



**FUND
FLAG**

FINANCIAL INSTRUMENT FOR CLEAN ENERGY TRANSITION- FLAG-FICET FINAL PUBLISHABLE REPORT



Co-funded by
the European Union

FINANCIAL INSTRUMENT FOR CLEAN ENERGY TRANSITION FLAG-FICET



Project Title: **Financial Instrument for Clean Energy Transition – FLAG-FICET**

Acronym: FLAG-FICET

LIFE Project Number: LIFE21-CET-PDA-FLAG-FICET (Ref. 101076662)

Duration: 1 October 2022 – 30 September 2025

Coordinator: Fund FLAG

Partners: Club “Economy 2000” and Institute for Economic Research at the Bulgarian Academy of Sciences

Total Budget: €1,499,142

LIFE Co-financing: €1,424,184

FINANCIAL INSTRUMENT FOR CLEAN ENERGY TRANSITION FLAG-FICET



Launched in October 2022, the project **Financial Instrument for Clean Energy Transition – FLAG-FICET** is an innovative initiative co-financed by the EU LIFE Programme, sub-programme Clean Energy Transition (CET), under the scheme LIFE-2021-CET-PDA: Disruptive PDA – Technical Assistance to advance market boundaries for sustainable energy investments. The Project Development Assistance (PDA) focuses on providing technical support to enable ambitious and large-scale investments in energy efficiency and renewable energy.

The project helps Bulgarian municipalities overcome key barriers to clean energy investments, related to limited access to finance, insufficient technical assistance, and low capacity for planning and implementing energy projects at a local level.

Through the targeted support provided under the project, Fund FLAG has created the first specialized green financial instrument for municipalities, state-owned and municipal companies, combining technical assistance, blended financing, and capacity building. Fund FLAG is the project coordinator in partnership with Club "Economika 2000" and the Economic Research Institute at the Bulgarian Academy of Sciences. The project has a duration of 36 months and is completed in September 2025.

OBJECTIVES OF FLAG-FICET PROJECT:

- to support municipalities in Bulgaria in their preparation to meet the challenges of climate change mitigation and adaptation over the next decade through investments in clean energy;
- to mobilize financial resources to support investments for the green transition of Bulgarian municipalities;
- to build capacity within FLAG for the development, evaluation, and financing of municipal projects for the clean energy transition;
- to raise awareness among Bulgarian municipalities on the clean energy transition and the opportunities for financing green investments.

FLAG-FICET CLEAN ENERGY TRANSITION SCHEMES:



ENERGY
EFFICIENCY



RENEWABLES,
SOLAR PARKS



THERMAL-MINERAL
WATERS



ECO-MOBILITY



FINANCIAL INSTRUMENT FOR CLEAN ENERGY TRANSITION FLAG-FICET

Project Management and Coordination

October 2022 - September 2025

- Establishment of a project management and implementation framework
- Creation of an expert center within FLAG Fund – Climate Financing Unit (CFU)
- Establishment of expert centers within the project partners: Club "Economy 2000" and IER-BAS
- Activities for information dissemination and results sharing

1.

Analysis of the Supply and Demand for Financing Clean Energy Transition Projects

December 2022 - May 2023

- Market study on financing clean energy transition projects in Bulgaria, including best European practices and experience with financial instruments supporting the clean energy transition
- Assessment of the needs and readiness of Bulgarian municipalities to implement clean energy transition projects
- Development/adaptation of a methodology for assessing green projects
- Improvement of the methodology for evaluating municipal creditworthiness

2.

Set-up and Launch of the Financial Instrument

June 2023 - June 2024

- Preparation and consultation of a detailed draft of the financial instrument
- Preparation of application documents required to launch the financial instrument
- Publication of a call for technical assistance and project financing
- Development of application documents for pilot clean energy transition projects
- Provision of financing for the pilot projects

3.

Technical Assistance for Developing Project Proposals under the Financial Instrument

June 2024 - September 2025

- Review of existing information and collection of additional documentation for pilot projects
- Development of technical and financial documentation for pilot projects
- Preparation of complete application packages for pilot projects

4.

Sustainability and Replication of Project Results

June 2023 - September 2025

- Ensuring institutional and financial sustainability of the innovative financial instrument
- Promotion of the financial instrument and capacity building for managing clean energy projects
- Development of an After-LIFE plan



ФОНД
ФЛАГ



КЛУБ „ИКОНОМИКА 2000“



1.

ASSESSING NEEDS AND LEARNING FROM PEERS

1.1. Why is it important to finance the transition to clean energy?

Investing in clean energy is not only good for the environment – it also creates new opportunities for sustainable economic growth at a local level. Municipalities can benefit from new jobs, new industries, and stronger local economies. At the same time, clean energy reduces the dependence on fossil fuels and strengthens energy security by protecting communities from supply disruptions and unstable energy prices.

1.2. Why do we need financial instruments to support the green transition?

Public grants alone are not enough to achieve the EU goal of climate neutrality by 2050. The limited amount of available public funds need to be used smartly – directed where they are most needed and used to attract additional private investment.

Financial instruments are crucial because they:

- increase the impact of public funds by re-using resources and mobilizing extra money from banks, funds, and investors;
- make it easier for the private sector to invest by sharing risks;
- ensure long-term support that continues even after a programme has ended;
- offer flexible solutions that can be adapted to different types of projects, beneficiaries, regions, and markets;
- help build knowledge and skills – especially in areas where there are not enough well-prepared green projects.

1.3. What does the analysis of municipal clean energy projects in Bulgaria show?

- **Projects are not ready to launch.** Many municipalities lack technical, legal, and economic preparation. They often do not have access to energy audits, business plans, or expert advice.
- **Financing is hard to access.** Standard banking products are not well suited to the needs of municipal green projects.
- **Capacity is limited.** Smaller and medium-sized municipalities often lack experience or the teams to manage such projects and to design financially sustainable models.
- **Structured support is needed.** Organizations like FLAG can provide financial and technical assistance, package investments, and connect municipalities with European, national, and private resources.
- **There is great potential - with the right financing tools and advisory support, municipalities can become a driving force of Bulgaria's green transition.**

1. ASSESSING NEEDS AND LEARNING FROM PEERS

1.4. What did we learn from peer-to-peer experience?

In May 2023, the FLAG-FICET project team took part in a study visit to Portugal to learn from good practices in using financial instruments for energy efficiency. The visit focused on the experience of IFRRU 2020 (Financial Instrument for Urban Rehabilitation and Revitalization). IFRRU 2020 was launched in 2015 as a Fund of Funds with a budget of almost EUR 2 billion. The money came from a mix of sources: EU regional programmes, national co-financing, international financial institutions (such as the Council of Europe Development Bank and the European Investment Bank), and commercial banks.

In Portugal's case it is evident that working with financial intermediaries is a successful approach. These intermediaries – usually banks or specialized funds – have the expertise, networks and direct contact with local stakeholders needed to deliver financing for eligible projects. For example, banks can easily reach households across the country to support energy-efficient renovations in residential buildings. Importantly, these intermediaries operate on market terms, which helps to multiply the effect of public resources and achieve greater impact.

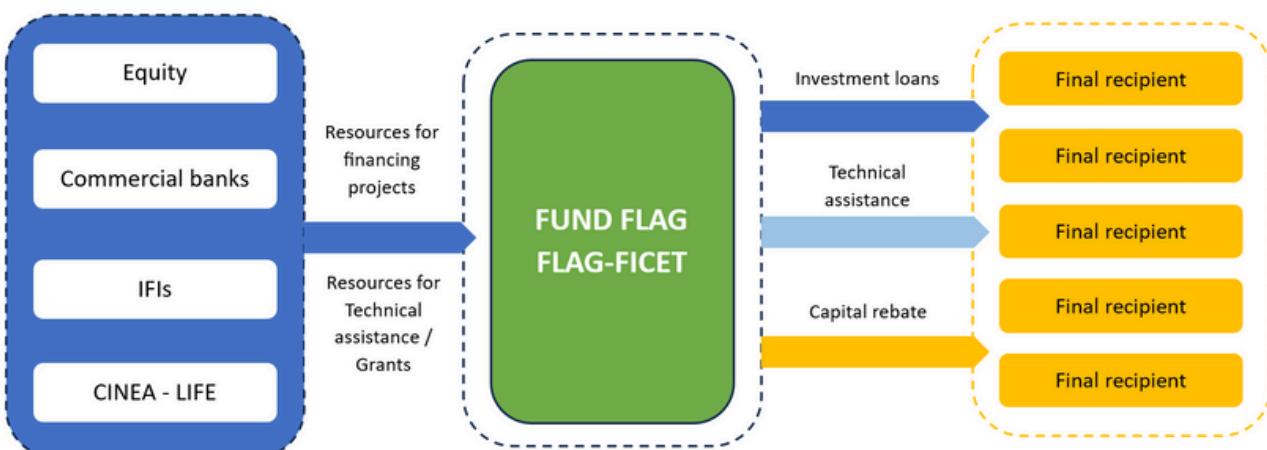


2.

SET-UP AND LAUNCH OF THE FINANCIAL INSTRUMENT

2.1. What is the aim of the FLAG-FICET financial instrument?

FLAG-FICET aims to provide financing for sustainable clean energy projects. It combines an investment loan with free technical assistance for project preparation, helping public authorities to launch and implement investments. The instrument also makes it possible to blend project financing with grants from other sources such as the Recovery and Resilience Plan, EU programmes, the National Eco-Trust Fund, and others.



2.2. Sustainable financing for sustainable projects

The creation of an innovative financial instrument for clean energy transition offers opportunities for commercial banks that provide funding to FLAG to invest in green products with clear sustainable qualities. This helps accelerate the growing trend towards climate investments while reducing their risk. Within the instrument, a single methodology is used to assess green projects – the **Green Eligibility Checker**, developed by the European Investment Bank (EIB). The EIB's environmental criteria are aligned with the EU Taxonomy Regulation, which defines what counts as a substantial contribution to the EU's environmental goals.

STAKEHOLDER MEETINGS AND PARTNERSHIPS

At the beginning of 2024, meetings with stakeholders were held to discuss the proposed model of a financial instrument for clean energy. Among the participants were the National Chamber of Mineral Water in Bulgaria, the National Trust EcoFund (NTEF), NAMRB-Active, Cleantech Bulgaria and others. The model was also presented at several forums involving the organisations most actively working to establish sustainable mechanisms for supporting green projects.

To promote blended financing schemes – combining grants with the FLAG-FICET financial instrument – NTEF and FLAG announced joint schemes in 2024 and 2025. These schemes focus on energy efficiency in municipal schools and kindergartens, street lighting, energy efficiency through ESCO contracts, and the use of mineral waters.

3.

PROVISION OF TECHNICAL ASSISTANCE

3.1. Technical Assistance under FLAG-FICET

Technical assistance under the instrument is free of charge for the final beneficiaries and aims to help increase project readiness, while encouraging investments in clean energy transition. The assistance provided can include energy efficiency assessments, solar audits, business plan and financial model preparation, as well as any other documents depending on the project's needs.

Receiving technical assistance is linked to achieving project readiness for applying for full or partial loans from Fund FLAG through the FLAG-FICET financial instrument and for subsequent project implementation. Eligible final beneficiaries include municipalities and state or municipal-owned companies.

3.2. Providing Technical Assistance

Fund FLAG launched the first call for projects under the FLAG-FICET financial instrument in June 2024, inviting local authorities to apply for technical assistance and financing for clean energy projects. The second call was launched in December 2024, and the third call, announced in July 2025, covers the period until project completion.

FLAG-FICET CLEAN ENERGY TRANSITION SCHEMES



Energy Efficiency (EE) Financing Scheme – for public and residential buildings (municipally owned), including the installation of heat pumps, solar panels, and other technologies, as well as energy-efficient street lighting. The implementation of EE measures for the renovation and reconstruction of public buildings (schools, health centers, administrative buildings, etc.) must achieve and maintain a minimum energy efficiency standard of at least Class B and reduce primary energy demand by at least 30% compared to pre-investment levels.



Clean Energy Financing Scheme – Renewable Energy (RES) – construction of photovoltaic systems or solar parks, including on reclaimed municipal landfills; development of battery storage farms; purchase and installation of batteries to store energy from existing solar capacities.



Clean Energy Financing Scheme – Thermal Mineral Waters (TMW) – harnessing the potential of thermal mineral waters for extracting heat energy and other uses related to the clean energy transition and energy efficiency.



Clean Energy Financing Scheme – Sustainable Mobility – introduction of zero-emission public transport vehicles, installation of charging stations for public transport, and related infrastructure to support environmentally friendly mobility.

4.

AWARENESS AND CAPACITY BUILDING

4.1. Raising Awareness and Building Capacity among Local Authorities

Local authorities often face barriers when attempting to implement clean energy projects. One major challenge is the lack of clear and accessible information about the benefits of these projects – not just for the environment, but also financial, social, and economic advantages. Municipalities also need guidance on funding opportunities and how to combine different investments effectively.

In 2025, the FLAG-FICET project ran an information and training campaign for municipal experts. Representatives from the project partners took part, sharing practical advice and experiences to help municipalities confidently plan and implement clean energy projects.

FLAG-FICET TRAINING SEMINARS

Over 150 municipal representatives – mayors, deputy mayors, and experts – took part in two practical seminars organized under the FLAG-FICET project, focusing on funding opportunities for clean energy transition projects. The seminars were held on March 27, 2025, in Vratsa and on May 21, 2025, in Stara Zagora as part of the project's information and training campaign.

The seminars focused on technical assistance and project financing for energy efficiency, urban mobility, and renewable energy initiatives by local authorities. Participants learned about specific support mechanisms through the FLAG-FICET financial instrument, as well as successful examples from already implemented municipal projects. Good practices were shared by the municipalities of Botevgrad, Gabrovo, and Maglizh.



AWAWARENESS AND CAPACITY BUILDING

4.2. Promoting the FLAG-FICET Financial Instrument

The FLAG-FICET financial instrument has been showcased at numerous national and European events. These include the largest and most important green transition forum in Central and Eastern Europe – Green Transition – as well as events organized by the National Association of Municipalities in Bulgaria (NAMRB) and NAMRB-Active. It was also presented at the EcoEnergy network conferences and the national roundtables on sustainable energy financing.

4.3. Participation in the European Energy Efficiency Financing Coalition

In October 2024, Fund FLAG became one of the first 49 institutions to join the European Energy Efficiency Financing Coalition. The coalition brings together the European Commission and the 27 EU Member States to work more closely on financing energy efficiency projects.

The main goal is to attract private investment for energy efficiency projects. By joining, Fund FLAG and other financial institutions help local authorities and project developers access funding more easily. The coalition is the first of its kind to directly involve the market in energy efficiency policy and provide practical support to EU countries in finding market-based solutions.

REPLICATION AND SUSTAINABILITY

Fund FLAG will continue managing and scaling the FLAG-FICET instrument even after the project ends. A solid base of municipal projects ready for financing has already been built for the next cycle. FLAG has secured the necessary funding from international financial institutions and commercial banks and is exploring ways to continue providing technical assistance.

As a result of the FLAG-FICET project, a dedicated Green Financing Department has been established within FLAG to manage future cycles of the financial instrument. The fund's improved internal capacity for both managing financial instruments and providing technical support will be sustainably developed in the coming years. FLAG plans to expand FLAG-FICET with new projects, supported by the EU, to help Bulgarian municipalities and mobilize private investment for clean energy projects.



SUCCESS STORIES

FLAG-FICET PILOT PROJECTS

ENERGY EFFICIENCY



The Botevgrad Multi-profile Hospital (MBAL – Botevgrad) is a diagnostic and treatment facility of regional importance, providing healthcare services to residents of the Municipality of Botevgrad as well as neighboring municipalities - Pravets and Etropole.

The hospital offers inpatient care across general and specialized medical fields, including pediatrics, orthopedics and traumatology, physical and rehabilitation medicine, among other specialties.

The Municipality of Botevgrad applied for funding from Fund FLAG - BGN 2.5 million (€1.28 million) for the renovation of Blocks 4 and 5 of the Multi-profile Hospital for Active Treatment in Botevgrad. The main goal of the project is to implement energy efficiency measures in the two hospital blocks, upgrading their energy class from "E" to "B". The expected energy savings are 3,036,568 kWh/year, with CO₂ emissions reduced by 1,175.64 tons/year. On November 5, 2024, the two renovated blocks were officially opened.

This project serves as a pilot for the FLAG-FICET financial instrument, demonstrating the benefits of energy efficiency measures in municipal healthcare facilities and providing a model for similar projects in other municipalities.

ECO-MOBILITY



Sustainable mobility is a key priority for integrated urban development within the EU and is embedded in the Urban Mobility Strategic Framework, adopted in 2017. This framework promotes the development and implementation of Sustainable Urban Mobility Plans. To encourage the deployment of electric mobility, local authorities need to include specific measures that increase the attractiveness and use of this type of transport.

One of the main challenges for the deployment of electric mobility is the need for financing projects aimed at purchasing zero-emission vehicles, building the necessary charging infrastructure for public transport, and implementing intelligent transport systems to inform citizens about vehicle movements.

Through the implementation of a joint project with the Municipality of Montana, co-financed by the Operational Programme "Regions in Growth" (OPRG) and Fund FLAG under FLAG-FICET, Vratsa will become the first municipality in the Balkans with 100% electric municipal transport, including both urban and intercity services.

SUCCESS STORIES

FLAG-FICET PILOT PROJECTS

UTILIZATION OF THE POTENTIAL OF THERMAL MINERAL WATERS



Bulgaria is rich in geothermal resources, yet only 18% of the country's geothermal energy is utilized, and just 6% of the discovered mineral springs are exploited. A lack of financing remains one of the main barriers to harnessing the potential of mineral waters. To encourage project implementation in this sector, FLAG and the National Trust EcoFund (NTEF) have launched a joint scheme with blended financing.

The Municipality of Sapareva Banya is implementing a project to construct a supply pipeline and a 500 m³ pumping reservoir for mineral water in Sapareva Banya. The total project cost is BGN 1.28 million (€654,000). Financing is provided by FLAG through the FLAG-FICET financial instrument and by NTEF, which contributes BGN 400,000 (€204,500) in grant funding under the "Mineral Waters" Investment Programme.

Following project implementation, the projected primary energy savings are approximately 14,820 MWh/year, and the expected reduction in carbon emissions is 12,137.5 tons/year.

RENEWABLE ENERGY SOURCES



The Municipality of Kresna applied for financing of BGN 4.2 million (€2.15 million) from Fund FLAG to construct a photovoltaic (PV) power plant with 3 MW installed capacity and the necessary supporting infrastructure, including a transformer substation and a fire-fighting reservoir. The electricity generated by the project is intended to be sold on the free electricity market, with the revenues used to cover operational costs.

A solar audit was conducted to assess the energy potential and annual electricity production, which determined the monthly electricity output from the static PV plant consisting of 5,454 modules, each with a capacity of 550 W, totaling 2,999.7 kWp installed capacity.

The project serves as a pilot project for the implementation of the FLAG-FICET financial instrument for clean energy transition.

FINANCIAL INSTRUMENT FOR CLEAN ENERGY TRANSITION FLAG-FICET



Coordinator:

Fund FLAG

Address: 1 "6th September" St., 3rd-4th Floor, 1000 Sofia, Bulgaria

FLAG-FICET Website: <https://www.flag-bg.com>

Email: life@flag-bg.com

Partners:

Club "Economy 2000"

Address: 98 "Iskar" St., 1000 Sofia, Bulgaria

Website: www.club2000.org

Email: office@club2000.org

Institute for Economic Research at the Bulgarian Academy of Sciences

Address: 3 "Aksakov" St., 1000 Sofia, Bulgaria

Website: www.iki.bas.bg

Email: director@iki.bas.bg





ADDITIONAL INFORMATION ON THE FINANCIAL INSTRUMENT FOR CLEAN ENERGY TRANSITION FLAG-FICET:

www.flag-bg.com



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