds: <https://www.bngbank.com/Funding/Sustainability-Bond-for-Dutch-Social-Housing-Associations>

<sup>106</sup> <https://coebank.org/en/news-and-publications/news/ceb-issues-second-social-inclusion-bond/>

These initiatives are linking investments to the Sustainable Development Goals (SDGs), which in turn tackle different aspects of energy poverty<sup>107</sup>. On top of that, these Bonds provide for capital and projects aggregation, thus **acting as Investment Platforms**. Although increasing interest from the investors' side can be noted, the development of such instruments is a **time-consuming process**, since their implementation require **innovative collaborations between governments, housing providers and investors**, especially concerning the design of their management and implementation plan.<sup>108</sup>

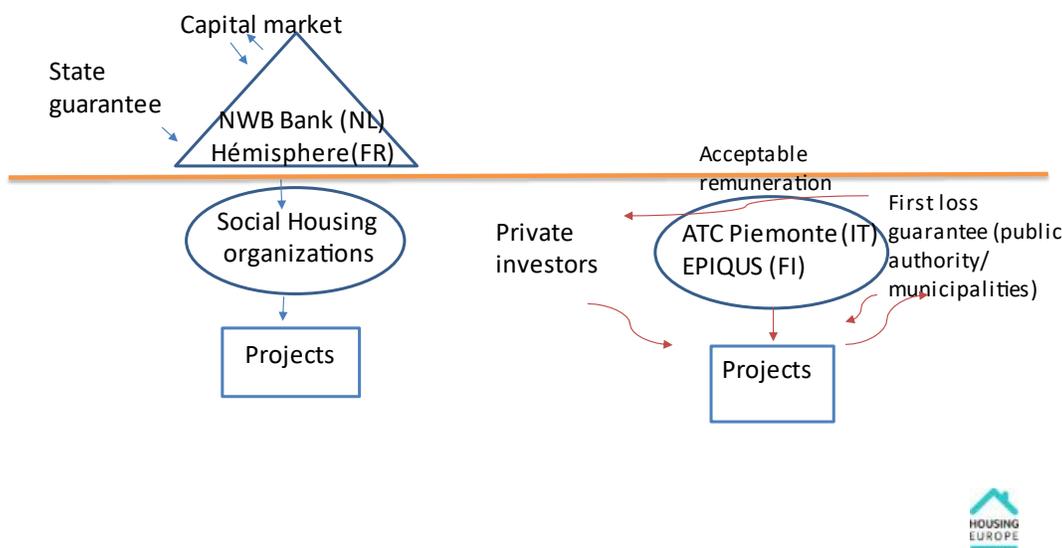


Figure 3. Different models of Bond Structures (Model on the left shows State participation, model on the right shows a decentralized structure)

Source: prepared by Housing Europe<sup>109</sup>

### Case of the Netherlands: Two Affordable Housing Bonds launched by NWB Bank<sup>110</sup>

In 2017, the NWB Bank (Nederlandse Waterschapsbank N.V.), rated Aaa/AAA, launched a **7-year EUR 1.5 billion and a 15-year EUR 500 million inaugural Affordable Housing Bond** to finance the lending to Social Housing Organizations in The Netherlands according to NWB Bank's affordable housing bond framework. Importantly, only investments labelled as Services of General Economic Interest by the government may be financed.

Investors include dedicated investors and committed mainstream accounts such as ACTIAM N.V., Achmea Investment Management, APG, Crédit Agricole S.A., Bankhaus Lampe, Werner Huber, Robeco Investment Management, Municipality Finance PLC and OP Corporate Bank PLC.

The Dutch system, apart from securing housing for those in need, also targets a larger group of tenants, like youth and older people, who are facing challenges to find affordable living.

<sup>107</sup> Mastrucci et al., Improving the SDG energy poverty targets: Residential cooling needs in the Global South, 2019

<sup>108</sup> Page 12-13, Edit Lakatos & Apostolos Arsenopoulos: Investigating EU financial instruments to tackle energy poverty in households: A SWOT analysis, Energy Sources, Part B: Economics, Planning, and Policy, 2019, DOI:10.1080/15567249.2019.1667456, Link to the article: <https://doi.org/10.1080/15567249.2019.1667456>

<sup>109</sup> More information on the Finnish Epiqus Social Impact Bond: <http://www.epiqus.com/funds.html>

<sup>110</sup> More information about the Dutch Housing Bonds: <http://www.housingeurope.eu/resource-951/netherlands-additional-steps-for-social-impact-investment>

## Framework of the Social housing Bond

It is an integral sustainability measurement **based on an internal and an external sustainability assessment of Dutch housing associations**. The internal sustainability is measured using four internal 'capitals', which cover the performance of headquarters of the housing association and its housing units, by assessing:

- the three sustainability capitals (PPP), as indicated by the United Nations Brundtland Commission of 1987, and
- one domain for the Internal Business aspect of the association.

The external sustainability deals with the local environment in which the rental housing units are located. Three (PPP) sustainability capitals also measure this external sustainability performance. The result is that the total sustainability score is based on the mean value of the internal and external performance scores, including in total 7 capitals, 19 themes and 79 indicators.

Preselection step of eligible housing associations: limiting the total group of 331 associations by **preferring in the study those 200 that have a high PPP-sustainability score and are most focused on investing in neighbourhoods with a large social challenge**.

Associations have been defined, based on size and age of property, and on two other types characterized by a large proportion of one-family dwellings or high-rise buildings. From the group of 200 preselected, a total group of **90 associations are selected**. Their classes can be used as the elected associations for a 2018 sustainable social housing bond of BNG Bank.

### **Impact Metrics:**

1. total number of primary targets of low-income households;
2. number of new rental contracts for social dwellings to primary target of low-income households per year;
3. affordability indicator;
4. energy and environment;
5. investments in social dwellings by SHO's.

**Final beneficiaries:** apart from securing housing for those in need, also targets a larger group of tenants, like youth and older people, who are facing challenges to find affordable living.

This development is a proof that it is worth keep working on social impact measurement tools as it is already happening in countries like France. Although the amount of money is not extraordinary for the Dutch social housing sector standards it is a clear indicator that social impact investment may be an emerging opportunity for other countries in greater need to attract funds for housing.

In terms of factors that contributed to the success of the Housing Bond includes

- ✓ Political will (being part of the political Agenda);
- ✓ Risk sharing mechanisms (guarantee from a public actor);
- ✓ Adequate Regulation in place;
- ✓ Existence of long-term, professional housing institutions;
- ✓ Market readiness: standards, transparency, Key Performance Indicators;
- ✓ Partnerships with investors (importance of trust).

Concerning the replicability of the model in Bulgaria, the following elements should be considered:

- **Strong policy objectives** (e.g. reducing poverty, fight against homelessness, energy efficiency)
- **Public interest** (reduced risks): fast use of resources & generation of multiple socio-economic benefits
- **Long term** (20,30 years) at **fixed return** (unlike commercial banks that require refinancing)

- **Finding the right partners:** financial institutions, private investors, Government Agencies
- **Developing markets** for 'bonds' (capital market issues)

Contributing to standardising transparency requirements

- **Technical assistance** for the methodology phase.

## *2.6 Scottish National Housing Strategy*

The successful Scottish National Housing Strategy<sup>111</sup>, was formulated in response to evidence of high and rising need for affordable housing supply. Annual targets for social and affordable housing were devised and met through strategic interventions including capital grants for the construction of social housing, funding for shared equity for affordable home ownership and a grant program for builders of affordable rental housing for key workers.

The Scottish government **set a global budget** to fund the implementation of the strategy interventions and also ensured that robust information on housing needs, disaggregated into private, affordable and social rental housing and affordable home ownership was available for every local government area to aid local planning and investments to deliver required outcomes. It developed the **Housing Needs Demand Assessment tool** which operates across the whole of Scotland and communicates reliable needs information for local stakeholders, which informs and builds consensus for joint locally tailored action and investments.

As part of the strategy **legislative reforms were introduced** affecting the private rental sector and strengthening tenant security and energy efficiency standards. It carefully monitored the impact of rights-based homelessness policies involving local government and non-government organisations and also introduced evidence-based rent controls in high pressure areas, which capped increases to the rate of inflation. An innovative 'rental income guarantee scheme' was also trialled.

To promote home ownership amongst young people, the Strategy provided **targeted assistance to young first home buyers**, but ensured that **public investment** was returned to treasury on any re-sale of the properties.

Expert reviews suggest that the Strategy was by and large successful, and well on track to meet its 50,000 unit target by 2021. To ensure the Strategy stays on track, more regular needs assessment will be required, as well as more focused evaluations of interventions, necessitating strategic monitoring. Today, Scotland's Strategy has provided an example to other UK governments. The governments of Wales and Northern Ireland have also developed needs based assessment and affordable supply programs.<sup>112</sup>

## *2.7 Slovakian reform for a long-term housing policy*

The Slovakian State Housing Concept (SSHP) follows a series of five yearly plans and provides a good illustration of long term, cumulative housing reform to shape better housing system in Central Europe. While Slovakia experienced considerable turbulence during transition including mass privatisation of its housing stock, it has since actively built the legal and financial architecture required to gradually improve and adapt its housing system. The SSHP Concept recognises the leading role of government in creating legal and investment conditions that improve access to housing amongst all, and low-income households in particular. It has pursued this role in a step by step, strategic and well-integrated manner, working across related policy areas – from justice and finance to social affairs and regional development.

The State Housing Policy of 2010-2015 gave central importance to the concept of sustainability – which it saw as being supported by social, economic and environmental pillars. The completed plan made fundamental progress in terms of legislation, mission focused institutions and programs, which now under

<sup>111</sup> The Scottish government provides many useful links to its housing strategy and related programs starting from here: <https://www2.gov.scot/Topics/Housing>

<sup>112</sup> An informative video presentation by Professor Ken Gibb, on Scotland's National Housing Strategy can be viewed here: <https://www.youtube.com/watch?v=IXOaFfEok6M>

better functioning housing markets. The Slovakian parliament approved 16 tasks of the SSHP, to reform the legal framework and establish supportive economic instruments. These tasks were completed by their ministers of finance, justice, economy, labour, social affairs and family, construction and regional development, within a defined time frame (2011-2014). These clearly specified tasks have built and institutional and legal framework which has improved access to housing and the technical quality of housing thereby improving its energy efficiency and durability. The co-ordinating government agency driving these reforms was the Ministry of Transport, Construction and Regional Development (MRCRD).

Of course, challenges still exist and the most recent SSHP concept for 2020 builds on past efforts; it confirms successful subsidy programmes and activities of the State Housing Development Fund, and also clearly outlines new priority tasks for specific ministries. Each task is specified, as is the responsible authority and co-operating partners and time lines are clearly defined. Some of the completed tasks include:

- Draft legislation on the determination of regulated price of rent for dwellings acquired with public funds usage
- A review of tax instruments supporting investment in rental housing
- Development of a feasible model of housing allowance to create conditions for achievement of sustainability of adequate housing
- Investigation of a legal framework, regulatory system for providers and implementation tools for not-for-profit housing provision
- Assess the adequacy of legal rights and responsibilities associated with short term tenancies<sup>113</sup>

## *2.8 Decentralised funding in Austria*

Austria's national governments once allocated revenue and transferred funding to sub-national governments in order to promote affordable housing supply on a transparent resource sharing basis. Over the past three decades, such agreements were dismantled leading to more fragmented response by provincial governments.

In Austria, housing budgets were endorsed for a defined period (5 years) by a financial equalization agreement ("Finanzausgleich") between the Länder (regional government) and the federal (or national) government. But since 2009 transfers of funds to state bodies for housing programs were capped and later no longer earmarked for housing. While housing goals are put forward by the federal government, for example concerning CO2 emissions and reaching Paris targets, no specific modes of provision, forms of tenure or supply targets were detailed. This has led to differences between housing programs and undermined a more comprehensive national effort. Some regions have the capacity and willingness to respond to developments in the housing market and adjust their programs to promote stability, while other provinces are unwilling to play this role or are simply constrained by weak public finances. Some provincial governments strongly support affordable rental housing, while others the promotion of home ownership.

Thus, while decentralised multi-level governance has certainly allowed for differences, and promoted innovation amongst pro-active regions, unfortunately the lack of tied or dedicated resources and the absence of prescribed use of funds meant that some regional governments have become less active in the housing realm. Vienna is a city state (i.e. is also a lander) and it that has remained very committed and has is world renowned for its affordable and inclusive housing.<sup>114</sup>

## *2.9 View on the Integrated Territorial Investment (ITI)*

ITI is an instrument designed for a place-based development that can assist in unlocking the under-utilised potential contained at local, city and regional levels. The ITI tool **allows Member States to bundle funding**

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<sup>113</sup> For a detailed outline of Slovakia's State Housing Policy Concept Notes to 2020 see:

<https://www.mindop.sk/ministerstvo-1/vystavba-5/bytova-politika/dokumenty/koncepcie/state-housing-policy-concept-to-2020-pdf-628-kb>

<sup>114</sup> Mundt, A (2018), Privileged but Challenged: The State of Social Housing in Austria in 2018, Critical Housing Analysis, 5(1)|12-25, <http://dx.doi.org/10.13060/23362839.2018.5.1.408>

from several priority axes of one or more Operational Programmes to ensure the implementation of an integrated strategy for a specific territory.

ITIs can only be effectively used if the specific geographical area concerned has an **integrated, cross-sectoral territorial strategy**. The key elements of an ITI are a designated territory and an integrated territorial development strategy; a package of **actions**; and governance **arrangements to manage the ITI**.<sup>115</sup>

The added value of the ITI is firstly that it makes the integrated use of funds easy and therefore has the potential to have a better outcome for the same amount of public investment. In addition, delegation of management of ITIs will **empower the local stakeholders** by their involvement in programme preparation and implementation. The ITI will also **give greater certainty** regarding the funding for integrated actions.

The CLLD is a specific delivery method, that can be used as one of the building blocks to implement an ITI on local level. A bottom-up approach, therefore it is the local action group that determines the content of the local development strategy and the operations financed under it.

The place of housing in integrated urban development -importance of a district approach

Housing policy and other urban policies have important impact on each-other, thus housing should be included in the new integrated approach for territorial investment. When planning social housing construction, the link for example **with spatial planning** is key to efficiently distribute economic activities; improve technical and social infrastructure and services; undertake urban regeneration. ITI can be used efficiently in this case if it is harmonised with (or integrated in) the domestic spatial-urban planning-development system.

As stressed in a recent European Commission report<sup>116</sup>, the integrated approach to urban development underlines the importance of **going beyond sectoral policy approaches** in order to strengthening potential urban development synergies. It means that an integrated development process **requires a multi-level governance and a place-based approach**, thus stimulating close cooperation across all territorial levels and stakeholders. It is crucial that the implementation requires a strategic connection with regional and national territorial planning guidelines.

The Integrated Territorial Investment (ITI) tool<sup>117</sup> is a great opportunity to link broad social housing proposals to other aspects of public policy to meet the needs across the population which were identified in the previous programming periods. For that to be successful in the long run, the following points need to be taken into consideration:<sup>118</sup>

- The ITI is an adequate instrument to address local development needs and taking into account territorial aspects. However, in terms of **programme cycle**, the **tasks and relations of the relevant territorial actors** need to be properly **clarified**.
- The ITI should also respond to territorial strategies. There should be a **strong and transparent link between the territorial strategy and project selection**.
- Beyond the city approach, **new types of territorial structures** (functional urban area, rural area, thematic areas, regional ecosystem) of integrated development could be introduced and strengthening the territorial integration of projects.
- The **local authorities will need to play a much more proactive role** in future by setting up the right agreements at an early stage such as clustering social housing and agreeing a management plan, signing partnership agreements to ensure surrounding social infrastructure. They could consider using **local and multi-sectorial agreements**. On the other hand, as the CEMR study

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<sup>115</sup> European Commission Guidance fiche, 2014

[https://ec.europa.eu/regional\\_policy/en/information/publications/guidelines/2014/guidance-fiche-integrated-territorial-investment-iti](https://ec.europa.eu/regional_policy/en/information/publications/guidelines/2014/guidance-fiche-integrated-territorial-investment-iti)

<sup>116</sup> European Commission (EC). Handbook of Sustainable Urban Development Strategies; Joint Research Centre; European Commission: Brussels, Belgium, 2020

<sup>117</sup> [https://ec.europa.eu/regional\\_policy/sources/docgener/informat/2014/iti\\_en.pdf](https://ec.europa.eu/regional_policy/sources/docgener/informat/2014/iti_en.pdf)

<sup>118</sup> Page 21-23, Urban Regeneration in Europe, The place of housing in integrated urban policies, Brussels, 2009, Housing Europe

highlights, this cannot happen without the trust of the Managing Authorities. They should *allow local partners to be more proactive supporting local bodies developing ITI and addressing the possible concerns of the Managing Authority, regarding the potential added value to be made sub-delegating responsibilities and budgets via ITIs.*<sup>119</sup>

- Secondly, a **creative community involvement** should be ensured. With the help of market surveys, housing capacity studies, the creation of residents’ forums creates the human contact and helps to get the local community on board. All that can be implemented in an **area-based CLLD framework**<sup>120</sup> that gives a tangible tool to local communities to take part in shaping the implementation of projects.
- Thirdly, in terms of the **housing management**, the **responsibilities** need to be sorted out before the first tenant moves in, and in the case of regeneration areas, **the local authority** needs to take on the ongoing responsibility of maintaining standards to avoid the place declining when development is completed. Dutch settlements offer good practices (project Beyond Ecotowns), but probably the most inspiring example is Hammarby Sjostad on the edge of Stockholm, which is the subject of a film produced by Design for Homes<sup>121</sup>
- Fourthly, the **neighbourhood management** should be primordial for local authorities. Great effort must be put into **community development and training** (personal development programmes) that address the roots of worklessness. Facilities around such as schools, football club, youth centre, training centres and shops have their role to play to occupy the jobless. Innovative projects such as Greenwich Millennium Village or “Our Neighbourhood’s Turn”<sup>122</sup> show that this involves much more than simply designing and building social infrastructure early on.
- Finally, as discussed under the recommendations part, municipalities should increase their efforts in **building capacity of territorial actors**. This will strengthen the territorial planning, implementation, monitoring and control capacity of stakeholders. It can help to strengthen the targeted responses to territorial specific needs.<sup>123</sup> For that, technical assistance is crucial to be allocated.

Recapitulative of the tools to achieve a successful ITI

<b>Objective</b>	<b>Tools</b>
Going beyond the city approach to define territorial structures	Introduction of new types of territorial structures (functional urban area, rural area, thematic areas, regional ecosystem)
Effective programming	Tasks and relations of the relevant territorial actors need to be properly clarified.
The ITI should respond to territorial strategies	Establishing a strong and transparent link between the territorial strategy and project selection.
Local authorities should play a proactive role	Finalising agreements at an early stage: clustering social housing, establishment of a management plan, partnership agreements (local, multi-sectorial)

<sup>119</sup> The implementation of the Integrated Territorial Investments (ITIs) by Member States, CEMR, 2015, [https://www.ccre.org/img/uploads/piecesjointe/filename/CEMR\\_Study\\_ITI\\_EN-0.pdf](https://www.ccre.org/img/uploads/piecesjointe/filename/CEMR_Study_ITI_EN-0.pdf)

<sup>120</sup> European Commission factsheet, [https://ec.europa.eu/regional\\_policy/sources/docgener/informat/2014/community\\_en.pdf](https://ec.europa.eu/regional_policy/sources/docgener/informat/2014/community_en.pdf)

<sup>121</sup> [www.designforhomes.co.uk](http://www.designforhomes.co.uk)

<sup>122</sup> “Our Neighbourhood’s Turn” project created among others a neighbourhood website; an Information centre; Kids–café with activities for parents and children and cooperation with police to create safer environments.

<sup>123</sup> Integrated Territorial Investment (ITI) – Successful regional development policy, October 2019, Brussels [https://europa.eu/regions-and-cities/programme/sessions/533\\_en](https://europa.eu/regions-and-cities/programme/sessions/533_en)

	Managing Authorities should trust the local level and to allow local partners to be more proactive
Creative community involvement	Market surveys, housing capacity studies, creation of residents' forums, area-based CLLD framework
Housing management responsibilities (maintenance) should be decided at an early-stage	Multi-sectoral agreements, Agreements with future tenants
Neighbourhood management should be primordial	Community development, training (personal development programmes), Development of facilities around (schools, football club, youth centre, training centres, shops)
Building capacity of territorial actors	Thematic trainings for managers, experts, peer-2-peer exchange, Liaison Centre, study visits, etc. by using technical assistance

### **3 Workshops with regional representatives**

#### **3.1 Background**

Building on the findings of this report, the workshops carried out as part of this project targeted local and regional government representatives and relevant stakeholders with the main objective to discuss the role of local governments to implement social housing programmes workshops in the six NUTS2 regions in Bulgaria. Originally, the workshops were conceived to be held in person, one per region. Nonetheless, restrictions imposed by the COVID-19 pandemic and, later, by uncertainty concerning the formation of a new national government in 2021, led to a shift in the approach, described in more details below.

The workshops were hosted by the government of Bulgaria with technical support from UN-Habitat, UNECE and Housing Europe.

#### **3.2 Objectives**

The scope and purpose of the workshops included:

1. Communicate the findings of the Report to local authorities, municipalities, and key stakeholders at regional and local level.
2. Discuss the specific problems of the municipalities related to the implementation of the social housing policy.
3. Improve knowledge exchange of international best practices on the implementation of social housing programmes.
4. Discuss on the ideas and design communication campaigns to change attitude and increase the buy-in of local governments towards social housing programmes.
5. Facilitate the capacity building of local government representatives in Bulgaria in developing improved project proposals on housing and infrastructure embedding proposed recommendations.

The revisited format of the workshop considered a national workshop covering points 1-3 above, which focused on discussing challenges and recommendations concerning social housing programmes at the local level (4). Two additional national-level thematic workshops were then delivered on point 5 (capacity development), where the four main topics of interest according to the feedback from the first workshop were covered during training sessions delivered by UN-Habitat/Housing Europe.

#### **3.3 Timeframe**

The workshops were conducted in the following dates:

- 20 October 2021: Report Validation Workshop
- 17-18 November 2021: Capacity-Building Sessions

#### **3.4 Format & Participants**

The workshops were held virtually and contained a mix of presentations delivered by UN-Habitat, UNECE and Housing Europe, and a set of exercises to be carried out by participants. Moderation was carried out by UN-Habitat with support from Housing Europe, in English with real-time translation to Bulgarian.

The list of participants for each session is provided below.

Prior to the delivery of the workshop, a survey was circulated amongst the potential participants. Unfortunately, response was not high (only six respondents, and only one of them with experience in the implementation of the OPRG). Therefore, the online survey was complemented by a real-time survey during the first session of the workshop.

### 3.5 Agenda

#### **Session 1: Report Validation Session**

Covering points 1-4: validation and localization of analysis and recommendations of the report “Lessons learned on the current OPRG 2014-2020 and recommendations that can inform future social housing policy as well as the next EU programming period 2021-2027”)

Time	Session	Description
09:00 – 09:15	1) Introduction and setting the scene	Opening remarks: Mr. Ivaylo Stoyanov, Head of Unit Strategic Planning and Programming, DG "Strategic Planning and Programmes for Regional Development" - MA of OPRG
09:15 – 09:45	2) Main challenges	Presentation of the challenges concerning the development of housing initiatives identified in the report together with the recommendations elaborated as part of the study
09:45 – 10:45	3) Zooming in at local level – 1	Opportunity for participants to validate and provide comments on their experience in the development of housing initiatives
10:45 – 11:30	4) Way forward	Presentation of case studies of other countries in Europe in overcoming one of more of the challenges identified with Key lessons for Housing2030 and of the actions on how to operationalize the recommendations presented
11:30 – 12:30	5) Zooming in at local level – 2	Opportunity for participants to validate and provide comments on the proposed actions and way forward
12:30 – 12:45	6) Wrap-up	Summary of the discussions Next steps for regional workshops Closing remarks: Mr. Ivaylo Stoyanov, Head of Unit Strategic Planning and Programming, DG "Strategic Planning and Programmes for Regional Development" - MA of OPRG

#### **Sessions 2 and 3 – Capacity Building**

Covering point 5: capacity building on priority topics. Each workshop will include 2 topics selected as priority by stakeholders during the first session.

#### **Session 2**

Time	Session	Description	Lead
09:00 – 09:15	1) Introduction and setting the scene	Opening remarks and participants introductions	MRDPW UN-Habitat and UNECE
09:15 – 10:00	2) Topic 1	Housing policy elements and definition	UN-Habitat
10:00 – 11:00	3) Exercise on Topic 1	Group exercise	Participants break up in groups

Time	Session	Description	Lead
11:00 – 11:15	Break		
11:15 – 12:00	3) Topic 2	Housing programme definition, including: <ul style="list-style-type: none"> <li>- How to tailor them to regional needs</li> <li>- How to integrate social services and other elements to housing projects</li> </ul>	Housing Europe
12:00 – 13:00	4) Exercise on Topic 2	Group exercise	Participants break up in groups
13:00 – 13:30	6) Wrap-up	Summary of the discussions Closing remarks	UN-Habitat MRDPW

### Session 3

Time	Session	Description	Lead
09:00 – 09:15	1) Introduction and setting the scene	Opening remarks and participants introductions	MRDPW UN-Habitat and UNECE
09:15 – 10:00	3) Topic 3	Housing finance options including: <ul style="list-style-type: none"> <li>- Resources for the maintenance of the housing stock</li> <li>- Available funding options</li> </ul>	Housing Europe
10:00 – 11:00	4) Exercise on Topic 3	Group exercise	Participants break up in groups
11:00 – 11:15	Break		
11:15 – 12:00	3) Topic 4	Engagement with local communities	Housing Europe
12:00 – 13:00	4) Exercise on Topic 4	Group exercise	Participants break up in groups
13:00 – 13:30	6) Wrap-up	Summary of the discussions Closing remarks	UN-Habitat MRDPW

### 3.6 Materials

The material for the workshops will include PowerPoint presentations for each of the sessions. This report “Lessons learned from the OPRG 2014-2020 and recommendations for the OPDR 2021-2027 and other relevant plans” was translated and shared beforehand with the participants for their review.

## 3.7 Results

### 3.7.1 Surveys

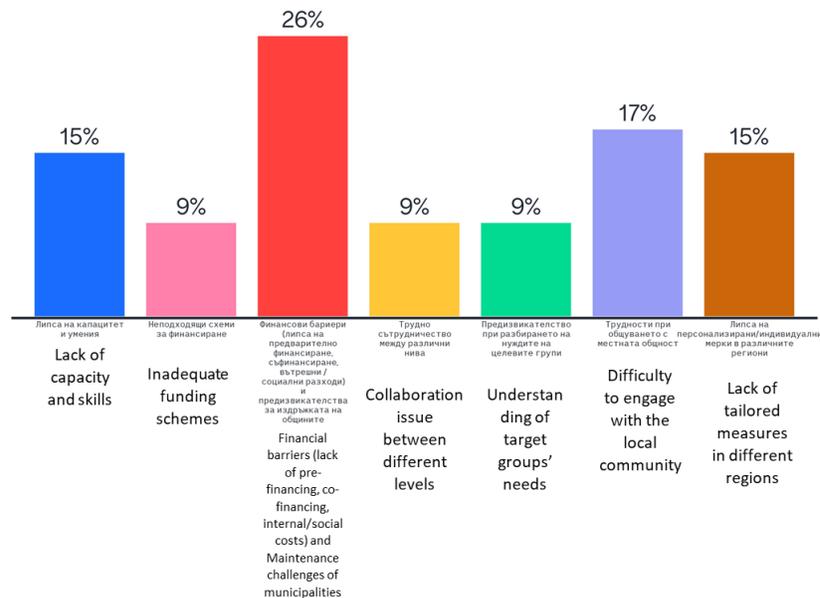
Surveys with workshop participants were carried out before and during Session 1 of the workshop, so as to gather insights on the main challenges and main priorities concerning housing-related projects at the regional and local levels that could be addressed in Sessions 2 and 3. The full survey form is provided in Section 3.8.

Seven government officials, from both regional and district governments, replied to the pre-workshop survey, but only one had experience in housing projects (in Svishtov Municipality). The main challenges reported by respondents in elaborating and implementing were related to accessing and applying financing schemes and government support, and, for those not involved in housing projects, the need for improved awareness and communication, as well as training on housing development approaches and integrated projects (that include not housing but also surrounding infrastructure and services) were mentioned as priority topics for capacity development.

Participants had another opportunity to identify main challenges and priorities during Session 1. Up to 22 respondents confirmed that financial barriers are indeed amongst the main topics of concern, along with the difficulty to engage with local communities, lack of tailored measures that address the needs in different regions, and the lack of capacity skills to implement projects. In addition, the need for integrated projects was once again highlighted as a priority, along with, once again, accessing funds and technical assistance. The details results were provided below. The findings of these surveys were used for the definition of the topics for capacity development in Sessions 2 and 3, as described in the next section.

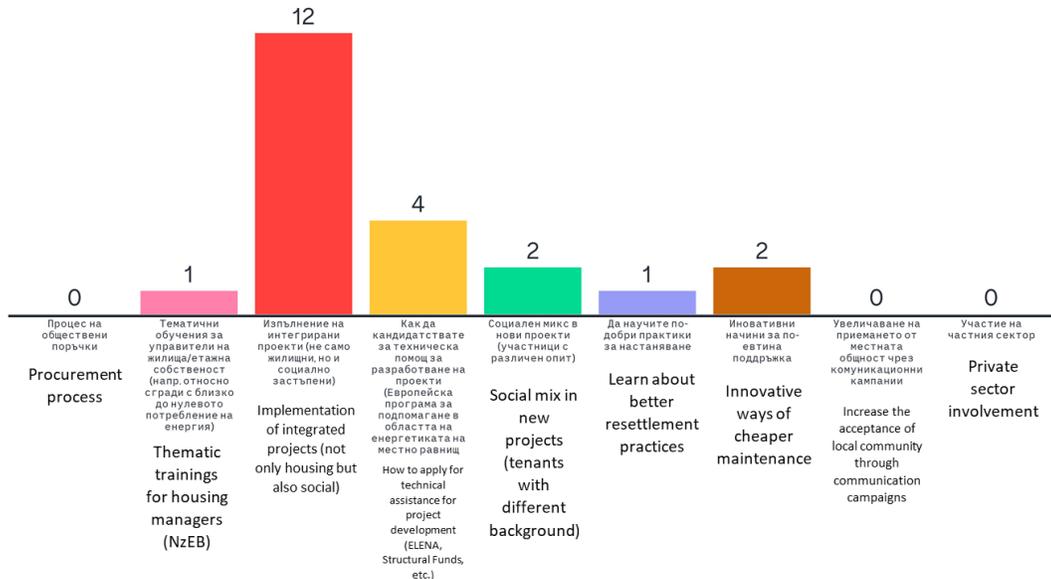
Did you experience any of the following problems in implementing the projects under the OPRG framework?

Mentimeter



17

## What are the priorities you would like to discuss during the regional workshop?



### 3.7.2 Workshops

During the workshops the topics below were further discussed with the audience. Please find in detail the issues highlighted by the municipalities:

#### Topic 1: Housing policy elements and priority areas related to housing programmes:

- The participants underlined what the last survey already showed: **high interest in EU funding and national funding** for maintenance, new construction or renovation. The municipalities are interested to improve their skills regarding application and execution of projects.
- The participants underlined **the need for policy for affordable housing for all** at national level, which can support the local level moving forward. This policy should include a **reform on the regulation of prices** to avoid housing cost overburden (when housing related costs reach more than 30% of income). Monthly **income** should be the key indicator defining the rent price. Other ideas such as caps on rent to avoid excessive rents were also mentioned.
- The audience had an extensive discussion on **the need to broaden the range of eligible target groups**. Currently Bulgaria has three target groups which is not inclusive enough and exclude some categories in need such as low-income single old households (who cannot afford rent, but nevertheless they are in need). A good starting point could be to set up a definition for “*people with housing problems*”.
- The municipalities also had a discussion on the **tenancy duration** of 3 years. Some of the participants consider this period too short for integration and suggest **a 5-year period or a tenancy until need persists**. Some other municipalities suggest **some conditionalities** linked to the renewal of contracts.

- The audience found interesting the **inclusion of social mix** into new buildings to guarantee income for the municipalities for future investments but also to broaden the target group scope.

## Topic 2: Discussion on integrated services

- The audience exchanged ideas on the **target groups of integrated services** and raised the issue of the **elderly population** and their need in these services. The Telehelp project was a first experience in providing extra help for old homeowners in Bulgaria.
- Municipalities expressed their challenges in putting in place complex projects. They highlighted the need to **work more with social workers** (for helping employment inclusion) but also with **private sector stakeholders** to be more successful. The involvement of social workers in the work on the definition and objective of support would be key (partnership principle).
- Municipalities also mention their **need for improved skills to manage partnerships at local level** (contracts with private companies, management plan, partnership agreements). This role should be **reflected by the national legal framework and national funding should be secured** for municipalities for leading the work.
- In terms of projects under the OP, the **requirements for housing standards should be well articulated** and consistent with the local conditions. This means that more flexibility in defining local standards is needed for the municipalities as beneficiaries to implement projects. Some municipalities also underlined the **need for a standard on social service provision on national level**.
- Municipalities highlighted the **need to communicate differently** towards the population on integrated services as there is a misconception among the public. Housing support is one element to achieve quality of life among other type of supports (employment/social services/etc.)

## Topic 3: Municipalities' experience with EU funding

- Delay is experienced related to the execution of the municipal housing projects due to **capacity issues and procurement constraints**.
- The municipalities highlighted the importance of fitting the new projects into the urban landscape. **Social housing should be an integral part of urban planning**.
- The audience spoke about their interest to **encourage more CLLD** (community led local development) projects in the future.
- The participants welcomed the initiative of the Ministry on the future **establishment of Information centres** in the 10 biggest cities. Conducting information campaigns will improve the local acceptance and engagement with the future tenants.

## Topic 4: Engagement with the local population, discussion with Marek Mikulec, Ostrava city, CZ

- The key element of the Czech project was placing the **human in the centre** of communication (they use personal stories in videos, articles, etc.). Ostrava city also established a Working group with stakeholders that give evaluations and brainstorm about next steps.

- The audience was interested in the way that Czechia applied to convince the local community that it was necessary to build social housing.  
The success factors include:
  - **The different municipal districts participated in the communication activities.**
  - They paid attention to **social mix** (only putting 1-2 social apartments in the entire housing block or maximum 20% of the housing block is social housing).
  - **Safeguards** are put in place before the project: If there is a problem in the neighbourhood, social workers will be assisting the tenants
  - Engagement with the future beneficiaries from an early stage: Ostrava set up the expectations towards them, so they are aware about their responsibilities
- Marek Mikulec also presented the target groups in Ostrava and informed that they are using the **available data on homelessness and housing need** to establish the target groups. People with bad housing situation are prioritized.
- In terms of the **tenancy contract**, Marek Mikulec informed that people can live in the social housing until their situation improves (they use the income as indicator).
- Cooperation with private owners: In Ostrava, the biggest share of housing is private therefore the potential of a **Social rental agency model** is high. The 'Social rental agency' model is developing in the whole Czechia, not only in Ostrava and it include different actors such as the municipality, private owners, NGOs. Czechia is also using ESF+ funding (European Social Fund Plus) for setting up the Agency). However, you need to have a guarantee fund for minimizing the possible loss of rent or destruction of furniture etc.
- In order to avoid segregation and improve acceptance, **social mix is applied** in the city of Ostrava, as well as the **construction of small buildings**.

Finally, the tenancy period was again discussed with the city of Ostrava. The participants were interested to know more about the different models and methodologies that exist in Europe to define the tenancy period. In general there is significant diversity across Europe in terms of eligibility rules for social housing as well as duration of lease contracts and regular re-assessment of whether tenants still fulfill eligibility criteria<sup>124</sup>.

For instance in England, new council housing tenants are often offered an initial 12 'trial' period. After that (unless the tenant is evicted or the trial period renewed for another 6 months) they automatically become tenants but the council has different options when it comes to the lease: secure tenancies are open ended contracts which means the tenant can potentially live there for the rest of his/her life; flexible tenancies are for a fixed period of at least 5 years, though in some cases it may be between 2 and 5 years<sup>125</sup>.

On the contrary in France<sup>126</sup>, social housing lease contracts are all open-ended. However, it can be terminated by the landlord under certain circumstances. Notably, the lease is terminated if the household income is found to be more than 1.5 times higher than the income ceiling for allocation of social housing for two years in a row. This only applies to certain municipalities where the housing market is significantly under pressure, defined by the government. tenants aged over 65 and people with disabilities are excluded. In case of those households whose income increases but don't have to leave the home they live in, the rent is increased accordingly.

<sup>124</sup> See for instance OECD Affordable Housing Database <https://www.oecd.org/els/family/PH4-3-Characteristics-of-social-rental-housing.pdf>

<sup>125</sup> See <https://www.gov.uk/council-housing/types-of-tenancy>

<sup>126</sup> See <https://www.service-public.fr/particuliers/vosdroits/F2559>

### 3.8 Survey Form Template

#### Survey for Bulgarian regions

*Updated on 7 July 2021*

##### Background

In the framework of the UNDA 11th tranche project, **six subnational workshops** will be organised on the role of local governments to implement social housing programmes workshops in the six NUTS2 regions in Bulgaria. The subnational workshops will be hosted by the government of Bulgaria with technical support from UN-Habitat, UNECE and Housing Europe. The workshops will target local and regional government representatives and relevant stakeholders.

The content will build on findings from the report on '*Lessons learned on the current OPRG 2014-2020 and recommendations that can inform future social housing policy as well as the next EU programming period 2021-2027*' prepared by Housing Europe for UN-Habitat.

The purpose of the workshops:

1. Communicating the findings of the Report to local authorities, municipalities and key stakeholders at regional and local level.
2. Discussing the specific problems of the municipalities related to the implementation of the social housing policy.
3. Improving knowledge exchange of international best practices on the implementation of social housing programmes.
4. Discussion on the ideas and design communication campaigns to change attitude and increase the buy-in of local governments towards social housing programmes.
5. Facilitate the capacity building of local government representatives in Bulgaria in developing improved project proposals on housing and infrastructure embedding proposed recommendations.

##### **GENERAL INFORMATION**

1. Name of respondent
2. Name of local administration/ organization represented:
3. Type of organization:
  - a. Governmental
  - b. Private sector
  - c. NGO and civil society
  - d. Academia
  - e. Other
4. Title:
5. Gender: Male/Female
6. Number of years working with the organization
7. Region of interest:
  - a. North West
  - b. North Central
  - c. North East
  - d. South West
  - e. South Central
  - f. South East

## INFORMATION ON OPRG

1. Do you have any experience in participating in project design and implementation under the 2014-2020 OPRG for the purpose of housing and associated infrastructure and services? This can include, amongst others, supply and/or renovation of housing, development of new settlements, resettlement projects, provision of basic services in underserved neighborhoods, and social services.
2. Did you contribute to the implementation of any housing related project with funding received from the 2014-2020 OPRG? If yes, please list them and specify the year and region where they were implemented
3. What were the main results and achievements? Please list three at least
4. What were the particular elements or processes that contributed to the successful project implementation (best practices)? Please list three at least
5. Did you experience any of the following problems in implementing the projects under the OPRG framework? Please select a maximum of three main issues
  - a. Lack of capacity and skills
  - b. Inadequate funding schemes
  - c. Financial barriers (lack of pre-financing, co-financing, internal/social costs) and Maintenance challenges of municipalities
  - d. Collaboration issue between different levels
  - e. Challenge of understanding of target groups' needs
  - f. Difficulty to engage with the local community
  - g. Lack of tailored measures in different regions
  - h. Other, please specify
6. Please elaborate on the issues selected above explaining how you addressed and overcame them
7. In your opinion, what could improve the formulation and implementation of OPRG project implementation in regions?
8. Would you like to present your project experience during the workshop?
  - Yes/No
9. What are the priorities you would like to discuss during the regional workshop? Please select a maximum of three
  - Procurement process
  - Thematic trainings for housing managers (NzEB)
  - Implementation of integrated projects (not only housing but also social accompanying)
  - How to apply for technical assistance for project development (ELENA, Structural Funds, etc.)
  - Social mix in new projects (tenants with different background)
  - How to effectively involve future tenants from the beginning
  - Learn about better resettlement practices
  - Innovative ways of cheaper maintenance
  - Increase the acceptance of local community through communication campaigns
  - Private sector involvement
  - Other, please specify