NATIONAL TRUST ECOFUND

STRATEGY

2014-2020
On the verge of its 20th anniversary, the National Trust EcoFund needs to elaborate on its significant experience and outline its strategy for the next years.

The National Trust EcoFund (NTEF) was found in 1995 to manage ear-marked funds, provided through from the national budget, including proceeds from swap trade deals such as “Debt-for-Environment” and “Debt-for-Nature”, international trade deals for sale of Assigned Amount Units (AAU) for greenhouse gases, from sale of greenhouse gas quotas for aviation activities, as well as those based on other international, foreign or national financing sources targeted towards environmental protection in the Republic of Bulgaria.

Since the beginning of its operation NTEF has been implementing four programs.

NTEF has played its crucial role for the successful implementation of the “Debt-for-Environment” swap deal between the Republic of Bulgaria and the Swiss Confederation within which 100 projects in four main directions (remediation of past pollutions, air pollution reduction, clean water preservation and biodiversity protection) have been completed. The total funds used are BGN 26 546 665 with an average of 19% of the total projects’ value being provided by NTEF.

The Pilot Environmental Restoration Program is aiming at mitigating the severe environmental contamination from MDK copper smelter and refinery in Pirdop, which has been in operation since 1957. As a part of the privatization deal and in cooperation with the World Bank an Environmental Remediation Program has been developed. The funding of the program is accomplished through a loan provided to the government of the Republic of Bulgaria to the amount of USD 16 million, grant from the Bulgarian government to the amount of BGN 5.7 million and NTEF grant for equipment to the amount of USD 3.3 million. NTEF is the program coordinator as per signed Agent Agreement with the Ministry of Environment and Waters (MEW) in its capacity as representative of the Bulgarian government.

The amendments of the Environmental Protection Act of 2010 authorized the National Green Investment Scheme (NGIS) in 2011 to encompass the Allocation of Assigned Amount Units (AAU). As a result of this, the National Green Investment Scheme (NGIS) was established. The proceeds for financing projects are generated within the framework of...
two Agreements between the Republic of Bulgaria and the Republic of Austria for sale of Assigned Amount Units pursuant to article 17 of the Kyoto Protocol. Energy efficiency projects for 77 public buildings (schools, universities, kindergartens, cultural community centers, theater, sport halls, medical centers, and administrative facilities) in Bulgaria amounting to BGN 27 million have been implemented under the program during the period 2011-2014. Partially (based on de Minimis principle under the state aid regulations) has been provided to two corporate projects for energy production from renewable sources.

The need to develop a new strategic vision and action plan of NTEF is related to the demand for the fund operation making use of different financial opportunities in a new legislative environment – amendments in the national legislation following Bulgaria’s accession to the European Union, new international agreements in the fields of environment and climate change.

NTEF strategy for the period 2014-2020 has been developed within the framework of Project ID P118427 “Strengthening the National Trust Eco-Fund Financing and Implementation Capacity”, financed by Institutional Development Fund of the World Bank. NTEF is the contracting authority and the sole owner of the strategy. It was approved by the Management Board of NTEF on October 30th 2014.

The main stages of the strategy development include:
1. Analysis of NTEF current status – legal, institutional, administrative and financial; analysis of selected national and international institutions with similar activities;
2. Drafting of NTEF Strategy 2014-20 and organization of discussion with the stakeholders;

The purpose of this analysis is to identify the key aspects of NTEF operation, as well as to articulate the foundations for its future development. The analysis includes several aspects of the internal NTEF environment – i.e. legal status and functions as per the national legislation, institutional framework, capacity and financial aspects. A survey of similar institutions in the country and abroad is then performed to check whether there is a duplication of functions and to identify opportunities for partnerships. The future potential funding options for the future and the possible impacts of external factors, which could influence the functions and development of NTEF, are also analyzed.

1. Analysis of the legal status

The analysis of the legal status includes examination of the legal and institutional framework of NTEF. The study of the legal framework of NTEF covers acts from the national legislation, international treaties and agreements, and acts of the EU law. Internal documents of the Fund, as well as other documents relevant to its activities, are also examined (see, Appendix 1).

With the adoption of the Climate Change Mitigation Act (CCMA) (SG, 22 of 2014), a formal and essential expansion of the legal regulation of NTEF activities and functions has been provided. Almost all texts in the Environmental Protection Act (EPA), so far regulating the structure, elements and status of the National Green Investment Scheme (NGIS), have been transferred to CCMA. NGIS was established in 2010 to support greenhouse gas emission reduction projects using proceeds from AAU sale in accordance with Art.17 of the Kyoto Protocol. Some other provisions of EPA have been also transferred to CCMA. They provide initial regulation of the quotas of GHG emissions deriving from installations and from aviation activities in implementation of the European Trading Scheme (ETS) and the National Atmospheric Emission Inventory System.

The main texts in EPA, dedicated to NTEF, remain in force as a general legal framework. They are further developed into special regulations of the tasks and role of NTEF in the sphere of climate policy and reduction of GHG emissions. These are the most recent changes in environmental legislation of Bulgaria. Thus, the functions of NTEF are already determined by two acts - EPA and CCMA.

The current situation of NTEF is ensured as a body, which organizes the activities of collection, assessment, validation and financing of green investment projects under the NGIS (Art. 17, para. 2 CCMA). The provisions addressing NGIS are grouped in Chapter Three, Section II of CCMA (from Art. 16 to Art. 27). Under Art.18, para.2, pt. 1 of CCMA, buyers of AAU retain possibility to appoint their representatives to the NTEF Advisory Committee, which represents a unique feature of NGIS in Bulgaria.

According to the new regulation, the particular requirements that revenues from sales of AAU shall be deposited and managed by a special off-budget account of the Ministry of
Finance are partially repealed, by deleting the text of Art.142c, para.2 of EPA. The texts of Art.142c, para.1 and para.3 are not repealed but they settle the completion of so far existing/concluded contracts for the sale of AAU. At the same time, the text of Art.20, para.1 of CCMA stipulates that future revenues from potential agreements for sale or exchange of AAU shall enter the budget of the EMEPA. According to para.2 of the same article, the control on the implementation of these contracts is assigned to the Ministry of Environment and Waters (MOEW).

Other new sources of revenues for NGIS are not envisioned in CCMA and the prospects for revival and development of this specific emission market during the coming years are quite unclear. It is quite likely, therefore, that after the completion of the implementation under the existing agreements during the period following the end of 2014, NGIS may for some time exist only nominally as a specific mechanism, which lacks support from guaranteed funding sources. With that in mind and in the absence of new contracts for sale of AAU, the role of NTEF as a central body of NGIS will also be only nominal.

The adopted version of CCMA provides basis for new directions and forms of NTEF activity, albeit in a more limited scope of the functions, tasks and role in project management mechanisms than it was provided for in an earlier draft of the same act. In several CCMA provisions, NTEF is mentioned as a possible tool for the distribution of revenues from activities related to GHG emissions outside the NGIS framework. Thus, a formal widening of the activities and tasks of NTEF is achieved in its capacity as specific national mechanism in the filed of financing projects in support of national strategies and programs for climate and environmental protection. For example, CCMA envisions potential NTEF participation in the EU ETS application, in its part related to the use of revenues from auctioning emission quotas from aviation activities, as well as in the implementation of Bulgaria's obligations under Decision N° 406/2009/EC on greenhouse gas emission levels, determined for the Republic of Bulgaria and the opportunities for international trading with emissions between the EU member-states.

The main issues of Bulgaria's participation in the European Trading Scheme (ETS) are regulated in Chapter Four of CCMA. According to Art.30, para.3 of CCMA, the scope of the scheme, resp. the CCMA provisions, includes the installations indicated in Appendix 1 of CCMA and the aviation activities respectively indicated in Appendix 2. According to Art.52 of CCMA, all auctions of GHG allowances under this Act shall be held in accordance with Regulation (EC) 1031/2010, as auctions are organized and held by common auction platform, as stipulated in the Regulation. Notwithstanding the general scope of the scheme, common auction platform and general regulation of these auctions, in CCMA the legislator has distinguished clearly the mechanisms for managing the revenues from auctioning of emissions from installations and the proceeds from auctioning of emissions from aviation activities. Art. 53 of the CCMA provides that all revenues from auctioning under Section VII of the act (from aviation activities and from installations under Annex 1) should be transferred to EMEPA, but the purposes and mostly the management forms of these revenues differ significantly.

Regarding revenues from aviation activities, Art.56, para.2 of CCMA provides that they are received in the budget of EMEPA and may be spent through NTEF following a procedure, established with an Ordinance of the Minister of Environment and Water, as in this case shall respectively apply Art.22, para.2 of the Act. This means that 5% of these revenues may be used to cover the administrative costs of NTEF and EMEPA, related to that activity. The rest of revenues shall be spent in compliance with goals and priorities of financing activities for climate change mitigation, as defined in Art.56, para.1. The text does not provide sufficient clarity whether the spending of these revenues can be also carried out directly by EMEPA or otherwise, without the participation of NTEF, or regardless of the expression “may” the point of this paragraph is that spending of revenues from emission allowances from aviation activities shall be performed obligatory by NTEF. The Ordinance of the Minister of Environment and Water, mentioned in this text, which should further define conditions and procedure for the spending of the funds, could give a more definite answer to this question. It should be noted that this ordinance is not listed explicitly in the text of Art.5 and Art.6 of the Act, stipulating the powers and duties of the Council of Ministers and Minister of Environment and Water for issuing by-laws respectively provided in CCMA.

As regards revenues from installations, CCMA contains two texts. In accordance with Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 on the establishment of scheme for trading greenhouse gas emissions within the Community, the use of the revenues is divided into two parts. Art. 57, para 1 of the CCMA regulates the use of 71% of the revenues from the auctioning of allowances for installations, with the exception of free allowances under Art. 43-46 of CCMA, indicating 9 groups of possible directions for the utilization of these revenues, provided that they can be used only for one or several of the activities identified in this paragraph. Art.58, para.1 regulates the use of the remaining 29% of revenues, determining other three possible directions for this part of the funds. The Act has envisioned in Art.58, para. 2, that the procedure and way of spending the revenues under Art. 58, para.1 and those under Art.57, shall be determined by a decree of the Council of Ministers, but no guarantee is ensured for the participation of NTEF in this mechanism.

The hypothesis of Art.67, para.6 in Section II of Chapter Five of CCMA differs even more in terms of NTEF functions and tasks determination. This chapter of the Act is dedicated to the implementation of Decision 406/2009 EC. It provides for the possibility the annual emission allocations under Art. 3, paragraph 2 of Decision 406/2009/EC allocated to the Republic of Bulgaria, to be transferred to other member-states of the European Union. This can be done under Decision 406/2009/EC, observing the conditions of Art.19 of CCMA. In this manner, another opportunity is created for cross-country emission trading within the EU, which can generate additional revenues for Bulgaria. Article 67, para.6 of CCMA states that revenues from this trading shall be received in EMEPA budget and spent through NTEF under the terms of Art.22 of the Act. This means that these revenues shall be treated equally regarding the regime compared with the revenues from AAU sale and their manner of management is similar to the NGIS management. The clarification in the text of this paragraph 6 - that the funds are spent “... by NTEF” - is essential, since Art.22 of CCMA generally incorporates the hypothesis of para.3, allowing the possibility for spending such revenues directly by EMEPA as well. Through this addition, the possible application of Art.22, para.3 of CCMA in the hypothesis of Art.67, para.5 and 6 of the Act is eliminated.
The hypothesis of §4 of the Transitional and Final Provisions of CCMA is interesting as well, as it deals with revenues from the sale of GHG emission allowances from installations by auctioning, received in the budget of the Ministry of Environment and Water until December 31, 2012. It is envisaged that the order and way of spending shall be determined by a decision of the Council of Ministers. In this case, NTEF is not specified explicitly as managing authority. Pursuant to Directive 2003/87/EC, it is advisable and essential COM decision to be referred to some of the aforementioned hypotheses of CCMA, in view of the general objectives in the allocation of such revenues in each of the EU member-states. This analysis of the new legal framework would be incomplete without considering the contradiction of CCMA with certain provisions of other legal acts created in 2013. It comes to some texts of the Energy Act (EA), Energy Efficiency Act (EEA) and Renewable Energy Sources Act (RESA), which currently directly regulate the manner of spending the revenues generated from the auctioning of emission allowances in the EU ETS. For example, according to the current Art.35, para.5 and 6 of the EA and Art.58, para.2 of the EEA, in conjunction with Art.6, item 2 of RESA, 100% of the proceeds from the auctioning of allowances for greenhouse gas emissions in 2013 were used to cover the surcharges for the purchase of electricity from renewable energy sources (RES). Until the adoption of CCMA, the provision refers to texts of EPA, later repealed by the provisions of the CCMA. This established legal structure corresponds largely with the hypothesis of Art.57, para.1, item 8 of CCMA, but as a whole it is inconsistent with the mechanisms and allocation, envisioned in Art.57, para.1 and Art.58 of CCMA.

The existence of such contradictions between new and established regulations impedes the complete action of CCMA. Implementing the aforementioned provisions of the Energy Act, the Energy Efficiency Act and the Energy from Renewable Sources Act implies depriving new state policy on climate change from real financial basis for its introduction and implementation. These regulations should be respectively amended or repealed in order to overcome the collision regarding the allocation of revenues from auctioning of emissions for installations.

Finally, it should be pointed out that the analyzed CCMA provisions create a new legal framework of the state policy in the field of climate and environment. CCMA has direct and indirect reference to the functions, tasks and activities of NTEF. Several hypotheses are outlined with regard to possible involvement of the Fund in the implementation of state policy on environmental protection and on climate change, in particular.

1.2. Main functions of NTEF envisioned in the legislation

Regard the sources of funding:1

- Earmarked funds provided by the state budget, including financial resources accruing from debt-for-environment swap agreements in the field of environment.
- Management of financial resources accruing from international trading of assigned amount units (AAU). The function stems from the EPA and the CCMA. Until now, the only proceeds come from the agreements with the Government of the Republic of Austria.
- Management of financial resources accruing from sale of allowances for greenhouse gas emissions from aviation activities. Pursuant to Art. 56, para. 2 of CCMA “proceeds from the sale of emission allowances from aviation activities are deposited to the budget of EM EPA and can be spent by NTEF under a procedure established by the Minister of Environment and Water”. In this case, Art. 22, para.2 is applied. The practical implementation of this function depends on the timely adoption of the by-law.
- Management of financial resources accruing from the sale of emission allowances from installations. This is only a theoretical possibility (i.e., not a guaranteed source of revenues), which arises from Art. 58, para. 2 of CCMA: “The procedure of disbursement of proceeds under para. 1 and Art. 57 shall be determined by a Decree of the Council of Ministers”. The practical implementation of this function depends on the timely approval of the by-law and the specific role for NTEF envisaged in it.
- Management of financial resources accruing from the sale of annual emission allowances from installations by auction, which are transferred to the budget of the Ministry of Environment and Water until 31 December, 2012. NTEF role in this process depends on a decision of the Council of Ministers adopted on the grounds of § 4 of the transitional and final procedures of CCMA.
- Possible participation in the spending of proceeds from the sale of GHG emission allowances from installations by auction, which are transferred to the EMEPA budget and are spent through NTEF according to the provisions of Art. 22 of CCMA.
- Management of other resources provided by governments, international financial institutions and other donors, designated for environmental protection in the Republic of Bulgaria. This function derives from EPA. It opens a wide scope of opportunities for NTEF to finance projects in practically any environmental sector in Bulgaria and thus become the key funding mechanism in the field of environment using resources from foreign donors.

The adoption of CCMA has not repealed Art.5B, para.2 of EEA2, so it is debatable how much of the proceeds from the allowances trading under EU ETS will be available for spending by NTEF.

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1 Art. 66, para. 1 of EPA
2 Art. 58, para. 2 of EEA (New - SG, No. 59/2013, effective from 5.07.2013). Proceeds from the sale of quota for greenhouse gases emissions are used to develop renewable energy sources so as to meet the commitment of the European Union for 20 percent renewable energy by 2020; development of technologies contributing to the transition to a safe and sustainable low carbon economy, help meet the commitment to increase energy efficiency and to promote investment in the production of energy under the Energy from Renewable Sources Act (ERSA) and the related costs arising from obligations to the society.
1. SITUATIONAL ANALYSIS

In relation to financing of ecological projects:

These functions cover the entire process of project management, including:
- selection of projects;
- concluding contracts with approved beneficiaries;
- control over the implementation;
- funds allocation;
- reporting on contract performance to the competent authorities and donors.

The priority areas of the projects funded so far include the following main directions:

1. Elimination of past pollutions and environmental damages, inclusive of but not limited to:
   a. treatment of hazardous waste and substances;
   b. minimization of contamination of drinking water and food with heavy metals, toxic organic compounds and other harmful chemicals.

2. Reduction of the air pollution and mitigation of the climate change, inclusive of but not limited to:
   a. reduction of the health risk due to high concentrations of dust, sulfur and nitrogen oxides, lead and other toxic chemical factors in the settlements;
   b. reduction of GHG (carbon dioxide, methane, etc.) emissions;
   c. demo projects for air quality improvement;

3. Clean water protection, inclusive of but not limited to:
   a. construction of municipal and industrial waste water treatment plants;
   b. flood risk prevention and management.

4. Support of the national ecological network and biodiversity conservation, incl. pilot projects for habitat types restoration.

5. Other priority areas of the national policy on environmental protection.

1.3. Institutional Structure of NTEF

General notes

The National Trust EcoFund is established under the “Debt-for-Environment” Swap Agreement between the Government of the Republic of Bulgaria and the Government of the Swiss Confederation, concluded on October 23, 1995. Article 4, para.1, of the Agreement provides for the establishment of an independent trust fund assigned with the management of financial assets amounting to approximately CHF 20 million. The funds are invested in activities related to environmental protection. The vision for the Fund, contained in the agreement between the two governments, can be served only by a structure that is independent of the state, whilst ensuring serious control by donors over funds provided by them. The principle of independence is expressly enshrined in the RSANTEF and it is manifested mostly in the method of selecting members of the Management Board, which includes three persons independent of the central government. The participation of donors in the funds management is ensured by the right of veto of the donor, who has provided the funds, as well as by their participation in the Advisory Committee, which has an advisory, and in some cases, a decisive vote in making the most important decisions of the Fund.

The permanent bodies of NTEF include the Management Board (MB), Chairman of the Board, the Advisory Council (AC) and the Director of the EB (Executive Director), assisted by the Executive Bureau. In certain cases, NTEF might create auxiliary bodies, as for example the Project Selection and Evaluation Commission under NGIS, which implement one or more specialized functions and support the Figure 1: Institutional structure of NTEF

Figure 1: Institutional structure of NTEF

Management Board

The Management Board (MB) is the representative body of NTEF, whose competences include the most important decisions for the operation of the Fund, including adoption of internal rules, such as rules of procedure and operational manuals, adoption of the Fund budget, approval of contract templates, approval of projects for funding, etc.\(^1\)

*The Management Board consists of 7 members, including a chairperson and two deputy

\(^1\) Art. 10 of RSANTEF
chairpersons. Three members of the MB are representatives of the government – the Deputy Minister of Environment and Water, Deputy Minister of Finance, and the Deputy Minister of Energy. Other three members are nominated by the Bulgarian Academy of Sciences (BAS), the environmental non-governmental sector and the National Association of Municipalities in the Republic of Bulgaria (NAMRB). The Chairperson of the MB is elected by the Council of Ministers but with the preliminary approval of the AB, along with the requirement that he/she shall hold no position in the public administration, nor be a political party member. Besides, it is also provided that the positions of the two Deputy Chairpersons should be distributed between the government (represented by the Deputy Minister of Environment and Water) and the NGO sector.

Although pursuant to Art.5 of RSANTEF MB Chairperson is not formally specified as an independent body, his/her powers actually characterize him/her as such a body. Besides the functions of convening and chairing the MB, the Chairperson has other important functions, such as general NTEF representation, conclusion of contracts for obtaining and granting of funds, appointment of the Executive Director elected by the MB, etc. The Chairperson is one of the two permanent NTEF bodies (the other is the Executive Director). For this reason, the law has provided for mechanisms that limit the possibility of NTEF remaining without a Chairperson for a long time. In his/her absence, the Chairperson is replaced by one of the Deputy Chairpersons of the MB.

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**Advisory Board**

According to EPA, the Advisory Board is a body designed to formulate the will of governments and international institutions which provide financial resources or which render assistance to NTEF, as well as of the representatives of the AAU buyer countries. RSANTEF contains additional rules for the composition of the AB, without limiting the general right of participation provided by the law. The Regulation establishes the principle of voluntary membership in the AB, which is implemented on the respective donor’s initiative.

The original idea of the legislature has been that only persons providing grants or assistance to the NTFE may nominate representatives to the AB. Subsequently, the circle of those persons has been extended to include the AAU buyers, as far as they set up specific terms for the use of funds paid for AAU acquisition and logically should have control over their spending.

The powers of the Advisory Board are mainly consultative. Representatives of the AB may participate in the sessions of the MB, make statements and express opinions. The AB has a decisive vote in some cases, for example in electing the Chairperson of the MB.

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**Executive Bureau and Executive Director**

Although the RSANTEF specifies the Executive Bureau (EB) as a body of NTEF, according to the legal theory the actual body is the Executive Director as long as he/she has the competence to perform actions which produce legal consequences for the Fund. In this sense, the Executive Bureau is only the administration, which assists the Executive Director (and other bodies) in performing their competences.

The Executive Director is responsible for the daily management of the Fund. He/she is subordinate to the MB, whose decisions he/she should implement. The Director is responsible for the preparation of the Management Board’s decisions, drafting and reporting of the budget, appointment of the employees, etc.. In 2010, the Executive Director was given also the power to enter into contracts, which fall beyond the competence of the Chairperson of the BD. The Executive Director is appointed by the MB for a five-year term following a competition. The Regulation has provided mechanism to prevent Fund paralysis in the absence of the Executive Director. In this case his/her functions are temporarily performed by the MB Chairperson.

The administration of the Executive Bureau includes three types of employees - executive director, experts and technical assistants. The NTEF statute contains a more detailed structure of the administration, which includes separated individual units: Financial and Economic Department, Technical Department, Office Management and Coordination Department. Currently, this internal division of administrative functions still exists, but interpretation is derived from the job roster.

Currently seven persons are employed under labor contracts in the Executive Bureau.

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**1.4. Analysis of the compliance of the legal and institutional framework with the NTEF functions**

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**General Notes**

NTEF functions are the foundation for its institutional structure and decision making procedures. Therefore, the analysis of legal and institutional framework has the task to determine whether they contain the necessary conditions for the normal execution of the functions envisioned in the law.

The analysis accounts also for the results of interviews conducted with representatives of the three main groups of stakeholders, identified during the desk research stage:

1. NTEF:
   - Staff of the Executive Bureau;
   - Members of the Management Board;
   - Members of the Advisory Board;
   - External experts
2. State institutions, national and international partner organizations, donors, etc.
3. Actual and potential clients and beneficiaries of the project financing.

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4 Art. 9 of RSANTEF
5 See, art. 7, art. 7 and 8 of RSANTEF
6 Article 66, para. 4 of EPA
7 Article 5, item 3 of RSANTEF
8 Article 19 of RSANTEF
Compliance between legal framework and NTEF functions

NTEF legal framework is extremely detailed. It includes legal acts with different degree of legal force. On the other hand, it is necessarily fragmented, as far as NTEF is formally entitled to finance projects in various environmental sectors, which are governed by different regulations. By the Climate Change Mitigation Act (CCMA), partial codification has been achieved in terms of NTEF functions related to management of projects in the field of climate change.

As a whole, the existing NTEF legal framework is self-consistent. The laws, stipulating NTEF activity, do not contain significant mismatches between them, and the acts of lower legal force comply with the laws. Despite the detailed regulations, NTEF legal framework contains some gaps and shortcomings, such as:

- **Lack of sufficient guarantees for the permanent existence of NTEF (guaranteed source of revenue).** Although pursuant to EPA the NTEF is regulated as a permanently operating institution, the law does not actually provide for it, since it stipulates a relatively limited list of funding sources. None of these sources provides a guaranteed regular cash flow. The possibility is not exploited, for example, to establish reserves by setting a minimum percentage (e.g., 0.5%) of the value of each transaction or revenue of NTEF to be capitalized in a special account, so as to be spent on MB decision in the absence of other revenues and thus cover direct and indirect costs.

- **Lack of Rules of Procedure of NTEF.** The NTEF had its Rules of Procedure until mid-2011, when it was repealed by the argument that the same matter was governed by the relevant Operational manuals. The Operational manuals, however, regulate only issues related to different environmental schemes or funds within the NTEF, while the Rules of Procedure contain general provisions for NTEF as a whole. The adoption of Rules of Procedure is explicitly provided in the Regulation on the Structure and Activity of the National Trust EcoFund and it is also interpretatively derived from Art. 66, para. 5 of EPA. Since according to RSANTEF, the Rules of Procedure is approved by the Advisory Board, the latter should approve its repealing as well, but relevant information is not available. Therefore, NTEF should revise its decision to repeal the Rules of Procedure as soon as possible and reapprove it.

- **Some provisions of the contracts, signed by NTEF (for obtaining or granting funding), should be amended**

It can be concluded in general, that NTEF legal framework contains sufficient conditions for the normal performance of its functions. The updating the above mentioned documents shall lead to harmonization of the legal framework of the Fund.

Compliance between NTEF organizational structure and its functions

NTEF organizational structure is based on several key principles: independence, transparency, accountability, etc. These founding principles are at the core of the Fund general legal framework. Their implementation is one of the main guarantees for NTEF functioning as a financing institution managing foreign sources’ funds. Taking into consideration the fact that foreign donors, especially those of public nature, typically require spending funds for targeted purposes and under effective investment control, NTEF institutional characteristics qualify it as a particularly appropriate structure for implementing these requirements. The balanced composition of the Management Board (MB) serves as a guarantee that the funds would not be entirely controlled by the Government, as well as not being spent unaccountably or for inappropriate purposes. The roles of the Advisory Board (AB) and of the individual donors provide additional guarantee for safeguarding donors’ interests. Equally, the existence of a permanent administrative body – the Executive Director and the Board - serves as a base for establishing experienced and qualified team which can manage effectively the concrete projects.

The two-tier management structure of the Fund, represented by the MB and AB, as well as the relatively large composition of the MB, inevitably lead to a longer time horizon on NTEF decision-making procedures compared to institutions using a more simplified management structure.

Formulating more narrowly the separate grantors’ terms for exercising their veto rights may be considered as well. NTEF internal rules and procedures allow for limiting the veto rights in the event of contradiction with the preliminary terms as agreed with the grantor, and this limitation should be also transferred into RSANTEF.

It must be noted that NTEF management structure in its two-tiered format is most effective in the case of dealing with grantors or other similar third parties (such as AAU buyers) that have long-term interest in how their funds are being invested. Should the NTEF stop receiving donor or similar financing, the Advisory Board would practically remain with no members and would stop functioning. Such situation may occur if, for example, NTEF is financed solely by the proceeds of sales of aviation greenhouse gas emissions’ quotas, insofar that the buyers of such quotas have no interest, nor monitoring rights over the grants they make. From another point of view, the Advisory Board represents probably the highest guarantee for transparent investment and it is the main differentiation between NTEF and the rest of the environmental financing mechanisms in Bulgaria. Therefore, this governing body must be preserved - even if it does not, temporarily, perform functions in specific financial schemes -for the sake of its potential for attracting classic donors.

Compliance between the procedures for decision-making and project management and the NTEF functions

The decision-making process at regulatory level and at NTEF internal rules and procedures’ level appears finely balanced between complying with the fundamental principles and the procedural savings. However, additional optimization opportunities may be sought for in the other legal instruments, composing the Fund regulatory framework.

Specifically, the decision-making and project management procedures become progressively more complex with the participation of each additional stakeholder. Until CCMA adoption, the legal framework of these relations was regulated at a contract

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4 Art. 1, para. 2 and 3 of RSANTEF.
1. SITUATIONAL ANALYSIS

1.5. Financial Analysis

The financial analysis of NTEF activity focuses on assessing the effectiveness of funds management in the performance of the fund activity. The analysis covers the whole NGIS implementation period (2012, 2013 and 2014) and includes the two AAU sale agreements.

Various financial indicators are examined, which characterize the funds management process in the most important aspect for the project management structure, namely - “price” for administration of the main activity.

Such an aspect of the analysis is typical of activities that require administration of the funds’ raising or spending process. In the years 2012, 2013 and 2014, the main NTEF activity is focused on project management under NGIS. The calculation of financial indicators characterizing the funds management process is based on cumulative data for the three analyzed years. In this way, greater objectivity is achieved and some fluctuations and effects of factors (e.g., delay in the start of the financing contracts with some of the beneficiaries, extending the deadlines for the implementation of some projects, etc.) are eliminated to a great extent, that could result in a distortion of the relevant indicators. For the three-year period, 1 BGN of net costs of NTEF (administrative costs) corresponds to the absorption of 36.38 BGN under the implementation of a total of 39 projects.

In percentage terms, this means that net NTEF costs represent 3.6% of the total amount of payments for public and private projects during the period 2012-2014. This indicator shows good management of NTEF operations and effective use of funds for administrative support of implemented projects. Administrative NTEF costs (3.6% of the total amount of funded projects) are significantly lower than the permitted value - according to the agreement between the Republic of Bulgaria and the Republic of Austria the total administrative costs can reach up to 5% of the proceeds from the sale of AAU.

An important aspect of the analysis is the assessment of the managed funds under projects with regard to direct costs, in this number labor costs, including management costs.

During the three year period, each BGN of the direct costs corresponds to BGN 52.36 absorbed. As a percentage ratio the direct costs represent less than 2% of the total amount actually paid by NTEF.

These ratios are valid for both the net and direct costs compared to the total funds invested in public and private projects and represent an indicator for the good level of funds absorption under NGIS during its 3-year implementation period.

By the end of 2014, a total of 39 projects with 79 buildings have been successfully completed within the framework of the two AAU Agreements, whereas 8 projects fall within the First deal and 32 within the Second Agreement with the Republic of Austria, as well as two corporate projects for energy production from renewable energy sources.

1.6. Analysis of National and International Institutions with Similar Activities

The evaluation of NTEF institutional capacity and the elaboration of a strategic vision for its development could be improved through a comparison with similar national and foreign institutions. The similarity is established in terms of two main criteria: functional (financing environmental protection projects) and structural (establishment of a fund structure for funds’ raising and management).

Among Bulgarian institutions, a short review is made of the Enterprise for Management of Environment Protection Activities (EMEPA), State Fund Agriculture (SFA), and the Energy Efficiency and Renewable Sources Fund (EERSF). Analysis is made of the following foreign institutions: National Environment Protection and Water Management Fund of Poland (Narodowy Fundusz Ochrony Rodowiska i Gospodarki Wodnej); Kommunalbank Public Consulting GmbH (Austria); State EcoFund of the Czech Republic (Státní fond životního prostředí České republiky).
In making the analysis, the consultant has used primarily acts and regulations of the Bulgarian law and publicly available information in Bulgarian and English language, published on the official Internet pages of each particular fund. The analysis focuses on general presentation of the similar structures, but it is quite sufficient to meet the goals of the task - formulating ideas for successful strategic development of NTEF.

**NATIONAL INSTITUTIONS**

**Enterprise for Management of Environment Protection Activities (EMEPA)**

The Enterprise for Management of Environment Protection Activities (EMEPA) is a public enterprise within the meaning of Art.62, para. 3 of the Commercial Act, established pursuant to Art.60, para.1 of the EPA. EMEPA is a legal entity, which is not a trading company and does not form and distribute profits.

EMEPA structure and operation are governed by rules adopted by the Council of Ministers. The administrative expenses of the enterprise are approved by the Minister of Environment and Water along with the plan of activities for the current year.

EMEPA is managed by a Management Board and is represented by an Executive Director. The Management Board consists of seven members, including the chairman. Board members are: Chair – the Minister of Environment and Water; representative of the Ministry of Environment and Water; Director of the Executive Environment Agency; representative of the Ministry of Finance; representative of the National Association of Municipalities in Republic of Bulgaria; representative of the business, proposed by NGOs performing activity in the public interest, which in their statutes or founding act include activities related to environmental protection; EMEPA's Executive Director. The members of the Management Board and the Executive Director are appointed by the Minister of Environment and Water.

Main activity of the enterprise is the implementation of environmental projects and activities in execution of national and municipal strategies and programs in the field of environment. The enterprise performs also other activities, which provide for or supplement the main subject of activity.

The operation of EMEPA in performing the tasks related to its main subject of activity is funded by: fees determined by the special laws in the field of environment; earmarked grants from the state budget for environmental programs, based on decision of the competent authorities; donations from local and foreign physical and legal entities; revenues from interest on deposits; fines for administrative violations under this Act, the Water Act, Soil Act, Waste Management Act, Medicinal Plants Act, Protected Areas Act, Clean Air Act, Mineral Resources Act, Biodiversity Act, Environmental Noise Protection Act, and Protection from the Harmful Effects of Chemicals Act, imposed by Minister of Environment and Water or officials authorized by him; income from portfolio investments related to environmental protection; other revenues determined by a normative act.

The only similarity between NTEF and EMEPA is with regard to the implementation of certain activities, namely, environmental protection. The most important differences are in terms of: (1) management of the institutions (one of the Management Boards in question is dominated by representatives of the state, mainly from MOEW, while the other is balanced); (2) sources of revenue; 3) functions and ways of spending these revenues.

**State Fund Agriculture (SFA)**

State Fund Agriculture (SFA) is a legal entity, first line administrator of a budget, which is a part of the state budget. The Fund managing bodies are the Managing Board and the Executive Director. The Managing Board consists of 11 members. The Minister of Agriculture and Food is a member by right and chair of the Board. The Ministry of Finance, Ministry of Economy and Energy, Ministry of Environment and Waters, Ministry of Labour and Social Policy, and Ministry of Regional Development each nominate one of their deputies to the Board. Other four members are determined by the Minister of Agriculture and Food. The Managing Board elects the Executive Director upon proposal by the Minister of Agriculture and Food and with the approval of the Prime Minister. The Executive Director is a member of the Board by right.

Provided support includes subsidies, special purpose loans, guarantees, or undertaking sponsorship with financial institutions.

In its capacity of Paying Agency, SFA performs activities related to the implementation of schemes and measures for support within the Common Agricultural Policy and the Common Fisheries Policy (CFP) of the European Union.

The Fund forms its revenues from: an annual subsidy from the state budget; premium income in the amount of 4 percent on insurance policies covering agricultural crops, livestock, machinery, buildings, equipment and other property, as well as other long-term assets of agricultural producers; management of the Fund resources, including interest income; export fees on raw and processed agricultural goods; donations and aid from financial institutions and organizations, and funds under international agreements; funds received within loans and grants pursuant to a decision of the Council of Ministers or under an order issued by the Minister of Agriculture and Food; fines and property sanctions under Chapter Seven of the Registration and Control of Agricultural and Forestry Equipment Act; 50 percent of fines, sanctions and takings in favour of the state pursuant to the Wine and Spirits Act, after deduction of costs; other funds as determined by a law or a regulatory instrument of the Council of Ministers.

The only similarity between NTEF and SFA is with regard to the implementation of certain activities, namely, certain types of projects in the field of biodiversity conservation. The most important differences are in terms of: (1) management of the institutions; (2) sources of revenue; 3) functions and ways of spending these revenues.

**Energy Efficiency and Renewable Sources Fund (EERSF)**

The structure and functions of the Energy Efficiency and Renewable Sources Fund (EERSF) are regulated by the Energy Efficiency Act. The Fund is a legal entity, implementing activities and measures for energy efficiency improvement and encouragement of...
activities for production and consumption of energy from renewable sources, with the exception of such financed from the state budget.

EERSF bodies include the General Assembly of Donors and the Management Board. The General Assembly of Donors (GAD) is composed of private individuals and legal entities, including non-profit legal entities, providing funds to the Fund: the Government of Bulgaria, the Global Environment Facility (GEF), etc. GAD adopts the regulations on the operation, organization and activity of the Fund, elects and releases some of the members of the Management Board, and decides on the termination of Fund operation.

The Management Board consists of nine members including representatives of the Ministry of Economy and Energy, Ministry of Environment and Waters, Ministry of Regional Development, the Executive Director of the Agency for Sustainable Energy Development, representatives of non-government organizations and experts, elected by the Donor’s Assembly. The Chairman of the Management Board is elected among its members for a one-year term.

The Fund performs its activity in accordance with the Energy Efficiency Act and the agreements signed with the major donors, and it is not part of the consolidated state budget.

Fund revenues are raised from the following sources: donations from international financial institutions, international funds, Bulgarian and foreign private individuals and legal entities; accrued interest on current accounts or bank deposits opened by the Fund; loans or other credit facilities from international organizations and banks, as well as from private individuals and/or legal entities, registered as traders, obtained exclusively for the purpose of achieving the Fund goals; installments made by the energy traders; other earnings in conformity with the Fund nature and activity.

The Fund assets are spent for: financing of projects for energy efficiency development; financing of activities and projects for production of energy from renewable sources; granting of credit risk guarantees on credits lent by financial and credit institutions for implementation of projects; priority financing of projects for implementation of measures for improving energy efficiency in the final consumption of energy or usage of energy from renewable sources in the final consumption of energy; administrative costs of the Fund as per the annual budget on income and expenditure as approved by the Management Board.

The only similarity between NTEF and EERSF is with regard to the implementation of certain activities, namely, certain types of projects in the field of improving the energy efficiency of public buildings. The most important differences are in terms of: (1) management of the institutions; (2) sources of revenue; 3) functions and ways of spending these revenues.

INTERNATIONAL INSTITUTIONS

--- National Fund for Environmental Protection and Water Management (NFEP&WM) of Poland (Narodowy Fundusz Ochrony Środowiska i Gospodarki Wodnej) ---

The National Fund for Environmental Protection and Water Management (NFEP&WM) of Poland was established in 1989. The National Fund operation as a State legal person is regulated by the Act on Environmental Protection and its Statute.

The Fund has a head office and regional structures. Central management bodies are the National Fund Supervisory Board and the Management Board.

The Supervisory Board consists of up to 12 people, as its number and composition is determined by the Minister of environment. The Supervisory Board includes representatives of local governments, ministry of public finance, ministry of economy, ministry of regional development, and nationally represented non-governmental environmental organizations. Members of the Supervisory Board are appointed and dismissed by the Minister of Environment. The Supervisory Board determines the selection criteria for projects to be financed by the Fund.

The Board of the National Fund consists of 3 to 5 members, including President of the National Fund and the Deputy Chairman of the Board, who are appointed by the minister of environment through an open competition. The Board administers the resources of the Fund and selects the projects to be supported by it, controls the use of loans and grants, develops strategies and plans for development of the Fund, etc.

The bodies of the Fund are assisted by executive administration, headed by a Director, appointed by the Chairman of the Management Board.

The fund has an independent budget. Its revenues are generated from various sources - fees and fines under the Environmental Protection Act, concession fees and supplies under the Geological and Mining Act, fines under the Water Act, fines and charges arising from the Energy Act, etc., including revenue from the sale of AAU of greenhouse gases and other sources.

The activity of the Fund is aimed at supporting the implementation of the country's commitments under international law and the EU law, including the UNFCCC and the Kyoto Protocol. The Fund is a national operator of the Green Investment Scheme (GIS), which provides “greening” of the proceeds from the sale of AAU.

During the programming period 2007-2013, the Fund has been acting as a Managing Authority of the EU Infrastructure and Environment Operational Programme under five priority areas: water management and waste water, soil protection, resource management and counteracting environmental risks, adapting the business to environmental requirements, high efficient production and distribution of energy, renovation of public buildings. In this role, at the end of 2013, the Fund has entered into nearly 450 co-financing agreements worth over PLN 15 billion.

During the period 2009-2014, the Fund together with the Ministry of Environment has been administering the distribution of grant financing of environmental projects provided...
under the Financial Mechanism of the European Economic Area and the Norwegian mechanism.
Beneficiaries of the Fund are state bodies and local authorities, enterprises, institutions (including educational institutions and hospitals), NGOs and individuals.

A specific characteristic of the Fund is that it develops and manages a wide range of financial products aimed at providing incentives to beneficiaries: investment grants, loans, bridge financing, guarantee loans, equity investments, etc. Favorable conditions for beneficiaries in allocating the various forms of financing are provided thanks to the cooperation and participation of other financial institutions (banks) in the supported programs.

The policy of the Fund determines loan financing as the main form of support for projects. This characterizes the Fund as “renewable” (revolving) and ensures its financial stability.

Kommunalkredit Public Consulting GmBH (KPC) Austria
KPC is a subsidiary of Bank Kommunalkredit Austria AG, which is the majority owner with 90% of the equity. The Bank and KPC do not operate on purely commercial basis as they are charged with specific public and legal functions. KPC is specialized in the development, implementation and management of support programmes, mostly aimed at environmental protection and the fight against climate change, as well as in providing consulting services. Potential clients of the company are both Austrian institutions and public institutions in Central and Eastern Europe. With the assistance of KPC, for example, has been established the ecological fund of Bosnia and Herzegovina. In addition, KPC participated in the international carbon market.

The company’s activity is extremely diverse. KPC works in close partnership with the Federal Ministry of Agriculture and Forestry, Environment and Water Management. KPC manages the environmental support schemes of the Federal Government in the field of environment and the national program mechanisms “Clean Development” and “Joint Implementation” under the Kyoto Protocol.

KPC has a key role in the management of the national Green Investment Scheme, established in relation with international trade in AAU. On behalf of the Austrian Government KPC signs contracts for the purchase of AAU and negotiates the conditions for “greening” of the funds paid in the transaction. So far, KPC has signed eight agreements under the Austrian NGIS for a total of 38 million tons of AAU.

In addition to these functions, KPC performs consulting business activities on the market of consulting services in the field of environment and climate.

State Environmental Fund of the Czech Republic (Státní fond životního prostředí České republiky)
The State Environmental Fund of the Czech Republic (SEF) is established in 1991 as a result of the merging and replacement of existing at that time State Air Protection Fund and State Water Protection Fund. The chief motivation for establishing the Fund was the aim to create a comprehensive and flexible financial instrument for implementation of the state policy in the field of environment. SEF started its operation in 1992 as an independent legal entity, subordinated to the Ministry of Environment and holding responsibility for the allocation and use of the Fund resources.

SEF activities, functions and tasks are defined in the Statute of the Fund. Management is structured in two levels: Fund Council and Fund Office (administration).

The Fund Council acts as advisory body of the Minister of Environment; its decisions are submitted to the Minister as recommendations. Regular Members and the Chairperson of the Council are appointed and discharged by the Minister of Environment. Other top managers, the technical director and the financial director, are appointed by the Fund Director.

The Members of the Council include representatives of six ministries (Ministry of Environment, Ministry of Finance, Ministry of Regional Development, Ministry of Agriculture, Ministry of Industry and Trade, and the Ministry of Health); six members of the lower chamber of the Czech Parliament (from the Environment and Regional Development Commission, Budget Commission, and National Economy Commission), and one representative of the Union of Towns and Municipalities.

The activities of the Fund are executed by the Fund Office. The Fund supports environmental measures applied in accordance with the current environmental policy and principles of environmental protection in the Czech Republic. Funds are provided for environmental projects in the field of: water protection, air protection, nature and landscape protection, waste management.

A particularly important institutional partner for the Fund is the Czech Environmental Inspectorate, which establishes and monitors the pollution charges and fines which represent the largest part of the Fund revenues. SEF receives funds from the European Union, mainly from the Cohesion Fund and the European Regional Development Fund, the state budget and from fees collected from polluters - including fees for waste water discharge, charge of use of agricultural land, air pollution fees, and charges under the Waste Act.

Revenues of the Fund may also come from: fines on the misuse of financial support provided by the Fund; transfers from the State Budget; taxes; loans from legal entities; contributions made by domestic and foreign legal entities.

The Fund provides financial support in the form of grants, loans and subsidies to offset interest rate of loans. Fund assistance is direct (grants only to non-commercial entities; loans to non-commercial entities with 3% an interest rate and loans to commercial entities with 7% interest rate) and indirect (loan guarantees, subsidies to offset the interest rate of loans extended by commercial banks).

Main beneficiaries of the Fund are: 1) municipalities and other non-commercial entities; 2) commercial entities.

SEF distributes subsidies to applicants from several programs, including OP “Environment”, Green Investments Program, national programs, and Swiss funds. It manages also projects under non-completed programs which have not been terminated, but do not provide...
funding to new projects, namely: Infrastructure OP and the Cohesion Fund. Only within OPE, SEF funded investment projects during the period 2007-2013 are estimated at over EUR 5 billion.

SEF has essential functions under the National Green Investment Scheme of the Czech Republic. The Minister of Environment is responsible for negotiating transactions with AAU but decisions on the way funds shall be allocated are taken by SEF. Project approval and monitoring of implementation is performed by special collective bodies with the participation of Fund representatives.

CONCLUSIONS

Comparative analysis regarding the aforementioned similar institutions gives ground to formulating several main conclusions regarding NTEF stature, structure and functions. The Fund represents a structure that successfully combines authorization to perform public functions related to environmental project financing with a certain degree of independence with regard to state institutions and sources of funding. This fact distinguishes it from all other surveyed similar structures.

NTEF is characterized by the separation between its decision-making body (MB) and executive body (EB). This feature is deemed particularly valuable in the Fund evaluation performed by ECORYS SEE (January 2011). In relation to this, the Management Board’s balanced composition - incorporating representatives of the government and NGOs - must be noted. Another peculiar feature of the Fund, the opportunity for donor participation in the management, is only present to a certain extent at EERSF. However, the institutionalization of donors into a separate body (Advisory Board) and their granted veto power of approval for specific projects remain unique features of the NTEF.

Amongst NTEF important attributes, as noted in all independent evaluations of its activity till date (OECD, ECORYS SEE), are its strict project selection procedures, project implementation’s assessment, transparency of the decision-making processes and the independence from the state in the overall management of the Fund.

THE MAIN CONCLUSIONS ABOUT NTEF STRATEGIC DEVELOPMENT, AS BASED ON THE COMPARATIVE ANALYSIS, ARE MADE ALONG THREE LINES AS FOLLOWS:

Firstly, a necessity for reformulating the legal framework so as to guarantee recurrent budget income for the Fund or means for capitalizing minimum shares of the revenues. This type of financing specifics is observed at EMEPA, as well as at funds specifically aimed at managing national green investment schemes – the National Fund for Environmental Protection and Water Management of Poland and the State Environmental Fund of the Czech Republic.

Secondly, opportunities for application and increase of the Fund expertise are being developed – participation in EU operational programs as a partner of the managing authorities or other specific functions. Certainly, negotiating the Fund role in the operational programs requires strategic vision and coordination with the relevant state institutions. The experience of Kommunalkredit Public Consulting GmBH (Austria) demonstrates that it is possible to combine the role of a state intermediary with that of a managing authority of NGIS.

Thirdly, NTEF should strengthen the international and cross-institutional cooperation with other financing institutions, as well as with the legislative and executive bodies (as per the example of the National Fund for Environmental Protection and Water Management of Poland).

1.7. Analysis of the potential and impact of external factors, which can affect NTEF activity and perspectives

**Issues from the international negotiations on climate change, bearing relevance to NTEF**

Currently, under run is the Second commitment period under the Kyoto Protocol (2013 - 2020) to the UN Framework Convention on Climate Change agreed by the parties in Doha at the end of 2012. Commitments for reducing greenhouse gases are taken mainly by the EU and some industrialized countries (Norway, Switzerland, Monaco, Liechtenstein, Australia, Ukraine, Kazakhstan, etc.), but other countries such as Canada, Japan and Russia have not made specific commitments, while the USA has never ratified the KP. The international negotiations on climate change influence indirectly the activity of NTEF as an institution responsible for the National Green Investment Scheme, which is implemented on the basis of sale of AAU. These assigned amount units are subject to long-lasting disputes between the parties and relate to various aspects of the negotiation process (ambitiousness of goals, preserving the environmental integrity of the new arrangements).

The current market situation of all types of assigned amount units under the KP is not an incentive for active trading due to the extremely low levels.

**Issues of the European policy on climate change, bearing relevance to NTEF**

There is a relatively active trading under the European Trading Scheme (EU ETS) due to the low price levels of quotas. Large companies hedge and many others buy quotas because of the low price.

Under Article 56, para.2, Article 58, para.2 and § 4 of the TFP of the CCMA, opportunities are provided for NTEF to manage funds received from the sale of greenhouse gas emission quotas for aviation activities and emissions from installations in the EU ETS (see, Section 1.2 above). In this line, NTEF could finance projects for reduction of greenhouse gas emissions, as well as for other activities related directly or indirectly to climate change. National decisions on the priority areas for spending these funds in the context of the provisions of the EU ETS Directive remain of key importance.

Regarding the expected revenues for financing projects by NTEF in the near 3 to 4 years, the first direction does not outline a positive outlook, while the second one depends entirely on the decisions taken at national level.
It can be concluded that external factors, the development of which directly or indirectly affects the operation of NTEF, are mainly in two directions:

- international agreements on AAU treatment during the second commitment period of the Kyoto Protocol, as well as under a new global agreement;
- national decisions on the priorities in spending revenues within the European Emissions Trading Scheme.

In light of these decisions, NTEF shall create and maintain the necessary administrative capacity to ensure the fulfillment of Bulgaria’s obligations under NGIS and EU ETS.

### 1.8. Potential funding sources

Here below are presented major European and international programs, financial instruments, networks and organizations whose activities are directed at environmental protection and climate change mitigation actions, and which may be potential sources of funding for NTEF in the period 2014-2020.

**EUROPEAN PROGRAMS**

#### OP Environment 2014-2020

Operational Programme Environment 2014-2020 (OPE 2014-2020) is one of Bulgaria’s operational programmes developed pursuant to Europe 2020 – the EU strategy for smart, sustainable and inclusive growth. OPE 2014-2020 addresses mainly the sustainable growth priority of Europe 2020 and in particular at attaining Thematic Objective 5 “Promoting climate change adaptation, risk prevention and management” and Thematic Objective 6 “Preserving and protecting the environment and promoting resource efficiency” of Regulation (EU) No 1303/2013. It will contribute to the reduction of greenhouse gas emissions in the country, which will aid the implementation of the strategy “Europe 2020” 20-percent reduction in greenhouse gas emissions compared to 1990 levels.

In the third version of the draft of OPE 2014-2020 (May 2014), developed by the competent authorities in Bulgaria, six priority areas are envisioned, including:

- **Priority Axis 1: Water**
- **Priority Axis 2: Waste**
- **Priority Axis 3: NATURA 2000 and Biodiversity**
- **Priority Axis 4: Flood Risk Prevention and Management**
- **Priority Axis 5: Improvement of Ambient Air Quality**
- **Priority Axis 6: Technical Assistance**

To implement the objectives of the program, specific objectives and activities are identified under each of the priority axes.

The specificity of NTEF allows exploring and discussing the specific role it could have in the implementation of innovative pilot projects envisioned in some of the priority axes of OPE, given the previous experience of NTEF as a leading institution for implementation of such projects.

#### OP Regions in Growth 2014-2020

Operational Programme “Regions in Growth” 2014-2020 (OPRG) is an integrated operational programme targeted at achieving the objectives of the urban policy of Bulgaria and contributing to the regional dimension of the sector policies of regional importance included in the Partnership agreement outlining the support from the European structural and investment funds in the period 2014-2020. OPRG’s measures are aimed at improving the municipal educational and social infrastructure, cultural and sports infrastructure, improving energy efficiency and development of urban public transport.

In the approved draft of OPRG 2014-2020 (May 2014), developed by the competent authorities in Bulgaria, eight priority areas are foreseen, including:

- **Priority axis 1: Sustainable and Integrated Urban Development**
- **Priority axis 2: Regional educational infrastructure**
- **Priority axis 3: Regional health infrastructure**
- **Priority axis 4: Regional social infrastructure**
- **Priority axis 5: Regional tourism**
- **Priority axis 6: Regional road infrastructure**
- **Priority axis 7: Risk prevention**
- **Priority axis 8: Technical assistance**

To implement the objectives of the program, specific objectives and activities are identified under each of the priority axes.

Among the main problems focused by OPRG 2014-2020 are those related to energy efficiency and the use of renewable energy sources (RES) in public buildings, housing and students’ dormitories; environmental protection and climate action. The problems are addressed by selecting relevant thematic objectives and investment priorities.

Measures on improving energy and resource efficiency and increasing the share of renewable energy in gross energy consumption are set mainly in Priority Axis 1 “Sustainable and integrated urban development”. In addition, reduction of greenhouse gas emissions is aimed by Investment priority 1.5 “Promoting low-carbon strategies for all types of territories, in particular for urban areas, including the promotion of sustainable multi-modal urban mobility and mitigation relevant adaptation measures” by measures on improving public transport and promoting alternative forms of transportation. Priority Axis 6 “Regional Infrastructure” contributes to achieving the objectives of environmental protection and effective resources management policies by improving the fuel efficiency of vehicles and reducing greenhouse gas emissions.

NTEF should undertake steps to coordinate efforts and activities in order to avoid double funding.
1. SITUATIONAL ANALYSIS

OP Innovations and Competitiveness 2014-2020

The strategy of Operational Programme “Competitiveness and Innovation” (OPIC) is closely related to the objective of growth and employment and the contribution of Bulgaria to achieve three complementary types of growth according to Europe 2020 Strategy:

- Smart growth: developing an economy based on knowledge and innovation;
- Sustainable growth: promoting a greener and more competitive economy with more efficient use of resources;
- Inclusive growth: fostering a high-employment economy, leading to social and territorial cohesion.

In the draft of OPIC 2014-2020 (April 2014), developed by the competent authorities in Bulgaria, two priority areas are foreseen, including:

Priority axis 1: Innovation, entrepreneurship and growth potential – with three investment priorities (IP):
- IP 1.1: Technological development and innovation;
- IP 1.2: Entrepreneurship;
- IP 1.3: SME growth capacity.

Priority axis 2: Energy and resource efficiency - with two investment priorities (IP):
- IP 2.1: Energy technologies and energy effectiveness.
- IP 2.2: Resource efficiency

Priority Axis 2 will contribute to improving the competitiveness of enterprises through targeted support of transition to a low-carbon economy in all sectors of production and promoting the efficient use of resources. Under IP 2.1 measures will be supported to improve energy efficiency, and under IP 2.2. - measures to promote the efficient use of resources in enterprises, incl. through partnership projects.

NTEF should undertake steps to coordinate efforts and activities in order to avoid double funding.

Framework Program for Research and Innovation (Horizon 2020)

The Framework Programme for Research and Innovation Horizon 2020 (2014-2020) is the main financial instrument for implementing the Innovation Union, a Europe 2020 flagship initiative aimed at achieving smart, sustainable and inclusive growth.

In Program “Horizon 2020”, particular emphasis is put on the transition to green economy as an engine for sustainable development. Funding for climate action and resource efficiency will be accompanied by other specific objectives of the program, as at least 60% of the proposed total budget of Euro 80 billion will be allocated for sustainable development and 35% - for climate change related problems. This aims at providing direct benefits to citizens, such as food safety, clean cities, green transport and energy-efficient buildings.

Axis 12 of the program provides funding for projects in the field of climate action, environment, resource efficiency and raw materials. Currently, there is a call for proposals (“call”) for the period 2014-2015 under the name “Growing a low carbon, resource efficient economy with a sustainable supply of raw materials”(H2020-SC5-2014/2015). This call forms part of an overall focus on investing in innovation for a green economy. Actions under this call aim at the following goals:

- support businesses in developing and bringing to the market eco-innovative solutions and to encourage their take-up by public authorities;
- help move towards a new era of climate information systems and services, which can provide accessible, high quality and ultimately useful data for the public sector, business and society;
- improve the complex interactions within, across and between ecosystems and the different elements driving changes in the environment;
- sustainable access to and production of raw materials to ensure significant reduction in resource use;
- bring together and better coordinate research and innovation actions within Europe and beyond, accompanied by timely and open exchange of information and research results, to enhance the impact of research and innovation and ensure a more efficient use of scientific developments for policy, business and citizens.

The innovation actions in this call are expected to offer particular opportunities to SMEs. This program is a source of experience regarding the financing of innovative pilot projects, including those contributing to environmental protection.


The overall objective of the EEA Financial Mechanism and the Norwegian Financial Mechanism 2009-2014 is to contribute to the reduction of economic and social disparities in the European Economic Area and to strengthen bilateral relations between Donor States and the Beneficiary States through financial contributions in several priority sectors, including:

- environmental protection and management;
- climate change;
- green industry innovation;
- energy efficiency and renewable sources;
- civil society;
- justice and home affairs;
- human and social development;
- protecting cultural heritage

Academic research may be eligible for funding in so far as it is targeted at one or more of the priority sectors.
Within the signed Memorandums of Understanding Bulgaria receives grant support at the total amount of EUR 126.6 million (EUR 78.6 million under the EEA FM and EUR 48.0 million under the Norwegian Financial Mechanism) for the funding of projects in the following priority areas: environmental protection, renewable sources, protecting cultural and nature heritage, public health, children and youth at risk initiatives, green industry innovation, justice and home affairs. In addition, nearly EUR 12.0 million are dedicated to support NGOs and EUR 1.5 million for the provision of scholarships. Beneficiaries are national and local public institutions, research and educational institutions and NGOs.

This program is of interest for the future of NTEF in the next programming period, so in the period of negotiations it is important to take steps to find a specific role for NTEF as a partner of the contracting parties.

**WORLD ORGANIZATIONS**

**Global Environment Facility (GEF)**

The Global Environment Facility (GEF) is a mechanism for international cooperation, established in 1990, aimed at providing additional funding in the form of grants and preferential financing, to meet the “additional costs” in taking coordination measures to achieve global environmental benefits.

GEF unites 183 countries working in partnership with international institutions, civil society organizations and the private sector. Since 1991, GEF has provided EUR 12.5 billion in grants and leveraged EUR 58 billion in co-financing for 3,690 projects in 165 countries. Currently, GEF is the largest donor for projects in the field of environment aimed at achieving global environmental results. Resources of the fund are provided by 39 donor countries.

GEF provides financial support to five thematic areas, namely:

- Conservation of Biodiversity
- Climate Change Mitigation and Adaptation
- International Waters Protection
- Prevention of Land Degradation (desertification and deforestation), and
- Restricting the dissemination of Persistent Organic Pollutants

GEF serves as financial mechanism for the following conventions: Convention on Biological Diversity (CBD), United Nations Framework Convention on Climate Change (UNFCCC), UN Convention to Combat Desertification (UNCCD), etc.

NTEF can intensify its traditionally good relations with the GEF, established in 2004 in relation with the development of the concept for the Protected Areas Fund as a specialized internal fund of NTEF and try to position itself as an implementing agency for regional initiatives in the field of biodiversity conservation, as well as mitigation of and adaptation to climate change.

**Central European Initiative**

The Central European Initiative (CEI) was founded in 1989 in Budapest as a regional intergovernmental forum for cooperation among its member states. It is the oldest regional structure in Central and Eastern Europe of this kind. The main objective of the CEI is to assist CEI Member States on their path towards European integration. The CEI’s program is aimed at providing assistance and financial support of know-how and experience transfer to new EU member-states.

CEI cooperates with other international organizations and institutions such as the OECD, the Council of Europe, the OSCE, the European Bank for Reconstruction and Development (EBRD), World Bank, UN/ECE and other regional structures such as the Adriatic initiative for loans, the Council for regional cooperation, etc. Regular contacts have been established with the European Union as well.

In conclusion, it should be noted that the presented European and international programs, financial instruments, networks and organizations operating in the field of environmental protection and climate do not cover all potential sources of financial resources for NTEF in the period 2014-2020. Specific opportunities for participation in the implementation of these programs should be searched for in different directions: as partner of the managing authorities, implementing agency of regional programs and as funding institution under grant schemes, etc.
2. SWOT ANALYSIS

The SWOT analysis is based on the idea of separating the subject of strategic analysis from the environment in which it operates. The subject of strategic analysis is considered from the point of view of its “strengths” and “weaknesses.” The environment in which the subject of the strategic analysis operates is differentiated into “opportunities” and “threats.”

Strengths. Strengths are resources, knowledge, skills or other advantages that NTEF possesses. Strengths are characteristics of the analyzed subject that give it an advantage over others.

Weaknesses. Weaknesses are limitations or deficiencies of resources, knowledge and skills that hamper seriously the development of the Fund.

Opportunities. Opportunities are the most favourable factors of the environment. These are favourable external factors of which the Fund takes or might take advantage.

Threats. Threats are the most unfavourable elements of the environment. They place the highest barriers to the present or future (desired) state.

I. Achievements and Strengths

- NTEF is a proven partner in the relationships with institutions at central, regional and local level, businesses and third-sector organizations
- NTEF is the organization with the richest experience in management of donor funded projects;
- Ability to meet the requirements of donors
- Good quality of services provided to beneficiaries, implementing projects under schemes managed by NTEF
- Very well organized accounting system
- High quality and motivation of the staff and participants in the NTEF management bodies
- Availability of written rules of procedure
- Availability of good material base for operation

II. Problems and Weaknesses

- Lack of accumulated funds and reserves
- Overcomplicated scheme for the management of proceeds from AAU international trading

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11 The preliminary SWOT analysis, which was prepared on the basis of studies and analyses carried out at the stage of desk research, as well as on the information obtained from structured interviews with stakeholders, was presented at the first seminar under the project. As a result of discussions and evaluation of the importance of individual positions in the SWOT analysis, the final formulation of NTEF strengths and opportunities, as well as of the main problems and challenges facing the organization has been made.
20 years
NATIONAL TRUST ECOFUND

1. SITUATIONAL ANALYSIS

- The organization is highly dependent on just one donor (Republic of Austria)
- Poor functionality of NTEF website
- Low mobility due to the lack of own transport vehicles

III. Opportunities

- Emissions trading on international and European level requires certain efforts by the countries, incl. the Republic of Bulgaria
- There are different niches for capitalizing on NTEF experience and capacity in the area of funding programs and areas in different sectors of protecting the environment – initiatives for regional programs in preserving the environment and waters, waste management and others;
- NTEF is one of the mechanisms for channeling funds to "green" projects that do not compete with priorities related to the social sphere or other generally “more important” priorities of the government
- In the existing legal framework NTEF a part of the schemes for management of funds related to emissions trading
- Lack of serious competition in the services provided by NTEF, including the preserved uniqueness of financial mechanisms of NTEF, which do not duplicate any of the existing environmental financing programs;
- Opportunity for developing client-oriented services

IV. Threats

- Existing mentality for centralization of rights and responsibilities, incl. finances in state institutions
- Frequent legislative changes and insecurity regarding NTEF position in the planned regulatory changes
- Frequent changes of key figures at governmental level, which may affect the position of NTEF as a participant in the schemes relating to emissions trading, due to different views on the purpose and use of these funds;
- Relatively scarce opportunities of the "donor's market", in particular within the framework of bilateral cooperation programs, which in many cases are redirected towards the European financing mechanisms.

2. SWOT ANALYSIS

3. TREE OF OBJECTIVES

The SWOT analysis is used as a basis for formulating the mission, the strategic goal and the specific objectives for NTEF development in the period 2014-2020.

MISSION OF NTEF:
Contribute to environmental protection in the Republic of Bulgaria

STRATEGIC OBJECTIVE:
Strengthening NTEF as a major factor in the development and implementation of environmental policies

OBJECTIVE 1:
Building NTEF capacity to ensure efficient and transparent management of resources for environmental protection
Specific objective 1.1: Development of the legal framework to ensure effective and transparent management of resources for environmental protection
Specific objective 1.2: Continuous development of NTEF capacity to enable implementation of its functions

OBJECTIVE 2:
Strengthening the public significance of NTEF in improving the state of the environment
Specific objective 2.1: Strengthening and expanding NTEF institutional relations
Specific objective 2.2: Elaboration and implementation of Communication Strategy
Specific objective 2.3: Elaboration and implementation of Fundraising and Management Strategy
Based on the analysis of the influence of internal and external factors and on the comparative analysis regarding the activity of national and international institutions of similar nature, two scenarios for development have been created, which derive from the tradition and experience accumulated throughout the years. These scenarios preserve the institution in its current form, envisioning further development of various competences and incorporation of traditional activities and developmental measures of a typical organization. These two scenarios have the nature of options that are mutually complementing and building on each other. Their implementation to a certain extent depends on factors external to the NTEF, but also on NTEF itself, regarding regaining stature in the professional and international networks.

The two scenarios, generally labeled traditional, are differentiated in terms of the focus over different aspects of NTEF activities.

**SCENARIO 1. NTEF AS AN ORGANIZATION FOCUSING ON OPPORTUNITIES PROVIDED WITHIN THE ACTING LEGAL FRAMEWORK**

This scenario sets out NTEF scope of activities according to the possible financing sources which are broadly divided into:

- Proceeds from sales of AAU (NGIS)
- Proceeds from ETS, subjected to regulation by CCMA;
- Proceeds from non-EU international donors/programs
- National funds.

NTEF activities will be similar to those executed to date during its lifecycle – namely, selection and management of environmental projects. This mode of functioning of the NTEF is almost completely covered by the acting regulatory framework. Key factor in realization of this scenario will be the additional regulation, via bylaws, of the mechanism for spending of revenues from auctions for the sale of allowances in the EU ETS, and activating the international trade in AUUs. In this regard, it is likely that this scenario starts in early 2015, should there be favourable international factors.

With regard to the AUUs sales, financing is typically available pursuant to negotiations between the Government of the Republic of Bulgaria and respective donors. In this case, the conditions for spending funds, including via NTEF, are negotiated by the Government.

Under outlined hypotheses for guaranteed financing, NTEF efforts should be concentrated mainly towards taking measures to upgrade its competences and institutional capacity necessary to strictly execute the agreed mechanisms for grants’ spending, applying effective and efficient management, while the opportunity and necessity to upgrade NTEF statute as a public funds manager should be also considered.
The main limitation to the realization of this scenario is the current provisions of CCMA providing only the possibility, but not guaranteeing, the participation of NTEF in the management of revenues from the sale of allowances under the EU ETS. The prerequisites for implementing the scenario are related mainly to the presence of political will for amending the acting legal framework. It is necessary to redraft Art.56, para.2 and Art.58, para.2 of CCMA and/or to adopt bylaws stipulating NTEF role in the management of these funds, including making provisions for the Fund administrative costs. Adopting an Act on amending and supplementing the Climate Change Mitigation Act (AAS to the CCMA) and/or bylaws to CCMA could become a fact by the end of 2014, should a new National Assembly be constituted.

SCENARIO 2. IMPLEMENTATION OF NEW FUNCTIONS OF NTEF

Scenario 2 sets out the broadening of NTEF scope of activities with new functions - still environmental protection policy-related, however falling outside the scope of the project selection and management function as performed by the Fund under current editions of EPA and CCMA. The goal is to secure new financing sources for NTEF, as well as to develop new areas for implementation of the accumulated expertise potential of the organization.

The process of materializing this scenario does not meet external limitations; however it requires a highly pro-active policy by the Fund. Pre-conditions for implementing the scenario are as follows:

- Identifying a specific role for NTEF during the implementation of OPE;
- Identifying potential roles and functions in the process of planning forthcoming program periods for bilateral financing agreements for environmental protection projects – e.g. with the Kingdom of Norway, the Swiss Confederation, under EEA, etc.;
- NTEF participation in European cooperation networks, in partnership with other similar institutions and NGOs supporting the European Commission, EEA and member states to formulate and execute the EU policies in the field of environmental protection, RES and climate change mitigation;
- Joint participation, together with other institutions, associations and partner organizations, in the implementation of specific projects, tasks or activities assigned by the EC, DG “Environment”, etc., including such in EU membership candidate countries;
- Partnering with funds, associations and specialized organizations with ecological networks in EU member states, as well as ecological organizations with already established partner relationships with European and state institutions, under EC-financed programs for NGOs for operation in EU and in EU membership candidate countries.

An option for implementing Scenario 2 would be for example the development of NTEF functions as a resource center, which shall – independently and/or in partnership with other organizations (NGOs etc.) – analyze international expertise, assess best global and European practices, develop and implement demonstration projects in the field of environmental protection and climate change adaptation (by means of implementing low carbon technologies, recycling, increasing energy efficiency and the use of renewable energy sources), assist potential users with their implementation and application, and organize effective control and monitoring. Undertaking such activities would provide broader opportunities for attracting new financing sources under the EU operational programs for the next program period, as well as under other EU programs, the European Economic Area, international projects, sources and donors.

All these opportunities would broaden the financial and expertise base of the Fund and may transform it into a more independent and financially stable organization. This scenario requires a large volume of activities related to the implementation of communication and fundraising strategy, increasing the capacity to implement risk activities, etc. The realistic time horizon for changing the profile of NTEF activity is 2015-2018.

NTEF operation under conditions of limited funding

Under certain circumstances - for example, delays in the implementation of the relevant regulatory framework, channeling of potential Fund receipts into subsidizing green energy prices via different mechanisms, amendments of the emissions’ trade rules etc. - NTEF may face shortage of cash flow for covering its costs. Hence, the need for the fund to be preserved as a distinct and separate from the state institutions’ public funds allocation mechanism, inclusive of periods of lack of revenues for its main activity.

NTEF passing through a period of absence of secured proceeds from the sale of AAU or from the sale of allowances in the EU ETS, will allow surviving of the institution, while overcoming the period of adverse developments. It is possible in regulations governing the status of NTEF, or in contracts with donors under NGIS, to provide the formation of reserves by setting a minimum percentage (e.g. 0.5%) of the value of each transaction or revenue for NTEF. These reserves should be capitalized in a special account to be spent by decision of the Board of Directors in the absence of other revenues to cover direct and indirect expenditures of the fund.
5. NTEF STRATEGY FOR THE PERIOD 2014-2020

The strategic choice for the future development of NTEF depends on certain external factors and it cannot be uniquely determined at the time. Therefore, an approach of planning actions and measures is adopted that will provide for the implementation of the main alternative.

This main alternative suggests development of the Fund in the framework of preserving, strengthening and development of the specific status of NTEF. Described measures and the elaborated Action Plan for these scenarios represent the development of this particular alternative.

5.1. Institutional development strategy

The institutional development of NTEF in the period 2014-2020 includes building of adequate institutional capacity for implementing the functions of managing resources for environmental protection, and strengthening of the social importance of the Fund as an institution which contributes actively to the protection and improvement of the state of the environment in Bulgaria.

To build institutional capacity of NTEF which will ensure effective and transparent management of resources for environmental protection, measures shall be taken in the following main areas:

Development of the legal framework:

- Drafting an Act on amending and supplementing the Climate Change Mitigation Act (AAS to the CCMA)

In relation with the institutional development of NTEF, an Act on amending and supplementing the Climate Change Mitigation Act (AAS to the CCMA) shall be drafted and adopted to provide regulation of several main issues. First, the decision according to which proceeds from sales of AAU do not enter the budget of NTEF directly but are allocated by EMEPA shall be reconsidered. Another aspect is increasing the role of NTEF in the allocation of proceeds from the sale of quotas for emissions from aviation activities and proceeds from the sale of quotas for greenhouse gas emissions from installations through auctions. In particular, the text providing that NTEF may obtain funds from sales of emissions from aviation activities shall be edited and the rewrite shall provide that these funds are spent through NTEF. Furthermore, the role of NTEF in the allocation of funds from sales of emissions from installations shall be explicitly provided, so that it is should not rely on a decree of the CM. In accordance with these roles of NTEF, its status shall be supplemented as a budget funds’ manager (spending institution). Apart from this, the participation of NTEF in the National Expert Council on Climate Change shall be provided. This will ensure institutional autonomy of NTEF and utmost use of its expert potential.
Amendments to EPA and CCMA shall find adequate reflection in the regulations thereto (RSANTEF, the Regulation under Art. 56, para. 2 of CCMA).

- Drafting a Decree of the Council of Ministers on amending and supplementing the Regulation on the Structure and Activity of the National Trust EcoFund (RSANTEF)
The amendment of RSANTEF is an absolute necessity in order to reflect both the requirements in the current CCMA and EPA, and the proposed amendments to these acts. On the other hand, amendments to the Regulation shall be made to improve the operation of certain provisions with independent character. The amending and supplementing of RSANTEF shall address the regulation of three main issues, namely: sources of funding; forms of allocation of funds to beneficiaries; composition and functions of the Advisory Board. Bringing RSANTEF in accordance with the legal provisions will ensure the effective management and successful implementation of the functions of NTEF.

- Re-adoption of the Rules of Procedure of the NTEF

The adoption of the Rules of Procedure of the NTEF is explicitly provided in the Regulation on the Structure and Activity of the National Trust EcoFund (RSANTEF). The Rules of Procedure shall complement RSANTEF with regard to the powers of the Executive Bureau and the Executive Director, and the priority areas for funding. The Rules of Procedure shall regulate in detail the procedure and rules of operation of the NTEF bodies, the financial management, organizational structure, as well as the main elements of the previously existing Procedural rules for evaluation and selection of projects for funding. Therefore, the Rules of Procedure is a key document for improving and strengthening the institutional capacity of NTEF

Continuous development of NTEF capacity by 2020, in two main directions:

- Staff development and training

A key prerequisite for strengthening the institutional capacity of NTEF for effective and transparent management of financial resources for environmental protection is the development and permanent improvement of the qualification of the Fund staff at all levels - Executive Bureau, Board of Directors, external experts, and Project Selection Commission. Good interaction and coordination between employees and teamwork to achieve better organizational efficiency and higher compliance with the Fund policies is of essential importance as well. The presence of a working mechanism for motivation and incentives will help staff retaining and maintaining a low staff turnover level.

To achieve these objectives, the following measures should be taken:

- Implementation of training program in 2015 and beyond

The training program will be developed on the basis of identified training needs - based on overall results from interviews with employees and analysis of NTEF needs, in accordance with the functions and tasks of the Fund stipulated in the relevant regulations. The training program will include both general topics (e.g., project management, management skills development, communications and public relations, Public Procurement Act (PPA), Spatial Development Act (SDA), etc.) and more specific themes (Green Investment Scheme, trading with greenhouse gas emissions, requirements for funding by the EU and other international donors, etc.). Seminars will be held in accordance with the priorities and workload of employees. This is expected to result in improving the overall organizational efficiency, increase compliance with the policies of the Fund, strengthen the capacity to work with partners, customers and the general public. A report for conducted trainings will be prepared at the end of each reporting year.

- Development of motivation mechanism for maintaining low staff turnover

Developing a mechanism to motivate NTEF employees through adequate combining of material and non-material incentives - salaries, bonuses, training, recruitment, improvement of working conditions, establishment of effective communications, etc., consistent with the individual characteristics of each employee - is of key importance for maintaining a highly qualified team and preserving a low level of turnover in the Fund. The introduction and implementation of transparent and effective system of evaluation and incentives depending on performance results will contribute to the overall improvement of work, good organizational climate, building professional confidence and employee commitment to the mission and objectives of the Fund.

- Maintenance of modern material and technical base

The availability of sufficient and in good condition material and technical base, including buildings, equipment, materials, office equipment, computer systems and information technology, is a key prerequisite for the activity of NTEF. At present, the Fund has its own buildings with sufficient capacity (incl. offices, meeting room, and storage and service areas); available office equipment and IT (PC, server, software) as a whole meet the current needs of the Fund. The introduction and implementation of transparent and effective system of evaluation and incentives depending on performance results will contribute to the overall improvement of work, good organizational climate, building professional confidence and employee commitment to the mission and objectives of the Fund.
1. SITUATIONAL ANALYSIS

20 years

5. NTEF STRATEGY FOR THE PERIOD 2014-2020

- Participation in partnerships to promote dialogue and change of green policies
- Management Board.
- Strengthening NTEF public significance as an institution contributing actively to the protection and improvement of environment in Bulgaria is related most of all to the conditions for document keeping and storage. This should happen still within the period of completion of NGIS projects - i.e. at the end of 2014 or early 2015.

Strengthening NTEF public significance for improving the state of environment

- Actions for involving NTEF in discussions of draft acts of ministers and participation in expert councils, advisory councils, and working groups
- NTEF participation in the ongoing work of ministers, expert councils and other administrative units with expert and advisory functions will help promoting the public prestige of the institution. Expert statements of NTEF will assist institutions responsible for the elaboration and implementation of state policy in the field of environmental protection and climate change. This interaction will open new opportunities for the implementation of NTEF capacity. The Fund involvement in these discussions may be achieved through the assistance of the institutions, which are members of its Management Board.

- Participation in partnerships to promote dialogue and change of green policies at national level. This would contribute to a stronger public position of the Fund in establishing practices promoting the development of a sustainable approach towards the environment.

- Establishing and maintaining contacts with Bulgarian and foreign partners from the governmental and non-governmental sector
- Partnership with government institutions and NGOs will enhance the public image of NTEF. This will result in better chances for NTEF to attract alternative financing. Participation in joint scientific or information events will open new opportunities for implementing the expert potential of the Fund. Coordination of efforts among NTEF, potential donors and NGOs will create conditions for greater significance and influence in the discussion of changes in the legal framework, which in turn will strengthen the institutional stability of NTEF.

- Regular assessment of the effectiveness and scope of established cooperation with institutions and partner organizations
- Regular assessment is necessary in order to estimate how the implementation of proposed measures contributes to the attainment of the objectives in the Strategy. The timely identification of problems will allow NTEF to make the necessary changes in the way it interacts with partner institutions. Thus, the attaining of the final result will be ensured, i.e. strengthening and expansion of the institutional positions of NTEF.

5.2. Fundraising Strategy

The Fundraising Strategy’s primary goal is to secure financing for NTEF activities in the period 2014-2020.

- Since its foundation in 1995, NTEF funding has been related to its function as an environmental funds’ management financial mechanism, and provided through two main sources:
  - The ‘Debt-For-Environment’ swap agreement between the Republic of Bulgaria and the Confederation of Switzerland in the period 1995-2010, and
  - The proceeds from sales of Assigned Amount Units (AAU) under the National Green Investments Scheme (NGIS), based on two agreements signed between the Republic of Bulgaria and the Republic of Austria (2011 and 2012)

- Another source of funding for the Fund is the World Bank. In the period 1998-2003, NTEF acted as a coordinator for the Environmental Remediation Pilot Project for MDK Pirdop, for which the main part of the project financing was provided by the World Bank.

- Financial support under individual projects has been received from the US Agency for International Development (USAID), as well as from private foundations, corporations and other donors, but their participation has been episodic and related primarily to organizing isolated promotional events on environmental topics.

- In the end of 2006, a special fundraising strategy related to the establishment and financing of the Protected Areas Fund (PAF) was developed. The Protected Areas Fund was set up as an internal specialized fund administered by the NTEF. The Fundraising Strategy document (part of an overall communication and fundraising strategy) provided a review of the existing financing sources, outlined specific methods and steps for
identifying potential donors, developed fundraising models for various sources, and proposed a complete communication materials’ package to be utilized in the fundraising process.

The present Fundraising Strategy is an integral part of NTEF Strategy 2014-2020 and Action Plan. It incorporates the 2006 Strategy’s methodology framework, main principles, methods and models for identifying and attracting donors and sponsors. The Fundraising Strategy also takes into account the present realities and NTEF functions in the National Green Investments Scheme, as well as the applicable acting regulatory framework.

The primary goal of the Fundraising Strategy is securing financing for the NTEF activities in the period 2014-2020.

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### Identifying sources of financing

#### International Organizations

The main international organizations providing financing to environmental funds and NGOs include the Global Environment Fund (GEF), the European Union (EU), the World Bank Group’s International Finance Corporation (IFC), and the Central European Initiative etc.

#### Bilateral (governmental) Agreements

The leading environmental projects’ donor countries under bilateral governmental agreements in Bulgaria are the USA, Germany and France. Other traditional donors which have supported environmental activities in the past are Canada, Denmark, Italy, Japan, Netherlands, Norway, Sweden, Switzerland, and the United Kingdom. In the majority of cases the funding activities are routed through intermediary firms/agencies.

#### Private Foundations

The private entities listed in this group are Ford, Packard, MacArthur, Rockefeller Brothers’, Skoll Foundations, as well as MAVA, Shell International, etc., the environmental grant-making of which typically is aimed at a particular country and channeled via a specialized intermediary/manager, and not directly towards the beneficiaries. NTEF’s role will be that of a precisely such intermediary.

#### Corporate Sponsors

The main corporate sponsors in the area of environmental protection are typically mining and automotive companies, food and beverage manufacturers, telecoms, banks, large media companies. Sponsor activities supporting environmental initiatives and projects in Bulgaria are executed by DANONE, Toyota, Coca Cola, Globul, Mtel, Vivacom, Ariana, Aurubis Bulgaria AD, UniCredit Bulbank, DSK Bank, the Credo Bonum Foundation etc.

To date, NTEF has utilized funds from the following donors and sponsors:

- The Government of the Swiss Confederation
- The Government of the Republic of Austria
- The US Agency for International Development
- The World Bank
- Norbert Hardner Foundation, USA
- Bulgarian National Radio
- Orbitel
- Bulgarian Adventure Sports (BAS)
- Clif Bar Inc., USA
- Coca Cola, Bulgaria
- Performance Bicycles, USA
- Radisson SAS Grand Hotel, Sofia
- Specialized Mountain Bicycles, USA
- Bulgarian National Television
- Balkan Holidays Services EOOD

Presently, main donor is the Government of the Republic of Austria under two deals for sale of Assigned Amount Units (AAU), agreed between the Republic of Bulgaria and the Republic of Austria.

Regarding main trends on donor markets, the consequences of the global financial and economic crisis must be taken into consideration, namely that it resulted in the withdrawal of a significant part of the traditional donors, whilst potential new donors from countries like China for example have not yet shifted towards environmental activities and funds. These circumstances create a highly competitive environment for access to donor funds. The highly centralized donor relationship regulatory process in many countries, including Bulgaria, presents an additional complication.

When selecting the means for donor acquisition, the Fund would aim to demonstrate in the most appropriate manner its competitive advantages which may be attractive to the relevant donor. These are as follows:

- **Institutional continuity**

The Fund demonstrates stability and continuity during the entire period of its existence, which is one of its biggest assets. An important cornerstone of the Fund development is the fact that it consistently maintains relationships with various governments and changing governmental administrations throughout the course of time.
5. NTEF STRATEGY FOR THE PERIOD 2014-2020

1. SITUATIONAL ANALYSIS


5. NTEF STRATEGY FOR THE PERIOD 2014-2020

3. Approaches and resources

The concept for the kit of fundraising-related materials has been developed in the 2006 Fundraising Strategy. Therein, the basic requirements are set towards the content, graphics, logo, statements and other elements of the materials to be utilized in the Fundraising Strategy. Described are different types of printing materials (brochures, leaflets), objects, gifts, etc. that could constitute “the packages” aimed at different groups of donors.

Special consideration will be given to the use of NTEF website as one of the main platforms for presenting and promoting its activities and for engaging partners, donors and beneficiaries. To this end, the website will be upgraded and redesigned so as to: 1) provide current, detailed and objective information for the Fund work and projects; 2) comply with the stakeholders’ requirements and expectations; 3) position it as a credible and in-demand source of information on general and specific matters regarding environmental preservation, biodiversity preservation, climate and other environmental issues. The website redesign steps are presented in detail in the Communication Strategy.

5.3. Communication Strategy

The Strategy is designed in order to assist with maintaining and developing NTEF institutional relationship with national and international partner institutions and organizations, with the Fund current and prospective donors, present and future project beneficiaries, business organizations, local authorities, NGOs. The Strategy will also assist with providing the information necessary to support the image and reputation of NTEF as an effective public financing institution in the field of environment.

The review of NTEF main documents (annual reports, assessment papers) shows that in the period 1995-2009 NTEF has employed various instruments aimed at increasing the awareness regarding its activities. These instruments include prospects, seminars, meetings with municipal authorities, national television announcements, workshops, participation in conferences, meetings with foreign donors, an internet website (launched in 2000), and inclusion in the State of the World edition of the Worldwatch Institute. The overall assessment is that these measures are not adequately reflected in the mass media.

The first comprehensive communication strategy was developed at the end of 2006 in relation with the institutionalization and financing of the Protected Areas Fund (PAF) administered by NTEF. The document delivers in-depth analysis of the existing communication and public relations practices, communication channels, materials and other tools and approaches for raising public awareness and information dissemination regarding the Fund activities. Based on this analysis, the Communication Strategy’s objectives, priorities and key principles are defined, the main target audience groups are identified, and key messages and strategic approaches for fulfilling the strategy are developed. Important feature of the Communication Strategy is its relevance to the fundraising and financing activities of the Protected Areas Fund. Based on reporting data, it can be concluded that NTEF communication strategy has been adequate and successful.

The present Communication Strategy is an integral part of NTEF Development Strategy 2014-2020. Developing the Strategy, the Fund acquired experience and best practices in public relations and mass communications are taken into account. Equally, it upgrades the existing practices - specifically the 2006 Strategy – taking into consideration the current realities and NTEF functions related to the NGIS, as well as the applicable existing regulatory framework.

NTEF Communications Strategy is based on several basic principles:

- Clarity and accessibility of key messages – clearly and concisely formulated messages, understandable to the wider audience;
- Consistency and relevance of key messages – message content in all publications and events must be relevant to NTEF development goals;
- Pro-active and non-reactive actions – proactive, anticipating information towards stakeholders, partners, beneficiaries, and the civil society;
- Work transparency and accountability – providing objective information, ensuring that partners, beneficiaries and other stakeholders have the ability to provide feedback;

Integrity and transparency

One of the main reasons for channeling grants through the NTEF, as opposed to the state institutions, is the expectation that the funds will be managed transparently. Equally, the Fund high reputation in comparison with other organizations with similar activities must be noted.

Expertise

A major factor contributing to NTEF good reputation is the availability of highly qualified employees, with diverse professional background and significant experience. The knowledge and skills of its management, staff and external consultants represent an important advantage when promoting the Fund to its current and prospective donors.

Flexibility

NTEF status as a unique financial mechanism presents the opportunity to extend environmental project financing to a diverse set of beneficiaries – local authorities, academic institutions, NGOs, private businesses. This varied set of potential partner beneficiaries strengthens the Fund ability to identify the best opportunities for donor funds investment.

Compliance with the donors’ objectives

When engaging in environmental grant-making, the donors expect to see the required investment results. A clearer connection between completed project and achieved ecological effect leads to greater chances for securing donors’ support. To this effect, NTEF must emphasize its capacity and role in the overall project management, including project implementation control and the ability to achieve set goals and results.
Linking the communication strategy with the implementation of funded projects;

- Regularity – communicating with stakeholders using planned activities, ensuring regular dissemination of information regarding the Fund (periodic meetings, annual presentations, regular publications, bulletins etc.);

- Monitoring and periodic update – assessing the information and communication activities’ performance with regard to relevant criteria and indicators, and their periodical update according to the performance evaluation results;

- Cost efficiency – achieving maximum results using available resources.

The main objective of the Communications Strategy is strengthening NTEF public identity, raising the public awareness of its activity, attracting public interest, increasing the awareness regarding opportunities within the Fund priority areas, encouraging project participation, and ensuring transparency and accountability to the public, the donors and the clients.

Specific communication goals are as follows:

- Ensuring that stakeholders and the public are well informed on the effective functioning of the Fund;

- Transparency and accountability to the public, the donors and the clients;

- Raising the awareness of clients/beneficiaries on opportunities for project financing in the Fund priority areas;

- Encouraging project application by prospective beneficiaries;

- Generating support and sponsor activity from potential donors;

- Establishing a positive overall public attitude towards the environmental protection and the NTEF image.

The precise identification of target groups is of key importance for formulating the messages of the communication strategy. Main target groups identified in the Communication strategy 2006 are still valid, namely:

- Present clients (Beneficiaries) – all persons (public and private), applying for project funding or being in a process of project implementation;

- Potential clients – all potential clients (Beneficiaries) grouped as follows: municipalities, protected area administrations, non-governmental organizations, businesses;

- Partners – international, national or local institutions, which fall into 4 general groups:
  - Bulgarian public institutions with representatives on the Management Board or associated with the management of the Fund (CoM, National Assembly Committee on Environment and Water, MOEW, MF, MEE, NAMRB, BAS, etc.);
  - Bulgarian institutions and local branches of international organizations investing and/or supporting environmental projects;
  - Similar funds in other countries – foreign trust EcoFunds, as part of an international network (presently active mainly in Europe but also worldwide);
  - International NGOs financing or supporting the implementation of environmental and sustainable development projects (Birdlife International, World Wildlife Fund (WWF) Bulgaria, National Geographic Society (NG), The International Ecotourism Society (TIES), The International Union for Conservation of Nature (IUCN), etc.);

- Present donors – countries/institutions with financial contributions to the Fund and members of the NTEF Advisory Committee;

- Potential donors – countries, international funds and organizations, foundations, multinational corporations, incl.:
  - The governments and embassies in Bulgaria of USA, Switzerland, Netherlands, Denmark, Germany, UK, Norway, Spain;
  - EU programs, GEF and its implementing agencies UNDP, UNEP and the World Bank, EBRD, Bulgarian-Swiss Cooperation Program, Environment and Infrastructure axis, etc.;
  - Foundations – Ford, Rockefeller, etc.;
  - Multi-national corporations operating on the territory of Bulgaria - Shell, OMV, DANONE, Coca Cola, Ideal Standard, etc.

- The public at large;

- NTEF Executive Bureau and Management Board (internal communication flows).

The key messages of NTEF are defined in the Communication strategy 2006 and most of them are still valid, namely:

- The Fund operates to implement European and national policies in the field of environment;

- Through its work, the Fund assists the execution of Bulgaria’s international obligations;

- The Fund has proved a high level of security and reliability of its operations;

- Investment in nature conservation is investment in sustainable development.

One further message can be added to the above:

- The Fund is a reliable and transparent mechanism for funding environmental projects under new schemes and programs

The Communication Strategy 2006 is related to the establishment of PAF and in this context the slogan "TO CONSERVE THE GREEN GOLD" has been proposed based on messages formulated by MOEW and the National Parks Directorates in the late 1990s. We believe that this slogan has enough contemporary relevance to both the present moment and in view of the time horizon of the communication strategy, as it adequately reflects the main direction of the NTEF activity as operator of the “greening” within the framework of NGIS.
Approaches and instruments to achieve the objectives

Data analysis related to the most frequently used communication channels and tools of public communication and dissemination of information about the Fund activity, presented in the external evaluations and annual reports of the Fund, shows the following:

Taking into account the results of the aforementioned surveys, as well as the objectives of the present communication strategy and the target groups, three main groups of approaches and tools for its implementation can be defined:

1. Public relations (PR) - publicity and media relations for the formation of public attitudes and image of the Fund. The main tools that will be used in this approach are:
   - Information events and other forms of direct communication with target groups - annual events of NTEF for presenting the annual report, however with a specific subject each year (held around June 5th – International Environmental Protection Day along with an award ceremony for the annual Mimi Pramatarova Prize);
   - PR campaigns and information campaigns (e.g., the Annual Award), including various communication channels and specific activities depending on the target group - press releases and announcements (press and electronic media); interviews, press conferences, providing information via the social media;
   - Dissemination of information brochures, newsletters and other printed materials – Fund prospectus, regular (six- or three-month) newsletter about the activity;
   - Advertising campaigns involving various communication channels and activities depending on the specific target group and specific advertising messages - elaboration and distribution of promotional materials such as leaflets, calendars, souvenirs, etc.

Distributing reports for programs in the process of implementation or concluded programs;

2. Using diverse communication means and channels depending on the target group whilst ensuring complete consistency and relevance of messages. The main instruments to be used in this approach are:
   - NTEF website – for all target groups. The growing importance of the website of NTEF as a source of information for all target groups, along with the unsatisfactory assessment of its current functioning, requires its urgent update, including:
     - Modern graphics and design;
     - Clear chronological structure of information (past and present activities);
     - Enrichment of the content, opening up new rubrics, including:
       - Information on the NTEF management (EB, BD, AC) and staff – name, position, contacts
       - Information regarding the activities of NTEF Board of Directors
       - Information on projects approved for funding following each MB session, by uploading lists of approved projects
   - Relevant social media;
   - Specialized information materials – for potential applicants for Fund projects: preparation and publication of materials containing the terms and conditions for applying for NTEF projects;
   - Annual reports – partners and donors;
   - Presentation of partnership opportunities – donors;
   - Printed materials/brochures – for partners, donors, clients. Preparing and printing brochures dedicated to anniversaries of the Fund establishment, or related to the completion of particular international contract/agreement;

3. Identifying indirect channels/mediators – public institutions, NGOs, politicians, public figures, journalists and other public opinion leaders who are willing, through their reputation and contacts, to contribute to the strengthening of the Fund position and image and to assist in attracting potential donors.

- Publishing the electronic application forms
- “Client Support” Rubric with detailed information on activities of project proposal preparation and project reporting; guidelines on tender documents preparation, etc.
- Publishing the results of implemented projects (energy saved, CO2 emissions saved, etc.)
- Creating separate rubric for the National Green Investment Scheme
- Current information on funds available under NGIS for financing energy saving projects
- Regulatory documents applicable to NTEF activity – national and international
- Creating a link for feedback and proposals

Identifying indirect channels/mediators – public institutions, NGOs, politicians, public figures, journalists and other public opinion leaders who are willing, through their reputation and contacts, to contribute to the strengthening of the Fund position and image and to assist in attracting potential donors.
## 6. ACTION PLAN FOR THE PERIOD 2014-2016

### Specific Objective

<table>
<thead>
<tr>
<th>Activities (measures)</th>
<th>Start (year)</th>
<th>Sources of Financing</th>
<th>Term of Implementation (month/year)</th>
<th>Expected Results</th>
<th>Performance Indicators</th>
<th>Responsible Institutions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>STRENGTHENING NTEF AS ONE OF THE MAJOR FACTORS IN THE DEVELOPMENT AND IMPLEMENTATION OF ENVIRONMENTAL POLICIES</strong></td>
<td></td>
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<tr>
<td><strong>Objective 1:</strong> Building capacity of NTEF to ensure efficient and transparent management of resources for environmental protection</td>
<td></td>
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</tr>
<tr>
<td>Development of the legal framework to ensure effective and transparent management of resources for environmental protection</td>
<td>Drafting EPA Amend-ment Bill</td>
<td>1 WB</td>
<td>03.2015</td>
<td>Drafted and adopted amendments to the EPA</td>
<td>Number of conducted coordination procedures; Number of draft legislative acts submitted to the National Assembly; Number of adopted legislative acts</td>
<td>Amendments to the EPA approved by NA</td>
</tr>
<tr>
<td></td>
<td>Drafting CCMA Amend-ment Bill</td>
<td>1 WB</td>
<td>03.2015</td>
<td>Drafted and adopted amendments to the CCMA</td>
<td>Number of performed coordination procedures; Number of draft legislative acts submitted to the National Assembly; Number of adopted legal acts</td>
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<tr>
<td></td>
<td>Drafting a Decree of the CoM on amending and supplementing the RSANTEF</td>
<td>1 WB</td>
<td>12.2014</td>
<td>Drafted and adopted Decree of the CoM on amending and supplementing the RSANTEF</td>
<td>Number of performed coordination procedures; Number of draft decrees submitted to the CoM; Number of adopted decrees</td>
<td>Decree on the amendment of RSANTEF approved by CoM</td>
</tr>
<tr>
<td></td>
<td>Re-adoption of the Rules of Procedure of the NTEF</td>
<td>1 WB</td>
<td>11.2014</td>
<td>Drafted and adopted Rules of Procedure of the NTEF</td>
<td>Number of performed coordination procedures; Number of discussed draft Rules of Procedure of the NTEF</td>
<td>NTEF Rules of Procedure approved by MB</td>
</tr>
<tr>
<td></td>
<td>Drafting Operational manuals of new programs</td>
<td>1 Budget of NTEF</td>
<td>03.2015</td>
<td>Drafted and adopted new Operational manuals</td>
<td>Number of performed coordination procedures; Number discussed draft Operational manuals</td>
<td>Amended and supplemented NGIS Operational manual approved by MB</td>
</tr>
<tr>
<td></td>
<td>Continuous development of NTEF capability by 2020 to enable implementation of its functions</td>
<td>Elaboration of NTEF staff training program by end of 2015</td>
<td>2 WB</td>
<td>12.2014</td>
<td>Elaborated NTEF staff training program</td>
<td>Number of discussed drafts NTEF staff training program</td>
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</table>
### Specific Objective Activities (measures) Sources of Financing Term of Implementation (month/ year) Expected Results Performance Indicators

#### 1. SITUATIONAL ANALYSIS

<table>
<thead>
<tr>
<th>Conducting training seminars according to the elaborated Training Program</th>
<th>WB</th>
<th>03.2015</th>
<th>All employees of the EB of NTEF have been trained</th>
<th>Number of conducted seminars; Number of trained employees</th>
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<td>Annual needs assessment seminar for the NTEF team preceding the development of the annual plan and report</td>
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<td>January of each year</td>
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<td>Developed motivation mechanism for the NTEF employees</td>
<td>Number of discussed drafts of motivation mechanism for maintaining low turnover of NTEF employees</td>
<td>Working material incentive mechanism for the NTEF employees</td>
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<td>03.2015</td>
<td>Purchased necessary technical equipment</td>
<td>Number of purchased items by type of equipment</td>
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</table>

**Objective 2:** Strengthening the public significance of NTEF for improving the state of environment

<table>
<thead>
<tr>
<th>Strengthening and expanding the institutional relations of NTEF by 2020</th>
<th>NTEF MOEW</th>
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### Specific Objective Activities (measures) Sources of Financing Term of Implementation (month/ year) Expected Results Performance Indicators

#### 6. ACTION PLAN FOR THE PERIOD 2014-2016

| Holding international forum with participation of similar institutions within the annual NTEF forums | June 2016 | NTEF budget | Restoring NTEF role and position in international networks | Number of participants from number of similar funds | NTEF Partners from other countries |
| Creation of the Internet Portal and new website | 03.2015 | WB | Internet portal for the needs of the project management | Internet portal with contemporary design and high functionality, user-oriented | NTEF |
| Regular update of information on the Internet portal of NTEF | NTEF | perma-nent | Availability of updated information on the NTEF internet portal | | NTEF |
| NTEF annual event with presentation of the annual report, awarding ceremony and thematic seminar | 15.2017 | NTEF | Annually on June 5th starting in 2016 | Number of invited guests, number of ensured publications, number of guests | Increased public awareness of the activities and functions of NTEF |
| Celebration of the 20th anniversary of NTEF | 15 March, 2015 | WB | Publicity of the NTEF activity | Number of invited guests, number of ensured publications, number of guests | NTEF |
| Elaboration and implementation of the Communication Strategy of NTEF for the period until 2020 | 10.2014 | WB | Elaborated Communication Strategy of NTEF | Number of developed fundraising models | Approved and working fundraising and Management Strategy of NTEF |
| Conducting consultations with potential donors and partners (OPE, GEF, UNER gov-ernments of donor countries) | NTEF | perma-nent | Established contacts and updated proposals for possible partnerships | Number of conducted meetings and consultations. Preparation of proposals for cooperation | Reached partnership agreement and NTEF role |

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7. MECHANISM FOR IMPLEMENTATION, MONITORING AND UPDATING OF THE STRATEGY

Actions to achieve the objectives of the strategy will be operationalized through the annual NTEF plans and budgets. The achievement of the strategic objectives will be reviewed in the process of annual planning and reporting of NTEF activity.

This strategy will be implemented directly by the Executive Bureau of NTEF.

The performance indicators for assessing the achievement of the objectives in the NTEF Development Strategy are defined in the proposed Action Plan for 2014-2016, which is an integral part of the Strategy.

On this basis, the Executive Director shall prepare an annual report together with the annual report on the NTEF activity, which will be submitted for discussion and approval to the Management Board by 31 March of the year, following the reporting year.

The annual report shall focus on the degree of implementation and the concrete results of implemented individual measures and activities and shall contain information about:

- the general conditions for implementing the strategy and in particular changes in the environment/regulatory framework;
- progress made in implementing the objectives and measures of the strategy based on the achieved values of monitoring indicators set out in the Action Plan;
- actions taken by the Executive Bureau to ensure efficiency and effectiveness in implementing the Strategy, including:
  - monitoring measures and applied mechanisms for data collection, processing and analysis;
  - review of problems encountered in the implementation of the Strategy during the year, as well as measures for their overcoming;
  - measures for providing information and publicity of actions related to the Strategy implementation.

The annual reports will serve as interim assessments of the Strategy implementation. At the end of the period of the Action Plan 2014-2016, a report will be prepared, which will be used to update the developed strategy. The reports will be published on the internet portal of NTEF.