



Experience with financing small and medium municipalities in Bulgaria

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Fund FLAG and its key role in municipal financing

Overview



- Established in 2007 as a 100% state owned instrument for regional development;
- Targeted at addressing market failure, esp. of small and medium municipalities;
- Providing “bridge” loans and loans for own contribution for ESIF funded projects;
- Supported more than 220 out of 265 municipalities;
- 25% share of total municipal debt (excl. Sofia);
- Trusted and respected partner of Bulgarian public authorities;

FLAG ACTIVITY 2009-2021

**1 300 Loan agreements
for total of EUR 1 bn.,
supporting projects for
EUR 3.6 bn.**

Fund FLAG and financial instruments

Overview



Fund for Sustainable Urban Development

- Urban Development Fund for Sofia 2007-2013 (JESSICA initiative)
- Budget: ≈EUR 25 m.
- FSUD – subsidiary, 100% owned by Fund FLAG
- FLAG provides 50% co-financing

Sustainable Cities Fund

- Urban Development Fund for Sofia and Southern Bulgaria 2014-2020
- Budget: ≈EUR 170 m.
- Partnership between FLAG and FSUD, UBB and BCO;
- FLAG provides 10% of the co-financing (41%)

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- Complementing UDFs, providing financing to municipalities that are not eligible for funding
- Budget: >EUR 50 m.
- Finance contract with EIB for EUR 25 m, FLAG provides at least 50% co-financing;

Small and medium municipalities in Bulgaria

Overview



1

231 out of 265 are rural municipalities all of which experiencing persistent infrastructure gaps

3

Most of them lack financing and commercial banks abstain from financing - market failure



2

Negatively impacted by demographic changes and population shifts to major cities

4

No significant dependency between the fiscal discipline and the size of the municipality, low level of indebtedness

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Scopes and objectives

- Strategic relationship supporting the alignment of European and national funding and advisory services in support of sustainable urban development;
- **Main objective** - to benefit Bulgarian municipalities and to fill in the gaps and white spots in a complementary way to the Urban Development Funds, with respect to eligible cities, areas and activities;

Key factors for the set-up

- Experience with financial instruments for urban development, FoF, EIB
- Local fund manager with strong credibility and proven municipal track record
- Need for expert technical support, provided by EIAH to FMFIB PIF unit

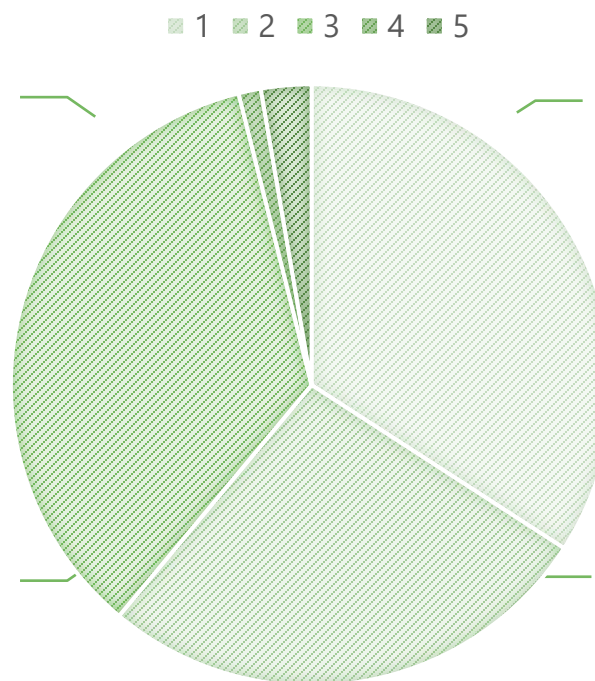
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Targeted sectors and financed projects



1 Upgrading urban green areas and open public spaces – 34,1%

3 Upgrading small scale basic municipal infrastructure (street network, drinking water, sewer, etc.) – 35%



2 Renovation and reconstruction of public buildings (EE of schools, health centers, administrative buildings etc.) – 26,9%

4/5 Area based integrated urban regeneration actions - 1.2% and sustainable transport – 2,7%

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Project Examples



Upgrading of small-scale infrastructure in the municipality of Valchedrum

EUR
0,5 m



Installation of solar panels on rooftops of public buildings in the municipality of Maglizh

EUR
0,3 m



Renovation and EE measures of a swimming pool in the municipality of Pavlikeni

EUR
0,2 m

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Lessons Learned



- Municipalities need financing for green transition and improvement of infrastructure **NOW!**
- IPs can provide flexible and timely financing that can compliment EU/national funding for green transition;
- Local experienced partner is a prerequisite for success;
- Fund FLAG proved to be a strong aggregator of investments of small and medium municipalities;
- Technical support is crucial for ambitious municipal projects.





Thank you!

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