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NATIONAL
TRUST
ECO FUND



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Federal Department of Economic Affairs FDEA
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BULGARIAN NATIONAL TRUST ECOFUND

15 YEARS

SUCCESSFUL COMPLETION
OF THE DEBT FOR ENVIRONMENT
SWAP AGREEMENT BETWEEN
BULGARIA AND SWITZERLAND





Successful Completion of a Bulgarian - Swiss Cooperation Initiative

The Debt for Environment Swap Agreement signed 15 years ago was an innovation in the field of environmental management. Although at the period of signing it had predominantly political character, its results are real and tangible bringing direct benefits to the environment of Bulgaria. This became a successful initiative thanks to the efforts of both countries.

Today this is already history. The political and economic conditions in which the initiative was started and the National Trust EcoFund was established are very different from the current situation. On one side, at the time there was a crucial need for funding of environmental projects, and on the other side, potential beneficiaries lacked skills for project management.

The implementation of the Debt for Environment Swap Agreement was a success not only because of the 100 successfully completed projects but also because of its capacity building mission for the major stakeholders in the field of environmental protection and management.

The National Trust EcoFund was established fifteen years ago in order to administer the funds of the Debt for Environment Swap Agreement as an innovative financial mechanism for environmental management. The high professionalism of NTEF demonstrated in the management of environmental projects during these fifteen years has motivated us to propose the approved by Parliament new role and mandate of the Fund – management of the funds of the National Green Investment Scheme established under the UN Convention on Climate Change.

Nona Karadjova

Minister of Environment and Water
Of Republic of Bulgaria

Completion of an Innovative Initiative in Benefit of the Environment

In 1995, Switzerland and Bulgaria initiated a cooperation called "Debt for Environment Swap". A part of Bulgaria's debt (worth 20 Millions CHF) was written off by Switzerland in exchange of Bulgaria's commitment to invest this amount into sound environmental projects. From the very beginning, the implementation of the program was in Bulgarian hands, with the National Trust Eco Fund (NTEF), established by the common will of both Switzerland and Bulgaria, as main actor.



Today, more than 15 years later, we can look back at this as a success story. The National Trust Eco Fund has become a pioneer in channeling funds to environmental protection in an efficient and effective manner. Some one hundred projects have been successfully realized. Additionally, the NTEF has developed modern concepts and policies for environmental management.

The success of the Fund was possible thanks to the professionalism and dedication of its Board of Directors and its Executive Bureau, as well as thanks to the many devoted Bulgarian project partners, municipalities and NGOs to be mentioned in particular. The NTEF earned international recognition for its transparent and cost-effective utilization of resources for environmental goals. An external evaluation has confirmed its sound performance.

The "Debt for Environment Swap" between Switzerland and Bulgaria has paved the way to numerous excellent initiatives. Recently, Bulgaria has again assigned an important function to the NTEF: It will act as an operator of funds channeled to Bulgaria through the Green Investment Scheme under the Kyoto Protocol of the Conventions on Climate. For this future role, I wish all possible success to the NTEF.

Regina Escher

Ambassador of Switzerland to Bulgaria

NATIONAL TRUST ECOFUND

ESTABLISHMENT

The first steps for the establishment of the Fund were made in mid-1994 when the Government of Bulgaria expressed interest in pursuing a “debt-for-environment” swap within the context of the Paris Club negotiations for re-scheduling Bulgaria's international debt. The success of Bulgaria's diplomacy and the political gesture of the Swiss Confederation made Bulgaria the second country in Central and Eastern Europe (after Poland), who achieved the reduction of part of its external debt – 20 250 000 CHF-the equivalent of 20% of Bulgaria's officially guaranteed commercial debt to Switzerland.



The National Trust EcoFund (NTEF) was established in 1995 to administer the funds provided through the mechanism for conversion of part of Bulgaria's debt into environmental protection projects. The specifics of the Debt for Environment Swap Deal are outlined in the Agreement between the Government of the Republic of Bulgaria and the Government of the Swiss Confederation from 25 October, 1995.

In addition to the Debt-for-Environment Swap Agreement between the Governments of Bulgaria and Switzerland, four additional documents lay out the foundations for the functioning of NTEF:

- Bulgaria's Environment Protection Act (July 1995; amended September 2002, September 2010);
- Regulation on the Organization and Activities of the National Trust EcoFund, enacted by Decree No.96 of the Council of Ministers of May 10, 2004 (amended 10 September 2010);
- NTEF's Statutes (approved by the Board of Directors and the Advisory Committee on 28 February 2007) and;
- Procedural Rules for the Evaluation of Projects by the NTEF (approved by the Board of Directors and the Advisory Committee on 28 February 2007).

INSTITUTIONAL STRUCTURE FOR THE FUND:

- **Bord of Directors (BD)**
- **Advisory Committee (AC)**
- **Executive Bureau (EB)**

The Board of Directors, in association with the Advisory Committee, determines the Fund's strategy and policies, criteria for project selection and makes final decisions about awarding financial support to projects recommended by the Executive Bureau. The BD submits annual reports on the Fund's activities to the Council of Ministers through the Ministry of Environment and Water (MoEW). The BD consists of seven members: Chair, two Deputy Chairs and four members. The Chair is appointed by the Council of Ministers for a five-year term after consultations with the AC. One of Deputy Chairs is a Deputy Minister of Environment and Waters. The other voting members of the BD are deputy ministers from the Ministry of Finance, Ministry of Economy, Energy and Tourism, a representative of the Bulgarian Academy of Science, a representative of the National Association of the Municipalities of Republic of Bulgaria, and a representative of the environmental non governmental organizations.



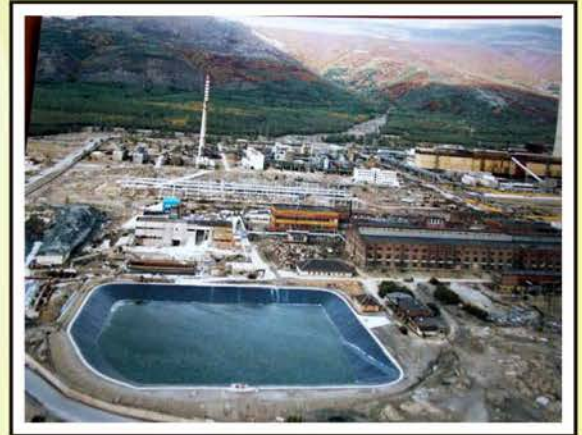
The Advisory Committee consists of representatives of foreign governmental or nongovernmental institutions providing financial or other support to the Fund's activities. Members of the AC may review, evaluate and provide written opinions on projects proposed for financing by the Fund and have the right to participate in meetings of the BD. They have a veto right over decisions to fund projects with funding provided by them.

The Fund's Executive Bureau is responsible for the carrying out of day to day operations. Leading among its many responsibilities are implementation of all aspects of the Fund's involvement in project-cycle management, including: marketing of the Fund's priorities and requirements; interaction with prospective and actual applicants; solicitation, receipt and appraisal of project- applications seeking financial support from the Fund; completion of contracts with successful applicants; monitoring and evaluation of implemented projects. The EB organizes and provides input for meetings of the BD, and is generally responsible for executing decisions of the BD and AC. The EB also prepares annual budgets for the Fund, regularly reports to the BD on the Fund's finances and often represents the Fund (principally through the Director) in front of external parties. The EB is managed by a Director and consists of three divisions: Finance and Economic Division, Technical Division and Office Management and Coordination Division.

PRIORITY AREAS OF PROJECT FINANCING

Clean up of historic pollution:

- ✓ Disposal of hazardous waste and hazardous substances;
- ✓ Contamination of drinking water or food sources (by heavy metals, toxic organic compounds or other harmful chemicals).



Reduction of air pollution:

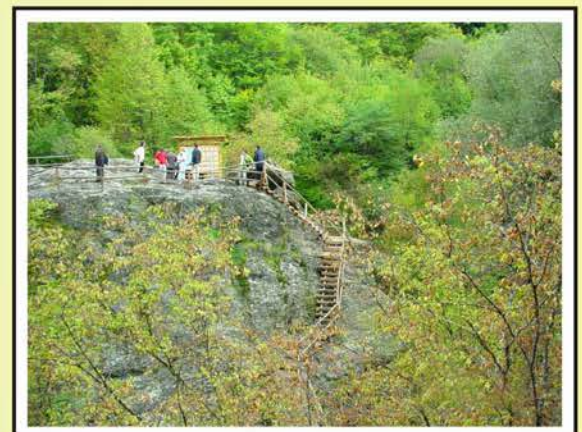
- Reduction of the concentration of pollutants of health concern: sulfur dioxide, nitrogen oxides, lead and other toxic chemicals in urban areas, and
- Reduction of green-house gases: carbon dioxide, methane, CFCs, etc.
- Encouragement of renewable energy use.

Clean water protection:

- Municipal and industrial waste water treatment plants in the Danube watershed;
- Municipal and industrial waste water treatment plants in the Black Sea watershed.



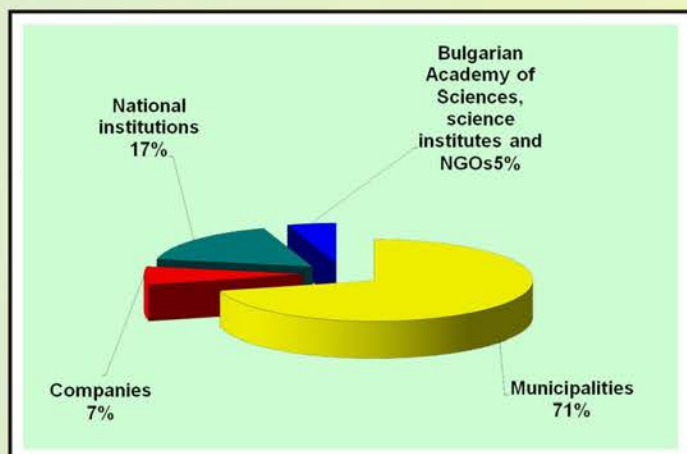
Assistance of the national ecological networks and protection of biodiversity



NTEF - FINANCED PROJECTS BY PRIORITY AREAS

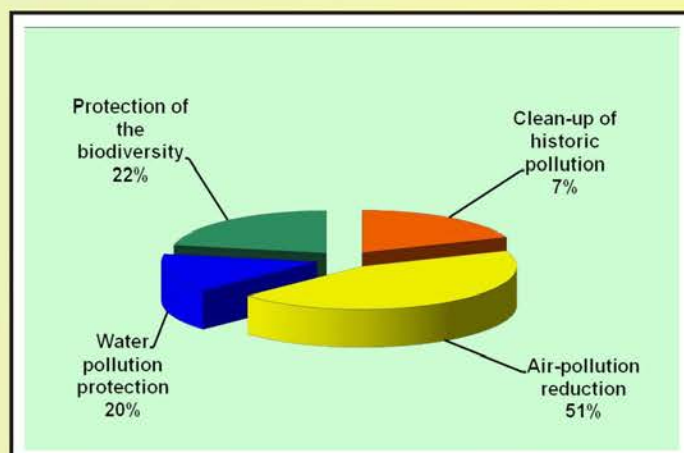
Projects Financed by NTEF

- Total number of the NTEF-financed projects – 100
- Total amount of approved NTEF financing – BGL 26 548 665
- Average percentage of the NTEF financing/contribution to the total amount of project costs – 19%



PRIORITY AREAS AND TYPE OF BENEFICIARIES (BY NUMBER OF PROJECTS)

Priority Areas	Number of Projects
Clean-up of historic pollution	19
Reduction of air-pollution	44
Water pollution protection	15
Protection of the biodiversity	19
	100



Type of Beneficiary

Number of Projects

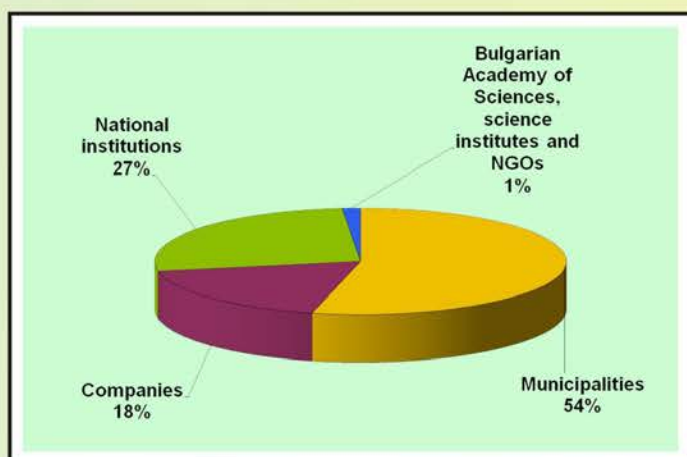
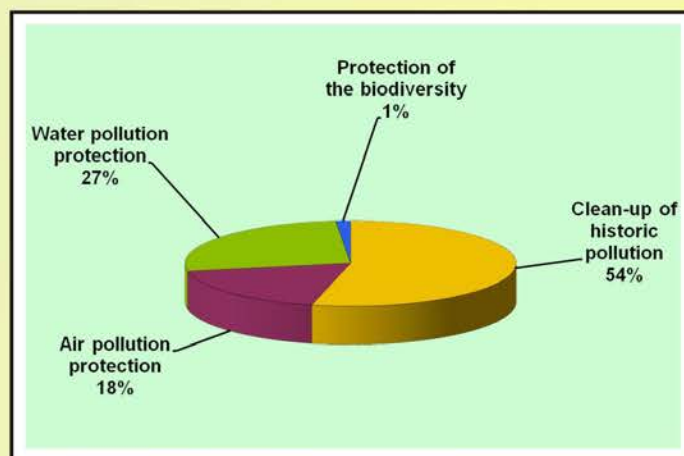
Municipalities	71
Companies	7
National institutions	17
Bulgarian Academy of Sciences, science institutes and NGOs	5
	100

PRIORITY AREAS AND TYPE OF BENEFICIARIES (BY COST)

Priority Areas

Cost - BGL

Clean-up of historic pollution	9 025 178
Reduction of air-pollution	9 398 145
Water pollution protection	6 362 280
Protection of the biodiversity	1 763 063
	26 548 666



Type of Beneficiary

Cost - BGL

Municipalities	14 277 177
Companies	4 838 291
National institutions	7 051 579
Bulgarian Academy of Sciences, science institutes and NGOs	381 619
	26 548 666

CLEAN UP OF HISTORIC POLLUTION

Closing and recultivation of old landfills in 17 municipalities

Total of 420 722 m³ of wastes removed:

- From legal municipal landfills in 26 villages and 10 towns;
- From legal landfills in 157 villages, 5 town suburbs and 4 nature sites.

Landfill for solid domestic waste in the town of Gotze Delchev – II stage:
recultivation of the existing landfill and correction of a gully - 257 143 BGL



Sanitation of landfills on the territory of the Municipality of
Karlovo – Pilot phase. 245 604 BGL



REDUCTION OF AIR POLLUTION



Purchasing and delivery of installation for purification of the gases, released from the incinerator for clinic and domestic wastes at the Military Medical Academy – Sofia – 976 836 BGL

Gas purification installations – 2

Gasification of municipal buildings – 201, of which:

- kindergarten – 77;
- schools – 80;
- hospitals and medical centers – 10;
- community cultural centers – 3;
- dormitories – 4;
- social centers for children or old people – 4;
- other municipal buildings – 23

Low-nitrogen burners for energy boilers – 3



Reconstruction of the heating plants of municipal buildings in the town of Sapareva Bania – conversion from liquid fuels to geothermal energy – 114 827 BGL



Gasification of municipal buildings in Targovishte – 136 000 BGL



Low-nitrogen burners for boilers No. 5, 6 and 7 of Sofia-Iztok thermal power plant – 2 049 443 BGN



Sofia – East Thermal Power Plant – replacement of the old burners with new, low-nitrogen ones – 2 049 443 BGL (Co-financed by the Danish Environmental Protection Agency)

NTEF AND WORLD BANK COLLABORATION

The “Environmental Remediation Pilot Project” (ERPP) was designed to mitigate severe environmental contamination at the MDK copper smelter and refinery in Pirdop, in operation since 1957. When the Belgian metallurgical group Union Miniere acquired MDK, an environmental Remediation Program was designed in cooperation with the World Bank as a part of the privatization deal.



The main objectives of the ERPP are to

- reduce environmental hazards caused by past pollution at MDK;
- contribute to improvements in the environmental performance of the plant; and
- facilitate the privatization of MDK by reducing uncertainties and concerns of strategic investor(s) about environmental liability issues.

The Program consists of:

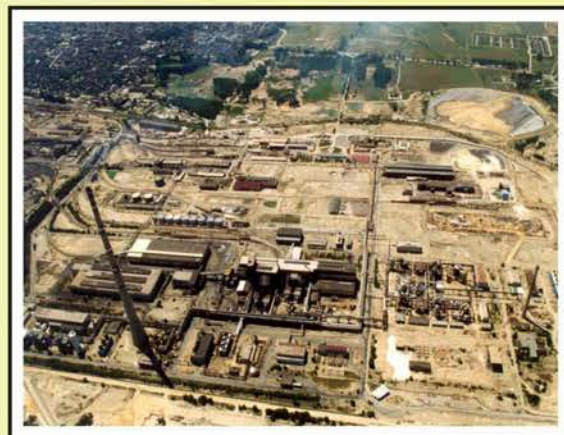
Part A – Emergency clean-up of immediate environmental hazards, and;

Part B – Clean-up of critical past environmental damage.



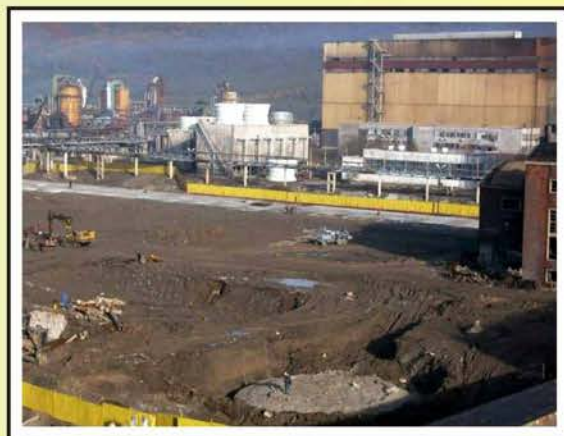
Project financing is being provided by:

- the NTEF, through a grant of 3.3 million USD for work and equipment under Part A (successfully completed in November 1999);
- the World Bank, through a loan for 16 million USD to the Bulgarian Government, and;
- the Bulgarian Government, through grants for a total of 5.7 million USD.



ENVIRONMENTAL REMEDIATION PILOT PROJECT

Based on the Implementation Agreements respectively for Part A (signed on March 27, 1998) and Part B (from June 02 1998), Union Miniere Pirdop Copper (UMPC) is the Implementing Agency for the Program while the NTEF is the Project Coordination Agent based on an Agency Agreement between the MoEW, as representative of the Government of Bulgaria, and the NTEF.



With its contribution of 3.3 million USD, this Program is the Fund's largest project and major achievement in one of the four priority areas. Its engagement as a Coordination Agent for Part B of the Program has imposed a wide range of responsibilities, including: examination and preparation of expertise on technical designs; examination and approval of technical specifications; examination and approval of tender documents and procedures; examination and approval of draft contracts with contractors and suppliers; examination, control and approval of completed works; preparation and presentation of progress reports to the Program Oversight Committee and the World Bank, and; preparation and submitting requests for withdrawal of funds from the Bank loan.



The collaboration between the Bank and NTEF on the Program became a very positive experience for both and explains the Bank's strong support for the Fund.



CLEAN WATER PROTECTION

Black sea watershed – 8 projects
Danube river watershed – 7 projects

- Waste water pumping station – 1
- Waste water treatment plants – 2
- Sewerage collectors – 12



Waste water treatment plant in Borovets resort –
300 000 BGL



Main sewerage collectors IV and V in the town of Byala, delivery collector, and equipment for the Obzor-Biala Waste Water Treatment Plant – 800,000 BGL (Co-financed by Danish Environmental Protection Agency)

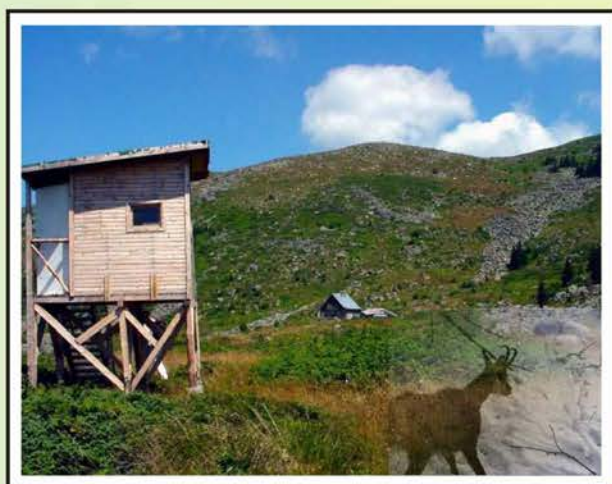


PROTECTION OF BIODIVERSITY

Scientific research – 3 projects
Ecotrails – 6 projects – 34 930 m
- in national parks – 3
- in nature parks – 2
- in protected site – 1



Restoration of mountain habitats near Hristo Botev peak, Central Balkan National Park – 68 308 BGL



Restoration of the Balkan Chamois' population in "Vitosha" Nature Park – 30 960 BGL

Reintroduction of Balkan chamois – 4
Restoration of nature habitats – 4
Improvement of water ecosystems – 2
Others – 3



Construction of a tourist trail along Beli Iskar river valley in Rila National Park – 108 439 BGL



Reconstruction and adaptation of a tourism trail with a sports facility to be used as an educational trail and by disabled people in Pirin National Park – 130 000 BGL

PROTECTED AREAS FUND



The Protected Areas Fund (PAF) was established as a specialized internal fund on October 5, 2004 with a decision of the National Trust EcoFund's Board of Directors in accordance with the Statutes for operations of the National Trust EcoFund.

The Strategy of the Bulgarian Protected Areas Fund was developed with the participation of all stakeholders: Government of the Republic of Bulgaria, international donors in the Nature conservation sector, potential beneficiaries, such as protected areas administrations, municipalities, non-governmental organizations and other stakeholders. The financial and expert support for it was provided by the US Agency for International Development, the Government of the Swiss Confederation and GEF through The World Bank. The mission of the Fund is to support the preservation of landscapes, natural habitats and the biodiversity in Bulgaria's protected areas, in accordance with the national biodiversity conservation policy through sustainable financing complementing the budget from the Government and co-funding through donor projects. According to the Strategy of the Protected Areas Fund, generated funds can be managed in one of the following two ways:

- as a Trust Fund wherein only revenues generated through investment of assets are used, therefore securing continuous funding for the Bulgaria's protected areas;
- as a sinking fund receiving and allocating targeted financing of protected areas projects.



STATE OF THE WORLD



Worldwatch Institute Annual Reports on Progress Towards a Sustainable Society

Since 1999 each year the National Trust EcoFund together with several other sponsors funds the publication of this report in Bulgarian language. This is one of the most important sources for information on the problems faced by the Planet and for possible solutions.

NATIONAL NATURE CONSERVATION AWARD IN HONOUR OF MIMI PRAMATAROVA

The National Nature Conservation Award was approved by the Board of Directors of the NTEF as one of the Fund Programs aiming to encourage creativeness devoted to nature conservation in different artistic fields.



Mimi Pramatarova was the first Director of Rila National Park.

With her enthusiasm and professionalism she inspired thousands of nature lovers and nature conservationists. She always initiated the most challenging and demanding steps towards innovation.

Her charismatic personality, crystal clear soul, exceptionally professional performance, love and devotion to Nature, children and young people turned her name into one of the symbols of Bulgaria's wildlife protection and conservation.



EVALUATIONS

A Review and Assessment of the Bulgarian National Trust EcoFund for the period 1997 – 2003 was completed by The German Agency for Technical Cooperation (GTZ) in the framework of The Regional Environmental Reconstruction Program for South Eastern Europe under the Stability Pact (REReP).



For most of period annual financial audits were combined with overall review of the operations of the Fund. A Recent Evaluation of the National Trust Ecofund and the Debt-for-Environment-Swap between the Republic of Bulgaria and the Swiss confederation for the period 1995 – 2009 was completed during the last quarter of 2010 and the beginning of 2011.

The main conclusions of the independent evaluations are as follow:

- The NTEF is a well-managed and highly effective public environmental financing institution with few weaknesses and many strengths, making it a uniquely valuable institution in Bulgaria.

- The NTEF built an impressive reputation among international institutions and donors. As a whole the initiative was hugely innovative and performed in line with internationally recognized standards and principles. It is strongly recommended that these strengths of the NTEF are used in the future.

- The evaluation results suggest that the NTEF has the potential to be a successful partner with regards to the National Green Investment Scheme, the new Swiss Bulgarian Cooperation Programme, and in EU Structural funds management.





Much of the Fund's value-added stems from rigorous project cycle management procedures, based on:

- a strict framework of clearly define environmental priorities and project eligibility criteria;
- clear requirements for and helpful, professional relations with applicants;
- clearly defined appraisal criteria emphasizing environmental benefits and cost-effectiveness;
- disbursement of grants only upon completion of work, and;
- careful monitoring of projects to ensure proper use of funds and achievement of environmental effects.



Several other factors are crucial the Fund's effectiveness:

- political independence;
- strong leadership and highly qualified and committed staff;
- objective, accountable and transparent decision-making;
- rigorous application of competitive public tendering procedures



NATIONAL GREEN INVESTMENT SCHEME



The operation of the National Green Investment Scheme (NGIS) aim to cover the widest possible range of potential environmental projects in order to provide the necessary scope of action for utilisation (for “greening”) of the proceeds from sales of assigned amount units (AAUs). The NGIS will rely solely on the proceeds from the sale of unused greenhouse gas emission quotas on national level.



According to Article 142 a – 142 h of the Environmental Protection Act (EPA), the proceeds from the sale of AAUs shall be used to finance projects in the field of energy, transport, agriculture and forestry, waste and water management, industry and other sectors of the national economy, which:

- lead to reduction of greenhouse gas emissions or their absorbing;
- significantly improve the quality of the environment, including reducing air, water and soil pollution.

Role and functions of the National Trust Eco Fund (NTEF):

- Responsible for the process of “greening” of the proceeds received from the sale of AAUs;
- Responsible for the selection and approval of projects for funding and monitoring their implementation in accordance with the NTEF Statutes and the Manual of Operations of NGIS;
- Signing contracts with project beneficiaries after their approval.



The basic principles of operation of the NGIS are the following:

- ✓ Targeted spending of the proceeds from the sale of Assigned Amount Units (AAUs) with the purpose of their “greening”;
- ✓ Opportunity for active involvement of the purchasers of AAUs in the project selection, evaluation and monitoring process, including participation in the Advisory Committee of NTEF;
- ✓ Funding of projects that directly or indirectly lead to greenhouse gas emission reductions;



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