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GEF Anchor Notified? yes
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TO:	GEF Anchor, GEFSEC, ENVGCISC
DATE:	06/30/2003
NAME:	Emilia Battaglini
REGION:	ECA
COUNTRY:	Bulgaria
PROJECT TITLE:	OP 5 - Energy Efficiency Project
FOCAL AREA:	Climate Change
TYPE:	PDF B - Request for Comments/CEO Endorsement

ATTACH DOCUMENTS HERE:

(Attach electronic copy of cover memo, the document and endorsement letter.)



Bulgaria - EE - CoverMemo for PDFB GEF-PDF-B.doc



FP Endorsement Letter----->



GEF Letter.TIF

CC: Ailis Rego, UNEP; Ajay Mathur, ENV; Amrita Achanta, UNFCCC; Anne-Marie Verbeken, STAP; A. Djoghla, UNEP ; Chris Whaley, STAP; D. Aryal, ENVGC; Envgc Isc Files; Frank Pinto, UNDP; GEF Anchor; GEF Program Coordination ; Guadalupe Duron, STAP; Julia Carabias, STAP ; Obi Ugochuku; Robin Burgess, UNEP; R. Khanna, ENVGC ; Todd Johnson, ENV; Y Sakairi, ENV

You can add additional addressees here (This must be in email address form). Please separate multiple entries with commas:

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OFFICE MEMORANDUM

DATE: June 30, 2003

TO: Mr. Ken King, Assistant CEO, GEF Secretariat
Att: GEF PROGRAM COORDINATION

FROM: Lars Vidaeus, GEF Executive Coordinator

EXTENSION: 3-4188

SUBJECT: **BULGARIA: Energy Efficiency Project**
PDF Block B Request

Please find attached a PDF Block B request for the above-mentioned project. The project concept entered the GEF pipeline on June 18, 2003. We would appreciate receiving any comments by **July 8, 2003**.

We are also requesting GEFSEC to issue the CEO's no-objection to the PDF-B at the end of this review period.

Many thanks.

Distribution:

Messrs.: F. Pinto, UNDP
A. Djoghlaif, UNEP (Nairobi)
K. Elliott, UNEP (Washington, DC)
W. Kennedy, EBRD
J. Carabias, STAP
A. Verbeken, STAP Secretariat (Nairobi)
Amrita Achanta, FCCC Secretariat,

cc: Messrs./Mmes. Dobozi, Loksha (ECSIE); Battaglini (RC), Sakairi (AFTEG);
Khanna, Wedderburn, Aryal (ENV); ENVGC ISC, Relevant Regional Files

**B
E
D
P**

COVER PAGE INFORMATION

1. Country: Bulgaria

2. Focal Area: Climate Change

3. Operational Program: Removal of Barriers to Energy Efficiency and Energy Conservation

4. Project Title: Bulgaria Energy Efficiency Project

5. Total Cost: US\$10 million

6. PDF Request: US\$300,000

7. Co-financing and In-kind contributions: Government of Bulgaria: US\$ 50,000

8. Requesting Agency: World Bank

9. Executing Agency: Ministry of Energy and Energy Resources

10. Duration: 10 months

11. Project objective

The objective of the proposed Bulgaria Energy Efficiency Project is to support a large increase in energy efficiency (EE) investment in Bulgaria through development of a self-sustaining, market-based financing mechanism. The project's goal is focused on the development and implementation of financially profitable EE projects, which can provide sustainable and increasing reductions in GHG emissions without relying on public subsidy.

The project aims to achieve this objective by mitigating the perceived high risk and high transaction costs of initial EE investments and overcoming the current barriers to investment through the creation of a self-sustaining EE Fund (Bulgarian Energy Efficiency Fund – BEEF) for the development and financing of commercially viable EE projects. BEEF would directly support the implementation of a growing number of EE projects on fully commercial terms, demonstrating means to overcome current barriers and make profits on such projects. It would also foster, through both demonstration effects and explicit partnership, expanded investment by other market participants, such as commercial banks and ESCOs.

12. Global significance

Within the ECA region, Bulgaria stands out as a country where the need for EE assistance is most compelling. Compared with other transition countries, Bulgaria is an outlier in terms of energy intensity at around 2 kg of oil equivalent per US\$ of GDP (at PPP exchange rate), an exceptionally high value. Most ECA countries use less than half of this per unit of GDP and advanced market economies use even less. The excessively wasteful energy use is due in part to specific circumstances of Bulgaria, including over-stimulated electricity demand (because of historically heavy reliance on costly electricity for heating based on low quality domestic lignite) and the virtual lack of low-pressure natural gas market. Mirroring the high energy intensity, Bulgaria has an abnormally high indicator of CO₂ emissions per unit of GDP, surpassed only by Russia among the transition economies.

BEEF would support EE projects which otherwise would likely not be carried out due to institutional and financial barriers, and the high risks perceived by the Financing Institutions (FIs). Without GEF involvement, the long-term baseline scenario includes a limited level of investment in EE financed from internal enterprise funds, donor assistance and commercial sources. Many potentially attractive investments would not materialize with the main financing barriers remaining in place. The GEF project scenario brings an estimated net increase in EE investment of US\$70 million over a 10-year period, resulting in a cumulative reduction of 8 million tons of CO₂.

Without the intervention of the proposed project to overcome the financing barriers on a sustainable basis, it is likely that little progress would be made in EE investment in Bulgaria in the years to come, just as has occurred in the past decade.¹

¹ Very limited investment in EE projects is probably the main reason why in the 1990s the energy intensity of GDP fell only marginally in Bulgaria, in contrast with most of the transition economies where it declined considerably (e.g., 40% in Poland, 20% in the Czech Republic). (Source: Energy Strategy of Bulgaria, Ministry of Energy and Energy Resources, March 2002.) This is despite the fact that Bulgaria's energy intensity is one of the highest among the transition economies (surpassed only by Russia and Ukraine), thus having a disproportionately large untapped energy conservation potential.

13. Background

Recent World Bank reports, including *Bulgaria: Energy-Environment Review* and *Bulgaria: Country Assistance Strategy*, identified improved EE as a key policy challenge facing the Bulgarian economy in the years ahead. In recent years, the European Commission has repeatedly called for the development and implementation of a broad-based EE program in Bulgaria as a matter of strategic policy priority and a requirement for EU entry.

Opportunities for “win-win” projects (i.e., ones bringing environmental benefits and sufficient financial returns) are abundant given the disproportionately large scope for EE improvement, but the EE finance market is grossly underdeveloped, failing to produce the needed volume of capital investment. In Bulgaria, there are only a few small ESCOs due largely to the lack of commercial financing.

Commercial bank intermediation relative to the size of the Bulgarian economy is low by any standard, partly as a lingering consequence of the collapse of the banking system during the severe economic crisis of 1996-97. The corporate sector’s access to credit is low by international standards and is still below the level reached before the 1996-97 banking crisis. Commercial banks have managed risks by limiting lending volume, demanding high collateralization (200% and higher), charging high interest rates (14%-18%, despite inflation being contained lately at 4%), focusing on short-term lending (with loan maturities of 1-2 years) and investing in low-risk government securities. Loans depend primarily on collateral and less so on proven cash flows. Weak competition allows banks to keep credit low while maintaining high margins. Instead of turning to bank borrowing, SMEs in Bulgaria rely primarily on own cash. The commercial banks’ loan portfolio is still simple, consisting largely of working capital loans with short maturities and available only to well-established firms. The inefficiency of the Bulgarian judicial system makes recovery of debt or seizure of collateral a difficult process.

Furthermore, commercial banks are generally not familiar with commercial and technical issues involved in EE projects and perceive the risks and transaction costs of EE projects as too high. The combination of inadequate bank liquidity and excessively risk-averse bank behavior has resulted in the virtual lack of commercial market for EE financing, which is the chief reason why the overwhelming majority of EE investments (amounting to about US\$400 million) included in the National Energy Saving Action Plan (2001-03) have remained unrealized despite most of the measures being low-cost with a payback period up to three years. Implementation of these measures would have resulted in energy savings amounting to 7.6% of total final energy consumption and an annual CO₂ reduction of 3 million tons.

In an effort to engage the banking sector and jump-start an EE finance market, USAID has been implementing a Municipal EE Program in Bulgaria. Under the program, the United Bulgarian Bank has received partial credit risk guarantees for the loan principal in EE projects. Almost two dozens of small projects have been funded to date with an average payback time of three years. Although the Program has been successful in demonstrating the possibility of commercial EE financing in Bulgaria, it has failed to reach a “critical mass” for sustainability through developing a large number of additional projects at the national level. The small size and the non-revolving nature of the credit guarantee facility is a major shortcoming, soon exhausting the potential for additional EE financing

under the Program. The TA component of the Program, used for project pipeline development, is to be phased out in 2004, leaving the whole Program with a very uncertain future. Under the Program, an EE project pipeline has been developed to the year 2007, valued at US\$10.6 million (average payback time: 2.1 years). Potentially, a part of this pipeline would be eligible for loan financing or partial credit guarantees under the BEEF.

14. Project description

The proposed project would support the establishment and operation of the Bulgarian Energy Efficiency Fund in public-private partnership. BEEF would combine both technical project development capacity and financial structuring capacity into one entity, thereby addressing the current weak capacity to develop bankable EE projects. BEEF would be designed to be flexible, offering financial products which the evolving EE finance market demands. Initially, the Fund would consist of three components:

- **Partial Credit Guarantees:** to share in the credit risk of EE finance transactions.
- **Loan Financing:** to co-finance bankable EE projects on a profit-oriented commercial lending basis.
- **Technical Assistance:** to initially finance on a grant basis a portion of EE project development and administration costs of the Fund.

Designed as a demand-driven facility, BEEF would make available both loans and partial credit guarantees for EE projects. The Fund manager is expected to make rational choices about the appropriate financing tool based on specific project circumstances and overall project portfolio management considerations. An alternative approach would be to give preference to guarantees (recognizing the fact that GEF places a premium on this high-leverage instrument) and use direct loans only as a last resort. These design options will be considered more thoroughly in further preparation of the project.

Partial Credit Guarantees (US\$8.3 million, of which US\$4.8 million from GEF).² Most commercial financiers in Bulgaria are reluctant to finance EE transactions due to their unfamiliarity with such projects and perceived weak client/project credit profiles. This facility would be used for credit enhancement purposes to share in the credit risk of EE finance transactions up to about 50% of the outstanding loan principal. A guarantee fee would be charged to the FIs involved, which would be based on risk, with higher risk projects being charged higher fees. The guarantee instrument is expected to recede in importance over time as commercial financiers become more familiar with EE projects and the actual default risk proves to be smaller than initially perceived.³

² The size of the partial guarantee window of BEEF is based on the assumption that the contributions to the Fund by the Government of Bulgaria, bilateral donors and possibly other IFIs (an estimated US\$7million in total) would be split in equal proportion between the loan and guarantee windows.

³ Hungary's experience shows the gap between real risk versus perceived risk by financial institutions. In 1991-2000, the Hungarian Energy Efficiency Credit Fund made more than 450 loans and only 10 borrowers defaulted. Excellent payment performance has been demonstrated also under the IFC/GEF Energy Efficiency Co-Financing Program in Hungary (with total losses on the outstanding loans guaranteed representing less than 2% of the total loan value guaranteed).

Loan Financing (US\$7.5 million, of which US\$4.0 million from GEF). Loans would be made on a commercial basis to creditworthy customers that will revolve with interest and principal payments into it for additional loans. Indicative guidelines for eligible projects are as follows:

- Projects are expected to be in the range of US\$100,000 to US\$2,000,000. Projects outside the range are not necessarily excluded, however, financing for projects with large contribution from BEEF would have to ensure adequate risk coverage, including sharing of risks with commercial financiers.
- BEEF loans would typically be made on a co-financing basis, i.e., in combination with commercial bank loans and equity financing by sponsors.
- A well-diversified portfolio of projects to assure a balanced risk/return to BEEF.
- Projects with relatively short payback time (generally under three to four years).
- At least half of the project's benefits should come from measurable energy savings.
- The energy saving technology must be well proven in the proposed application.

Technical Assistance (US\$1.2 million). This component covers the following two broad areas:

- **Capacity Building:** to fund activities in initial project development and evaluation, workshops and seminars for potential co-financiers and clients, marketing and dissemination of information, training for Fund manager and partners of BEEF (consultants, banks, ESCOs, etc.) in EE project development and financing techniques.
- **Fund Administration:** to finance set-up and running costs of BEEF during the first three-four years, including staff salaries, BEEF is not yet self-financing.

BEEF would manage a sufficiently diverse portfolio in terms of sectors and risks. Likely eligible transactions would include investments in projects aimed at improving EE efficiency in buildings (e.g., through modernization of heat exchanger substations), industrial processes, municipal facilities and other energy end-use applications (e.g., lighting, boiler and cogeneration systems, energy management control systems, power factor correction measures, steam traps).

Implementation Arrangements

The project beneficiary would be the Bulgarian Energy Efficiency Fund to be established in public-private partnership as an independent legal entity, separate from any government agency. BEEF would be managed by a Governing Board (Board) consisting of seven members, three from the public sector, namely the Ministry of Energy and Energy Resources, the Energy Efficiency Agency and the Ministry of Environment and Water, and four independent experts with proven expertise from the private sector. The Board would (i) adopt internal regulations of BEEF, including the Operations Manual and the criteria for the evaluation and selection of projects to be financed; (ii) oversee all BEEF operations; and (iii) approve loan applications on a fully commercial basis. The Chairman of the Board would be selected by the members on a rotating basis with a mandate of one year.

The Board would hire, under a performance contract, a professional Fund Manager (Manager) who would be in charge of administering daily activity of BEEF, identifying, evaluating, developing and financially structuring projects to be submitted to the Board. The Manager would assure a sound

project portfolio for BEEF in terms sectors and risks. The Manager would be selected competitively.

The project is designed to have considerable stakeholder involvement, including NGOs, municipalities, private sector and relevant public agencies. During the project identification mission, contacts with some of these entities were established. A more structured stakeholder involvement will be an important task in further project preparation.

Project Financing

GEF financing of some US\$10 million will be sought to provide the bulk of the seed capital for BEEF (US\$8.8 million) and to fund the TA and administration cost component (US\$1.2 million). As BEEF seeks to make profit, investment financing and partial credit guarantees would be provided on commercial terms. The bulk of GEF funds in BEEF would be used in a non-grant contingent financing modality to leverage substantial commercial financing in EE projects.⁴ Contributions from other financiers (GOB, bilateral donors and possibly IFIs) will be actively sought to increase BEEF's capitalization to a size deemed large enough to achieve a sustained market impact. The indicative amounts sought are as follows: US\$1.5 million from the GOB and US\$5.5 million from bilateral donors and IFIs, making the initial capitalization of BEEF (net of the TA component) to total US\$15.8 million (of which US\$8.8 million from GEF). The initial feedback from the GOB and several bilateral donors already contacted has been encouraging.

BEEF resources are expected to be highly leveraged, meaning that the actual investment implemented will be a multiple of the initial capitalization through (i) commercial co-financing; (ii) borrower contribution; and (iii) revolving of Fund resources (interest payments and principal repayments used for new loans).⁵ Under a conservative indicative scenario, GEF funds in the project (US\$10 million) could leverage about US\$70 million in total EE financing over a ten-year period (relative to the baseline scenario).

A Grant Agreement would be signed between the World Bank (acting as implementing agency of GEF) and the GOB. The recipient agency (Ministry of Energy and Energy Resources) would then sign a subsidiary grant agreement with BEEF, giving full rights to the latter to use the grant proceeds in accordance with Grant and Implementation Agreements with the Bank. BEEF would handle the grant amounts through a Special Account opened at a commercial bank.

It is expected that the GEF funds will be disbursed over a period of three-four years. BEEF would administer the funds for about ten years, after which the private financial sector can fully take over financing for EE on a sustainable basis. The project *exit strategy* for GEF will be agreed upon during project preparation. One possibility is to withdraw or sell the GEF shares in BEEF once a set of criteria indicating satisfactory outcome have been met, and for those funds to be used by the GOB for mutually agreed GHG mitigation projects that are in line with the GEF global objectives. Further details of the project design would be developed under the PDF-B project preparation grant.

⁴ Several Bulgarian commercial banks (United Bulgarian Bank [UBB], First Investment Bank, Raiffeisen, Bulbank and Biochim) have either financed some EE projects or are interested in developing an EE project portfolio in the future. UBB, Raiffeisen and Biochim have indicated a strong interest in working with BEEF once established.

⁵ For comparison, under the Hungarian Energy Efficiency Credit Fund resources revolved 4.5 times over a ten-year period (corresponding to the average project payback period of 2.65 years).

15. Description of proposed PDF activities

The purpose of the PDF-B Grant (US\$300,000) is to assist the Recipient (Ministry of Energy and Energy Resources) with the preparation of the full-scale Bulgaria Energy Efficiency Project. This would be supplemented by a Government's mostly in-kind contribution of about US\$50,000. The Grant is requested to support the following key preparation activities for the full-scale project:

Component 1: Design of Operational Modalities of BEEF (US\$140,000) and Implementation Plan. Sub-components:

- a) Drafting of the Bulgarian Energy Efficiency Fund's (BEEF) legal statute, fulfilling registration requirements and establishing taxation status in accordance with Bulgarian legislation.
- b) Design of the operational modalities of BEEF, including establishment of organizational structure, staffing and internal procedures, budget plan, mechanisms for attracting co-financing and ensuring long-term sustainability, eligibility and approval criteria for projects, suitable financing/guarantee fee terms.
- c) Design of performance indicators and monitoring methods for BEEF transactions. (guarantees).
- d) Design of project exit strategy for GEF.
- e) Logistical arrangements for BEEF (office space, location, etc.).
- f) Development of detailed integrated Implementation Plan for the full-scale GEF project.

Component 2. Project Pipeline Development (US\$60,000). Sub-components:

- a) Conducting a market survey for BEEF.
- b) Development of the outlines of a financial business plan for BEEF.
- c) Design of marketing and project development services for BEEF.
- d) Technical and financial feasibility assessment of an initial portfolio of bankable EE projects.
- e) Identification of potential risks that may prevent meeting BEEF project objectives and development of suitable risk mitigation strategy.
- f) Estimation of incremental costs and GHG emission reductions from the proposed project pipeline following GEF guidelines.

Component 3. Capacity Building and Outreach (US\$50,000). Sub-components: design of strategy for training, information dissemination and stakeholder consultation/involvement.

Component 4. Miscellaneous Activities (US\$50,000). This component would cover administration tasks linked to the implementation of components 1-3, including funding of the administration of tenders under the PDF-B facility, expert support in drafting TORs, etc.

Component 5 (US\$50,000 equivalent) to be financed by the GOB (mostly in-kind) to co-finance workshops, public outreach activities and awareness campaign for the promotion of BEEF, and Project Preparation Unit (PPU) operation. (The Minister of Energy and Energy Resources established the PPU in May 2003.)

Services under components 1-4 would be provided by competitively selected firms and individuals. Annex 1 contains a tentative Procurement Plan for the activities to be implemented under the PDF-B grant.

16. PDF Block B Outputs

1. Draft legal statute for BEEF.
2. Draft Government provision on the taxation status of BEEF.
3. Proposal on logistical arrangements for BEEF (office space, location, etc.).
4. Draft Operations Manual of BEEF.
5. Performance and monitoring indicators for BEEF.
6. Financial business plan for BEEF.
7. Development of risk mitigation strategy for BEEF.
8. Proposal for marketing, outreach and partnership strategy for BEEF.
9. Market survey report for scope of EE operations to be supported by BEEF.
10. Identification of a sizable (totalling at least US\$15 million) initial EE project portfolio.
11. Technical and financial feasibility assessment of the initial project portfolio.
12. Analysis of incremental costs and emissions from the proposed project portfolio.
13. Two workshops, a donor conference and organized media introduction of BEEF.
14. Detailed integrated Implementation Plan for proposed full-scale GEF project.

17. Eligibility

The Republic of Bulgaria ratified the UN Framework Convention on Climate Change (UNFCCC) on March 16, 1995. Bulgaria is an Annex I party to the UNFCCC. Bulgaria ratified the Kyoto Protocol on August 15, 2002. The target is to reduce GHG emissions by 8% from the 1990 (base year) level in the commitment period 2008-2012.

The project is proposed to the GEF under Operational Program No. 5 (OP-5): Removal of Barriers to Energy Efficiency and Energy Conservation. The specific strategic priorities supported by the project in the context of the GEF Business Plan for FY04-06 are: S1 - transformation of markets for high volume, commercial, low-GHG products or processes; and S2 - increased access to local sources of financing. The relevance of the proposed project for S2 is especially strong as it focuses on mobilizing the resources of local commercial banks and other financiers by removing actual and perceived barriers to EE project financing.

18. National level support

In a letter to the World Bank (dated December 10, 2002), the Bulgarian Ministry of Energy and Energy Resources (MEER) expressed a strong interest in obtaining GEF support for the establishment of an Energy Efficiency Fund (EEF). This initiative stems from the close cooperation between MEER and the Bank under the *Bulgaria: Energy-Environment Review* (completed in 2001), the ongoing National Energy Efficiency Study and Action Plan, and the new EE Law under advanced preparation which calls for the establishment of a revolving EEF to catalyze sustainable financing for EE projects. The proposed project is consistent with the Government's Environmental

Strategy and Action Plan (approved in 2001) in which the large potential for EE is identified as a key target area for the reduction of GHG emissions. The Ministry of Environment and Water expressed strong support for the proposed project and requested substantial participation in preparing the detailed project design and implementation arrangements. Formal endorsement of the proposed project and the PDF-B grant was received from the Bulgarian GEF Focal Point on March 20, 2003.

Because of the pivotal importance of the EE agenda, the Bank's Country Assistance Strategy (dated May 2002) included a GEF EE project in the lending program for FY05. This is in part due to the fact that both the GOB and the Bank are aware of the positive global externalities involved in EE projects and wish to ensure that these benefits are properly recognized. The possibility of a stand-alone IBRD loan or a blend (GEF grant/IBRD loan) was also explored, but given up after receiving indications about the lack of willingness of the Ministry of Finance to grant sovereign guarantees to new projects in the energy sector. However, the Government has indicated a commitment to contribute with own resources (tentatively, US\$1.5 million) to BEEF's initial capitalization and to help mobilize additional donor financing.

19. Justification

Justification for full-scale project. The abundance of opportunities for profitable investment in EE is in sharp contrast with the limited number of successful projects and the low volume of investments actually undertaken. The consensus is that the shortage of readily available and affordable debt financing is a key barrier to scaling up EE investments in Bulgaria. The limited supply of commercial EE finance and the resulting lack of EE market is caused by inadequate banking liquidity, the perceived high risk and high transaction cost of EE projects for the FIs. The perceived high end-user credit risk hurts especially strongly the SMEs, multi-family housing, municipalities, hospitals and other similar energy consumers, which lack suitable collateral values associated with EE projects/equipment. Bulgarian banks tend to impose high collateral requirements which are onerous for potential borrowers. Capital market conditions (due in part to the residual impact of the recent banking crisis) cause the commercial banks to be particularly risk-averse and overly cautious in their credit risk management practices.

The lack of capacity to develop bankable EE projects is another major constraint. The institutional combination of financial and technical skills needed for the development of a sound EE loan portfolio is largely missing in Bulgaria. A proven track record of commercially profitable EE projects is required to convince lenders that a number of risks are only perceived and can be managed, and that the initial costs of getting into this specialized business are worth incurring or can be partially avoided due to prior experience.

Justification for PDF-B grant. The grant is needed due to the relative complexity of the project concept, which requires substantial project preparation efforts in order to put implementation of the full-scale project on a solid, sustainable footing. During the project identification mission, the Bank team concluded that the Ministry of Energy and Energy Resources lacks the requisite capacity to prepare the project for effective and timely implementation. Additionally, the early involvement of the key stakeholders in Bulgaria would be better assured by this recipient-executed grant.

The proposed project was entered into the GEF project pipeline on June 12, 2003.

20. Timetable

August 2003: Obtain GEF approval of the PDF-B grant.

September 2003: MEER starts procurement of consultant services under PDF-B.

November/December 2003: Contracts with consulting firms signed.

June 2004: Completion of project preparation activities.

Annex 1. Draft Procurement Plan

Component / Activity	Number of contracts	Estimated Cost (US\$)	Type	Method	Time Table				
					Short List: 1. Prepared by MEER	RFP: 1. Draft prepared by MEER	Proposal: 1. Proposals received	Contract Signed	Contract Completed
					2. No-obj. by WB	2. No-obj. by WB to issue RFP	2. Proposals evaluated		
							3. No-obj. by WB		
1. Design of the Operational Modalities of BEEF	1	140,000	CS	LCS	01-Sep-03	01-Oct-03	15-Nov-03	22-Dec-03	15-Jun-04
					07-Sep-03	07-Oct-03	01-Dec-03		
							15-Dec-03		
2. Project pipeline development	1	60,000	CS	LCS	01-Sep-03	01-Oct-03	15-Nov-03	22-Dec-03	15-Jun-04
					07-Sep-03		01-Dec-03		
					08-Jan-00		15-Dec-03		
3. Capacity Building and Outreach (Local Training / Workshops / Stakeholder Consultation)		50,000	CS	IC					
4. Miscellaneous individual consultant assignments	2-3	50,000	CS	IC	Time table to be set on case-by-case basis depending on project needs				
5. Workshops / Public Outreach / Project Preparation Unit operation		50,000	NGF (including in-kind contribution)						
TOTAL GEF Financed:		300,000							
TOTAL:		350,000							

WB= World Bank
 MEER= Ministry of Energy and Energy Resources
 BEEF= Bulgarian Energy Efficiency Fund
 RFP= Request for Proposals
 CS= Consultant Services
 IC= Individual Consultants
 LCS= Least-cost Selection
 NGF= Not GEF-financed

* The trainers (as required) will be selected on the basis of at least three quotations.

Republic of Bulgaria
Ministry of Environment and Water

[Date:]

To
Mr. Andrew Vorkink
Country Director
South and Central Europe Unit
Europe and Central Asia Region
through
The World Bank Resident Mission
Bulgaria

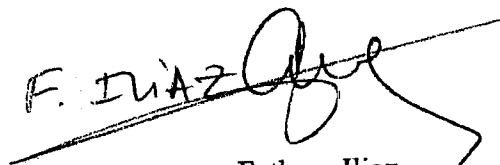
Re: Endorsement of project proposal "Bulgaria Energy Efficiency Project (GEF)"

Dear Mr. Vorkink,

In a letter to Vice President Johannes Linn (Dec. 10, 2002), the Bulgarian Ministry of Energy and Energy Resources (MEER) expressed interest in obtaining GEF support for the establishment of an "Energy Efficiency Support Fund" (EESF).

In my capacity of the Global Environment Facility Focal Point for Bulgaria, I endorse the project concept and the application of the World Bank for a PDF-B project preparation facility for this project.

Yours sincerely,



Fathme Iliaz
Deputy Minister
And Focal Point for the GEF

CC:
Mr. Oscar de Bruyn Kops
Country Manager
World Bank Office Sofia

Mr. Istvan Dobozi
Lead Energy Economist
ECSIE