

BULGARIA



Housing Sector Assessment Final Report

Prepared for
Ministry of Regional Development and Public Works

By
The World Bank
June 2017

Organization of the Document

To facilitate ease of reading – given the length and complexity of the full report – this document includes the following:

- A **5-page Executive Summary**, which highlights the key messages;
- A **20-page Short Report**, which presents in some level of detail the analysis, together with the main conclusions and recommendations;
- A **150-page Main Report**, which includes the full Situation Analysis, followed by Findings and Recommendations in detail.

Contents

Acronyms and Abbreviations	IV
Currency Equivalents	VI
Acknowledgements	VII
Executive Summary	1
Short Report	6
Main Report	27
SITUATION ANALYSIS	29
1. INTRODUCTION	31
1.1 Context	31
1.2 Relevance to the CPF and other World Bank projects	33
2. HOUSING AND URBANIZATION	35
2.1 Population Trends	35
2.2 Emigration	35
2.3 City typologies and trends	38
3. HOUSING STOCK AND QUALITY	41
3.1 Housing Stock	41
3.2 Ownership and Tenure	46
3.3 Housing Quality	50
4. PROGRAMS, INSTITUTIONS, LAWS, AND PROCEDURES	56
4.1 Current Approach to Housing	56
4.2 EU- and State-Funded Programs in the Housing Sector	56
4.3 Other State support for housing	61
4.4 Public Sector Stakeholders	69
4.5 Legal Framework	71

4.6	Relevant Legislation and Processes for Housing	80
5.	LOWER INCOME AND VULNERABLE HOUSEHOLDS	86
5.1	Poverty and Deprivation	86
5.2	Roma	90
6.	HOUSING MARKET AND FINANCE	105
6.1	Market Dynamics	105
6.2	Rental Housing	110
6.3	Housing Finance	111
7.	HOUSING AFFORDABILITY	114
7.1	Affordability and Housing Cost Overburden	114
7.2	Income	116
7.3	Housing Affordability: Existing Market	118
7.4	Potential options for lower income households	125
	FINDINGS AND RECOMMENDATIONS	127
8.	KEY FINDINGS	129
8.1	High vacancy rate, surplus and overcrowding	130
8.2	Poor quality of old stock, potential seismic risk	132
8.3	Inadequate housing for poor and vulnerable groups	133
8.4	Limited reach of national government initiatives	137
9.	RECOMMENDATIONS	143
9.1	Housing Policy: Fundamental Principles	143
9.2	Housing market	144
9.3	Old Socialist era housing stock	152
9.4	Low income and vulnerable groups	154
9.5	Social housing	157
9.6	Legal and Institutional Framework	160
	References	164

List of figures

- Figure (i): Population growth from 2001-2013
 Figure (ii): National housing surplus
 Figure (iii): Housing surplus as a percentage of district housing stock compared to district population as percentage of national population
 Figure (iv): Overcrowding rate by degree of urbanization
 Figure (v): Number of housing units by construction materials and period of construction
 Figure (vi): Bulgaria Real House Price Index
 Figure (vii): Annual average market prices of dwellings in district centers
 Figure (viii): Functional housing market: Roles of public and private sector stakeholders
 Figure 1.1: The Housing Value Chain
 Figure 2.1: Population growth from 2001-2013
 Figure 2.2: Number of households by residence and census year
 Figure 2.3: Percentage change in district population from 2001 to 2011
 Figure 2.4: Classification of Bulgarian cities according to growth/decline in population and economic activity
 Figure 2.5: Change in Population between 1990 and 2015 as percent of total change
 Figure 3.1: National housing surplus
 Figure 3.2: Housing surplus in selected districts and Sofia as percent of contemporary existing stock
 Figure 3.3: Housing surplus as a percentage of district housing stock compared to district population as percentage of national population
 Figure 3.4: Distribution of population by tenure status, 2014
 Figure 3.5: Overcrowding rate by degree of urbanization
 Figure 3.6: Number of housing units by construction materials and period of construction
 Figure 5.1: Poverty rates according to ethnic groups, 2015
 Figure 5.2: Share of poor between ethnic group by economic activity, 2015
 Figure 5.3: Population at-risk-of-poverty or social exclusion by ethnic groups, 2015
 Figure 5.4: Poverty rate and thresholds at the district level, 2015
 Figure 6.1: Bulgaria Real House Price Index
 Figure 6.2: Percent change in HPI from Q1 2015 to Q1 2016
 Figure 6.3: Annual average market prices of dwellings in district centers
 Figure 6.4: Breakdown of selling price
 Figure 6.5: Bulgaria residential building permits
 Figure 6.6: Deposit interest rate in Bulgaria
 Figure 7.1 (a): Affordability of unit purchase in Sofia
 Figure 7.1 (b): Upfront costs of purchase in Sofia in terms of months of income, by NSI income deciles
 Figure 7.2 (a): Affordability for old unit purchase in Blagoevgrad
 Figure 7.2 (b): Upfront costs of purchase in Blagoevgrad in terms of months of income
 Figure 7.3 (a): Affordability for old unit purchase in Montana
 Figure 7.3 (b): Upfront costs of purchase in Montana in terms of months of income
 Figure 7.4 (a): Affordability for old unit purchase in Pleven
 Figure 7.4 (b): Upfront costs of purchase in Pleven in terms of months of income
 Figure 7.5: Affordability of Rental
 Figure 9.1: Functional housing market: Roles of public and private sector stakeholders
 Figure 9.2: Housing co-operatives offer a midpoint between public and private housing

List of tables

- Table (i): Vacant dwelling units in Bulgaria, 2011
 Table 2.1: Population statistics by district
 Table 2.2: Population development over time in the four cases study cities
 Table 3.1: Dwelling units by district, 2011
 Table 3.2: Vacant dwelling units in Bulgaria, 2011
 Table 3.3: Vacancy rate at district level, 2011

Table 3.4: Discrepancy between dwelling unit surplus and vacant dwellings, 2011
Table 3.5: Newly built dwelling units by municipalities
Table 3.6: Tenure status in % of the population according to income and type of household, 2015
Table 3.7: Dwelling units by mode of habitation, 2011
Table 3.8: Overcrowding rate (%) for tenants versus owners in Bulgaria and in EU-28, 2015
Table 3.9: Overcrowding rate (%) in Bulgaria and in EU-28, 2015
Table 4.1: Integrated actions for sustainable urban development – indicative amounts of ERDF and ESF support
Table 4.2: Social welfare subsidies related to housing
Table 4.3: Maximum income and coefficients for receiving monthly monetary subsidy and targeted assistance for heating
Table 4.4: Construction and Building Permitting Process in Bulgaria
Table 4.5: Illustrative cost and duration of permitting process for residential buildings by category
Table 4.6: Stages in the purchase and sale of property
Table 5.1: Material deprivation items by ethnic group, 2015
Table 5.2: Place of residence of the large ethnic communities (%)
Table 5.3: Development indicators for Roma in EU-11 and Bulgaria
Table 5.4: Development Indicators comparing Roma and non-Roma
Table 5.5: Monthly expenditure (as a share of total expenditure)
Table 5.6 Outstanding payments (share of people)
Table 5.7 Sources of energy for Roma and non-Roma households
Table 5.8: Building legalization and Tolerance Certificates
Table 5.9: Dwelling ownership rate
Table 6.1: Nominal House Price Indices for Bulgaria, Sofia, Varna, and Plovdiv
Table 6.2: Ballpark house price range to different income segments in Sofia
Table 6.3 Housing market trends/indicators (2006-2016)
Table 6.4: Indicators for residential lending
Table 7.1: Housing cost overburden threshold by income quintile
Table 7.2: Housing Cost Overburden Rate
Table 7.3: Housing Cost Overburden Rate in 2015 by Income Quintile
Table 7.4: Monthly household income by decile (BGN), 2015
Table 7.5: Household income categorization used by developers in Sofia
Table 7.6: Share of Household Expenditure
Table 7.7: Square meter prices for old units (outside of Sofia) and new units
Table 7.8: Income deciles (2015) and housing cost overburden thresholds
Table 7.9 Square meters of old construction affordable to different decile groups with a standard mortgage loan
Table 7.10: Maximum square meter price affordable for a 50 m ² old unit using a standard mortgage loan
Table 7.11: Years of savings needed in order to self-finance a 50 m ² house in different cities
Table 8.1: Vacant housing units in Bulgaria, 2011
Table 9.1: General framework for the roles of public and private counterparts in housing PPPs
Table 9.2: Typical components in a housing PPP
Table 9.3: Illustrative subsidy amounts for rental vouchers

List of boxes

Box 3.1 Disaster Risk in Bulgaria
Box 3.2: Contents of a Technical Passport
Box 4.1: Housing for disabled people in Sofia
Box 5.1: Tensions between local authorities and the Roma
Box 6.1: Student accommodations: Interviews
Box 8.1: Requirements for proof of address
Box 8.2: Blagoevgrad: National Program for Energy Efficiency

Box 9.1: Examples of housing databases in other countries and regions

Box 9.2: Cooperative Housing and Housing Associations

Box 9.3: Kazakhstan: Housing Allowance Program

Box 9.4: Decent Homes Standard, UK

List of plates

Plate (i): Panel buildings

Plate (ii): Roma settlement in Sofia

Plate (iii): Residential buildings in Blagoevgrad retrofitted under NEEP

Plate 3.1: Panel buildings

Plate 4.1: Renovated panel buildings in Blagoevgrad

Plate 4.2: Municipal housing in the Roma neighborhoods in Sofia

Plate 4.3: Newly constructed Category 1 social housing in Dupnitsa

Plate 5.1: Roma settlement in Fakulteta, Sofia

Plate 5.2: Roma settlement in Filipovtsi, Sofia

Plate 5.3: Roma settlement in Hristo Botev, Sofia

Plate 5.4: Households in low income settlements use stoves fueled with coal or wood for heating and cooking

Plate 8.1: "Panel" building in Blagoevgrad

Plate 8.2: Individual electricity meters perched in boxes on top of electricity poles

Plate 8.3: New Social housing project in Dupnitsa

Acronyms and Abbreviations

AP	Action Plan
ASA	Advisory Services and Analytics
BDB	Bulgarian Development Bank
BGN	Bulgarian Lev (currency code)
BOT	Build Operate Transfer
CA	Commerce Act
CPF	Country Partnership Framework
CSD	Center for the Study of Democracy
DA	Development Agreement
EC	European Commission
ECA	Europe and Central Asia
ECD	Early Childhood Development
EE	Energy efficiency
ESAs	Energy service agreements
ESCO	Energy Service Company
EU	European Union
EU-SILC	EU Statistics on Income and Living Conditions
EUR	Euro (currency code)
FSU	Former Soviet Union
GDP	Gross Domestic Product
GFDRR	Global Facility for Disaster Risk Reduction
GOB	Government of Bulgaria
HBS	Household Budget Survey
HH	Household
HHSRS	Housing Health and Safety Rating System
HOAs	Homeowners' Associations
KZT	Kazakhstani Tenge (currency code)
LCOM	Law on the Condominium Ownership Management
LRONREP	Law on Restitution of the Ownership over Nationalized Real Estate Properties
LTV	Loan to Value Ratio
MPA	Municipal Property Act
MPCA	Mortgages for Immovable Property of the Consumers Act
MRDPW	Ministry of Regional development and Public Works
NEEP	National Program for Energy Efficiency of Residential Buildings
NGO	Non-Governmental Organization
NPL	Non-Performing Loan Rate
NSDC	National Spatial Development Concept
NSI	National Statistical Institute
OA	Ownership Act
OCA	Obligations and Contracts Act
OPHRD	"Human Resources Development" Operational Program
OPRG	Operational Program "Regions in Growth"
OSI	Open Society Institute

PALA	Preservation of Agricultural Lands Act
PforR	Program for Results
PPP	Public-Private Partnership
PPP	Purchasing Power Parity
PSIA	Poverty and Social Impact Assessment
RE	Renewable energy
REEP	Residential Energy Efficiency Project
RFP	Request for Proposal
RFQ	Request for Quotation
SDA	Spatial Development Act
SMR	Standardized Market Rent
SPA	State Property Act
TC	Tolerance Certificate
UK	United Kingdom
UN	United Nations
UNDP	United National Development Program
USA	United States of America
USD	United States Dollar (currency code)
VAT	Value Added Tax
WB	World Bank

Currency Equivalents

2016

BGN 1 = EUR 0.51

BGN 1 = USD 0.55

EUR 1 = BGN 1.95

EUR 1 = USD 1.08

USD 1 = BGN 1.79

USD 1 = EUR 0.92

2017

BGN 1 = EUR 0.51

BGN 1 = USD 0.54

EUR 1 = BGN 1.95

EUR 1 = USD 1.07

USD 1 = BGN 1.82

USD 1 = EUR 0.93

Acknowledgements

This work was carried out for the Ministry of Regional Development and Public Works (MRDPW), Government of Bulgaria, under an ASA (Advisory Services and Analytics) study by the World Bank.

The team that carried out this study was led by Ashna Mathema (Senior Urban Specialist, World Bank) and comprised Max Budovitch, Dilyana Giteva, Anita Klambauer, Manuela Mot, and Marina Vasileva. Administrative support was provided by Delphine Hamilton and Lorraine McCann Kosinski.

The team thanks the MRDPW for their cooperation in carrying out this research; in particular, Gergana Blagieva, Plamen Petrov, Vesela Harizanova, Radostina Slavkova, and other team members for their guidance and strong support throughout the study period. We are also grateful to Vesselina Troeva and Stoycho Motev from the National Centre for Regional Development for their valuable comments on the draft report.

The team is grateful for the support received from the WB Country Management Unit in Bulgaria, in particular from Antony Thompson (Country Manager), Eolina Milova and Ivelina Taushanova. Albena Samsonova deserves special thanks for her flawless organization of a very complex field mission.

The team thanks David Sislen (Practice Manager, ECA-Urban) and Jean Francois Marteau (Program Leader, ECCEU) for management support and technical advice; Robert Buckley, Ellen Hamilton, Angelica Nunez, and Ivan Velez for their valuable guidance as peer reviewers; and Dean Cira, Andrey Milyutin, Sandor Karacsony, Emcet Tas, Jasneet Singh and Claudia Vasquez for additional comments on numerous drafts of the report.

Many thanks also to all the stakeholders – public sector institutions, private sector firms, NGOs, community leaders, students, industry professionals and other individuals – who made themselves available to meet with the team and share their valuable insights.

Please send all comments to Ashna Mathema at amathema@worldbank.org.

Executive Summary

Context

Study Context. Bulgaria's housing sector provides a window into the broader issues of the country's social, and economic transformation. This process has been difficult, and, as was the case in many transition countries, one of the main problem areas has been the housing sector. While the government has played an active role in reforming the housing sector since 2004, and continued with initiatives to improve energy efficiency in residential buildings, new sectoral problems have emerged. Vacancy rates are extremely high, affordability concerns have intensified, and household mobility is one of the lowest among transition countries. As a result, the government is about to embark on a *Housing Strategy*, one that seeks to address the emerging issues with a particular emphasis on how this sector's functioning interacts with and affects the broader economy. This rapid assessment of Bulgaria's housing sector attempts to inform the country's forthcoming Strategy. It brings together information on how the sector has performed, and relies upon the international experience, and particularly the experience of other transition economies, to set the stage for the prospective Strategy's deeper probe.

Country Context. Bulgaria consolidated its transition after most other transition economies, with the result that, unlike other reformers, sustained economic growth took hold considerably later than it did elsewhere. Indeed, it took 14 years for real per capita income to return to pre-transition levels. Not surprisingly, this slowness to stabilize caused Bulgaria to fall behind its neighbors.

Bulgaria followed a Soviet style planning approach that created one of the world's most over-industrialized economies. In following this approach, it expanded many cities to service what are now bankrupt heavy industries. The result is that today the employment prospects in many locations remain dim, particularly where state-owned factories of the old regime have closed. This has resulted in massive population shifts, with some villages and towns facing complete abandonment.

The country has a large ageing population, and is also experiencing one of the world's sharpest reductions in population. Population has declined by almost 20% since 1989, and this trend is likely to intensify over the next two decades.

Sector Context. The 2008 global financial crisis resulted in a 30-50% drop in house prices, bankrupting many developers, and major losses in wealth. In many respects, it was the housing sector that led the country into its more intense economic downturn. The market is recovering, but remains volatile. Since 2008, poverty rates have risen and income gains for the bottom 40% of the population have slowed. This situation is particularly severe for Roma families and other ethnic minorities. Thus, the number of informal and illegal settlements has been on the increase, with people living in low-quality housing with inadequate infrastructure.

Key Findings

Massive vacancy and overcrowding. Despite having 900,000 more housing units than the number of households, over 40% of households live in overcrowded conditions. At the same time, the housing vacancy rate is 30% at the national level. And while this number warrants further analysis as to its

accuracy, it is still puzzling to see such high vacancies in otherwise growing, vibrant housing markets such as Sofia, where it is 24%.

Lack of maintenance of old housing stock. Most of Bulgaria's housing stock is old socialist-era multi-family buildings, many of which are made of prefabricated panels blocks. More than three-fourths of apartments in the country are in buildings that are older than 30 years. The lack of maintenance of these buildings has led to their rapid deterioration. The result is: leaking roofs, damaged facades with fallen plaster, ill-maintained stairwells and hallways, and leaking water and sewer pipes. While the Condominium Law appears to be well grounded and is designed to regulate the management of buildings, the obligations under the law do not appear to be enforced so that deterioration continues.

Potential seismic risk of "panel" buildings. It is a fact that old prefabricated "panel" buildings (and all other buildings in Bulgaria) have high exposure to seismic activity. It is also a fact that the structural integrity of panel buildings relies on the metal "links" that hold the panels together. However, it is *unclear* whether or not those links continue to retain their structural integrity after 50+ years. Although the extent of this risk is unknown, even a remote possibility of disintegration of the links raises serious questions about the structural safety of these buildings. This is a critical issue that needs further investigation urgently.

Lack of public assistance for the poor and marginalized. Public expenditure in the housing sector, and especially funding targeted to lower income and vulnerable groups, is less than 2%, of the overall budget. The National Roma Integration Strategy 2012-20 calls for the improvement of housing conditions in Roma neighborhoods including infrastructure upgrading and titling, but it is unclear how much funding is set aside for this purpose. On the other hand, the two largest programs in the housing sector – NEEP and Regions in Growth – focus heavily on energy efficiency, while excluding infrastructure upgrading, which is much needed in low income settlements. At the same time, the public social housing program is inadequate both in terms of quality and quantity.

Lack of affordability. A large portion of the population cannot afford to buy or even rent housing: some 42% of single person households, and 31% of tenants of market priced rentals face housing cost over-burdens. Among households below the 40th income percentile, almost two-thirds are cost over-burdened. Similarly, more than a third of young adults are unable to afford a house, and continue to live with their parents.

Absence of a robust rental market. The absence of a robust formal and affordable rental market is also an area of concern. Less than 5% of the country's housing stock is leased out in the rental market. Further, the high cost of rental housing suggests a constrained supply, a situation that often occurs in markets in which the regulations are preventing this market from functioning effectively. The lack of such a market goes beyond housing affordability: it adversely affects labor mobility, particularly for the youth, causes difficulties for newly-weds, and inflates the rents of the limited stock available.

In some ways, Bulgaria's housing market performance may be much worse than its aggregate numbers indicate. The average figures obscure the huge variability that exists across the country's cities. In some places, such as Sofia, where productivity is higher and opportunities more abundant, housing costs are very high relative to income. In other places, those with little to no opportunity, the costs are very low and the housing is deserted.

Recommendations

As the findings suggest, the Bulgarian housing market faces many constraints. This situation is costly not for the functioning of the sector, but even more importantly, for the economy in terms of employment opportunities and productivity. Creating a better functioning housing market is thus an important step as well as one that will improve the efficacy of both housing and municipal programs. Consequently, attention to the sector's broader reform agenda is fundamental and may be more important than improving the functioning of specific programs. Below are some key recommendations for the government to help inform the government's forthcoming Strategy.

1. Role of government

Housing Policy. Current policy makes it very difficult for municipalities to function effectively. When housing market participants and local governments are unable to respond as easily as they could if the market worked effectively, the costs of public assistance are considerably higher and the ability of local authorities to carry out their functions is impaired. The country would benefit strongly from a sound Housing Strategy at the national level. A core tenet of such a strategy would be to define laws and regulations so that the market functions as effectively and fairly as possible – in other words, targeting public investments to the poorest households, while creating a policy environment through appropriate incentives and tools for the private sector to effectively deliver adequate, affordable, and safe housing for the vast majority of the population. This role of government as a “facilitator” of a well-functioning housing market cannot be overstated. Also, given the many different markets in different parts of the country, geographical segmentation will be important. In other words, it will be important to customize and differentiate solutions, for example, between urban versus rural areas, between growing cities with increasing housing demand versus smaller towns with declining populations, and so on.

Institutional capacity. At the same time, getting a clearer picture of how municipalities can effectively react and respond to this situation will be an important step in the prospective Housing Strategy's ability to create a more effective housing policy. At present, it appears that cities are burdened with more responsibilities than resources for addressing these problems. An analysis of how housing policy affects municipal functioning and municipal operations, in particular with regard to social housing delivery, is an important next step in understanding this complex problem.

Social housing. The loss of the educated young population is of enormous consequence for the country and efforts to ameliorate this condition needs to be studied further. In this context, it is essential that local authorities maintain a database of the many dimensions of the housing sector, including social housing. This could help, for example, in targeting social housing assistance to young families so that they are able to move to another location in the country if the city in which they live has very limited job opportunities. The same applies to other targeted categories of households, including the poor and vulnerable groups.

Further, some portion of the large pool of vacant housing units is an untapped reserve that could be used as social housing. This would be a much more cost-effective option for the government rather than building new social housing, and at the same time, contribute to the upkeep of otherwise unused or under-utilized housing.

2. Old housing stock

Maintenance. One way to improve the maintenance of multifamily housing stock may be better enforcing the Condominium Law, by introducing incentives rather than penalties. This could include,

for example, granting certification to HOAs/ condominiums that have adopted certain standards for management of the condominium – such as registering the HOA, having adequate reserves in a capital improvement fund, purchasing condominium/ hazard insurance, and so on – to be eligible for tax concessions and other benefits.

Another consideration might be to use the current 100% subsidy element in the NEEP as a strong lever to make HOAs contribute into their capital repairs fund. What would otherwise have been expected as an HOA contribution – 5% or 10% or 20% of total project cost – could be required of the HOAs to put into a capital repair fund for the building, to be maintained at a certain minimum threshold at all times.

Seismic risk assessment and mitigation. The lack of knowledge or information about the seismic safety of some of Bulgaria's old housing stock, in particular the panel buildings, is an issue of urgent concern and would benefit from a full and thorough investigation.

3. Housing assistance to the poor

Legalization. It is in the interest of the government to facilitate the legalization of informal/ illegal settlements, where viable,¹ for several reasons: this will encourage private investment into these areas; it will also improve the health and productivity of poorer communities; and most importantly, once these areas are legalized and upgraded, they can be a potential source of revenue for local authorities (through property taxes). However, unlike the previous legalization window that was opened, any new program would need to ensure that the process is simple and inexpensive, and that residents receive all the technical and financial assistance necessary to facilitate the process.

Improvement Areas. Rezoning some of the illegal/ informal settlements as “Improvement Areas” within which a different set of more relaxed infrastructure standards may be applied could potentially save the government the time and money to build social housing, and work as a much more effective solution for the residents.

Housing Allowances. The poorest households (bottom 20th income percentile) typically should not use more than 10-15% of their incomes on housing and related utility expenses combined. Similarly, those in the 20-40th income percentile should not spend more than 20-25% of their income on housing and utilities. Subsidies for both housing and energy would be more effective and equitable if they were structured around a voucher framework, as is done in many EU countries. This Allowance could be used to assist poor households rent a social house, or pay for improvements or management/ maintenance fees in multifamily buildings.

4. Housing market failures

Vacant housing. An essential first step to address the high vacancy rate would be to establish a better understanding of the underlying causes, particularly in otherwise growing, vibrant housing markets. Second, the high vacancy rates in nearly all Bulgarian cities present a massive opportunity: it is a potential reserve that, if “unlocked”, could serve as market-based rentals or even subsidized social housing (in declining towns, where the population is poor and the demand for social housing is high and unmet).

¹ i.e. where the settlements are not located on environmentally sensitive or otherwise hazardous lands which are unfit for inhabitation, and they do not amount to an illegal “taking” of another person's property. In cases with disputed ownership traditional legal processes should be followed.

Rental market. Increasing the supply of rental housing will help increase affordability, especially for young families, and lower income groups, and help make rental a viable alternative to purchasing a house. However, this will require the appropriate legislation to be in place. Existing rental policy may accordingly be reviewed and amended to ensure that an equitable balance is achieved between the rights and duties of the tenant and the landlord.

Concluding Note

The more general market-oriented policies may be seen as a prerequisite to policies that only improve the situation of the poor. With this priority in mind, there is also a strong need for both social policies that address the needs of the poor, as well as a better understanding of the way that housing policy affects the functioning of local governments. Ultimately, it is local governments who are responsible for implementing both housing regulations and programs. At present, it appears that these obligations vary considerably across cities and are not fully understood. As the above recommendations make clear, creating the basis for a well-functioning market is of highest priority. An important dimension of that basis is how well local governments fulfill their essential role.

Short Report

Context

Bulgaria's housing sector provides a window into the broader issues of the country's social, political, and economic transformation in the Europe and Central Asia (ECA) region over the last 25 years. The country's transition has been difficult, and the Government of Bulgaria (GOB) has played an active role in reforming the housing sector – starting in 2004 with a Housing Strategy to more recent large-scale initiatives to improve energy efficiency in residential buildings. Still, many challenges remain, and while these challenges are not unique to the region, they appear to be more acute in Bulgaria.

Bulgaria consolidated its transition after most other transition economies, with the result that, unlike other reformers, sustained economic growth took hold almost a decade later than it did elsewhere. Indeed, it took 14 years for real per capita income to return to pre-transition levels. The country suffered through hyperinflation, a financial crisis, and considerable political turmoil, falling increasingly behind other reformers such as Hungary or Poland. Until the end of the century, Bulgaria remained locked in a lower income status, and its economic performance diverged from other reformers and its EU neighbors. For example, if it had been able to stabilize in say 5 years rather than the 11 it took (1989-2000), and grow at an average rate, its per capita income would be 40% higher than it is now.

Some evidence of how different things would be if Bulgaria's transition legacy were less pronounced is offered by its performance after it achieved political and economic stability in 2000: It experienced the strongest growth record of the reforming economies for the next 6 years, just under 6% per year, made significant progress in converging with average EU income levels, and was also granted membership in the EU in 2007. Unfortunately, these more benevolent trends were disrupted by the global financial crisis of 2008 when it experienced one of the sharpest slumps of the transition countries.²

One of the main reasons Bulgaria weathered the downturn badly was the bursting of its housing bubble; it is still experiencing one of the deepest and longest persisting housing downturns among transition countries.³ This downturn has been one of the main contributors to the increase in poverty that occurred post-2008 as construction employment – one of the largest employers of low-skilled workers – plummeted. Moreover, unlike the usual underlying causes of housing bubbles, in Bulgaria the bubble was not caused by too much mortgage credit; the country continues to have the lowest share of mortgage debt among transition countries. Instead, as this report will show, more fundamental housing market obstacles are at play. Sectoral distortions slow the sector, increase costs, reduce employment, and contribute to the country's inability to close the income gap with the EU-28.

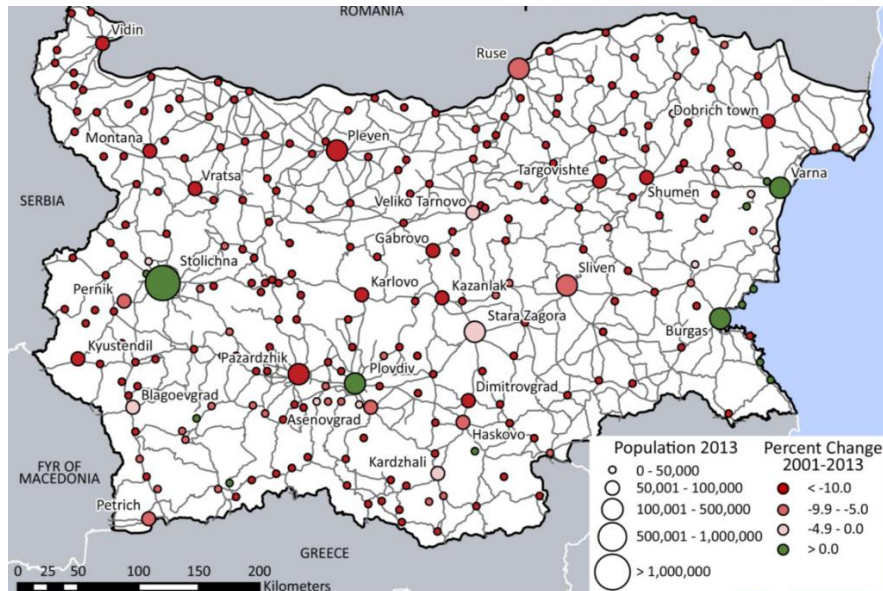
Besides the strong and somewhat disruptive legacy of Bulgaria's transition, perhaps the most important, and closely related, aspect of Bulgarian economic performance is the country's extreme

² Between 2008 and 2014, the global financial crisis and subsequent Eurozone crisis led to annual growth in real per capita income of just over 1%, and today Bulgaria remains the poorest EU member state with a per capita GDP of around 47% of the EU average.

³ Eurostat 2015.

age distribution. It has become one of the oldest (ageing) societies in the world and, at the same time, is experiencing one of the world's sharpest reductions in population: a decline of 20% since the transition began in 1989 – see Figure (i).

Figure (i). Population growth from 2001-2013



Source: Cities in ECA, World Bank, 2016

Moreover, the UN predicts that the decline will intensify over the next generation.⁴ Neither of these qualities lead to an increase in housing demand; indeed, they have the opposite effect. Why then study the performance of the housing sector when it appears to be one with considerable over-supply?

One of the main reasons to do so is to achieve a better understanding of a seeming paradox: How do housing costs rise relative to incomes – to a point where the country has the second highest share of households burdened by high housing costs among all transition countries – when the total population is both declining and aging? One would think that an over-supply of units relative to the number of households would lead to a decrease, not increase, in prices. Moreover, the paradox is more perplexing considering the low employment rate among the working age population. Bulgaria has the third lowest share in employment among the working age population, i.e., those between 25 to 54 years of age, in transition economies, and a youth unemployment rate of 22%.⁵ If housing costs are high compared to income levels, the opportunity costs of not working would be considerably higher in a country where the largest household expense is so high. Similarly, the elderly tend to move less frequently and usually have lower rather than increased demands for housing. To better understand the paradox, one must also understand these key aspects of Bulgaria's housing sector:

⁴ It is expected that Bulgaria's working age population will continue to shrink, by as much as by 30%, until 2050.

⁵ Eurostat 2016 (<http://www.tradingeconomics.com/bulgaria/youth-unemployment-rate>).

- *Since 2008, poverty rates have been on the rise and income gains for the bottom 40% of the population have slowed significantly.* Over 40% of the population is at-risk-of-poverty⁶ or social exclusion, and this problem is particularly prevalent among Roma families and other ethnic minorities.⁷
- *The country has a large stock of deteriorating multifamily residential buildings* – the largest share of pre-1990s housing built by a centrally planned socialist state – which is questionable in terms of its quality, design, and location. A large proportion of the population is either unable to afford basic maintenance or has little incentive to do so.
- *The 2008-2010 global financial crisis resulted in a large drop in house prices* – 30-50% since 2007 in many prime locations – that bankrupted many private developers, and resulted in many households suffering major losses in wealth and equity. The market is only slowly recovering from the shock, but remains volatile.

All these factors –population decline, poverty, deteriorating housing stock, and the aftermath of the financial crisis – have exacerbated the housing demand-supply imbalance. As a consequence,

- *The cost of housing relative to prevailing income levels is very high*, which makes it virtually impossible for households earning less than BGN 1000/month, i.e. those in the 60th-70th income percentile, to purchase or rent any housing in the market. More than a third of young adults are unable to afford a house, and hence are continuing to live with parents or other family.⁸
- *The number of informal and illegal settlements has been on the increase*, with people living in poor quality housing and inadequate infrastructure.⁹ The situation is precarious for the Roma, more than 90% of whom are categorized as poor.
- *Job mobility and corresponding productivity is very low,¹⁰ and emigration is high*, particularly among the educated youth in whom the country has invested so much.

Moreover, Bulgaria's housing market may in fact be in worse shape than its aggregate numbers indicate. This is because there is no single housing market, but rather many different markets in different parts of the country. The average figures obscure the huge variability that exists across the country's cities. In some places, such as Sofia, where productivity is higher and opportunities more abundant, housing costs are very high relative to income. In other places, those with little to no opportunity, the costs are very low and the housing is deserted.

These problems, at least in part, stem from the fact that Bulgaria followed the planning approach used by the Former Soviet Union (FSU) more closely than did other transition economies outside the FSU (and Albania). This approach created one of the most over-industrialized economies among transition countries. It called for the creation and expansion of many cities that would not be so large in a more market-oriented economy. The result today is that employment prospects are dim in many locations

⁶ Eurostat definition of at-risk-of-poverty: those earning below 60% of median equalized income.

⁷ World Bank; Bulgaria National Statistics Institute; EU-SILC.

⁸ Ibid

⁹ National Report for Bulgaria on the Tenancy Law review, "TenLaw: Tenancy Law and Housing Policy in Multi-level Europe".

¹⁰ Between 2001 and 2011, only 380,000 people, or 5.1% of the total population, changed residence within Bulgaria (30% within the same town, and 70% into a different town). Nearly half of all people who migrated internally moved to Sofia or Varna.

where state-owned factories of the old regime have closed, and housing vacancies are extremely high, with some villages and towns facing complete abandonment.

Not only are many of the cities in the “wrong place”, so too are many housing developments in the wrong locations within cities. Bulgaria has city density patterns in which the population appears to be dispersed to the outer parts of the city, rather than concentrated in the central city. While the Bulgarian pattern is not as extreme as some of the other countries in the region, it does exist. This distribution of the housing stock results in much longer commuting times, and also creates demand for new infrastructure while existing infrastructure is under-utilized, thus creating urban management problems. More importantly, however, such spread-out cities reduce the agglomeration economies that underlie the incentives to urbanize in the first place. This pattern of housing investment across cities creates a situation of feast and famine. Those in desirable cities face intense competition, and correspondingly high prices for units, while those in less desirable locations are trapped in units that have little to no value and face problems with on-going maintenance and utility costs.

At the same time, public expenditure in the housing sector, and especially that targeted to lower income and vulnerable groups, is a small fraction of the overall budget.¹¹ Public social housing, which constitutes less than 3% of the housing stock, is essentially an unfunded mandate. While the legacy of the old regime suggests good reasons for moving away from publicly-provided housing, international experiences shows that such housing can be an essential component of a city’s overall development/ assistance strategy. Indeed, governments have a significant role in improving the functioning of housing markets that is quite commonly overlooked – both at the national and the local level.

The GOB is now in the process of developing a new National Housing Strategy. This World Bank ASA (Advisory Services and Analytics) was requested by the government to complement their efforts, and assist them in establishing strategic pillars that could be used as the foundation of this forthcoming Strategy. Below are the key findings and recommendations from this study.

Key Findings

1. High vacancy rate, surplus, and overcrowding

Massive vacancy

Bulgaria has a very high incidence of vacant or “uninhabited” housing – some 1.2 million housing units, which is more than 30% of the country’s housing stock. The incidence of vacancy is 43% in rural areas, and 25% in urban areas (see Table (i)).^{12,13}

Some of this might be attributed to declining populations in rural areas and small towns, and hence a declining housing demand for rent or purchase. Based on data from 2001 to 2011, all but two districts – Sofia (+10.3%), and Varna (+2.8%) – have witnessed net depopulation.¹⁴

¹¹ In 2013, little less than 1.5% of GDP went into government support of housing and community amenities and housing development.

¹² 2011 Census, National Statistical Institute.

¹³ “Uninhabited” houses, as defined by NSI, include vacation homes, apartment hotels etc. (more prevalent in the Black Sea coast) as well as dilapidated housing that is unfit for habitation (prevalent in rural areas and small towns),

¹⁴ 2011 Census, National Statistical Institute.

Table (i). Vacant dwelling units in Bulgaria, 2011

	Total dwellings	# Uninhabited or “vacant” dwellings	% Uninhabited or “vacant” dwellings
Total	3 887 149	1 220 416	31.4
Urban	2 566 601	653 105	25.4
Rural	1 320 548	567 311	43.0
Sofia district	176 842	85 277	48.22
Sofia capital	607 473	142 608	23.48

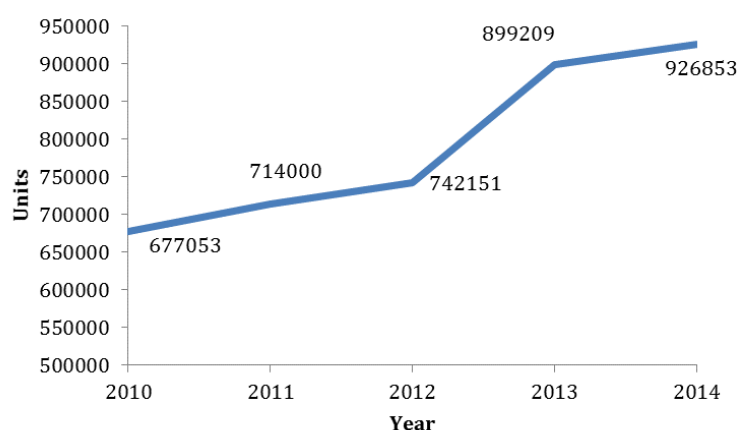
Source: 2011 Census, National Statistical Institute

Another explanation for this high vacancy rate may lie in the data itself – from two aspects: First, these data are from 2011, one of the peak years of the global financial crisis in Bulgaria, when the property market was depressed. And second, the data on “uninhabited dwellings” collected by NSI includes cottages, holiday homes, apartment hotels and such – more predominant along the Black Sea coast – which are not necessarily “housing units” in the traditional sense. So the numbers might be a bit exaggerated.

Still, while this may, in part, explain the numbers at the national level as well as in the declining towns and tourist destinations, it is puzzling to see such vacancy in otherwise growing, vibrant housing markets. For example, vacancy in Sofia capital is 24%, 48% in the surrounding Sofia district, 26% in Plovdiv district, and 30% in Varna district.

Housing “Surplus”

There is a housing surplus in all districts of Bulgaria, which has grown from 677,053 units in 2010 to 926,853 units in 2014.

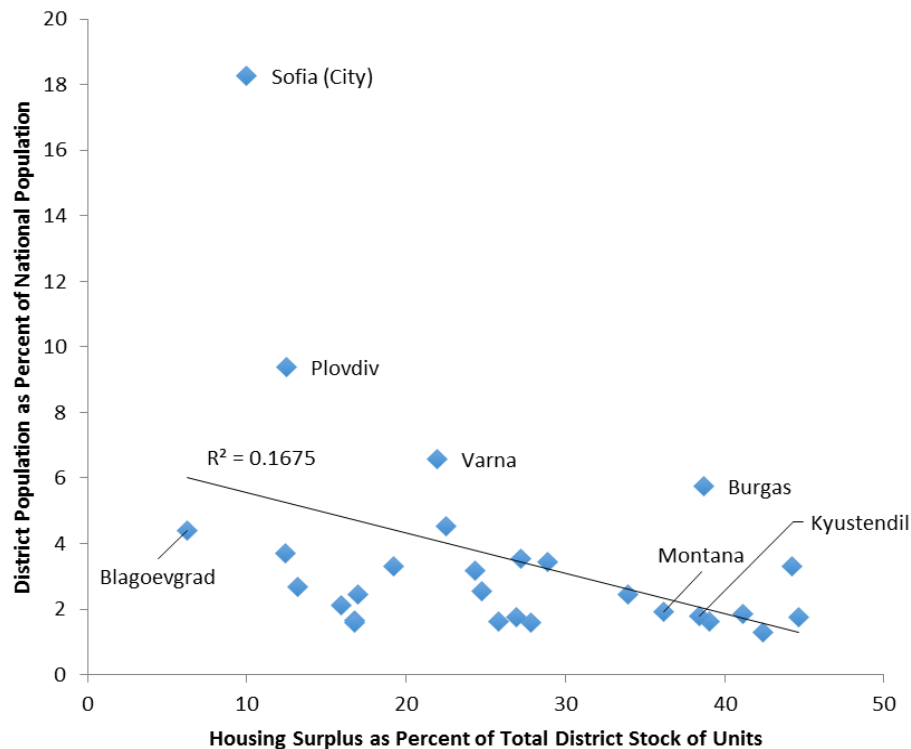
Figure (ii). National housing surplus

Source: Population and dwelling data from NSI; household size data from Eurostat

The national data for each district show that there is a weak negative correlation between housing surplus and higher district populations, meaning that the housing surpluses in less populated districts are of greater magnitude, as shown in Figure (iii). This may, at least in part, be attributed to the

significant population decline in smaller towns located in less populated districts. However, even the smaller of the major cities (Varna and Burgas) have large surpluses compared to Sofia and Plovdiv, indicative of the effects of migration on a national scale.

Figure (iii). Housing surplus as a percentage of district housing stock compared to district population as percentage of national population



Source: Population and dwelling data from NSI; household size data from Eurostat

High incidence of doubling-up and overcrowding

While the 3.9 million dwelling units for 3 million households might, at first glance, suggest a “surplus”, the fact that 1.2 million of these units are uninhabited implies that, effectively, 3 million Bulgarian households are living in 2.7 million housing units.¹⁵ About 1.05 million people, i.e. 15% of the population, live in dwellings that are shared by more than one family.¹⁶ In other words, “doubling-up” is common, especially among lower income households in the larger urban centers: often, up to 3 generations, or some 6-8 family members, live in a small 60 m² apartment.

The national housing overcrowding rate is 41%. Among households at-risk-of-poverty, nearly half of all people, 80% of children below 18 years, and 59% of young adults (aged 16-29 years), live in an overcrowded house. Also, 82% of all tenants paying market-rate rent live in an overcrowded unit.¹⁷

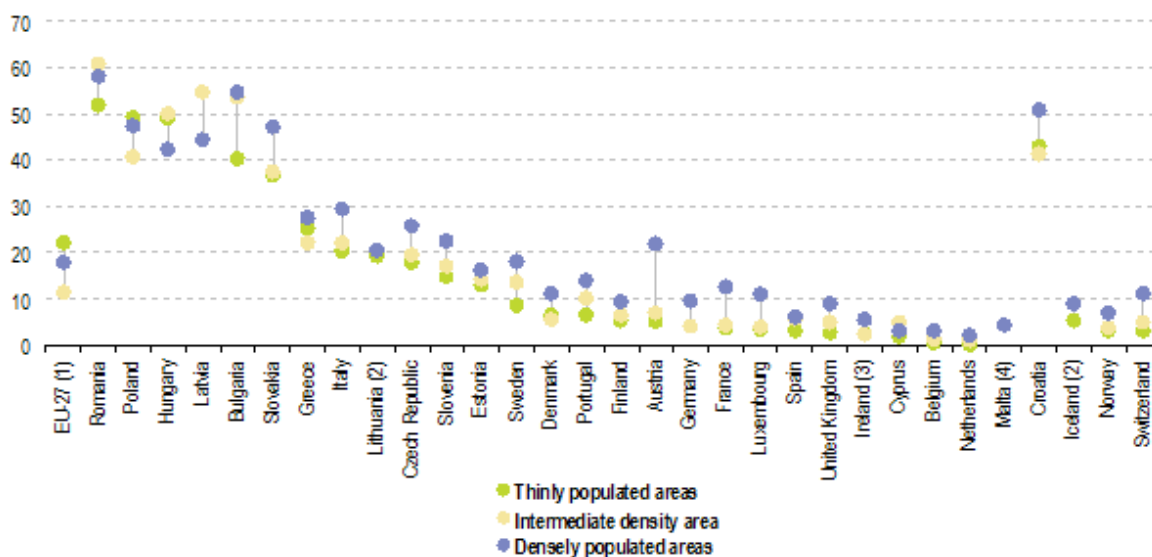
The overcrowding rate in Bulgaria in both urban and rural areas is very high compared to the EU-27 average (see Figure (iv)).

¹⁵ 2011 Census, National Statistical Institute.

¹⁶ EU, National Report for Bulgaria, “TenLaw: Tenancy Law and Housing Policy in Multi-level Europe”, p. 40

¹⁷ Eurostat, 2015. <http://ec.europa.eu/eurostat/web/income-and-living-conditions/data/main-tables>

Figure (iv). Overcrowding rate by degree of urbanization



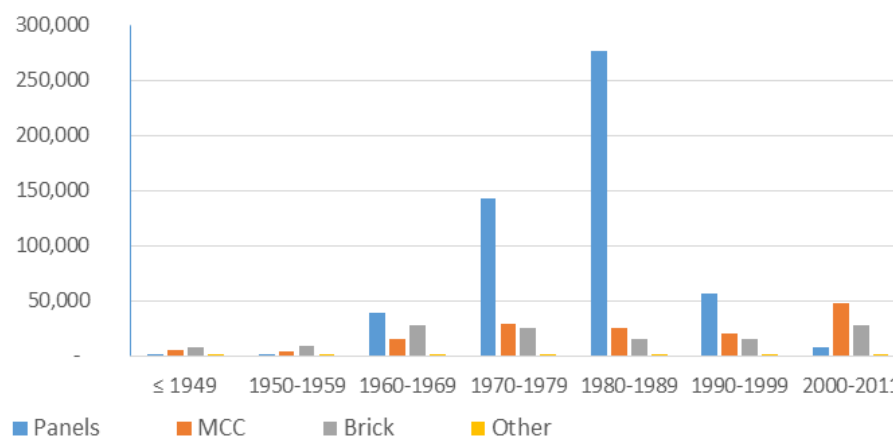
Source: Eurostat (2011)¹⁸

2. Poor quality of old stock, potential seismic risk

Age and quality

Most of Bulgaria’s housing stock comprises old socialist-era multi-family buildings, many of which are made of prefabricated panels blocks. More than three-fourths of apartments in the country are in buildings that are older than 30 years – see Figure (v).¹⁹

Figure (v). Number of housing units by construction materials and period of construction²⁰



Source: World Bank, 2013

¹⁸ Eurostat ([http://ec.europa.eu/eurostat/statistics-explained/index.php/File:Overcrowding_rate_by_degree_of_urbanisation_2011_\(%25\).png](http://ec.europa.eu/eurostat/statistics-explained/index.php/File:Overcrowding_rate_by_degree_of_urbanisation_2011_(%25).png)).

¹⁹ World Bank, Bulgaria housing stock overview.

²⁰ World Bank, Bulgaria housing stock overview, 2013

Panel buildings, shown in Plate (i), are very prevalent, with some 11,128 of them housing 2 million Bulgarians.

Plate (i). Panel buildings



Panel buildings in Sofia (left) and Blagoevgrad (right).

Lack of maintenance

While the age of a building may not in itself be a problem *per se*, the lack of maintenance of these buildings over the last several decades has led to a rapid deterioration of much of the old housing stock. This is attributed to a combination of a lacking sense of responsibility for common areas and elements of the building, non-payment of fees by absentee owners of vacant units and some of the poorer residents, differences in income levels among residents, dissatisfaction about the buildings' conditions and service levels, and a general apathy resulting from a sense of entitlement that the state will take care and pay for the common areas have impeded the establishment and proper functioning of HOAs. The result is all too common: leaking roofs, damaged facades with fallen plaster, dark and ill-maintained stairwells and hallways, and leaking water and sewer pipes in the basements.

Further, while the Condominium Law obliges Homeowners Associations (HOAs) to maintain their buildings, it does not 'mandate' the establishment of an HOA. The supporting legal framework or funding capacity of the public sector to intervene or enforce building management and maintenance is very limited. Management companies are increasingly coming into the fore, but they are unregulated/ unlicensed, and hesitate to service older buildings given the complexity of the underlying maintenance issues and disorganization of the residents.

Fixing these buildings will require major capital repairs and entail huge costs, which many apartment owners cannot afford.

Potential seismic risk

In addition to the above two issues, there is another reason to be concerned: The structural integrity of some of the older housing stock. Old prefabricated "panel" buildings built in the 1970s-80s constitute over 40% of the current multifamily housing stock. The "links" joining the precast panels in these buildings are believed to be at the end of their 50-year lifespan, and in some cases, could be corroding/ rusting. Although the extent of this risk is unknown, the fact that the panels are load-

bearing, even a remote possibility of disintegration of the links raises serious questions about the structural safety of these buildings. This is of particular concern given Bulgaria’s propensity to seismic hazards (see Box 3.1), but there has been no comprehensive study of the seismic vulnerability of this housing stock to date. In the meanwhile, the majority of residential buildings – according to some estimates, over 95% – do not possess “Technical Passports” which is the technical documentation of the building’s structure.²¹

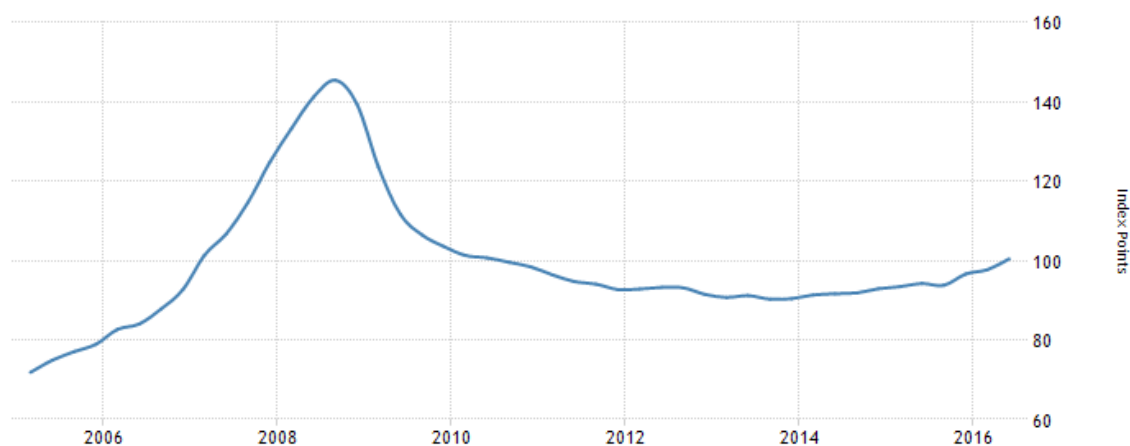
3. Housing market failures

Negative impact of the financial crisis

Not only did the 2008 financial crisis bring an end to the construction boom in Bulgaria, it also resulted in many unfinished and incomplete housing projects. Banks, on their part, retracted from the market and tightened their lending. The main investors in the construction boom prior to 2008 were foreigners (Russians, Irish, English etc.) and their withdrawal was the most important factor for the collapse of the construction sector. Many owners and investors saw their property values shrinking to half or a third of the original value and, in many cases, even lost money to developers who filed for bankruptcy. However, since 2015 prices have begun to stabilize and, in the larger cities, housing demand now appears to be making a comeback to pre-crisis levels. Figures (vi) and (vii) show that the Bulgaria Real House Price Index as well as annual average market prices of dwellings in district centers decreased and stabilized again after the financial crisis.

Banks have resumed lending and housing construction has picked up in the larger urban centers. This is attributed to a combination of factors: growing incomes, low mortgage interest rates, low deposit rates, and relatively larger returns on real estate investment.

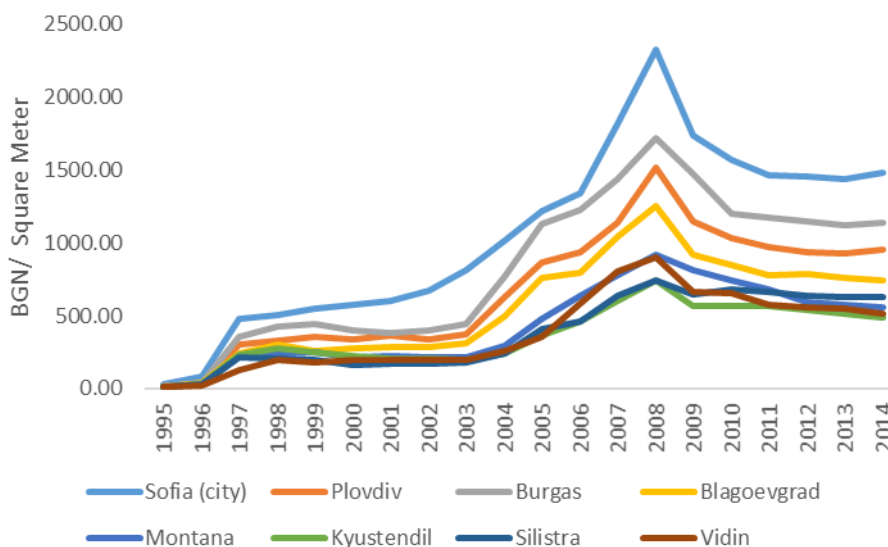
Figure (vi). Bulgaria Real House Price Index



Source: NSI, Eurostat²²

²¹ According to a recent amendment to Ordinance No. 5 on Technical Passports, the deadline for all existing buildings to prepare their Technical Passports was moved from 2017 to 2022.²¹ Unlike the old building stock, all buildings built after 01.01.2007 have Technical Passports.

²² <http://www.tradingeconomics.com/bulgaria/building-permits>

Figure (vii). Annual average market prices of dwellings in district centers²³

Source: Data from NSI Macroeconomic Statistics,
https://infostat.nsi.bg/infostat/pages/module.jsf?x_2=276

Lack of affordability

The average housing price ranges from EUR 550-800/m² for the less desired homes in older buildings to EUR 800-1200/m² in new buildings in more desirable locations in Bulgaria's larger cities. Given the national average monthly household income of EUR 477,²⁴ this means that a large majority of the population, i.e. people below the 60th income percentile, cannot afford to buy or even rent a house in urban housing markets.²⁵

According to Eurostat, the housing cost overburden rate is 42% for single person households, 15% for households constituting two adults, 7% for households constituting three or more adults, 24% for older residents aged 65 years and over, 31% for tenants of market priced rentals, and 17% for tenants of subsidized or rent-free accommodation.²⁶ Among those who face a housing cost overburden in Bulgaria, 46% are from households below the 20th income percentile, and 66% are from households below the 40th income percentile.

Absence of a robust rental market

According to NSI data, less than 5% of the country's housing stock is leased out in the rental market. An additional 8% of the stock constitutes "shared", "free" or subsidized rental housing; how much of this is transaction-based or formal/ informal is difficult to ascertain from the data.²⁷ Nevertheless, the

²³Data only for existing stock, newly built dwellings excluded. Annual averages were calculated as an average of quarterly data for each year.

²⁴ Source: <http://www.tradingeconomics.com/bulgaria/wages> (September 2016)

²⁵ Further, with the base cost already so high compared to income levels, the closing cost of a transaction (roughly 4.5-6.0% of sale price) and a VAT of 20% imposed on new developer-built buildings has led to a common practice of underreporting the sale price on paper.

²⁶ Eurostat 2015. <http://ec.europa.eu/eurostat/web/income-and-living-conditions/data/main-tables>

²⁷ One study suggests that the social housing stock is 3% of the total housing stock, but the NSI Census data identifies 0.02% of housing as "institutional" housing. The definitions of these two terms and their respective data needs further investigation and clarification.

high cost of rental housing suggests a constrained supply despite the housing “surplus” at the national level, as well as in every district across the country.

This sort of situation often occurs in housing markets in which the regulations are preventing the rental market from functioning effectively, such that landlords are unwilling to rent their properties, preferring to keep their units vacant. In this respect, the vacant housing stock may be seen as a real opportunity: a ready pool of “locked” but potentially valuable rental stock that can be leveraged to address the problems outlined in this report as part of new housing sector policies.

Several reasons may be attributed to landlords keeping their properties vacant rather than renting them out. Among them, (i) the current eviction laws, which lean in favor of the tenant and make eviction difficult; (ii) the inability to enforce formal lease agreements in the court of law, even when registered by a notary; (iii) a general hesitation to rent out the property based on the legacy of poor maintenance;²⁸ and (iv) a flat 10% income tax which applies to rental income, which, although minimal, could be a disincentive to report rental income. From the tenant’s side, it is usually the high cost of market-based rental that is problematic.

The ‘informalization’ of the rental market, on the other hand, has several negative impacts:

- Informal rental denies both the tenant and the landlord any legal protection associated with an official contract.
- Informal rental limits the market supply of rental housing, thereby making it more expensive, and locking out the bulk of households earning less than EUR 1,000 per month from the option to rent with a formal contract.
- The absence of an efficient rental market limits mobility and compounds the affordability dilemma by pushing many young households to purchase smaller units with limited buying power instead of renting.

Low penetration of housing finance

Given the problems in the functioning of the housing market itself, and the hyperinflation and financial sector collapse experienced by Bulgaria, the low penetration of the mortgage is not surprising.²⁹ Despite relatively favorable lending terms,³⁰ it is common practice for buyers to finance house purchases with cash from savings or with the slightly more expensive consumer loans³¹ as these have no mortgage lien on the property. Few banks offer products for people with incomes lower than BGN 1,000/month, and those that do, require them to pay higher interest rates due to their higher risk profile. Such systems need time to develop and the value risks of Bulgarian real estate have shown themselves to be among the highest in the region.

4. Inadequate housing and infrastructure for low income groups

Lack of public assistance for the poor and marginalized

Little has been done and little *can* be done under the current legal and fiscal structure to address the increasing housing informality and marginalization of poor households. Government assistance falls far short of the prevailing need of poor and vulnerable groups. The lack of both public and private

²⁸ EU, National Report for Bulgaria, “TenLaw: Tenancy Law and Housing Policy in Multi-level Europe”, p. 21.

²⁹ The Bulgarian mortgage to GDP ratio is 8.0%.

³⁰ All major commercial banks offer mortgages, with a loan-to-value (LTV) ratio of upto 85% for newly built properties, and 50-60% for flats in old buildings. The most common product is a local currency BGN adjustable rate (4-5% plus Sofibor) mortgage for upto 30 years, with a maximum debt-to-income ratio of 50%.

³¹ @ 7% interest, for 5-7 years

investment in low-income areas combined with social prejudices has resulted in self-proclaimed ‘ghettos’ in which low-income communities (including a high proportion of Roma households) feel marginalized and are even feared by the rest of the Bulgarian population.

There is a lack of proactive interventions for poor and vulnerable communities with respect to the provision of better quality social housing, slum upgrading, land rights. The National Roma Integration Strategy 2012-2020 calls for the improvement of housing conditions in Roma neighborhoods including infrastructure upgrading and titling. However, it is unclear how much funding is set aside for this purpose. The two largest programs in the housing sector – NEEP and Regions in Growth-Priority Axis 1 (Investment Priority 4c) – focus heavily on energy efficiency, and are aimed at serving a broad population and do not necessarily target the poor. While Investment Priority 9a under Priority Axis 1 of the Regions in Growth calls for investing in social infrastructure (including social housing) and promoting social inclusion for vulnerable groups, the focus is on providing “social housing” and “social infrastructure”. In other words, infrastructure upgrading in marginalized areas, which is a very critical and much needed activity, is not an eligible activity in this program. At the same time, the public social housing program is inadequate both in terms of quality and quantity.

Growing informality and Illegality

Not only do a large percentage of Roma and other ethnic minorities live in slums or illegal settlements, these minorities are also spatially concentrated. That is, the majority population in most such settlements is made up of ethnic minorities, primarily the Roma. By law, a person who has ever squatted illegally is not eligible to apply for municipal social housing, which excludes the vast majority of residents of informal settlements.

Plate (ii). Roma settlements in Sofia



With space already very limited in existing Roma settlements, newcomers tend to occupy the more dangerous or environmentally sensitive locations, e.g. near garbage dumps, flood plains, forests etc. Local authorities are often unable to monitor – and sometimes unwilling to control – this influx. This has consequences for the municipality as well as the settlement: in terms of planning and infrastructure capacity, as well as because many settlements that started out as “legitimate” are now largely seen as “illegal”, because the original residents are vastly outnumbered by the new illegal migrants.

Absence of appropriate “legalization” or upgrading instruments

Government attempts to legalize illegal houses in informal settlements have not been successful. Both “amnesty” programs offered by the government to legalize illegally constructed buildings – the

Tolerance Certificates and the Building Legalization Document of 2012 – require that the applicant be the owner of the land or a person with a legal right to build on the land. This, together with the complex and expensive procedures involved and, in some cases, the lack of awareness of the amnesty programs among the communities, has resulted in a very low uptake from Roma and other ethnic minorities.

5. Limited reach of national government initiatives

National Energy Efficiency Program

Since 2007, the government has implemented several energy efficiency programs in residential buildings, although there has been difficulty in scaling up these initiatives. Under the most recent (2015-16) National Program for Energy Efficiency in Residential Buildings (NEEP), which is the largest housing program in the country – with a budget of 1 Billion EUR for 2015-16 – the criteria were changed. The subsidy element was increased to 100%, the program was opened up to everyone, not just the poor, and the original requirement to have buy-in from 100% of homeowners was reduced to 95%. All these changes in the program criteria have contributed to a more rapid expansion of the NEEP compared to previous programs.

Plate (iii). Residential buildings in Blagoevgrad retrofitted under NEEP



However, despite the many hurdles that the government has overcome in moving this program forward, some challenges remain, as is recognized by the government. These are summarized below:

1. From the perspective of improving building management, NEEP requires that an HOA be established and registered with the municipality in order to be eligible for funding under the program, and it is recommended that a capital improvement fund be set up for building repairs. However, experience indicates that while HOAs were established in buildings that participated in the program, their capacity and motivation to deliver their functions remains questionable, and most beneficiary HOAs continue to operate without adequate capital reserves. Another common problem cited is the lack of participation of the HOAs in terms of decision-making or supervision or quality control of the works.
2. A technical audit is conducted as part of the NEEP package, which includes an “investigation and evaluation of the seismic security of the building.” While, on paper, this appears to be a reasonable requirement to ensure structural safety, some experts express concern that this is

essentially a ‘visual observation’ of the structural quality using X-ray technology, rather than on a thorough seismic exam. And in the event that a structurally unsafe building indeed manages to qualify for an EE makeover, its structural defects could get further concealed, exposing the residents to catastrophic seismic risk.

3. The 100% subsidy element also raises the issue of equity: essentially, the program offers full government funding for energy efficiency measures to every household in an eligible building, regardless of need, and without targeting assistance to the poor. This applies to both, the poorest households within participating buildings, as well as buildings that have a large majority of poor households (including social housing). While recognizing the need for such a subsidy due to the challenges faced in mobilizing this program, and the value in getting the program off the ground first with the “low-hanging fruit” in the immediate term, there is potential to improve the design in the medium and long term, by gradually introducing user contributions over time.

Municipal Social Housing

The public social housing program is inadequate both in terms of quality and quantity.³² First, although local governments are required to provide social housing for those in need, it appears to be an unfunded mandate. In the few municipalities where new social housing is being constructed with funding from the EU operational program (Regions in Growth), it appears that the target group is not low income households. This is perhaps a function of the ideology that housing is not an essential service that the state is obliged to provide. Also, there is a lack of technical capacity at the local level to plan³³ for or implement social housing projects. This is exacerbated by the spatial legacy of fixed capital investments inherited from the old regime that restricts the ability of municipal governments to adjust to changing housing demand.

Second, while it is clear that the problems facing local authorities vary widely so that there is need for greater flexibility in how they address their somewhat unique problems, it is not clear that allowing them to establish their own terms (tenure etc.) and eligibility criteria for social housing allocation is an effective policy. Municipalities are at liberty to establish their own eligibility criteria for social housing. These criteria typically include income, employment, current living conditions, domicile with a registered address, household size, and so on. In most cases, regular income is required to be able to apply for social housing. Based on this, many of those with the most needs get relegated to the bottom of the long waiting lists for social housing. While it is clear that the problems facing local authorities vary widely so that there is need for greater flexibility in how they address their somewhat unique problems, it is not clear that allowing them to establish their own terms (tenure etc.) and eligibility criteria for social housing allocation is an effective policy. Further, by law, a person who has ever squatted illegally is not eligible to apply for social housing, which excludes the vast majority of residents of informal settlements.

Finally, in some municipalities, sitting tenants of social housing units have the right to buy the unit after a certain period of time, while in others, there is no term limit for the lease. This policy puts an even bigger strain on the already limited pool of public housing stock.

³² National Centre for Regional Development: Monitoring and Analysis of the State of Housing Fund and Housing Market, 2012.

³³ For instance, the capacity to estimate the demand for social housing at the local level, i.e. which population groups to cater to, and therefore, which types of units to build. (Source: OSI Europe Foundation, Housing in Bulgaria: Challenges and Perspectives, 2003.)

Recommendations

As the findings suggest, the Bulgarian housing market faces many constraints. This situation is costly for the economy in terms of employment opportunities and productivity, but it also makes it very difficult for municipalities to function effectively. When market responders are unable to respond as easily as they could if the market worked effectively, the costs of housing assistance are considerably higher and the ability of local authorities to carry out their functions are impaired. As a result, besides the difficulties faced by younger families who want to move to locations with job opportunities, it is very difficult to assist lower-income households in such a system.

Creating a better functioning housing market is thus an important step as well as one that will improve the efficacy of housing and municipal programs. Consequently, attention to the sector's broader reform agenda is at least as important as improving the functioning of specific programs. It is worth noting that the existing housing stock provides the bulk of housing services at any time so even minor improvements in the functioning of this stock can convey enormous benefits, far in excess of those offered by programs that affect the supply of new units. Hence, the following section presents some of the key recommendations for the government to consider including the forthcoming Strategy. (Note: A more exhaustive list of recommendations is provided in Chapter 9.) However, before doing so, it is perhaps worth stressing that this rapid assessment is meant to be an aide to a deeper, more empirical study of the sector and housing policy. A priority recommendation of this rapid assessment is to for the Housing Strategy to recognize the need for a serious data collection exercise to fully understand these complex, interactive sectors of the economy.

1. Housing Policy

An overarching approach or strategy to housing is required to enable the government to better target scarce public resources to those who need them most, and to facilitate the development of a better functioning housing market. As mentioned earlier, the government is currently in the process of developing a new National Housing Strategy.

The core tenet of a good National Housing Strategy is to target public assistance to those most in need as defined by income or vulnerability. More specifically, public investments need to be targeted first at the poorest households in the 20th income percentile and lower, and then at households in the 20th to the 50th income percentile.

At the same time, it is critical to make the market work better. Subsidy programs, however well-designed and well-targeted, cannot work effectively in a dysfunctional housing market where the vast majority of the population (including middle income households) cannot afford adequate, decent, and safe housing. In such a situation, the subsidies intended for the poor inevitably get "hijacked" by the middle income segment. Here, the role of government as a "facilitator" of a well-functioning housing market – while effectively targeting scarce public resources to the poor – cannot be overstated. This involves a proactive role of the government in creating the right environment through appropriate incentives and tools for the private sector to play its role in housing delivery more effectively.

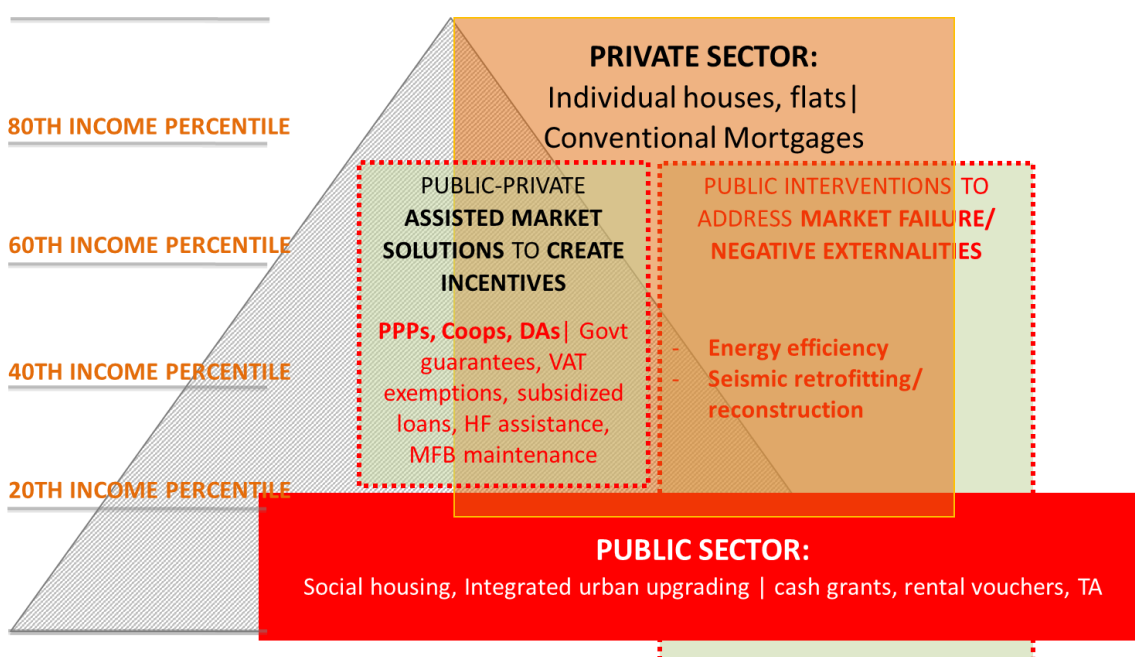
Accordingly, the underlying strategic vision should outline the types of interventions most appropriate at different income levels. For instance, the poorest households might need purely public assistance, other low income households might be targeted with a mix of public and private "hard" investments, while middle income households might require "soft" assistance in the form of affordable mortgages and tax breaks.

Finally, given the many different markets in different parts of the country, geographical segmentation will be important. In other words, it will be important to customize and differentiate solutions, for example, between urban versus rural areas, between growing cities with increasing housing demand versus smaller towns with declining populations, and so on.

At a more general level, as illustrated in Figure (viii), the Strategy should aim for a housing sector where:

- The public sector plays a key role in providing direct housing assistance to the poorest and most vulnerable groups;
- The public sector actively intervenes in specific themes or sectors facing market failure or negative externalities;
- The public sector creates incentives to change behavior and leverage private investments for affordable housing through “assisted” market solutions; and
- The private sector is enabled to serve the housing needs of middle and upper income groups.

Figure (viii). Functional housing market: Roles of public and private sector stakeholders



2. Institutional Framework

The condition of Bulgaria’s housing stock and the legacy of the way it was located and designed clearly have enormous and highly variable implications for the functioning of Bulgaria’s municipalities. Further, the management and control of the housing stock have important spill-over effects on the labor market and social integration. Getting a clearer picture of how local authorities can effectively react and respond to this situation is an important step in moving forward with a more effective housing policy. The role of municipalities in implementing a more effective policy cannot be overstated. At present, it appears that cities are burdened with more responsibilities than resources for addressing these problems.

Thus, an analysis of how housing policy affects municipal functioning and how the central government policy affects municipal operations is an important next step in understanding this complex problem. In principle, the following is recommended:

National government

A much stronger Housing Policy Directorate is proposed that would have responsibility for all government programs spanning the housing sector: in energy efficiency, HOAs and maintenance, accessing finance, monitoring, evaluation, and data collection. Such a strengthened housing department can provide training to specialists at the district level, who can then provide support to local authorities in energy efficiency standards and procurement, social housing, asset management, housing finance, and other key areas.

Local authorities

The way a city's housing stock and its management affects the functioning and responsibilities of local governments is an important part of the country's fiscal system. It is very evident that technical and financial capacity of municipalities with respect to the housing sector needs to be strengthened, in particular in the delivery of social housing, and in collecting and maintaining housing data at the local level.

3. Government programs

Social housing program

The loss of the educated young population is of enormous consequence for the country and efforts to ameliorate this condition needs to be studied further. In this context, it is essential that local authorities maintain a database of the many dimensions of the housing sector, including social housing in terms of available stock, prevailing demand from different population sub-groups (not only low-income households, but also youth, young starter families, professionals, students, etc.). Accordingly, housing assistance may be considered for young families so that they are able to move to another location in the country if the city in which they live has very limited job opportunities. Similarly, municipalities of declining towns might consider providing social housing for their youth and young professionals as an incentive to retain them in their hometowns. At the same time, it will be important to streamline the eligibility criteria set by municipalities for social housing to make them more equitable, transparent, and well-targeted.

Further, some portion of the large pool of vacant housing units is an untapped reserve that could be used as social housing. This would be a much more cost-effective option for the government rather than building new social housing, and at the same time, contribute to the upkeep of otherwise unused or under-utilized housing. However, this will require the appropriate legislation to be in place that provides landlords the necessary protections and incentives to let their houses to people who need housing, with the guarantees necessary to ensure that their properties are maintained adequately. Rental vouchers could be particularly relevant under such a scheme, whereby an eligible household could find a private rental house and receive a subsidy in the form of a voucher from the government to cover the rent (partial or whole).

Finally, the government may reconsider the current practice of some municipalities offering social housing units for sale to sitting tenants, because this effectively removes stock from the already tiny pool of public sector housing. It is also important that municipalities conduct a regular review of whether or not the residing tenant continues to meet the eligibility requirements rather than allowing

occupancy for an indefinite period: this will make more houses available to people who have real housing needs.

National Energy Efficiency Program

Recognizing the significant challenges faced in the design of the NEEP, and the need to make compromises to roll out the program, some suggestions to improve program design may be considered for the medium and long term. One among them is that the government consider introducing a sunset clause for the 100% co-financing subsidy. Such a clause could come into effect, say, in 5 years, after which an owner contribution would be required and the government co-financing element gradually reduced over time. Other include aspects related to better targeting, and linking EE improvements to a more robust structural retrofitting – these are discussed in more detail in Chapter 9

4. Old housing stock

Maintenance and management

One way to improve the maintenance of multifamily housing stock may be better enforcing the Condominium Law, by introducing incentives rather than penalties. This could include, for example, granting certification to HOAs/ condominiums that have adopted certain standards for management of the condominium – such as registering the HOA, having adequate reserves in a capital improvement fund, purchasing condominium/ hazard insurance, and so on – to be eligible for tax concessions and other benefits.

Second, the current 100% subsidy element in the NEEP – while it lasts – could be used as a strong lever to make HOAs contribute into their capital repairs fund. What would otherwise have been expected as an HOA contribution – 5% or 10% or 20% of total project cost – could be required of the HOAs to put into a capital repair fund for the building, to be maintained at a certain minimum threshold at all times. Poor households who are unable to make this contribution may be supported through a Housing Allowance, discussed below (which could essentially be viewed as the equivalent of a rental voucher for eligible home-owners).

Seismic risk assessment and mitigation

It is a well-known fact that panel buildings (and all other buildings in Bulgaria) have high exposure to seismic activity. It is also a fact that the structural integrity of panel buildings relies on the metal “links” that hold the panels together. However, it is *unclear* whether or not those links continue to retain their structural integrity after 50+ years. This as an issue with high risk exposure and potentially catastrophic consequences. There is thus an urgent need for this matter to be investigated further; a comprehensive study of the seismic vulnerability of this housing stock is strongly recommended.

5. Housing assistance to low income groups

Informal and illegal settlements

It is in the interest of the government to facilitate the legalization of informal/ illegal settlements, where viable,³⁴ for several reasons: this will encourage private investment into these areas; it will also improve the health and productivity of poorer communities; and most importantly, once these areas

³⁴ i.e. where the settlements are not located on environmentally sensitive or otherwise hazardous lands which are unfit for inhabitation, and they do not amount to an illegal “taking” of another person’s property. In cases with disputed ownership traditional legal processes should be followed.

are legalized and upgraded, they can be a potential source of revenue for local authorities (through property taxes). However, unlike the previous legalization window that was opened, any new program should ensure that: (i) the process is simple and inexpensive; residents receive all the technical and financial assistance necessary to facilitate the process; (ii) building and planning standards are relaxed; and, (iii) clear and legal ownership of the land underlying the house is provided.

Also, rezoning some of the illegal/ informal settlements as “Improvement Areas” within which a different set of more relaxed infrastructure standards may be applied could potentially save the government the time and money to build social housing, and work as a much more effective solution for the residents.

Housing Allowance

The poorest households (bottom 20th income percentile) typically should not use more than 10-15% of their incomes on housing and related utility expenses combined. Similarly, those in the 20-40th income percentile should not spend more than 20-25% of their income on housing and utilities. Subsidies for both housing and energy would be more effective and equitable if they were structured around a voucher framework, as is done in many EU countries. This Allowance could be used to assist poor households rent a social house, or pay for improvements or management/ maintenance fees in multifamily buildings. That said, such an Allowance program will only work if the housing supply is responsive.

6. Housing market

Vacant housing

An essential first step to address the high vacancy rate is to establish a better understanding of its underlying causes, particularly in otherwise growing, vibrant housing markets. Second, the high vacancy rates in nearly all Bulgarian cities present a massive opportunity. This is a potential reserve that, if “unlocked”, could serve as market-based rentals or even subsidized social housing (in declining towns, where the population is poor and the demand for social housing is high and unmet). The data being collected by NSI could serve this purpose better by differentiating between the different types of vacant housing – and shed more light on what portion of the vacant stock could be potentially “unlocked” - for use as social housing, rental housing, and so on.

Rental housing

The lack of rental housing and particular dearth of formal rental housing in Bulgaria acts as a major deterrent to labor mobility, causes difficulties for newly-weds, and inflates the rents of the limited stock available. Increasing the supply of rental housing will help increase affordability, especially for young families, and lower income groups, and help make rental a viable alternative to purchasing a house.

The large pool of vacant housing – at least the share of it that is “usable” – presents a massive opportunity in this regard. Unlocking this pool of existing housing could help increase the supply of both social rental housing as well as private market-based rentals. However, this will require the appropriate legislation to be in place. Existing rental policy may accordingly be reviewed and amended to ensure that an equitable balance is achieved between the rights and duties of the tenant and the landlord. Examples of ways in which the legislation can be adapted to facilitate renting include the following:

- Introduction of a tax deduction on rental expenditure for tenants. This will induce people to rent rather than buy homes, and also provide an incentive to formalize rental agreements;

- Introduction of a rental income tax exemption for small landlords (with less than, say, five units) to encourage the “formalization” and mainstreaming of the rental market;
- Establishment of a quick and low cost system to resolve disputes between tenants and landlords.

Building permits

Developing a modern, effective and efficient planning and development review system is crucial for streamlining the permitting process. It is recommended that the Spatial Development Act accordingly be reformed to develop a planning and development review system that is faster, better, concurrent, more predictable, simplified where possible, customer-focused, and transparent, maintains high-quality community standards, and protects the public interest.

Concluding Note

While the poor suffer the most from the dysfunctional market, and require additional and better-targeted assistance, the most effective way to improve such assistance is to improve the functioning of the overall housing market. Such reforms can have significant beneficial effects on the economy, the labor market, and the performance of municipal governments. Moreover, there are significant, low cost ways to improve the functioning of the housing market that would reduce the burden of what appears to be an unfunded mandate for the cities.

Accordingly, the more general market-oriented policies may be seen as a prerequisite to policies that only improve the situation of the poor. With this caveat in mind, there is also a strong need for both social policies that address the needs of the poor, as well as a better understanding of the way that housing policy affects the functioning of local governments. Ultimately, it is local governments who are responsible for implementing both housing regulations and programs. At present, it appears that these obligations vary considerably across cities and are not fully understood. As the above recommendations make clear, creating the basis for a well-functioning market is of highest priority. An important dimension of that basis is how well local governments fulfill their essential role.

Main Report



SITUATION ANALYSIS

1. INTRODUCTION

1.1 Context

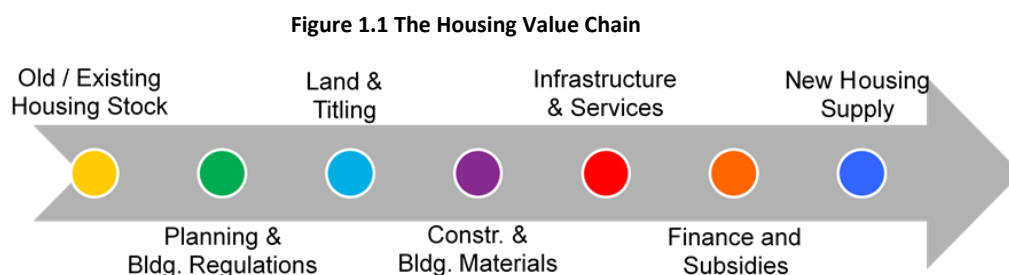
The social and demographic make-up of Bulgaria has changed dramatically since 2004 when the last National Housing Strategy came into effect. Faced with growing challenges in the housing sector, the Government of Bulgaria (GOB) is now in the process of developing a new National Housing Strategy. This World Bank ASA (Advisory Services and Analytics) was requested by GOB to complement their ongoing efforts, and assist them in establishing strategic pillars that could be used as the foundation of their new Housing Strategy. The World Bank team has worked closely with Ministry of Regional Development and Public Works (MRDPW) in the production of this ASA.

1.1.1 Objective and Scope

The primary objective of this ASA is to provide evidence-based advice to the GOB to inform the forthcoming National Housing Strategy.

The Bulgaria Housing Sector Assessment is a rapid diagnostic that presents a broad-brush picture of the country's housing sector and provides strategic policy recommendations. Policy reform by the government based on these recommendations is expected to contribute to a more affordable, inclusive, and safe/ resilient housing system in Bulgaria that better addresses the needs of diverse population groups and income segments, particularly low and middle income households.

For housing reform to be successful, the sector will need to be addressed holistically, starting with the identification of problems within the housing value-chain, which includes: Planning and building regulations, access to land, infrastructure and services, construction and building material sectors, subsidies, existing housing stock, and housing finance.



Source: World Bank, 2015

1.1.2 Methods

In light of the limited timeframe, this rapid diagnostic utilized a combination of qualitative and quantitative research methods:

- Fieldwork was carried out in November and December 2016 in Sofia and three smaller cities, Blagoevgrad, Montana, and Dupnitsa. Qualitative data was gathered from stakeholders through a combination of key informant interviews in the public and private sectors as well as consultations with NGOs, and focus group discussions with various groups of stakeholders (students, government officials, and industry professionals). In addition, field visits were carried out in several low income neighborhoods in Sofia and the case study cities, including Roma settlements, where community leaders were consulted and random interviews were carried out with residents.

- An extensive analysis of available quantitative data was carried out – including the 2011 Census, Household Budget Survey (HBS), EU Statistics on Income and Living Conditions (EU-SILC), the European Mortgage Federation’s Hypostat, the World Bank’s Poverty and Social Impact Survey, and other data– at the national level as well at the district/ city level, where possible.
- A thorough review of all relevant laws and institutions was undertaken, together with a literature review of existing reports and studies by local and international authors and institutions.

1.1.3 Structure of the Main Report

Recognizing the limitations of data in Bulgaria, this ASA provides a broad overview of the housing sector, taking into consideration each element of the housing value chain mentioned above. The Main Report is structured into two sections: (i) Situation Analysis, and (ii) Findings and Recommendations, as follows.

SITUATION ANALYSIS

The Situation Analysis includes a presentation of all relevant data and information gathered, organized around seven chapters.

Chapter 2: Housing and Urbanization presents the urbanization trends in Bulgaria, particularly the population trends, both in terms of internal migration as well as international emigration.

Chapter 3: Housing Stock and Quality presents the current housing stock at the national as well as at the district level, discussing the “surplus” and the unusually high residential vacancy rates. It then discusses overcrowding and “deprivation” issues more generally, focusing on old multifamily buildings which make up the bulk of Bulgaria’s housing stock. This chapter also presents the current trends in ownership (public versus private), and tenure (owner versus renter).

Chapter 4: Programs, Institutions, Laws, and Procedures provides an overview of all relevant government programs and policies, the legal framework and institutions pertaining to the housing sector, and the specific procedures underlying the construction and acquisition of housing, such as building permits, titling, land use, and the sale/ purchase of housing.

Chapter 5: Lower Income and Vulnerable Groups examines the conditions of poor and marginalized groups. It starts with a general discussion on poverty and deprivation, and then focuses on the Roma as an illustration of a community that has been largely excluded from mainstream housing. It also discusses some of the successful experiences of some NGOs as examples of the types of interventions/ solutions that might be scaled up to benefit the poorest and most marginalized groups.

Chapter 6: Housing Market and Finance presents an overview of the market conditions and the current trends of market activity and house prices, including a discussion on the near-absence of a formal rental housing market and the state of housing finance.

Chapter 7: Housing Affordability includes an analysis of the types of products currently on offer in the market for different income groups. In doing so, it identifies the “gap” in the market, in terms of target population segments that can be served by introducing simple incentives for the private sector to move down market, but also others (for the poorest 20-30% of households) that will most certainly need direct government support.

KEY FINDINGS AND RECOMMENDATIONS

Chapter 8: Key Findings presents the main conclusions of the Situation Analysis.

Chapter 9: Recommendations presents potential interventions to address the problems highlighted in Chapter 8, including the fundamental principles of a good housing policy/ strategy, and illustrations of good practices and lessons from other countries.

1.1.4 Note for the Reader

There are 28 ‘districts’ (or regions) in Bulgaria. It is important to clarify that Sofia constitutes two districts: “Sofia capital” and “Sofia”, which may be described as an inner and an outer circle, respectively. The inner circle includes the city of Sofia and is called “Sofia capital” in official tables; in this report it is referred to as both “Sofia capital” and “Sofia”. The outer circle includes many small and mid-sized towns and villages surrounding the capital and spreading in some cases up to 100 km from the city center. This outer district is called “Sofia district” in the tables and in this report. This outer district does not have its own urban center; rather, the city of Sofia is the center of both the “inner” and the “outer” districts.

1.2 Relevance to the CPF and other World Bank projects

As stated under Area 1 (Strengthening the institutional and legal framework for good governance³⁵), sustainable growth in Bulgaria will be constrained without labor mobility and well-functioning urban areas. The rigid housing delivery system in Bulgaria is restricting mobility, exacerbating economic cycles, and causing Bulgarian cities to lose many of the benefits of urban agglomeration. Improved housing policy can allow cities to function better and the surfeit of housing units to be more responsive to demand.

According to Area 1 *Objective 2 - Strengthen the electricity sector and improve energy efficiency*³⁶ of the Country Partnership Framework (CPF), the current state of the energy sector in Bulgaria presents both a challenge to climate change policy and an opportunity for job creation and growth to improve living conditions. GOB has an ambitious EE target to reduce total domestic energy consumption by 50% by 2020, a target that is significantly higher than the EU objective of 20%. The residential sector accounts for about 25% of final energy consumption, 70% of which is used for space heating. The high level of consumption is due in part to the poor condition of the building stock – 90% of residential buildings were constructed before 1990 and only a small portion of them have undergone thermal retrofits despite the strong financial incentives offered by the government. GOB is committed to deepen the market reform agenda for long-term viability of the energy sector, and the residential sector is, by default, a large part of this agenda.

According to the CPF’s Area 2 (Investing in people) *Objective 5 - Improved access to essential services (housing, water, ECD, long-term care)*, the poorest 40% of households along with many marginalized groups such as poor households living in rural areas and the Roma community suffer from inadequate service delivery. The GOB, with support from the WB, is committed improve living conditions and

³⁵ <http://www.worldbank.org/en/news/press-release/2016/05/19/bulgaria-and-world-bank-group-renew-partnership-for-strengthening-institutions-and-investing-in-people>

³⁶ <http://www.worldbank.org/en/news/press-release/2016/05/19/bulgaria-and-world-bank-group-renew-partnership-for-strengthening-institutions-and-investing-in-people>

delivery of services, as well as opportunities for the poorest 40% and marginalized communities by greater integration across social, education, health, employment and municipal services.

This ASA also draws from the following on-going WB engagements with the GOB, in particular the Residential Energy Efficiency Project and the Poverty and Social Impact Assessment that are relevant to this ASA.³⁷

- The WB is supporting GOB's National Program for Energy Efficiency in Multifamily Buildings (NEEP)³⁸ through the **Residential Energy Efficiency Project (REEP)**. Under a PforR (Program for Results) approach, the WB is planning to support this government program to reduce energy consumption, improve safety in eligible buildings, and strengthen implementation capacity. This ASA complements the REEP by identifying additional existing constraints and recommending ways to streamline the EE program further, and increasing and strengthening the capacity of the GOB with regard to the housing sector.
- A **Poverty and Social Impact Assessment (PSIA)** is underway to track the impact of energy reform, and specifically to assess the first phase of the NEEP implemented from 2015 to 2016. The assessment will analyze the distributional and social impacts of the program, especially the impact on vulnerable groups. Moreover, issues which are impacting the program's outreach and results will be identified. The results of the assessment are expected inform the design and implementation of future residential energy efficiency initiatives. The PSIA complements this proposed Housing ASA as it includes a quantitative survey of some 900 households living in multifamily buildings eligible under the NEEP, to analyze the dynamics of HOAs, and the underlying processes and frameworks impacting their performance in the management of their buildings.

³⁷ To the extent possible, this ASA has also attempted to coordinate and draw from other on-going/ recent WB projects and studies in Bulgaria, including:

- Voice and Accountability
- Access to Essential Services
- Spending Review
- Poverty Mapping
- Activation and Skills
- Energy RAS – Social Protection Analysis of Energy Poverty
- Air Quality RAS
- Climate Change RAS
- Cities in ECA: A shifting story of growth and decline

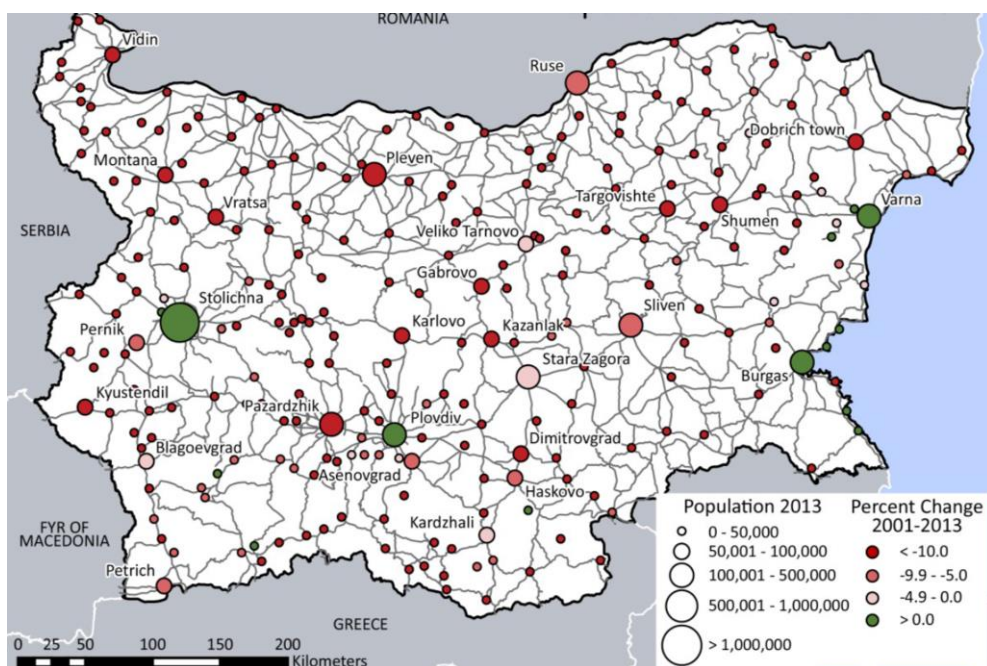
³⁸ The National Program for Energy Efficiency in Multifamily Buildings (NEEP) is part of Bulgaria's EE strategy targeted to improve the living conditions of the less well-off living in multifamily buildings, help regenerate economic construction and industry sectors, and contributing to addressing the country's energy and climate challenges. The program is implemented at the municipality level, and is financed with State funds, with the Bulgarian Development Bank serving as the intermediary institution.

2. HOUSING AND URBANIZATION

2.1 Population Trends

Bulgaria is witnessing a massive population shift from rural to urban areas: the share of urban population as a share of total population increased from 20% in 1950 to 67% in 1990 to 74% in 2016. At the same time, rural areas have been losing population to urban areas; the vast majority (95%) of small towns and cities are losing population to larger cities (see Figure 2.1).³⁹ On a national scale, there has been a dramatic population decline of 1.8 million people, a 20% decrease, between 1989 and 2017.⁴⁰ These patterns of emigration and internal migration are described in more detail below.

Figure 2.1 Population growth from 2001-2013



Source: Cities in ECA, World Bank, 2016

2.2 Emigration

In 2011, Bulgaria's population was 7.36 million, constituting about 3 million households,⁴¹ having declined 7.1% from 2001.⁴² International emigration has increased over the last three decades: 233,463 people, equivalent to 3.17% of the total population, left the country between 1980 and 2011. The biggest share moved to USA, UK, Canada, Turkey, Italy, Spain, Germany and Greece. This trend of

³⁹ Cities in ECA: A shifting story of growth and decline, World Bank (forthcoming).

⁴⁰ Bulgaria population in 1989: 8.878 million; 2017: 7.068 million (source: <http://www.worldometers.info/world-population/bulgaria-population/>)

⁴¹ NSI. National Census 2011.

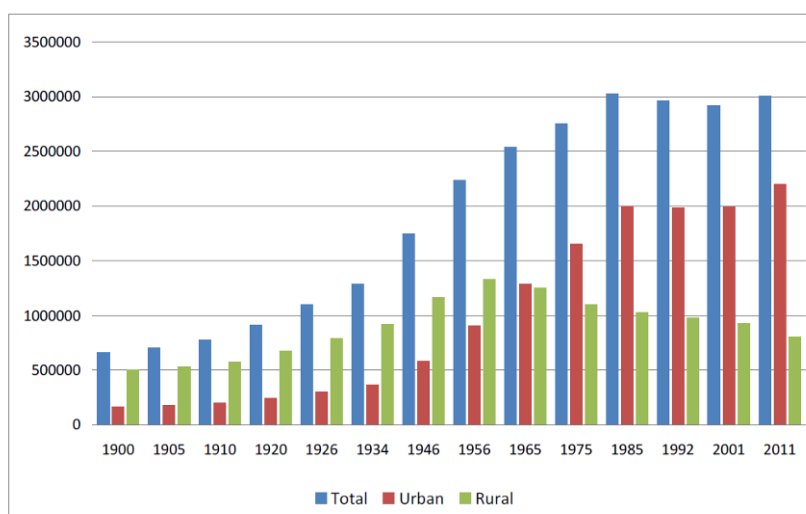
⁴² Cities in ECA: A shifting story of growth and decline, World Bank (forthcoming).

population decline is expected to continue, and if it does, the population of Bulgaria is expected to decline to about 5.5 million people in the next 50 years.⁴³

2.2.1 Internal migration

Between 2001 and 2011, some 380,000 people, or 5.1% of the total population, changed residence within Bulgaria. This is attributed mostly to people moving from the countryside into cities, which has led to a sharp depopulation of rural areas. At the beginning of the 20th century, urban areas were home to barely a quarter of the population; in 1956, this number increased to 40%; and in 2011, urban households constituted nearly three-quarters of the national population. Figure 2.2 illustrates the distribution of rural and urban households from 1900 to 2011.⁴⁴

Figure 2.2 Number of households by residence and census year



Source: 2011 Census, National Statistical Institute

2.2.2 Depopulation

Based on data from 2001 to 2011, all but two districts have witnessed net depopulation. The largest decline occurred in the districts of Vratsa (-23.1%) and Vidin (-22.1%). The only two districts that increased in population during this time frame were Sofia (+10.3%), and Varna (+2.8%) (see Table 2.1 and Figure 2.3). Of all people who migrated internally between 2001 and 2011, 32.1% moved to Sofia district, and 10.8% to Varna district.⁴⁵

⁴³ EU, National Report for Bulgaria, "TenLaw: Tenancy Law and Housing Policy in Multi-level Europe", p. 26

⁴⁴ 2011 Census, National Statistical Institute.

⁴⁵ 2011 Census, National Statistical Institute.

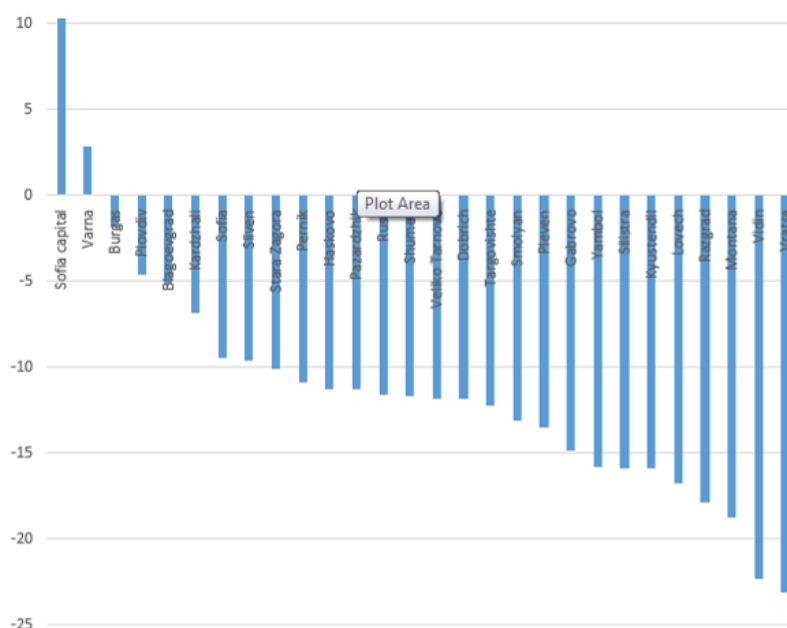
Table 2.1 Population statistics by district

46

District	2001 Population	2011 Population	# Change	% Change	% of national population in 2011
Bulgaria	7 932 984	7 364 570	-568 414	-7.1	100.0
Blagoevgrad	341 173	323 552	-17 621	-5.2	4.4
Burgas	423 547	415 817	-7 730	-1.8	5.6
Varna	462 013	475 074	13 061	2.8	6.5
Veliko Tarnovo	293 172	258 494	-34 678	-11.8	3.5
Vidin	130 074	101 018	-29 056	-22.3	1.4
Vratsa	243 036	186 848	-56 188	-23.1	2.5
Gabrovo	144 125	122 702	-21 423	-14.9	1.7
Dobrich	215 217	189 677	-25 540	-11.9	2.6
Kardzhali	164 019	152 808	-11 211	-6.8	2.1
Kyustendil	162 534	136 686	-25 848	-15.9	1.9
Lovech	169 951	141 422	-28 529	-16.8	1.9
Montana	182 258	148 098	-34 160	-18.7	2.0
Pazardzhik	310 723	275 548	-35 175	-11.3	3.7
Pernik	149 832	133 530	-16 302	-10.9	1.8
Pleven	311 985	269 752	-42 233	-13.5	3.7
Plovdiv	715 816	683 027	-32 789	-4.6	9.3
Razgrad	152 417	125 190	-27 227	-17.9	1.7
Ruse	266 157	235 252	-30 905	-11.6	3.2
Silistra	142 000	119 474	-22 526	-15.9	1.6
Sliven	218 474	197 473	-21 001	-9.6	2.7
Smolyan	140 066	121 752	-18 314	-13.1	1.7
Sofia district	273 240	247 489	-25 751	-9.4	3.4
Sofia/ Sofia capital	1 170 842	1 291 591	120 749	10.3	17.5
Stara Zagora	370 615	333 265	-37 350	-10.1	4.5
Targovishte	137 689	120 818	-16 871	-12.3	1.6
Haskovo	277 478	246 238	-31 240	-11.3	3.3
Shumen	204 378	180 528	-23 850	-11.7	2.5
Yambol	156 070	131 447	-24 623	-15.8	1.8

Source: 2011 Census, National Statistical Institute

⁴⁶ 2011 Census, National Statistical Institute, p. 12.

Figure 2.3 Percentage change in district population from 2001 to 2011

Source: 2011 Census, National Statistical Institute

As may be expected, even districts with a net increase in population are home to many smaller towns that are facing severe population decline as households move to urban areas, within and outside the district alike. An understanding of population shifts at the inter- and intra-district level as well as at the city level is critical given this demographic picture.

2.3 City typologies and trends

Table 2.2 shows population trends in the four case study cities covered in this report: Sofia, Blagoevgrad, Dupnitsa, and Montana over a 25-year period from 1990 to 2015.

Table 2.2 Population development over time in the four cases study cities⁴⁷

	1990 Population	1992 Population	2001 Population	2011 Population	2013 Population	2015 Population	% Change	Average annual change (1992-2013)
Sofia Cap.	1066425	1190126	1178579	1296615	1309634	1339565	25.61	1.02
Blagoevgrad	87833	78810	78343	77169	76910	75605	-13.92	-0.56
Dupnitsa	65672	55737	51161	44547	43263	41860	-36.26	-1.45
Montana	84498	67365	61104	53236	51774	49427	-41.51	-1.66

Sources: 1992, 2001, 2011, 2013: World Bank;
1990, 2015: European Commission Global Human Settlements Layer⁴⁸

⁴⁷ Sources: Cities in ECA: A shifting story of growth and decline, World Bank (forthcoming 2017?); and National Statistical Institute.

⁴⁸ Population data for selected cities are derived from European Commission Global Human Settlements Layer raster data. Scope of geographic analysis is LAU 1 administrative boundary (municipality or city level).

In terms of annual average population growth rates, Sofia stands at +1.02%, Blagoevgrad municipality at (-)0.56%, Dupnitsa municipality at (-)1.45% and Montana municipality at (-)1.66%. On the surface, all of these numbers might appear relatively insignificant, but over a 25-year period, the extent and gravity of the decline becomes more obvious: Dupnitsa lost over a third of its population, and Montana over two-fifths between 1990 and 2015. Compounded by economic decline, smaller towns like Montana are struggling to survive.

A World Bank report, “Cities in ECA: A shifting story of growth and decline”, classifies Bulgarian cities as follows:

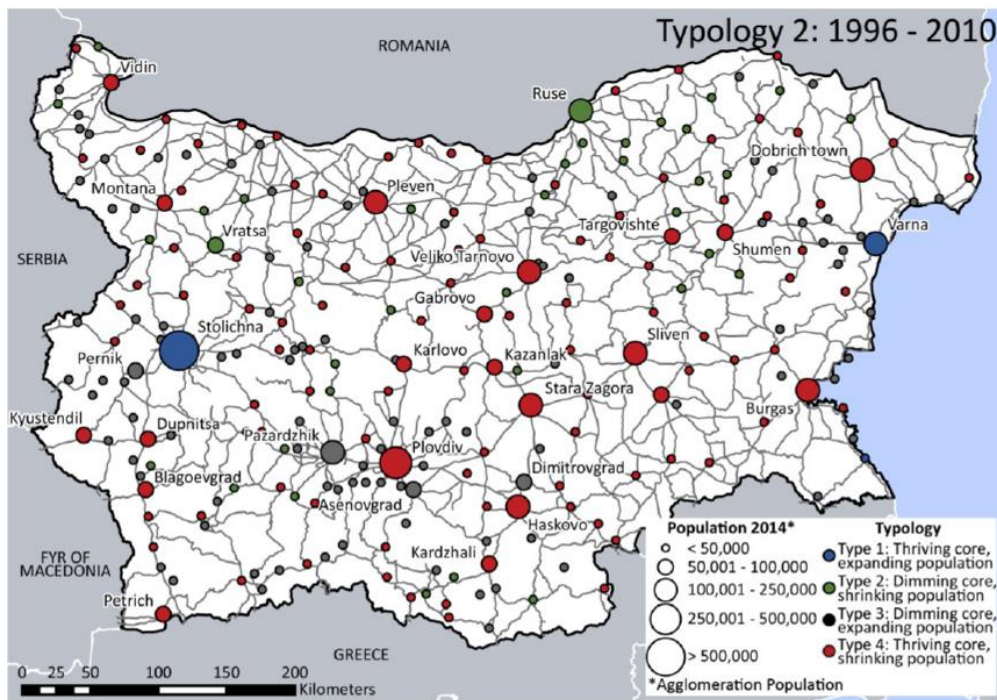
- Type 1 cities/ towns: Thriving core, increasing population
- Type 2 cities/ towns: Diminishing core, shrinking population
- Type 3 cities/ towns: Diminishing core, increasing population
- Type 4 cities/ towns: Thriving core, shrinking population

According to this classification, the case-studies covered under this report may be categorized as follows:

Sofia capital	Type 1
Blagoevgrad	Type 4
Dupnitsa	Type 4
Montana	Type 2

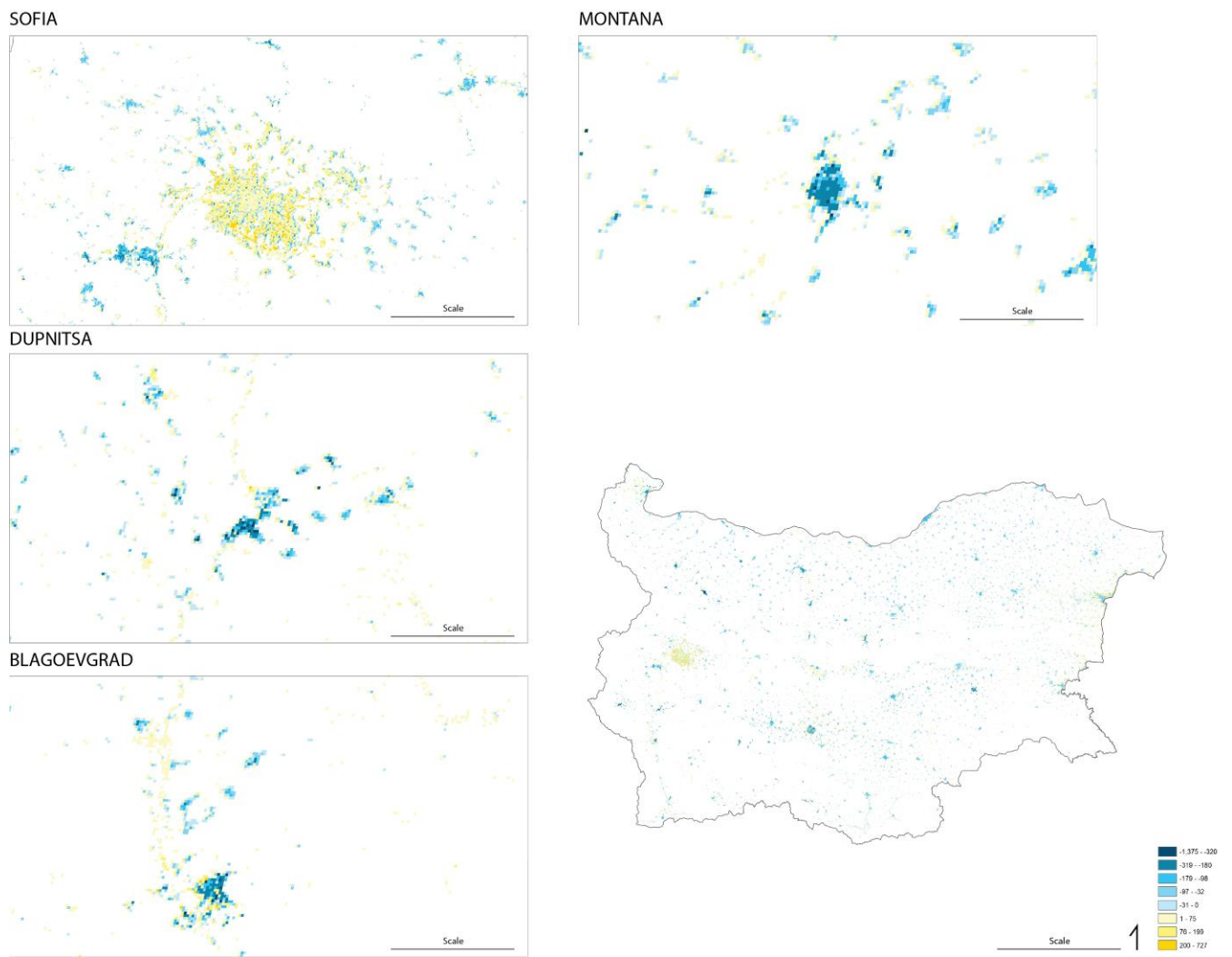
Figure 2.4 and Figure 2.5 show maps of these four cities according to both population growth/ decline as well as economic growth/ decline. Nightlight data has been used as a proxy for economic activity in Figure 2.4.

Figure 2.4 Classification of Bulgarian cities according to growth/decline in population and economic activity



Source: “Cities in ECA: A shifting story of growth and decline,” World Bank (forthcoming)

Figure 2.5 Change in Population between 1990 and 2015 as percent of total change⁴⁹



Source: European Commission Global Human Settlements Layer⁵⁰

⁴⁹ Percent change is multiplied by a factor of 1,000,000 for legibility

⁵⁰ <http://ghslsys.irc.ec.europa.eu/index.php>

3. HOUSING STOCK AND QUALITY

3.1 Housing Stock

3.1.1 Housing stock by district – urban and rural

According to the 2011 National Census, there are about 3.9 million dwellings in Bulgaria, 66% of which are in urban areas, and 34% in rural areas. Table 3.1 shows the housing stock at district level.

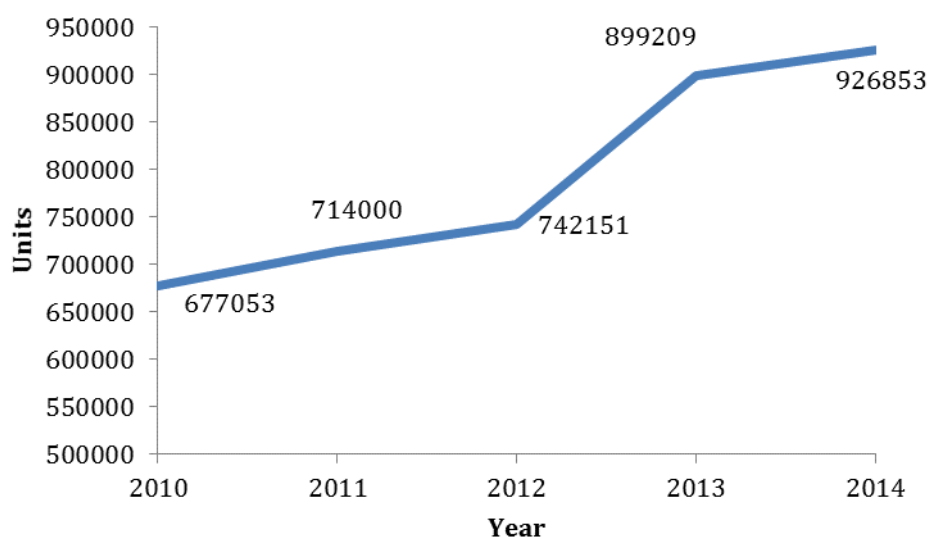
Table 3.1 Dwelling units by district, 2011

District	Total	Urban	Rural
Bulgaria	3887149	2566601	1320548
Blagoevgrad	140028	82850	57178
Burgas	269353	200280	69073
Varna	243427	194291	49136
Veliko Tarnovo	143588	83729	59859
Vidin	67436	32516	34920
Vratsa	110190	58131	52059
Gabrovo	79040	52646	26394
Dobrich	99808	60557	39251
Kardzhali	74321	29509	44812
Kyustendil	86458	45648	40810
Lovech	94159	46574	47585
Montana	90896	47870	43026
Pazardzhik	125960	75383	50577
Pernik	95042	50540	44502
Pleven	145492	87234	58258
Plovdiv	318569	222806	95763
Razgrad	59576	28490	31086
Ruse	124449	87169	37280
Silistra	57295	26614	30681
Sliven	91648	59091	32557
Smolyan	65522	32266	33256
Sofia	176842	68850	107992
Sofia capital	607473	573010	34463
Stara Zagora	173923	111149	62774
Targovishte	65056	33029	32027
Haskovo	121839	80781	41058
Shumen	88475	52550	35925
Yambol	71284	43038	28246

Source: 2011 Census, National Statistical Institute

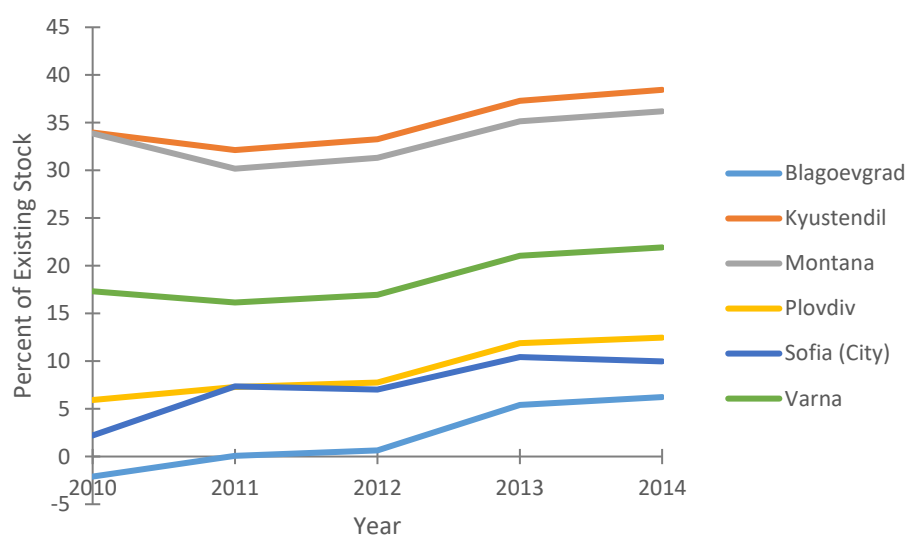
3.1.2 Housing “surplus”

According to NSI data, there is a housing surplus in all districts of Bulgaria, which has grown from 677,053 units in 2010 to 926,853 units in 2014.

Figure 3.1 National housing surplus

Source: Population and dwelling data from NSI; household size data from Eurostat

Figures 3.1 and 3.2 show the housing surplus for each year as a percentage of total housing stock for that year in several districts along with Sofia capital.⁵¹ The surplus is as high as 44% of existing stock for the Pernik district and the areas in Sofia district (outside the capital).

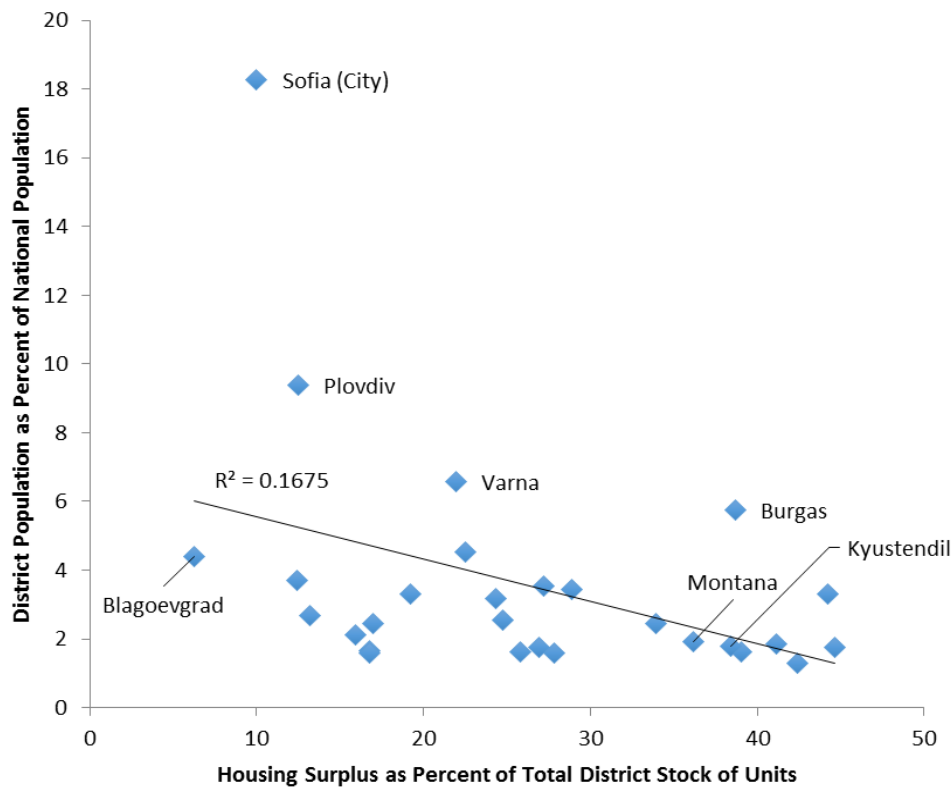
Figure 3.2 Housing surplus in selected districts and Sofia as percent of contemporary existing stock

Source: Population and dwelling data from NSI; household size data from Eurostat

⁵¹ The index is derived from NSI published data on population and number of dwellings by district and Eurostat data on average household size. The latter was used to convert population data into an estimate for number of households, which was then compared to the number of units for each year shown in the figure. <http://ec.europa.eu/eurostat/tgm/table.do?tab=table&plugin=1&language=en&pcode=tsdpc510>

The data for each district show that there is a negative correlation between housing surplus and higher district populations, meaning that the housing surpluses in less populated districts are of greater magnitude, as shown in Figure 3.3. This may, at least in part, be attributed to the significant population decline in smaller towns located in less populated districts. However, even the smaller of the major cities (Varna and Burgas) have large surpluses compared to Sofia and Plovdiv, indicative of the effects of migration on a national scale.

Figure 3.3 Housing surplus as a percentage of district housing stock compared to district population as percentage of national population



Source: Population and dwelling data from NSI; household size data from Eurostat

3.1.3 Housing vacancy

According to the 2011 Census, 1.2 million housing units, or nearly a third of the country's housing stock is "uninhabited" or vacant (Table 3.2).⁵² The incidence of vacancy is 43% in rural areas, and 25% in urban areas.⁵³

⁵² Uninhabited / vacant dwellings include: dormitories; boarding-houses; monasteries; homes for the elderly where collective households live; summer kitchens, when they are separate buildings; and dwellings in non-residential buildings (administrative, business and other such as schools, hospitals, hotels and barracks) used for residential purposes.

An *inhabited* dwelling is where the households and individuals live at the time of the Census, as well as those in which with a Census card of the population part, are counted only temporarily absent persons. An *uninhabited / vacant* dwelling is the one in which no one lives at the time of the Census, or in which only temporary residing persons were counted. Uninhabited are also the dwellings, which are located in residential buildings for temporary habitation (villas, recreational houses).

⁵³ 2011 Census, National Statistical Institute.

Table 3.2 Vacant dwelling units in Bulgaria, 2011

	Total dwellings	# Uninhabited dwellings	% uninhabited dwellings
Total	3 887 149	1 220 416	31.4
Urban	2 566 601	653 105	25.4
Rural	1 320 548	567 311	43.0

Source: 2011 Census, National Statistical Institute

Table 3.3 presents the percentage of uninhabited dwellings at the district level, which exceeds 40% in Burgas, Vidin, Lovech, Pernik, and Sofia (non-city) districts.

Table 3.3 Vacancy rate at district level, 2011

District	Total dwellings	# Uninhabited dwellings	% uninhabited dwellings
Blagoevgrad	140 028	34 100	24.35
Burgas	269 353	117 613	43.67
Varna	243 427	72 711	29.87
Veliko Tarnovo	143 588	48 675	33.90
Vidin	67 436	27 190	40.32
Vratsa	110 190	38 830	35.24
Gabrovo	79 040	29 589	37.44
Dobrich	99 808	32 423	32.49
Kardzhali	74 321	25 185	33.89
Kyustendil	86 458	32 641	37.75
Lovech	94 159	38 302	40.68
Montana	90 896	33 362	36.70
Pazardzhik	125 960	32 350	25.68
Pernik	95 042	42 645	44.87
Pleven	145 492	43 278	29.75
Plovdiv	318 569	81 726	25.65
Razgrad	59 576	16 438	27.59
Ruse	124 449	35 463	28.50
Silistra	57 295	15 354	26.80
Sliven	91 648	24 537	26.77
Smolyan	65 522	19 266	29.40
Sofia district	176 842	85 277	48.22
Sofia capital/ Sofia	607 473	142 608	23.48
Stara Zagora	173 923	51 098	29.38
Targovishte	65 056	21 652	33.28
Haskovo	121 839	33 496	27.49
Shumen	88 475	23 746	26.84
Yambol	71 284	20 861	29.26

Source: National Census 2011, NSI

Some 24% of Sofia capital's housing stock is uninhabited, although the surrounding Sofia district has the second highest vacancy rate of any district (48%). This most likely signifies net out-migration from

smaller surrounding towns to the nearby capital. Even populous districts such as Plovdiv and Varna have 26% and 30% vacancy rates, respectively.

Part of the explanation of this high vacancy rate may lie in the data itself – from two aspects:

- First, these data are from 2011, one of the peak years of the global financial crisis in Bulgaria, when the property market was depressed. Over the past year, the markets have begun to recover. So, while the picture painted here might be a bit overstated compared to the reality today, especially in some of the larger towns and cities, it does provide a good point of departure more generally, particularly in the context of Bulgaria’s declining population.
- Second, the data on “uninhabited dwellings” collected by NSI includes cottages, holiday homes, apartment hotels and such – more predominant along the Black Sea coast – which are not necessarily “housing units” in the traditional sense. It also includes dilapidated, deserted dwellings – in declining towns and villages – that are uninhabitable for one reason or another.

Still, while this may, partially explain the numbers at the national level as well as in the declining towns and tourist destinations, it is puzzling to see such high vacancy in otherwise growing, vibrant housing markets such as Sofia.

3.1.4 Reconciling surplus and vacancy

Table 3.4 compares the surplus with the vacancy rate at the district level. (Note: Housing data were not available at the city level, hence the analysis has been done at the district level). The difference between the number of housing units and the number of households has been assumed as a “surplus”. Countrywide, this surplus amounts to 881,560 units, or 29% of the housing stock (calculated from 2011 census data), which somewhat corresponds to the 31% uninhabited or “vacant” housing stock.

However, the picture at the district level is quite different. There are large discrepancies between the surplus and the number of vacant units. Sofia capital, for example, has a surplus of 6% but a vacancy rate of 23%. The 17% difference between the two might suggest that there are at least 17% of households who are doubling up.

On the other hand, there are also many districts where the difference between the surplus and the number of vacant units is negative, i.e. the number of vacant units exceeds the surplus. This could suggest, on the one hand, that multiple houses are owned by a single household, which could be the case in popular destinations with investment properties and vacation homes. On the other hand, it could suggest a massive number of unoccupied/ abandoned houses in districts that are losing population.

Table 3.4 Discrepancy between dwelling unit surplus and vacant dwellings, 2011

District	Housing units (a)	Number of households (b)	Housing surplus (c=a-b)	Housing surplus % (d=c/a*100)	Vacant housing % (e)	Discrepancy (f=ee-d)
Bulgaria	3887149	3005589	881560	29.33	31.4	2.07
Blagoevgrad	140028	119916	20112	16.77	24.35	7.58
Burgas	269353	166427	102926	61.84	43.67	-18.17
Varna	243427	194597	48830	25.09	29.87	4.78
Veliko Tarnovo	143588	114143	29445	25.80	33.90	8.10
Vidin	67436	43701	23735	54.31	40.32	-13.99
Vratsa	110190	77077	33113	42.96	35.24	-7.72
Gabrovo	79040	54393	24647	45.31	37.44	-7.87

Dobrich	99808	73557	26251	35.69	32.49	-3.2
Kardzhali	74321	54185	20136	37.16	33.89	-3.27
Kyustendil	86458	58523	27935	47.73	37.75	-9.98
Lovech	94159	59926	34233	57.13	40.68	-16.45
Montana	90896	61968	28928	46.68	36.70	-9.98
Pazardzhik	125960	102481	23479	22.91	25.68	2.77
Pernik	95042	56832	38210	67.23	44.87	-22.36
Pleven	145492	110896	34596	31.20	29.75	-1.45
Plovdiv	318569	265631	52938	19.93	25.65	5.72
Razgrad	59576	47090	12486	26.52	27.59	1.07
Ruse	124449	98279	26170	26.63	28.50	1.87
Silistra	57295	45164	12131	26.86	26.80	-0.06
Sliven	91648	73605	18043	24.51	26.77	2.26
Smolyan	65522	49532	15990	32.28	29.40	-2.88
Sofia	176842	99259	77583	78.16	48.22	-29.94
Sofia capital	607473	572510	34963	6.11	23.48	17.37
Stara Zagora	173923	135461	38462	28.39	29.38	0.99
Targovishte	65056	47507	17549	36.94	33.28	-3.66
Haskovo	121839	96195	25644	26.66	27.49	0.83
Shumen	88475	72209	16266	22.53	26.84	4.31
Yambol	71284	54525	16759	30.74	29.26	-1.48

Notes:

(a) Data from NSI, 2011 Census

(b) Official data at the district level from NSI, 2011 Census

(e) Percentage of total housing stock calculated from the official 2011 Census housing stock figures

So while the 3.9 million dwelling units for 3 million households might, at first glance, have suggested a “surplus”, the fact that 1.2 million of these units are uninhabited implies that, effectively, 3 million Bulgarian households are living in 2.7 million housing units.⁵⁴ About 1.05 million people, i.e. 15% of the population, live in dwellings that are shared by more than one family.⁵⁵

3.2 Ownership and Tenure

3.2.1 Ownership: Public and private

Unlike many of the Former Soviet and former communist countries, a wave of privatization took place in Bulgaria shortly before the political changes of 1989, by which publicly owned apartments were sold to the sitting tenants to raise municipal revenue.⁵⁶ In 1985, private ownership of the housing stock stood at 85 percent.⁵⁷ Today, 97.6 % of the housing stock is privately owned.⁵⁸

Only 2.4% of the all inhabited buildings belong to the central government or municipalities.⁵⁹ According to the Association of Municipalities, 33% of municipalities have no municipal housing stock at all, 41%

⁵⁴ 2011 Census, National Statistical Institute.

⁵⁵ EU, National Report for Bulgaria, “TenLaw: Tenancy Law and Housing Policy in Multi-level Europe”, p. 40

⁵⁶ Andersen, H.T.; Atkinson R.: Production and Use of Urban Knowledge. European Experiences, 2013.

⁵⁷ Barnes, William F. et al. "Bulgaria: Background Notes on the Housing Sector in a Reforming Economy." Office of Housing and Urban Programs, U.S. Agency for international Development. Washington, D.C.: Urban Institute, 1990.

⁵⁸ 2011 Census, National Statistical Institute.

⁵⁹ 2011 Census, National Statistical Institute.

of municipalities hold a reserve stock with the capacity to host up to 10 people and only 15% of municipalities have a municipal housing stock with the capacity to accommodate more than 10 people.⁶⁰ Newly built municipal units as a percentage of total new units decreased from 41.2% in 1993 to 2.5% in 2001 (see Table 3.5).

Table 3.5 Newly built dwelling units by municipalities⁶¹

Year	# Municipal housing units built	% of total new dwelling units built
1993	4542	41.2
1994	2854	32.9
1995	1229	18.0
1996	1352	16.7
1997	990	13.3
1998	565	11.4
1999	910	9.3
2000	310	4.4
2001	154	2.5

Source: Open Society Institute (OSI), Housing in Bulgaria, 2003

3.2.2 Tenure: Owner-occupied versus Rental

Bulgarians have a deep aspiration for homeownership;⁶² other forms of tenure are not very common. Some 82% of Bulgarians are homeowners, and 18% are tenants. Figure 3.4 compares the tenure distribution in Bulgaria with other countries in Europe. Only a small percentage of Bulgarians, i.e. 3.1%, rent at market price as compared to 19.7% in the EU-28. In contrast, the share of Bulgarians renting at a reduced rate or living in a dwelling unit free of charge is 14.6%, which is 4% higher than in the EU-28 countries.

⁶⁰ Interview with the Association of Municipalities on November 23, 2016.

⁶¹ OSI Europe foundation, Housing in Bulgaria: Challenges and Perspectives, 2003.

⁶² Georgiev, G: Bulgarian Housing. Status and Perspectives, 2014.

Figure 3.4 Distribution of population by tenure status, 2014

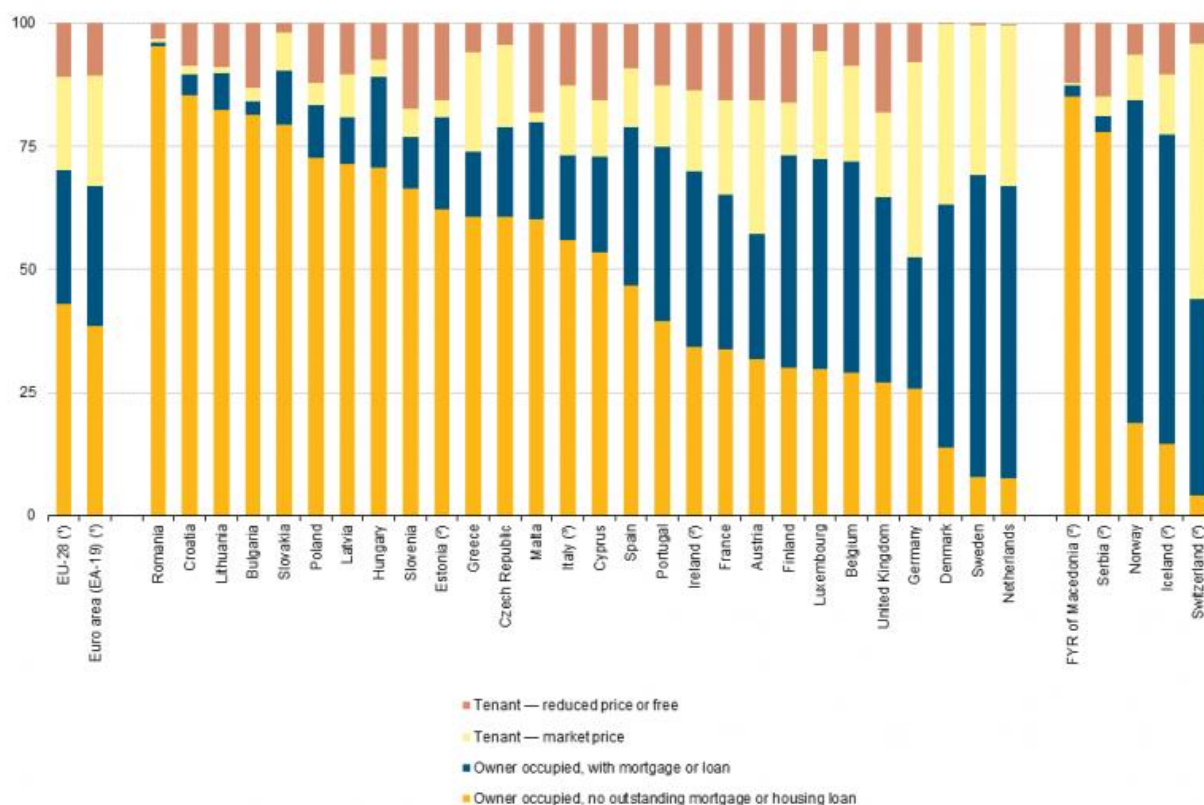
Source: Eurostat⁶³

Table 3.6 compares tenure status in Bulgaria and the EU-28 countries according to income and type of household for 2015. It shows that:

- **Half of all homeowner households with no outstanding loan are below the 60% median equivalized income.**⁶⁴ The corresponding number for EU-28 countries is 11%.⁶⁵ This implies that many lower income “at-risk-of-poverty” households in Bulgaria own homes that they are not likely to be able to afford to maintain. This explains, at least in the part, the poor condition of many multifamily buildings.

15.5% of Bulgarian homeowner households constitute 3 or more adults with dependent children, which is nearly three times the percentage for the EU-28 countries. This suggests doubling or even tripling of households in a single home.

⁶³ Eurostat

(http://ec.europa.eu/eurostat/statistics-explained/index.php/Housing_statistics#Source_data_for_tables_and_figures_.28MS_Excel.29).

⁶⁴ Calculation: 77.4% of 79.5% of 82.3% (see table)

⁶⁵ Calculation: 38.3% of 42.6% of 69.5% (see table)

Table 3.6 Tenure status as % of the population according to income and type of household, 2015

	Bulgaria	EU28
Tenant	17.7	30.5
Tenant, rent at market price	3.1	19.7
--Below 60% of median equivalized income	0.3	31.3
--Single person with dependent children	0.2	1.8
Tenant, rent at reduced rate or free	14.6	10.8
--Below 60% of median equivalized income	2.1	1.7
--Single person with dependent children	0.8	1.1
Owner	82.3	69.5
Owner, with mortgage or loan	2.8	26.9
--Below 60% of median equivalized income	1	12.1
--Single person with dependent children	0.2	1
Owner, no outstanding mortgage or housing loan	79.5	42.6
--Below 60% of median equivalized income	77.4	38.3
--Single person with dependent children	1.9	0.9
--Three or more adults with dependent children	15.5	5.8

Source: Eurostat⁶⁶

Out of 3.9 million dwellings in Bulgaria, some 12.6% are categorized as one or another form of rental: 4.4% are occupied by tenants (who pay rents); 4.9% are occupied by “users” or sharers (without rent); and 3.3% comprise dwelling units in which owners share the units with tenants or users. In urban areas, the total share of housing stock with renters/ sharers/ users is 16.2%; in rural areas, it is a third of that, at 5.4%.⁶⁷

Table 3.7 Dwelling units by mode of habitation, 2011

Mode of habitation	# DUs with owners only	Renters/ Sharers			Institutional dwellings	Un-inhabited dwellings	Total	
		# DUs with tenants only	# DUs with users only without rent	# DUs with owners/ users without rent, and tenants				
Urban	#	1,495,492	160,232	146,467	110,780	525	653,105	2,566,601
	%	58.27	6.24	5.71	4.32	0.02	25.45	100
Rural	#	682,885	11,245	41,909	16,931	267	567,311	1,320,548
	%	51.71	0.85	3.17	1.28	0.02	42.96	100
Total	#	2,178,377	171,477	188,376	127,711	792	1,220,416	3,887,149
	%	56.04	4.41	4.85	3.29	0.02	31.4	100

Source: NSI, 2011 Census

Note: Definitions of categories of modes of habitation

Users only without rent – includes people who live in the dwelling and are either relatives/friends of the owners or other people who do not pay any rent, but live in the dwelling.

⁶⁶ Eurostat (<http://ec.europa.eu/eurostat/web/income-and-living-conditions/data/database>).

⁶⁷ 2011 Census, National Statistical Institute.

Tenants only - includes people who pay rent

Owners/users, without rent and tenants - this is a combined category which includes people who are owners of the dwelling and share the dwelling with people who are either tenants, or relatives or people who do not pay rent.

Institutional dwellings – this includes boarding houses, monasteries, homes for elderly, homes for children etc.

Many low-price units are in disrepair. Student rental housing in particular is in poor condition. Many student tenants and recent graduates are unsatisfied with the poor conditions and lack of affordability in the rental sector.⁶⁸ Overcrowding is very prevalent in rental housing: 82% of market-rate rental units are overcrowded, which is more than four times the number for EU-28, and 50% of reduced/free rent units are overcrowded, which is more than double the EU-28 average.

Table 3.8 Overcrowding rate (%) for tenants versus owners in Bulgaria and in EU-28, 2015

	Bulgaria	EU-28
Total	41.4	16.8
Tenant, rent at market price	82.0	19.9
Tenant, reduced or free rent	50.3	24.3

Source: Eurostat⁶⁹

3.3 Housing Quality

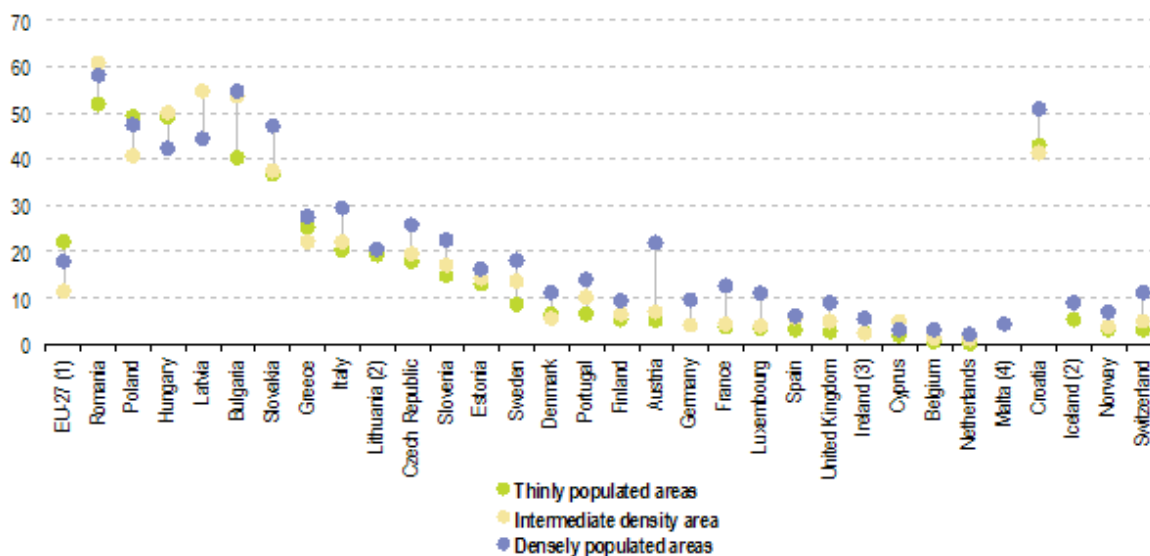
3.3.1 Overcrowding

Figure 3.5 shows the overcrowding rate for the EU-27 for the year 2011 by degree of urbanization and differentiates between thinly populated areas, areas of intermediate density and densely populated areas. The overcrowding rate in Bulgaria in both urban and rural areas is very high compared to the EU-27 average. Regarding urban areas, the rate of overcrowding in Bulgaria is second in the EU-27 only to Romania.

⁶⁸ Source: Focus Group Discussion with a group of students in Sofia, Nov 22, 2016

⁶⁹ Eurostat (<http://ec.europa.eu/eurostat/web/income-and-living-conditions/data/database>)

Figure 3.5 Overcrowding rate by degree of urbanization



Source: Eurostat (2011) ⁷⁰

An overcrowding rate of 41.4% in Bulgaria is amongst the highest in the EU-28 countries, and more than double the EU-28 average of 16.8%.⁷¹ Overcrowding in Bulgaria's cities is extremely high at 48%, compared to 40% in towns and suburbs and 33% in rural areas (see Table 3.9). Certain population groups are more affected by overcrowding:

- Lower income households bear a disproportionate burden: nearly half of the people earning below 60% of median equalized income lived in an overcrowded dwelling unit.
- 61.8% of children and teenagers below 18 years of age live in an overcrowded dwelling, as compared to 23.2% in the EU-28.
- 79.8% of children and teenagers below 18 years belonging to households earning below 60% of median equalized income live in overcrowded conditions. 83.3% of females in the same age and income category live in overcrowded conditions.
- For young adults between 16 and 29 years, the overcrowding rate is 58.8%.
- Disaggregating by tenure, the overcrowding rate is higher among renters: 82% of tenants who are paying market rent live in an overcrowded unit, which is more than four times higher than the EU28 average.

⁷⁰ Eurostat ([http://ec.europa.eu/eurostat/statistics-explained/index.php/File:Overcrowding_rate_by_degree_of_urbanisation_2011_\(%25\).png](http://ec.europa.eu/eurostat/statistics-explained/index.php/File:Overcrowding_rate_by_degree_of_urbanisation_2011_(%25).png)).

⁷¹ Eurostat defines overcrowding as the percentage of the population living in an overcrowded household. A person is considered as living in an overcrowded household if the household does not have at its disposal a minimum of rooms equal to: - one room for the household; - one room by couple in the household; - one room for each single person aged 18 and more; - one room by pair of single people of the same sex between 12 and 17 years of age; - one room for each single person between 12 and 17 years of age and not included in the previous category; - one room by pair of children under 12 years of age.

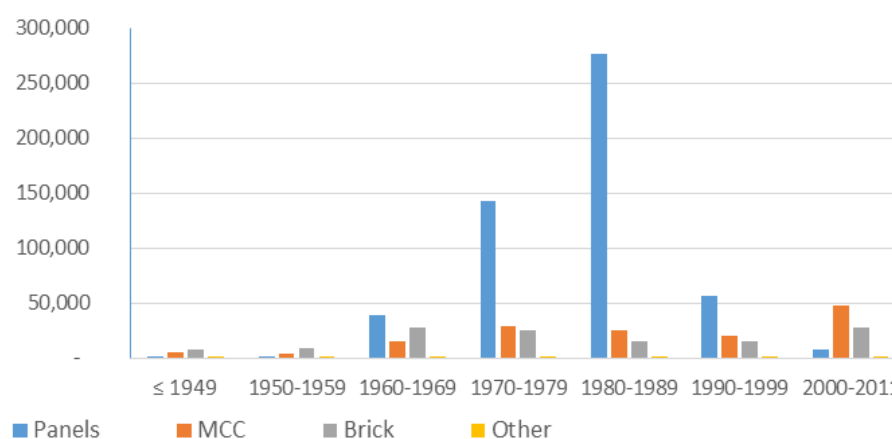
Table 3.9 Overcrowding rate (%) in Bulgaria and in EU-28, 2015

	Bulgaria	EU-28
Total	41.4	16.8
Cities	48.0	18.0
Towns and suburbs	40.0	14.6
Rural areas	33.7	17.4
Below 60% of median equalized income	48.5	29.7
---Less than 18 years	79.8	40.5
-----Females	83.3	41.8
-----Males	76.4	39.3
Less than 18 years	61.8	23.2
---Females	64.1	23.7
---Males	59.6	22.8
From 16 to 29 years	58.8	25.8
Tenant, rent at market price	82.0	19.9
Tenant, reduced or free rent	50.3	24.3
Owner, with mortgage or loan	53.6	7.7
Owner, no outstanding mortgage or housing loan	37.8	19.0

Source: Eurostat⁷²

3.3.2 Old Multifamily Buildings

Most of Bulgaria's housing stock is comprised of old socialist-era multi-family buildings, many of which are made of prefabricated panels blocks. More than three-fourths of apartments in the country are in buildings that are older than 30 years.⁷³ Figure 3.6 shows that the vast majority of panel buildings were constructed in the 1970s and 80s.

Figure 3.6 Number of housing units by construction materials and period of construction⁷⁴

Source: World Bank

Panel buildings, shown in Plate 3.1, are very prevalent, with some 11,128 of them housing 2 million Bulgarians.

⁷² Eurostat (<http://ec.europa.eu/eurostat/web/income-and-living-conditions/data/database>)

⁷³ World Bank, Bulgaria housing stock overview.

⁷⁴ World Bank, Bulgaria housing stock overview, 2013

Plate 3.1 “Panel” buildings

Panel buildings in Sofia (left) and Blagoevgrad (right).

While the age of a building may not be not itself a problem per se, the lack of maintenance of these buildings over the last several decades has led to a rapid deterioration of much of the old housing stock. This is attributed to a combination of a lacking sense of responsibility for common areas and elements of the building, non-payment of fees by absentee owners of vacant units and some of the poorer residents, differences in income levels among residents, dissatisfaction about the buildings' conditions and service levels, and a general apathy resulting from a sense of entitlement that the state will take care and pay for the common areas have impeded the establishment and proper functioning of Homeowners Associations (HOAs). The result is all too common: leaking roofs, damaged facades with fallen plaster, dark and ill-maintained stairwells and hallways, and leaking water and sewer pipes in the basements.

Further, while the Condominium Law obliges HOAs are supposed to maintain their buildings, it does not 'mandate' the establishment of an HOA. The supporting legal framework or funding capacity of the public sector to intervene or enforce building management and maintenance is very limited.

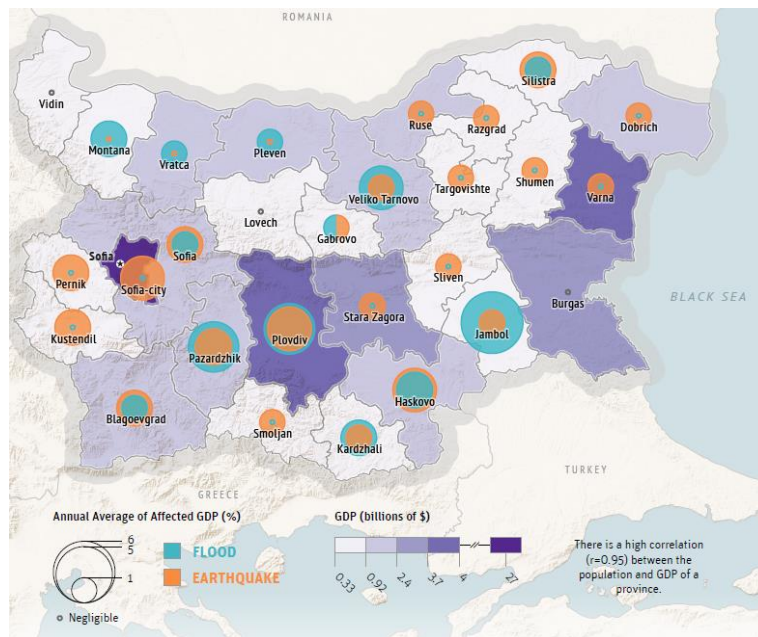
Management companies are increasingly coming into the fore, but they are unregulated/ unlicensed, and hesitate to service older buildings given the complexity of the underlying maintenance issues and disorganization of the residents. Fixing these buildings will require major capital repairs and entail huge costs, which many apartment owners cannot afford.

In addition to the above two issues, there may be some reason to be concerned: the structural integrity of some of the older housing stock. Old prefabricated "panel" buildings built in the 1970s-80s constitute over 40% of the current multifamily housing stock. The "links" joining the precast panels in these buildings are believed to be at the end of their 50-year lifespan, and in some cases, could be corroding/rusting. Although the extent of this risk is unknown, the fact that the panels are load-bearing, even a remote possibility of disintegration of the links raises serious questions about the structural safety of these buildings. This is of particular concern given Bulgaria's propensity to seismic hazards (see Box 3.1), and there has been no comprehensive study of the seismic vulnerability of this housing stock to date.

Box 3.1 Disaster Risk in Bulgaria

Similar to other countries in Eastern Europe, Bulgaria is highly exposed to seismic risk and other disaster risks, particularly floods. Figure 3.7 provides an overview of Bulgaria’s risk of floods and earthquakes. The size of the circles signifies the level of risk: For example, Jambol district has the greatest flood risk, while Plovdiv is the most susceptible to earthquakes.

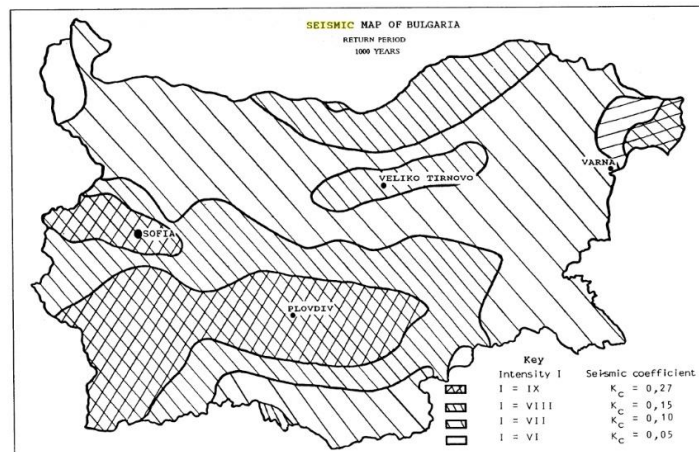
Risk of floods and earthquakes



Source: World Bank Group, Global Facility for Disaster Risk Reduction (GFDRR), Country Risk Profiles for Floods and Earthquakes, Europe and Central Asia, 2016, p. 21.

Figure 3.8 provides a more detailed overview of seismic risk in different areas in Bulgaria. It also shows that it is the areas around Plovdiv and Sofia in the Western and central parts of the country which are at the highest risk of earthquakes. Bulgaria has witnessed a succession of disastrous earthquakes: in 1904-06, in 1928, and more recently in 1977 and 1986.

Seismic map of Bulgaria



Source: Mario Paz, International Handbook of Earthquake Engineering: Codes, Programs, and Examples, 1994, p. 104.

In the meanwhile, the majority of residential buildings – according to some estimates, over 95% – do not possess a “Technical Passport,” which is the technical documentation of the building’s structure (see Box 3.2).⁷⁵

Further, the concept of building-wide hazard insurance is still not prevalent in Bulgaria; apartment owners buy individual insurance for their units.

Box 3.2 Contents of a Technical Passport	
Part A. Key features of the building	
Section I	Identity and Parameters Identifies the building geographically, describes it and provides a history of the property including permissions and reports produced
Section II	Basic planning and functional indicators Details of the physical characteristics of the property including underground works, services and technical infrastructure
Section III	Technical Specifications Relates the technical specifications to the legislation at the time of construction
Section IV	Certificates Certificates related to safety and safe operation, energy performance, fire safety, building structure, declarations of conformity of raw materials and technical equipment
Section V	Data about the owner and the people responsible for drafting or updating the technical passport Data about the owner, certification of consultants, design certificates, details and certification of the project manager and those carrying out the investigation and preparation of the technical passport
Part B. Measures for maintaining the building and deadlines for repairs	
Results from the survey including the need to upgrade, refurbish or overhaul the property, temporary measures to ensure the safe operation of the structure and timetable for the implementation of emergency measures; maintenance carried out, alterations and refurbishment of the building and a deadline for the completion of repair works	
Part C. Guidelines and instructions for safe operation	
Requires preservation of the integrity of the structure, forbids the removal of load-bearing elements, unauthorized change of use of the building, division of the property, requires compliance with fire safety, health, noise prevention and environmental protection regulations, normal operation and maintenance of building systems and requires maintenance in working order of elevators, moving platforms, and the proper operation and maintenance of high-risk facilities	

⁷⁵ According to a recent amendment to Ordinance No. 5 on Technical Passports, the deadline for all existing buildings to prepare their Technical Passports was moved from 2017 to 2022.⁷⁵ Unlike the old building stock, all buildings built after 01.01.2007 have Technical Passports.

4. PROGRAMS, INSTITUTIONS, LAWS, AND PROCEDURES

4.1 Current Approach to Housing

The aim of the 2004 National Housing Strategy 2004 was to create a sustainable housing system in order to provide access to quality housing for the Bulgarian citizens. The Strategy defines two main aims for achieving good results: (i) Halting the deterioration of the existing housing stock, and (ii) establishing a working mechanism to ensure access to new housing (purchase or lease).

At present, the public expenditure on housing and on ensuring access to housing are minimal, among the lowest in the EU. It is necessary to develop mechanisms to allow flexible interventions aimed at citizens with established housing needs, including rethinking the eligibility criteria for municipal housing for needy groups.^{76,77}

4.2 EU- and State-Funded Programs in the Housing Sector

4.2.1 Operational Program “Regions in Growth” 2014-2020 (OPRG 2014-2020)

Total budget for Priority Axis 1: EUR 840,449,030

Priority Axis 1: Investment Priority 4c

Supporting energy efficiency, smart energy management and renewable energy use in public infrastructures, including in public buildings and in the housing sector

Eligible activities

- Implementation of energy efficiency measures in residential buildings, in student dormitory buildings, in administrative buildings of the state and municipal administration, such as: insulation of envelopes of the buildings, replacement of windows, renovation of the systems for maintaining microclimate, technical installations, local installations and/ or connections to heat supply gas supply, installation of individual meters in accordance with the requirements of Directive 2012/27/EU (where applicable) as well as accompanying construction works related to the implementation of energy efficiency measures, including construction reinforcement (when it is prescribed as mandatory in the construction survey).
- Implementation of the above measures for energy efficiency accompanied by deep renovation of residential buildings, student dormitory buildings, administrative buildings of the state and municipal administration, including accompanying construction works, construction

⁷⁶ Zahariev, Boyan and Rositsa Milkova, Utilisation of the private vacant housing units for increasing the social rental fund in Bulgaria, report, Open Society Institute, 2014

⁷⁷ Over the last several years, several analyses have been carried out in relation to the future of housing policy in Bulgaria:

- Utilization of the private vacant housing units for increasing the social rental stock in Bulgaria, Open Society institute, 2014;
- Analysis of the national legal framework in relation to housing for Roma, and housing for disadvantaged communities with a focus on Roma, Trust for Social Achievement, 2013;
- Monitoring and Analysis of the State of Housing Fund and Housing Market (Monitoring 2012), National Centre for Regional Development.

reinforcement (when it is prescribed as mandatory in the construction survey) as well as repair and reconstruction of different parts of the building (roof, exterior walls, staircase cells, elevators, etc.), if they achieve energy savings for the building of more than 60%.

- Energy efficiency surveys and constructive surveys of existing residential buildings, student dormitory buildings and government/ municipal administrative buildings.
- Evaluation of the cost effectiveness of the investment.
- Commissioning of installations for production of energy from renewable energy sources for the buildings listed above to meet their own energy consumption, where this is technically possible and economically feasible.
- Provision of loans and/ or guarantees for renovation of residential buildings and student dormitory buildings.
- Improving access for people with disabilities to the buildings mentioned above.

Target groups

- Households in residential buildings
- Students living in dormitory buildings
- Municipal and state institutions
- Members of vulnerable social groups

Eligibility criteria

- Buildings constructed before 1999;
- Projects that lead to building energy consumption meeting the national minimum standard for energy efficiency for existing buildings (Class C of energy consumption);
- Energy efficiency projects accompanied by deep renovation that lead to energy savings of more than 60%.

Energy efficiency measures are to be implemented on the basis of an energy efficiency survey of the building, which prescribes the necessary energy saving measures to comply with the energy efficiency requirements, in accordance with the Energy Efficiency Act. Where necessary and possible, priority is given to buildings with the greatest need of renovation and potential for energy savings. In terms of single-family residential buildings, support under the priority axis will be available exclusively for owners who are socially disadvantaged and receive social assistance from the municipality or from the state.

Priority Axis 1: Investment Priority 9a

Investing in health and social infrastructure which contribute to national, regional and local development, reducing inequalities in terms of health status, promoting social inclusion through improved access to social, cultural and recreational services and the transition from institutional to community-based services.

Eligible activities

- Support for the provision of modern social housing to vulnerable, minority and marginalized groups of the population and other disadvantaged groups through construction, reconstruction, renovation and expansion of social housing and the undeveloped portion of the lot, in which target group representatives are to be accommodated.
- General renovation/ reconstruction/ construction of adequate municipal infrastructure for provision of community-based services to children, the elderly, and to people with disabilities outside the state policy on deinstitutionalization: day-care centers, shelters, crisis assistance centers, social dormitories, etc. including undeveloped portions of the lot.

Target groups

- Vulnerable groups of the population in target cities: children, elderly, disabled, low income households, unemployed, working poor, illiterate, unskilled and low educated people of working age, homeless, those living alone without relatives, large families, single parents with children, pensioners and marginalized groups, including Roma.
- The population of cities earmarked for support under OPRG 2014-2020, which will benefit from an improved social infrastructure and a general increase in living standards.

“Social Infrastructure” activities directly address the implementation of Specific Objective 1, “Improving the housing conditions for marginalized groups of the population including the Roma” and Specific Objective 2, “Improving conditions for modern social services”. They are, therefore, focused on improving housing conditions for marginalized groups, including Roma and improvement of social services at the local level for vulnerable groups. The main rationale for funding social housing projects is to reduce the concentration of poverty and spatial segregation. "Soft" measures under OPHRD 2014-2020 are to precede implementation of infrastructure measures for building social housing under the OPRG 2014-2020.

Funding criteria

- At least 5% of the aggregate budget under Priority Axis 1 is to be directed to achieving the results under Specific Objective 1 and Specific Objective 2.
- The Program will fund projects with the highest potential for social inclusion.
- Project proposals for the provision of municipal social housing for vulnerable, minority and socially disadvantaged groups and other disadvantaged groups should be in accordance with the National Strategy of the Republic of Bulgaria for Roma Integration 2012-2020.

4.2.2 Human Resources Development Operational Program 2014-2020

Section 4: Integrated Approach to Territorial Development

The integrated approach to territorial development is a new and flexible mechanism for regional policy implementation in the European Union, which is being applied in the 2014-2020 programming period. The integrated approach to territorial planning and management is expected to contribute to alleviating social, economic and territorial disparities using the following methods and tools:

- Implementation of the new Community-led Local Development instrument
- Ongoing investments aimed at stimulating sustainable urban development based on integrated urban restoration and development plans for pre-defined growth centers
- Ongoing European territorial cooperation

Section 4.2: Integrated Actions for Sustainable Urban Development

Investments in sustainable urban development are being made through an integrated priority in Regions in Growth OP 2014-2020. According to the National Spatial Development Concept (NSDC) 2013-2025, Bulgaria has planned considerable ESI Funds support for integrated actions for sustainable urban development for the period 2014 to 2020. In this respect, funds from the 2007 to 2013 programming period are being used for the development of Integrated Urban Restoration and Development Plans of selected cities specified in the NSDC.

Table 4.1 Integrated actions for sustainable urban development – indicative amounts of ERDF and ESF support

Fund	ERDF and ESF support (indicative in EUR)	Proportion of total allocation to program
Total ERDF	-	-
Total ESF	24,433,129	2.77 %
TOTAL ERDF + ESF	24,433,129	2.77 %

Source: National Spatial Development Concept 2013-2025

Support for sustainable urban development, including under various OPs, is being implemented with an emphasis on urban impact areas such as social zones, public function zones, and economic growth potential zones. The HRD OP support focuses on "areas of a predominant social nature" characterized by a high level of poverty, unemployment, unsatisfactory demographic indicators, and dilapidated technical infrastructure and premises, etc. Some of these areas include neighborhoods with housing stock in poor condition where there are concentrations of Roma households. Provision of resources for social services and social inclusion is planned for these areas; at least 5% of the Regions in Growth OP funds for each city is to be allocated to social infrastructure, including social housing for marginalized population groups such as the Roma.

4.2.3 National Program for Energy Renovation of Multi-Family Residential Buildings

Objectives and scope

The National Program for Energy Efficiency of Residential Buildings aims to implement energy efficiency retrofits on multifamily residential buildings in order to achieve thermal comfort and a higher quality of life.

Under the program, financial and technical assistance is provided to HOAs of multifamily buildings registered under the Condominium Law, and which meet other eligibility criteria, to improve energy efficiency of the buildings. HOAs apply to the municipality to participate in the program, and all HOAs that are approved for the program receive a 100% grant for the retrofitting works.

This Program had a budget of BGN 1 billion for 2015-2016.

Eligibility criteria

- Multifamily, industrially constructed residential buildings: Pre-fabricated panel block; lift slabs; large shuttering; sliding formwork buildings with at least 36 residential units, located in municipalities that are not eligible beneficiaries under the Operational Program "Regions in Growth" (OPRD) 2014-2020.
- Multi-family residential buildings designed before April 1999, located in municipalities that are not eligible beneficiaries under OPRD 2014-2020.

Participants and their responsibilities

The Ministry of Finance provides guidance on the budgetary and accounting aspects of the Program. The Ministry also provides a state guarantee of article 100 of the Law on State Budget of the Republic of Bulgaria of 2015.

The Bulgarian Development Bank (BDB) serves as an intermediary institution; the Ministry of Regional Development and Public Works provides methodological guidance and monitoring for the operation of the Program. Municipalities manage the HOA application process, and are responsible for assessment, approval, financing, monitoring and implementation of energy efficiency measures. The mayor of each municipality is responsible for all energy efficiency retrofitting works within its territory and for the choice of contractors under the Public Procurement Law. HOAs supervise the energy efficiency works through an authorized technician.

The WB is supporting the NEEP through the Residential Energy Efficiency Project (REEP) under a PforR approach – a lending project is currently under preparation.

Plate 4.1 Renovated panel buildings in Blagoevgrad



4.2.4 National Roma Integration Strategy (2012-2020)

The Roma Integration Strategy (2012-2020) is a policy framework document that outlines the guidelines for the implementation of the social integration policy for the Roma people, taking into account the existing social, economic, and demographic conditions of the Roma community. The operational implementation of the National Roma Integration Strategy of the Republic of Bulgaria (2012-2020) shall be carried out through the Action Plan (AP), to be implemented in two periods. The Action Plan for the second period (2015-2020) was approved on May 11, 2016.

The objective of this Strategy is to improve the quality of housing and infrastructure of the Roma. The Roma Integration Strategy acknowledges that the increasing spatial isolation of the Roma community is a serious problem. The concentration of Roma in segregated neighborhoods has increased over the last 15 years, both in urban and rural areas. This segregation contributes to the social isolation of Roma, deterioration of living conditions, problems with construction and maintenance of infrastructure, as well as deficient transportation networks and service provision.

Activities

- Improving the housing conditions in neighborhoods with high Roma populations.
- Providing new plots for dwelling construction and encouraging the de-densification of Roma neighborhoods.
- Continuing the process of creating cadaster registers covering areas with compact Roma population and newly designated areas for residential construction.
- Updating/creating detailed spatial development plans of existing and newly designated land plots.
- Designing and building technical infrastructure – water and sewer networks, streets, public works, etc.
- Building and providing social housing.
- Ensuring appropriate housing for Roma persons moved out of illegally occupied houses or evacuated in case of danger for their safety and health.
- Improving and closing the gaps in housing legislation.
- Building/ reconstructing social infrastructure for the purposes of education, cultural enrichment, etc.
- Fostering an attitude of responsibility and diligence among the Roma with regard to their real estate holdings.
- Attracting NGOs and prominent local community leaders to promote responsible behavior.

Measures to achieve these objectives are laid out in the Action Plan for the Strategy's implementation. The Ministry of Regional Development and Public Works is the leading institution responsible for the implementation of the objectives of the Strategy under the priority for Improving Housing Conditions.

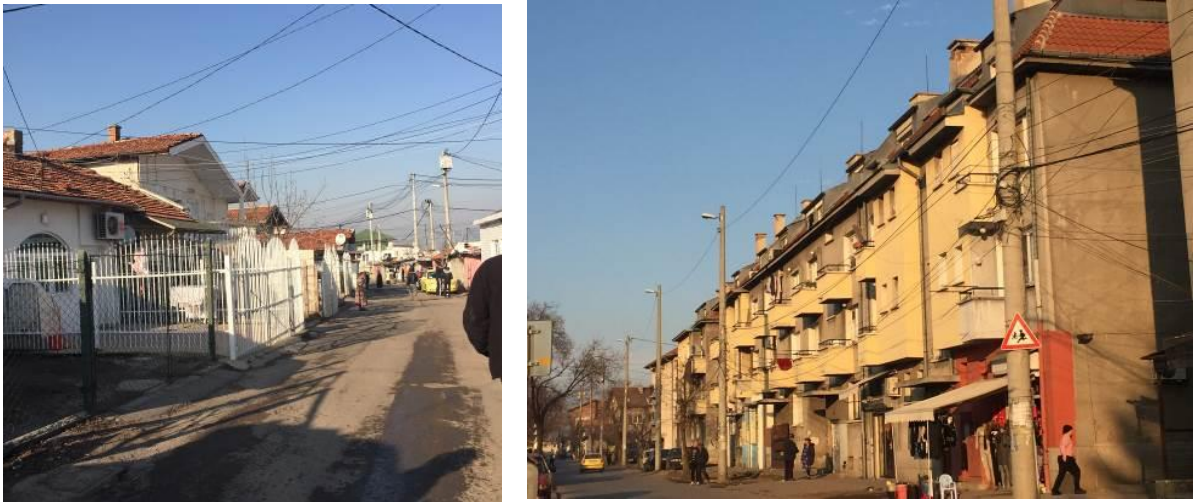
Financial resources for the integration policies and programs are to be allocated from the national budget, European funds and other sources.

4.3 Other State support for housing

4.3.1 Social Housing

The municipal housing stock (referred to as 'social housing' in Bulgaria) exists in three categories:

- *Reserve stock* is used to temporarily house people displaced by disasters (emergencies), or planned interventions (e.g. municipal acquisition of private property). This housing stock is otherwise kept vacant.
- *Stock for public servants* who move from other places for work: This stock helps municipalities to house public professionals, e.g. to architects, public accountants etc., and may also be made available to young families and other workers.
- *Low income housing* targeted to lower income households: Each municipality is permitted by law to set its unique eligibility criteria.

Plate 4.2 Municipal housing in Roma neighborhoods

The rent for municipal housing in Filipovtsi, and Social housing in the Hristo Botev Residential Area is approximately BGN 16, not including utilities. There are approximately 270 municipal housing units owned by the Sofia municipality.

There are also several other forms of subsidized accommodation in public housing (with preferential rent rate); these include hostels for students, soldiers and officers of the housing units in the state administration (Council of Ministers, other ministries and state agencies, etc.). The housing stock for public employees is very limited, and most employees live in their own homes or rent on the private market. Institutions of higher education sometimes maintain housing stock for students.

Municipalities generally own a very limited stock of social housing.⁷⁸ The Municipal Property Act provides guidelines as to the management of public stock, but it does not require municipalities to hold such stock aside from reserve (emergency) stock; the purpose of the law is therefore transparency and not social protection. Also, while the law requires municipalities to sustain a minimum of reserve (emergency) units, it does not specify numbers, which is at the discretion of each individual municipality.

Standardized data on municipal housing stock does not exist at the national level. The Association of Municipalities has not collected such data because there is no official mechanism in place to do so. However, according to their recent study on municipal property:

- 33% of municipalities currently have no municipal housing stock at all, and some smaller municipalities/ villages have never had any municipal housing stock.
- 41% of municipalities have reserve (emergency) housing stock with a capacity to host up to 10 persons.

⁷⁸ Historical context: In the early 90s there was an ample amount of municipal property. However, the rents were so low and the costs so high that municipalities were forced to sell the stock to the sitting tenants. Today, 97% of housing is privately-owned.

- 15% of municipalities have the capacity to accommodate more than 10 people in any of the three categories of social housing.⁷⁹

The low volume of municipal housing stock adversely impacts housing supply for the Bulgarian population, especially the most vulnerable, i.e. young families and ethnic minorities.

Criteria and terms of allocation

Under the Municipal Property Act, municipalities issue ordinances to set eligibility criteria for inhabitation of municipal dwellings. Most municipalities give priority to people who: (i) do not own property and have resided in the municipality for a certain period of time, (ii) have disabilities or health problems, (iii) are single parents; or (iv) have three or more children. Additionally, most municipalities implement income eligibility criteria as well. In Blagoevgrad, for example, the income eligibility threshold is 80% of the minimum wage (calculated per employable family member and divided by the number of family members). These eligibility criteria exclude the poorest households, as most municipalities require regular income to be considered for social housing allocation.⁸⁰

Norms for housing

Some municipal ordinances establish norms for accommodation in municipal dwellings. The municipal ordinance in Montana, for example, prescribes living areas as follows: 25 m² for a one-member household; 40 m² for a two-member household; 55 m² for a three-member household; 55 m² for a household with four or more members. Treating a six-member household in the same way as a three-member household could disadvantage Roma households, which are typically larger.

Municipalities determine the rent for social housing, which is significantly lower than private rental market rates. In Blagoevgrad, for example, the rental price is BGN 0.70/ m² (approximately EUR 0.36/ m²). It could be even 50% lower for households with members who have 71% or more disability. However, many of socially disadvantaged people have no means by which to cover their rental payments, not to mention maintenance costs. The accumulation of debts for heating, electricity and water supply across many years is a common phenomenon. The Municipal Property Act provides for termination of contracts with tenants in the case of abuse of maintenance obligations. On the other hand, municipalities are obliged by law to give priority to vulnerable tenants; sometimes, municipal housing becomes unusable after accommodating very low-income tenants for a prolonged period. There are many examples of deterioration of social housing, and municipalities seldom make repairs due to lack of technical and financial capacity.

The Municipal Ordinances in district centers (including Montana and Blagoevgrad but excluding Kardzhali and Plovdiv) explicitly prohibit municipal units to be allocated to people who have squatted (i.e. who have illegally occupied dwellings). The ordinance of the Municipal Council of Dupnitsa does not contain such a prohibition. Usually, the Ordinances do not contain a statute of limitations on squatting violations, which essentially bars squatters from the use of municipal housing for life.

Although data was not available on demand, the number of social housing units appears to be very small in relation to the local needs. The following summarizes examples from the case study cities.

Sofia

⁷⁹ National Center for Regional Development. Monitoring and Analysis of the State of Housing Fund and Housing Market, 2012.

⁸⁰ Interview with Diman Georgiev, Deputy mayor of the Municipality of Montana on November 22, 2016

Data on Sofia's social housing stock were not available but, according to official sources, the demand is massive and the municipal housing stock falls far short of need.

Eligibility criteria: Applicants cannot own property and must have at least 10 years domicile in Sofia in addition to any one of the following: health problems/ disability, currently living in a temporary home, currently living in sub-optimal conditions (e.g. attics or other spaces not meant for habitation). Per capita income of household members should be below average market rent in the area.

Term: There is no defined term limit for residency. Occupants have to pay their rent and electricity bills regularly and are eligible to purchase the property after five years. As a result, waiting periods and backlogs are long. It can take several years for housing units to get vacated, making even a short waitlist very long. According to an official, households on the waitlist must wait for people to either pass away or default on rent payments in order to get access to vacant units.

Box 4.1 Housing for disabled people in Sofia

Sofia Municipality recently completed its first integrated housing project for vulnerable groups. The project includes social support services for employment, education, health etc. The project includes 71 fully furnished 1 to 4 room apartments ranging from 60 to 120 m². The rental terms have yet to be finalized, but the term is expected to be 3 to 10 years. Rent is expected to be in the range of BGN 50-100 per month, depending on the financial capacity of the tenant household. The monthly market rent for similar units in a comparable location is around BGN 300-400 for a 60 m² unit, and around BGN 1000 for a 120 m² unit.

Cost and financing: The project cost BGN 4.8 million, and was financed by EU funds from the Regions in Growth Program (85%) as well as by funds carried over from the prior Regional Development Operational Program (Priority Access 1) along with municipal funds (15%).

Target group: The project does not specifically target low income households but rather households with children with health problems or disabilities or parents with 90% disability, as well as households at risk of poverty or risk of social exclusion, e.g. single parents.



In addition to municipal housing, Sofia offers subsidized dormitory-style arrangements for students, and also centers for temporary placement for up to three months. Sofia Municipality recently

completed its first integrated housing project with support facilities for disabled people – e.g. employment, education, health etc. (See Box 4.1).

Social services are offered by the municipality: The municipality administers social services/ infrastructure (e.g. for children and the elderly); placement of participants in social service programs is done by the Social Services Agency. The Social Services Agency also allocates allowances for food, electricity, heating and rent as well as the social pension allowance (Social Assistance Act). People living in social housing can apply for such allowances.

Blagoevgrad:

There are a total of 511 social housing units in Blagoevgrad. No reserve (emergency) stock is held by the municipality. Some 240 new units are being built, but are likely to be targeted to public servants.

Eligibility/ Priority: The Municipal Ordinance in Blagoevgrad explicitly provides that municipal houses are for accommodation of vulnerable minority and socially disadvantaged groups (Article 3, Point 1 of the Ordinance). Priority is given to:

- Families with two or more children
- Single parents of minor children
- Families with one member with a disability level of over 50%
- Young families
- Families who have lived longer in poor housing conditions

Terms of contract: The rent ranges between BGN 9-30 per month, depending on the quality, size and location of the unit. Utilities are not included in the rent. The Mayor can unilaterally end the contract if rent is not paid for three months, but this is not a common occurrence. The period of residency is a maximum of five years. Some of the municipal housing stock is also used as temporary reserve (emergency) housing. The Municipality maintains a waitlist for social housing, but data on this was not made available for use in this report.

Dupnitsa:

The Municipality reported that “80% of the population is in need of social housing”. The existing stock constitutes 500 units, of which 150 are new units targeted to public servants.

- The size and rent of old, unfurnished social housing units is BGN 10-20 for 60 m² units and BGN 20-30 for 70-80 m² units.
- The size and rent of new, fully-furnished social housing units is BGN 1.5/ m² for all units ranging from studios (35-40 m²), 1BR and 2BR (120-130 m²).

Eligibility for new social units: The applicant cannot have owned property within the last 10 years; five years of domicile in the town/ area is required. Income is not a leading criterion; one family member should have a regular income to pay bills. Roma who wanted to live in these apartments reportedly got the chance to do so.

Plate 4.3 Newly constructed Category 1 Social Housing in Dupnitsa**Montana:**

There are approximately 205 social housing units in Montana, of which about 180 are for low income households. The vast majority (175) are in dedicated apartment blocks; the others are scattered across the city. The unit size ranges between 40 and 90 m² with rents of BGN 35-45; the maximum rent is BGN 55, calculated at a base rate of BGN 0.60/m². The rent also varies according to the location and according to the floor on which the unit is located within a building. The lease is for a maximum term of five years.

Eligibility criteria: cannot own any property, and must have five years domicile in the town of Montana, although exceptions are made for specialists coming from other areas of the country. Priority is given to people who are paying market rent but living in poor conditions, and also to those who live in owner occupied units (e.g. children living with parents), but are overcrowded.

Some 40 households are currently on the waitlist for social housing. The Municipality reported that the social housing stock was adequate until 1996-97, when employment was stronger. In recent years, with unemployment and underemployment, people want to stay in social housing for as long as possible.

4.3.2 Social Welfare

The Rules for the Implementation of the Social Assistance Act envisage another type of social assistance: Targeted assistance for rental payment for municipal housing. This type of support is available to a limited number of beneficiaries:

- Tenants of social dwellings, who are: (i) Orphans under 25; (ii) have completed social vocational training in a public training center; (iii) elderly people (over the age of 70) living alone; and (iv) single parents.
- Persons with income from the previous month up to 250% of the differentiated minimum income (article 14, paragraph 1 of the Rules for the Implementation of the Social Assistance Act).

There are also specific cases of housing related social allowances, like the targeted subsidy provided to disabled persons who use a wheelchair for accessibility retrofits. According to the Regulations for Implementation of the Law on Integration of People with Disabilities, people with disabilities (more

than 90% permanently decreased working capacity), and children with a specific type and degree of disability, are entitled to a single target social allowance of BGN 600 (EUR 307) for the accessibility retrofitting of their home, if the average monthly income per family member for the past twelve months is equal to or less than twice the guaranteed minimum income. Targeted assistance is received after the repair; it is documented through the submission of an invoice. A social worker from the 'Social Assistance' Directorate inspects and certifies that the retrofits are appropriate and targeted towards the disable household member.

Table 4.2 summarizes the various social welfare subsidies directly or indirectly related to housing that are currently in place.

Table 4.2 Social welfare subsidies related to housing

1. Help for heating for the period 1 Nov - 31 Mar	
Eligibility	Persons and families whose average monthly income for the six months preceding the month of application-declaration is lower than the <i>differentiated minimum income</i> * for heating and meet the following additional conditions: -No contract to give the property to someone who maintains the place or does nursing care (except when the people who take obligations are pensioners, disabled, students or unemployed) -No real estate sales over the past five years -No travel abroad at own expenses over the past 12 months -Savings per family member does not exceed BGN 500
Application	Application-declaration form shall be filed in the "Social Assistance" Directorate at the permanent address from 1 July to 31 October. Within 20 days of the request a social worker carries out social inquiry and determines eligibility.
Amount	2016/2017 – BGN 72.46 per month; BGN 362.30 for the whole period.
2. Monthly cash subsidy	
Eligibility	Individuals or families who meet the following conditions: -The monthly income of the individual or the family is lower than the <i>differentiated minimum income</i> * -Ownership of only one property not larger than: studio (1 person); two-room apartment (two to three people); and four-room apartment (four people) -No movable property or real estate that can be a source of income (this is not applicable to people who live in their own property when that property is their sole property, when there is a disabled person with 50% or more disability, when there is a seriously ill family member, and/ or when the property is not a source of additional income due to the inability to rent due to poor technical status or a similar reason) -Not registered as sole proprietors nor owners of commercial capital -No contract to provide property to someone who maintains the place or does nursing care (except when the people who take obligations are pensioners, disabled, students or unemployed) -Did not sell real estate over the past five years -Savings per family member do not exceed 500 BGN (for one person – BGN 500; for two people – BGN 1000) - Unemployed workers have at least nine-month registration in the Labor Bureau
Application	Application form
Amount	[Not available.]
3. Lump sum allowance	
Eligibility	For incidental needs such as healthcare, education, utilities, etc. households may be granted one-time aid annually.
Application	Application form

Amount	Max. BGN 325 (5 x GMI**)
4. Monthly allowance for rent	
Eligibility	Tenancy agreement must be on applicant's behalf. Applicant's income from the previous month can be up to 250% of the differentiated minimum income. Applicants must be: -Orphans up to 25 years of age, graduated from a Social-Educational Center -Single parents -Single old people over 70 years of age
Application	Invoice or receipt for paid rent
Amount	The amount covers the entire amount of rent (without garbage fee)
5. Aid for disabled people with over 90% disability with or without attendant - Target assistance for reconstruction of housing	
Eligibility	Granted only to disabled people who use a wheelchair. The average monthly income per family member for the last 12 months must be equal to or less than BGN 130 (2 x GMI**).
Application	Application-declaration, invoice for the cost of the repairs by type of expenditure and fiscal receipt; document for the income; copy of the document for disability; ID card
Amount	BGN 600

*Shown in the table below

**Guaranteed minimum income: BGN 65

Table 4.3 Maximum income and coefficients for receiving monthly monetary subsidy and targeted assistance for heating

Household	Coefficient (C)	Differentiated minimum income BGN (C x GMI**)	Coefficient for heating	For heating – income up to (BGN)
A person over 75 who lives alone	165	107.25	311	202.2
A person over 65 who lives alone	140	91	297	193.62
A person over 70	100	65	206	134.34
For each of the spouses living together	66	42.90	167	108.60
For a person, cohabiting with another person or family	66	42.90	224	146.04
Single person	73	47.45	233	151.50
Disabled person who lives alone	100	65	272	177.24
Disabled person with 50% or above disability	100	65	206	134.34
Disabled person with 70% or above disability	125	81.25	246	160.08
Disabled person with 90% or above disability	125	81.25	297	193.62
For children from 0 to 18 years of age, and if they study - to acquiring secondary or professional education, but not more than 20 years old	91	59.15	180	117.18
For a single parent with child / children up to 3 years of age	120	78	206	134.24
For a single parent with child up to 18 years of age, or if child is in secondary or professional education, but not more than 20 years old	100	65	272	177.24
For a pregnant women 45 days before the birth	100	65	206	134.34
For a parent raising a child up to 3 years of age			206	134.34
An orphan child			219.88	142.92
For a child with permanent disability			219.88	142.92

4.3.3 Tax Relief

The Local Taxes and Fees Act allows a 50% relief on property tax on dwellings that are primary homes. A tax reduction of 75% is allowed where the residential property belongs to a person with a 50-100% disability.

Another type of tax relief under the Income Taxes on Natural Persons Act is aimed at young families buying their first home with a mortgage. This tax relief allows for a deduction of mortgage interest from their taxable annual income.

There are specific cases of property tax relief at the municipal and state levels (public real estate property, for instance) by which certain buildings that are fully or partially residential in use can be exempt. Specific cases are defined in the Law on Local Taxes and Fees and include the following tenures: municipality-owned properties; state-owned properties; buildings in the ownership of a foreign country (e.g. embassy building owned by the respective state); buildings with a cultural purpose; immovable properties whose ownership has been restored under a law (Article 24, paragraph 1, point 17 of the Local Taxes and Fees Act) and which cannot be used for a period of five years; Buildings that were brought in use after 01.01.1990 and before 01.01.2005 and have obtained certificate, issued under the Energy Efficiency Act for energy efficiency of certain category, could also be tax exempted for some period (3 to 10 years).

4.4 Public Sector Stakeholders

There are different government agencies working in the housing sector at national, regional, county and local levels. Their roles and responsibilities, related to housing (land and property) are defined in different laws and sub-delegated legislation.

The Council of Ministers defines the basic directions and principles of the policy for spatial development and approve decisions for financing the activities for spatial development according to Article 2 of the Spatial Development Act.

The Minister of Regional Development and Public Works (MRDPW) manages the implementation of the state policy in the spatial development, co-ordinates the activity of the central and the regional bodies of the executive power, of the bodies of local government and the local administration and implements methodical guidance and exercises control over the overall activity for the spatial development according to Article 3 of the Spatial Development Act Under paragraph 2 of the same provision, the Minister also appoints the National expert council for spatial development and regional policy and organizes its work. Under Article 4, paragraph 2 of the Cadaster and Property Register Act, the Minister manages and controls the overall activity related to the cadaster.

The Housing Policy Directorate under the MRDPW has the following functions:

- Assist the Minister in the development and implementation of state housing policy
- Prepare draft strategies, concepts, national programs and action plans for the development of the housing sector
- Develop draft legislation related to housing, and participate in the development of legislation to improve energy efficiency in residential buildings in Bulgaria through a representative in committees and working groups
- Develop document templates provided in the regulations related to housing
- Propose measures to improve the condition of existing housing stock and to improve the management and maintenance

- Organize scientific and applied research related to housing policy and housing sector
- Study, analyze and prepare responses to queries and proposals relating to housing and improving energy efficiency in residential buildings in Bulgaria
- Organize information and education campaigns among citizens and local and regional administrations to realize the main objectives of housing policy and improving energy efficiency in residential buildings in Bulgaria
- Coordinate the implementation of programs/ projects for renovation of residential buildings and improve energy efficiency in residential buildings in Bulgaria, financed by national and/ or EU funds
- Supervise the overall implementation of the project for energy renovation of buildings in the Republic of Bulgaria under the Operational Program "Regional Development" 2007-2013, in line with national and European legislation
- Maintain contact with the Managing Authority of Operational Program "Regional Development" 2007-2013, the Operational Program "Regions in growth" from 2014 to 2020, the financial institutions and other agencies and entities with regional and municipal administrations and with NGOs on issues related to the renovation of residential buildings and improved energy efficiency in residential buildings.

The District (Regional) Governors implement the state policy for spatial development in the respective region under Article 4 of the Spatial Development Act. They also appoint the regional expert council for spatial development and organize its activity for implementation of its functions – Article 4, paragraph 2 of the Spatial Development Act.

The Municipal Councils and Mayors determine the policy and implement activities for the spatial development of the corresponding municipality under Article 5, paragraph 1 of Spatial Development Act. Further, Article 37, paragraph 1 of the Municipal Property Act stipulates that building rights on any real property held in municipal private domain ownership shall be instituted upon a municipal council resolution by the mayor of the municipality through a public tender or publicly announced competition and as envisaged in an effective detailed master plan. With the amendments in the Spatial Development Act (promulgated on October 26 2012, and in force from November 26 2012) the Mayors were given power to issue orders for removal of construction. Under Article 225a paragraph 1 of the Spatial Development Act, the Mayor or an official authorized by him/ her shall issue an order for removal of constructions of fourth to sixth category of buildings, which are illegitimate or parts thereof. Under paragraph 3 of Article 225a, if the order for removal is not fulfilled voluntarily within the term set therein, it shall be enforced by the municipality following a procedure, determined by an ordinance of the local council.

The Municipal Councils exercise general supervision and control over the acquisition, management and disposition with municipal real estate property and adopting decisions in this regard under Article 8 of Municipal Property Act. They also adopt Ordinances about the procedures for acquisition, leasing out and disposal of municipal real estate property, and about the powers of the mayor of the municipality and other mayors under the same provision. According to Article 1 paragraph 2 of the Local Taxes and Fees Act, the Municipal Councils also establish the amount of local taxes and fees.

Chief Architects have the authority to manage, coordinate and control the activities for spatial development, engineering and construction in the respective territory. They coordinate and control the activity of the administrative units for implementation of Spatial Development Act in the municipalities and issue administrative acts according to the powers conceded to them under SDA. Under Article 5 paragraph 3 of the SDA, they coordinate and control the activities of districts chief architects.

Units of Municipal Administration fulfil tasks under the SDA according to Article 6 of the same Act.

Agency for Geodesy, Cartography and Cadaster at the Ministry of Regional Development and Public Works create, maintain and store the Cadaster under Article 4, paragraph 1 of the Cadaster and Property Register Act. The Agency is an executive agency, which is a legal entity with a seat in Sofia and offices (territorial units) for geodesy, cartography and cadaster, placed in the administrative centers of the regions. The Agency for geodesy, cartography and cadaster is managed by an executive director, and the office for geodesy, cartography and cadaster - by a head – Article 10 – 15 of the Cadaster and Property Register Act.

The Registry Agency keeps and stores the property register as stipulated in Article 5, paragraph 1, and Article 58a – 58d of the Cadaster and Property Register Act.

Notary Public are the persons, to whom the state assigns notary activities. The functions of the Notary Publics are regulated by the Civil Procedure Code and the Law on the Notaries and Notarial Activities. Notary activities are procedures under which are carried out legal transactions of real estate property, certification of a title to real estates, certification of the date, contents and signatures of private documents, including preliminary agreements for purchase and sale of real estate properties, as well as lease contracts and other notary actions.

The Commission on the Agricultural Lands with the **Minister of Agriculture** permits the change of the designation of agricultural lands in stages, upon request of the owner of the land or the investor and suspends the procedures for changes the designations of agricultural land under the provisions of Article 39 and Article 40, para 1 of the Preservation of Agricultural Lands Act.

4.5 Legal Framework

The right to housing is not explicitly proclaimed by the Constitution of the Republic of Bulgaria. It is not a separately protected and enforceable personal right, but legal possibility granted to specific categories of people in need of housing. In its preamble, the Constitution proclaims that Bulgaria is a 'social' state. Therefore, the state has the responsibility to protect and maintain at least the minimum required living conditions for the people. Article 51, paragraph 1 states that "[ci]tizens shall have the right to ... welfare aid". The Constitution leaves the issue of the forms and the extent of the welfare aid to the consideration of the relevant state and municipal authorities.

According to Article 17 of the Constitution, the right to property and inheritance shall be guaranteed and protected by law. The Constitution provides that the property shall be private and public, and the private property shall be inviolable. The regime applying to the different units of State and municipal property shall be established by law. Forced expropriation of property in the name of State or municipal needs shall be effected only by virtue of a law, provided that these needs cannot be otherwise met, and after fair compensation has been ensured in advance.

Another relevant provision is Article 33, paragraph 1 of the Constitution, which states that the home shall be inviolable. No one shall enter or stay inside a home without its occupant's consent, except in the cases expressly stipulated by law.

There is no separate, codified Housing Law in Bulgarian legislation. Provisions relevant to housing, such as social housing, general conditions of condominium housing, and housing management are slated in different laws and sub-delegated legislation, as described below.

4.5.1 Ownership Act (OA)

The Ownership Act (OA), adopted in 1951 regulates the ownership, co-ownership, condominium ownership, other real rights (right to use, ownership over the building) and their acquisition, loss and protection, expropriation of property for state and municipal needs, as well as possession and recording. According to the Act, the ownership may belong to the state, municipalities, cooperatives and other legal entities and citizens.

The right to ownership may be acquired through legal transaction, through prescription or through other means provided by the law. The right to ownership shall be lost if another person acquires ownership or if the owner renounces ownership.

For especially important needs of the State and municipalities, which cannot be otherwise satisfied, properties may be alienated under terms and conditions prescribed by the law and following the payment of an equivalent compensation in advance.

According to the Article 30 of the Ownership Act, the right of ownership may belong jointly to two or more persons. Co-owners shall participate in the benefits and burdens of the common property in proportion with her/ his share. Each co-owner may use the common property in accordance with its purpose and in such manner as not to interfere with the other owners' use according to their rights. Article 32 of the Ownership Act provides that the common property shall be used and managed in accordance with the decision of the co-owners owning more than half of the common property. If a majority cannot be formed or if the majority's decision is harmful to the common property, the regional court, at the request of any of the joint owners, shall settle the issue and take the required measures and, if necessary, appoint an administrator of the common property.

Article 37-46 of the Ownership Act regulate condominiums. The Act describes that in buildings in which floors or parts of floors are owned by different owners, common for all owners are the land on which the building is constructed, the courtyard, the foundations, the external walls, the internal dividing walls between separate parts, the internal supporting walls, columns, cross beams, floor slabs, trimmer joists, staircases, landings, roofs, walls between attic and basement premises of the individual owners, chimneys, external entrance doors to the building, and the doors to the common parts of the attic and basement, the main lines for all manner of installations and their central outfits, elevators, drain-pipes, the janitor's apartment and everything else which by its nature or purpose serves for common use.

The shares of the individual owners in the common parts shall be proportional to the ratio between the value of the individual premises that they own, calculated at the time of establishment of condominium ownership. Later changes in individual premises shall not affect the size of the shares. When adding new floors to a condominium ownership the owners of the additional floors or parts thereof shall acquire, for consideration, ownership of all common parts of the building, including the land. The shares of all owners in the common parts shall be determined in accordance with the ratio between the values of the individual premises at the time of completion.

Article 41 provides that each co-owner, in proportion to his/ her share in the common parts, must participate in the expenditures necessary for their maintenance and restoration, as well as in the expenditures for which there is a decision of the general meeting.

Article 45 regulates the cases, where the owner of a floor or a part thereof shall be evicted from the building by a decision of the general meeting for a period of up to three years.

Some restrictions on ownership are envisaged in article 50 and article 51 of the Ownership Act. Such restrictions state that the owner of an immovable property shall not perform any acts in the property, which create obstacles for the use of the nearby properties. In addition, when for the performance of some work in a property it is necessary to enter another property, the owner of the latter property must provide access. The restrictions on ownership related to urbanization and health care purposes shall be set forth in separate laws.

State and municipal ownership is public and private and is regulated by separate acts – State Property Act and Municipal Property Act as well as the respective Regulations on their implementation.

4.5.2 State Property Act (SPA)

The State Property Act (SPA) regulates the acquisition, management, and disposition of state property (private and public), as well as the deed procedure for properties constituting state property. SPA and the Regulation on the Implementation of the State Property Act govern the tenancy relations between the state and the state officers entitled to housing in state owned dwellings. The provisions of the SPA, which are most relevant to housing are Article 22, Article 24, Article 39. Paragraph 2, Article 39b, Paragraph 1, Article 41a, Article 46, Paragraph 2, Article 49, Article 52, Article 53.

According to Article 7 of the SPA, public state property cannot be acquired through prescription. The private state property can, in principle, be acquired through prescription, but the Property Act has introduced a postponement of the terms for acquisition through prescription over state and municipal private properties until 31 December 2017.

4.5.3 Municipal Property Act (MPA)

The Municipal Property Act (MPA) regulates the acquisition, management and disposal of property, which constitutes municipal property. The provisions of the MPA most relevant to housing are Article 29, Paragraph 5, Article 30, Article 38, Article 42 – Article 50. Building rights on any real property held in municipal private domain ownership and designated for construction of social housing units may be instituted without any tender or competition for construction of a residential building, to individuals with established housing needs, to housing development cooperatives or associations whose members are exclusively such individuals, under terms and procedure set out in the Ordinance adopted by the Municipal Council. The municipal council determines the price of the building rights. Such building rights may not be transferred to third parties and may not be leased out or be the subject of disposal for a period of 15 years. Violation of that limitation shall constitute grounds for breaking the building rights agreement.

4.5.4 Spatial Development Act

Article 195 of Spatial Development Act (SDA) provides that,

- The owners of the constructions shall be obliged to maintain them according to the requirements of SDA, and are not to carry out any modifications that result in lack of conformity with the structural requirements.
- In case of accidents or any other circumstances that put a facility in danger of being damaged or destroyed, the owner of the facility shall be obliged to undertake immediate actions for their elimination, repair of damages, and notification of the municipality.

- Provided that a facility is not being maintained in good condition, the mayor of the municipality shall issue an order by which the owner shall be obliged to carry out within a set period relevant repair and rehabilitation works.
- The mayor of the municipality may oblige owners to remove, modify or repair structures.
- The mayor of the municipality shall issue an order for removal of constructions, which due to natural wear or any other circumstances have become dangerous for citizens' health and life, which are inappropriate for usage, which are exposed to a danger of spontaneous collapse, which create conditions for fire, or which are unsanitary and cannot be repaired or strengthened.
- The owners of facilities shall bear responsibility for damages and loss profit due to their acts or omission that lead to an on-site accident causing material damages or injury to third persons or properties.

Article 196 of SDA provides that,

- The condition of the facilities and the required repair and rehabilitation works shall be evidenced in a protocol by a commission appointed by the mayor of the municipality.
- The commission shall act ex officio or upon request of interested parties by collecting all relevant data about the type and the condition of the construction and shall give a hearing to the interested parties. On the grounds of findings, stated in the protocol the commission shall propose to the municipality mayor for the construction to be repaired, strengthened or removed.
- The constructions shall be repaired, strengthened or removed by the owners at their expense within a time set by an order of the mayor of the municipality.
- The owners of the construction shall be obliged to provide access for implementation of activities determined by the order of the mayor of the municipality. In case of refusal to cooperate, police can assist in providing forced access.

4.5.5 Law on Condominium Ownership Management (LCOM)

The Law on Condominium Ownership Management LCOM regulates the management of the common areas in a condominium (encompassing routine repairs, urgent repairs, renovations and maintenance, Repair and Renovation Fund), the condominium management bodies including the incorporation and functioning of the Homeowners Associations (HOAs), as well as the rights and duties of the owners, users and occupants of separate premises and sanctions for non-compliance with the obligations under the law.

Article 6, para 1 of LCOM lists numerous obligation of the owners. Some of them are not to hinder the other owners, users and occupants to use the common areas of condominium; not to cause damage to other premises and to the condominium; not to take over common areas of the condominium; not to perform in their separate premise activities, which would disturb the other owners, users and occupants to a greater extend, than the usual one; not to perform repair activities in their separate premise, resulting in worsening the construction and not to change the architecture appearance, the bearing walls, the stability of the building construction, the fire safety or the safe usage of the condominium; to implement the requirements of the legislative acts while keeping animals in their separate premises and not cause disturbance to their close neighbors; not to violate the good manners; to implement the decisions of the management bodies of the condominium; to pay the expenses for repair, reconstruction, modification, major repair and general renovation of common areas in the building, replacement of common systems or equipment and the installments, allocated for "Repair and renovation" fund, according to the possessed shares in them; to pay the costs for management and maintenance of the common areas of the building; to observe the sanitary hygiene regulations; to provide access in their separate premise for performing the needed research, design, measurement, building and construction works, related to the maintenance, repair, reconstruction, modification, major repair or general renovation of common areas or of other premises and for

inspection of the condition of systems or structural components of the building; to assist the activity of the competent bodies while doing fire-extinguishing or accident-safety activity inside and in the surroundings of the building; to compensate the damages, caused to other premises in the building, in cases where they result from removal of damages in their own premises or part of them; to use the common areas of the condominium, as provided by the Rules of Internal Order; to enter in to the condominium book the members of their households and the occupants; to maintain the common parts of the building and their independent facility in a technical condition meeting the general requirements of the Spatial Development Act; to ensure safe operation of all facilities and systems in the building; not to carry out activities in the common parts of the building, including on the front walls, impairing their integrity and architectural appearance, load carrying capacity, building structure stability, fire safety or safe use of the building; to perform other duties, provided by the Rules of Internal Order.

As to the obligations of the users, the LCOM provides that the users shall have the same obligations as the owners, except to pay the expenses for repair, reconstruction, modification, major repair and general renovation of common areas in the building, replacement of common systems or equipment and the installments, allocated for "Repair and renovation" fund, pro rata to the possessed shares in them, unless otherwise agreed upon between the owner and the user.

4.5.6 Legalization Document and Tolerance Certificate

The Spatial Development Act by way of special amendments has provided few opportunities for those who had, prior to the introduction of the law, constructed buildings without building permits and without construction papers, to have their buildings be entirely "legalized" and protected from removal. These opportunities are provided in paragraph 127⁸¹ of the Transitional and Concluding Provisions to the Law amending and supplementing the Spatial Development Act, entered into force on 11.26.2012.

These opportunities include "Tolerance Certificates" and "Building Legalization Documents". Although both of them represent a deviation from the normal building process and may be described as "construction amnesty", they differ from each other.

Tolerance Certificates only guarantee to the building owners that the building will not be subject to removal or prohibition of use. In addition, owners of a building bearing a Tolerance Certificate can transfer ownership via a real estate transaction. To be eligible for a Tolerance Certificate, the building must be constructed before 03.31.2001 and must comply with the provisions applicable at the time of its completion or with the present applicable provisions of the SDA. This procedure is not time precluded and can still be used.

Building Legalization Document was meant to substitute a missing building permit and construction papers. This Document was only available from 26.11.2012 to 26.11.2013 and only for buildings constructed before 26.07.2003. In addition to the tolerance certificate requirements, an applicant was

⁸¹ The Tolerance Certificate is, in essence, an administrative service to verify the facts stated in the Spatial Development Act, Article 127(1), which states that,

Buildings constructed to March 31, 2001 for which there are no construction documents, but were eligible under the regulations which were effective at the time they are made, or under current regulations under this Act are tolerable construction and not subject to removal or prohibition of use. They can be subject to transfer after presenting a certificate from the relevant authorities.

required to pay a penalty for unlawful construction. Moreover, in the case that the application for legalization was denied, the construction was issued an order for removal.

4.5.7 Mortgage Law

Mortgage Law Article 58, the Credit Institutions Act, Mortgages for Immovable Property of the Consumers Act (enters into force on January 1, 2017), and the Consumer Loans Act are all relevant to housing.

Article 58 of the Credit Institutions Act

- Obliges the bank to provide the customer free of charge and in writing the terms and conditions of loans, including information about total loan expenses (fees, commissions and other expenses that are directly related to the loan agreement) as well as to the objective criteria, on the grounds of which these expenses can be altered. The bank must also provide information on the interest rate expressed as an annual interest rate; the method of interest calculation as well as the terms and the conditions for changes in the interest rate until the loan is discharged in full; additional liabilities connected with the payments; and conditions and expenses where pre-term loan redemption takes place. In the cases of a change in the interest rate or of a fee, which leads to increasing of the redemption instalment on a loan, the bank shall notify the client about this before the change becomes effective.
- Where the loan or separate installments are not paid in time and where the loan has been made pre-term callable due to delayed redemption of one or more installments, the bank may require issuing an order for immediate execution pursuant to the provisions of Article 418 of the Civil Procedure Code on the grounds of an excerpt from its accounting records books. The bank shall be entitled to establishing legal mortgage over the real estate properties and the real rights on them that are acquired wholly or partially through a bank loan.

Article 4, Paragraph 1 of the Consumer Loans Act provides that its provisions shall not apply to loan agreements or intermediation loan agreements, which are secured by a mortgage or other relevant security on an immovable property. Such agreements are regulated by the Mortgages for Immovable Property of the Consumers Act (MPCA). This Act regulates the requirements for credits for real estate to consumers, and arrangements for registration of credit intermediaries and control. MPCA aims to guarantee consumer protection by creating conditions for making an informed decision when obtaining loans for real estate users; to ensure conditions for the responsible behavior of creditors and credit intermediaries in providing loans to real estate users and to encourage responsible behavior of consumers in obtaining loans for real estate in order to prevent their excessive indebtedness.

4.5.8 Rental Law

Rental relations are governed primarily by the rules of the civil law and more specifically by the following.

Obligations and Contracts Act: The Obligations and Contracts Act (OCA) envisages the major principles for conclusion, amendments and termination of the rent contracts. The relevant provision of the OSA are Article 228 - Article 241.

Commerce Act: The Commerce Act (CA) is applicable to rent agreements in which at least one of the parties is a trader that lets properties within the scope of its trading activities. The main civil regulations of the Obligations and Contracts Act are applied in a subsidiary manner. The specific commercial aspects of the rent contract mainly concern the maximum period for which a rent contract may be concluded. Under Obligations and Contracts Act, the rent contract cannot be signed for a

period longer than 10 years (Article 229 of the OCA says that a contract of lease may not be signed for a period longer than 10 years, unless such contracts are commercial transactions). Under the CA a contract of lease may be concluded for more than 10 years.

Municipal Property Act: The Municipal Property Act (MPA) Chapter 5 ‘Municipal Housing’ regulates the rental of municipal houses by individuals with established housing needs; lessees in municipal housing affected by new construction, super-construction or addition of new building components and renovation or reconstruction works, as well as persons whose housing has been restituted to former owners following the procedure set out in the Law for Reinstatement of the Ownership of Nationalized Real Estates. The PMA requires reserve housing to be made available for accommodation, against payment of rent, for a term not exceeding two years, to persons whose housing has been rendered unfit for habitation as a result of natural or man-made disasters and industrial accidents, is in danger of collapsing, or is causing severe social or health problems. The dwellings designated for accommodation of people with established housing needs shall be specified by the municipal council upon a proposal by the mayor of the municipality and may be changed in accordance with the needs in the community. The terms and procedure for establishing the housing needs and for provision of accommodation against payment of rent in the housing referred to shall be established in an ordinance adopted by the respective municipal council. MPA also provides that vacant municipal housing for which there are no individuals in need that meet the terms set out in the Act, may be rented out at market prices under terms and following a procedure as set out in the ordinances of the respective municipal councils.

Ordinances of the Municipal Councils: The municipal councils of each of the 265 municipalities in Bulgaria adopt their own ordinances on municipal housing or include respective provisions in other municipal ordinances. For example, in Sofia, relevant provisions are included in the Ordinance for the Terms and Conditions for Management and Disposals of Municipal Housing in the Territory of Sofia Municipality and in Ordinance on the Prices of the Transactions concerning Real Estate Properties Owned by the Sofia Municipality, which regulates the assessment of the rental prices. The ordinances describes which are municipal dwellings; the terms and procedures for establishing housing needs and accommodating people in reserve housing; termination of the tenancy relation; accommodation in departmental municipal dwellings of members of permanent municipal staff and rental prices. The tenancy order, the orders for termination of the tenancy relation and the Model Tenancy Contracts are included in the attachments to that Ordinance, so the parties cannot negotiate terms, which are different from those established with the Model Contract.

In addition to the basic rules governing the principal relations regarding tenancy, many other statutory provisions apply to different aspects of the housing relations.

4.5.9 Restitution

Legislation on restitution was introduced in Bulgaria almost immediately after the fall of the communist regime in 1989. Its aim has been to restore a historical injustice – the state’s expropriation of a huge number of urban properties, agricultural lands and commercial enterprises after the communist takeover in 1944. However, the restitution legislation has created one of the most significant legal and social controversies in the post-communist era in Bulgaria. The Constitutional Court itself has produced tens of judgements related to restitution laws and the judiciary was overloaded with restitution cases in the 1990s and 2000s.

The restitution legislation included a number of legislative acts and regulations of the executive, covering the different spheres in which the restitution was to take place. The following is a non-exhaustive list.

Restitution of agricultural lands, regulated chiefly by the Law on the Ownership and the use of the Agricultural Lands (adopted in 1991). This legislative act restored private ownership over agricultural lands that were expropriated from their owners during a relatively long period of time between 1944 and the 1960s through so called 'collectivization' (the putting of privately owned lands in cooperatives by means of economical coercion or force). Among the different methods for redress of the previous owners (or their heirs), the Parliament chose to reconstitute the lands in their original location. As a result, many people received lands which in the past had been situated outside the towns and villages, but had since been incorporated within the boundaries of urban zones. In some cases (mostly in the capital and other big urban centers) the restituted lands had been settled by Roma who built their neighborhoods during the previous few decades. Some owners were unable to regain possession of such land while, in other instances, Roma neighborhoods were demolished. Although the restitution of agricultural land was effectively completed by 2000 (by that year, more than 99% of the lands that had been claimed for restitution were returned to the pre-nationalization owners or their heirs), the cases of Roma settlement have never been properly addressed by the legislation. It is worth mentioning that the restitution laws are not concerned with such cases, as Roma settlers most often do not have any legitimate rights over the land on which they settle.

Restitution of urban properties, regulated by the Law on Restitution of the Ownership over Nationalized Real Estate Properties (LRONREP) (adopted in 1992). This act has *ex lege* restored nationalized urban property to the pre-nationalization owners or their heirs in cases where the property had been state or municipally owned at the time of entry into force of the Law (Article 1 of the LRONREP). A different approach was adopted in cases where the property to be restituted was owned by private persons. In these cases, the restitution was only possible when those private persons had acquired the ownership in an illegal manner or by the use of their official or political party positions or through abuse of power. The restitution was thereby not automatic (*ex lege*) but rather conducted through civil claims against the current owners of the property. The claimants had to lodge their claims to the courts within a one-year period from the entry into force of the Law (Article 7 of the LRONREP). The implementation of Article 7 of that Law led to some owners losing their property. That is why their situation required legislative measures for redress. The Law for Indemnification of the Owners of Nationalized Real Estate Properties (LIONREP) was such a measure.

Directed mainly at those pre-nationalization owners who were unable to claim their properties back, this Law also provided redress to those persons who had lost their property as a result of the application of Article 7 of LRONREP. The law introduced the so-called housing compensation bonds, giving the right of their proprietors to take part in the privatization process. With regard to those persons affected by Article 7, that same article was amended in 2006 allowing them to buy municipal or state owned houses using their housing compensation bonds, or eventually to exchange their bonds for cash, filing an application to the Ministry of Finance. As a result of this final legislative measure, it could be said that the interests of the pre-nationalization and post-nationalization owners were well balanced. This issue has now been closed and does not seem to be a matter of public debate anymore. The LRONREP regulated also the situation of the tenants of houses returned to their previous owners. There were two sets of cases: the first one concerned all tenants inhabiting the houses based on rent contracts. Those tenants retained their rights but the tenancy contracts could be terminated by the owner by one-month prior notice. The second set of cases involved those persons inhabiting such houses based on administrative acts, i.e. inhabitants that were allowed to live there by the state or

the municipality. These tenants were allowed to continue to live in the restituted houses for a period of three years and were obliged to pay rent to the owners.

4.5.10 Legislation for Social Housing

In Bulgarian legislation the definition of households in need of social housing is set at the municipal level (usually by the regulation on the procedures for defining housing needs of citizens, tenancy and sale of public housing). Despite the local particularity, individuals and families who meet a number of conditions are generally eligible for social rental housing. Individuals must:

- Not own a home, villa or residential plot or more than 1/6 to 1/2 ideal parts⁸² of such property
- Not have transferred real estate property to other persons after 1990 (for example in the municipal ordinance for the conditions and rules for management and disposal of housing stock on the territory of Montana Municipality)
- Not possess factories, workshops, shops, warehouses for commercial use, do not have money in cash, bank deposits, shares and dividends, do not have motor vehicles or agricultural land above a certain value
- Not possess other assets overriding a given value fixed by Municipality Councils
- Receive a limited gross monthly income per family
- Have had permanent address in the respective municipality for five years without interruption
- Have never squatted in public housing
- Not have had a rental contract for public housing terminated as a result of culpable violation of the rules by the tenant
- Have no financial obligations to the municipality
- Have insufficient living space

Eligible individuals and families are in the following groups:

- Persons whose houses have been restored to their former owners under Section 7 of the Law for Reinstatement of the Ownership of Nationalized Real Estates
- Public housing tenants who are affected by new construction, upgrading or extension, overhaul or reconstruction
- Citizens who do not have any accommodation in a residential area, and have been accommodated in non-housing facilities for at least a year (such as sheds, cellars, attics etc., places unfit for habitation, unacceptable from a sanitary point of view, or at risk of collapse)
- Families renting premises based on free rental contract for at least one year until the submission of documents for filing in the register
- Persons or families occupying insufficient living space

4.5.11 Taxation legislation

Waste collection tax. The owners of real estate are charged a tax for the building and a fee for household waste (collection and management). These are local taxes (called 'communal taxes'), determined and collected by local authorities through the municipal administration. Tax rates vary in different municipalities and cities; they also vary depending on the location of the property (by the

⁸² One unit could have more than one owners. Usually if there are two owners they have ½ each. But it is possible one of them to have 1/7 and other 6/7 shares of the property. They called it "ideal parts", because the apartment for example is not divided in separate units, but everybody is a co-owner of the whole apartment. In some municipalities, the requirement is not to own more than half of such property, but in other municipalities even if one owns a smaller portion of villa or plot, they are not eligible for municipal housing.

settlement area – e.g. central, suburban, etc.) and the property's floor space. Municipal Councils determine the tax rates within the limits laid down in the Local Taxes and Fees Act.

Real estate property tax. Taxable persons are the owners of the taxable real estate. This includes all homeowners. Property tax is paid to the municipality on whose territory the property is situated. The tax is due regardless of whether the property is used or not. If the home is a shared property of two or more owners, each tax is due in proportion of the part of property they own. For property owned by the state or municipality, the taxpayer is the person responsible for the administration of the property; this also generally applies to buildings for business purposes leased by the municipality.

Municipal Councils determine the tax rates in the range between 0.1 (in small towns) and 4.5 (in urban areas, like Sofia) *pro mille* on the tax valuation of the immovable property.⁸³ The fee for household waste is also determined by the municipal councils, depending on the size of the immovable property and its location. Councils adopt ordinances for setting and administering local taxes and service prices. Fees are collected by the municipal administration as revenue received in the municipal budget. As per the Local Taxes and Fees Act, the Municipal Council may release some categories of people from payment. This applies mostly to the residents in public housing – these are people with low or very low income.

In the case of privately rented properties, property tax and waste management fees remain the responsibility of the owner. As for public rental (municipal or state property), Law on Local Taxes and Fees (Article 1, Paragraph 5, effective from 1 January 2011), stipulates that the tax-bearer for state property and for the municipal property is the person to whom the property is provided for management. In this case, the tenant is the one who usually pays the household waste fee to local authorities (this is arranged in the tenancy contract between the municipality and the tenant).

Individual citizens renting their property to a tenant are legally obliged to declare rental income in the annual tax return and pay an income tax of 10% (after the tax base calculation). The National Revenue Agency encourages tenants to report tax law abuses by landlords, including anonymous reporting via phone and email.

4.6 Relevant Legislation and Processes for Housing

4.6.1 Land use/ density and zoning regulations with respect to housing development

Spatial Development Act: The Spatial Development Act (SDA) together with a great number of regulations thereto comprehensively regulate all matters associated with town planning and building processes including the conditions that must be met in the projecting and the construction of residential buildings. The SDA deals with the designation of the territories and landed properties, their regulation and development, infrastructure, energy, gas and water supply and sewerage networks and facilities, communication networks, facilities and installations for treatment of waste. The SDA regulates the kinds of building and permits for building that can be issued, as well as the rules and norms for disposition of the buildings, including residential buildings and houses. The SDA also establishes rules for building in non-regulated territories, construction prohibition and removal of

⁸³ The annual real estate tax is calculated as a certain per mille (1/1000) over the tax value of the property ranging in the different municipalities as shown in the text. The tax rate is capped by the law, so the municipalities are free to determine the tax rates within the statutory limit (Article 22 of the Local Taxes and Fees Act).

unlawful constrictions. According to the provisions of Art. 225 and 225a of SDA, depending on the category of the specific construction, the orders for the removal of illegal structures are issued by the Head of the National Construction Control Directorate (for first to third category constructions) or by the mayor of the municipality (for constructions from fourth to sixth category).

Preservation of Agricultural Lands Act: The Preservation of Agricultural Lands Act (PALA) regulates preservation, restoration and improvement of the fertility of agricultural lands and determines the conditions and the procedure for changing their designation. Agricultural land is deemed a primary national resource and shall therefore only be used for agricultural purposes. That is the reason why the change of designation is allowed only as an exception when there are proven needs.

4.6.2 Process underlying sale/ purchase of land and housing

Titling, registration, transfers and property tax: The sale/ purchase of land and housing as well as the titling/ registration and transfer of property tax are regulated by the Code of Civil Procedure, the Ownership Act, the Obligations and Contracts Act, the Notaries and Notary Activity Act, the Cadaster and Property Register Act, the Local Taxes and Fees Act and others.

4.6.3 Building Permitting Process

Table 4.4 summarizes the construction/ building permitting process in Bulgaria.

Table 4.4 Construction and Building Permitting Process in Bulgaria

Preliminary research and investigation			
S T E P 1	Data on site specifics - geological, seismic, hydrological, climatic and other conditions, existing structures and networks in and around the site - not mandatory;		
	Visa - excerpt from the detailed development plan covering the plot and the surrounding properties; issued by the chief architect of the municipality within 14 days after being requested; obligatory for residential projects.		
Project design			
Approval of the project design by the Chief Architect of the region where the real estate is located			
Documents		Time frame	Cost
S T E P 2	Investment project; two hard copies and one electronic copy of the investment project which should cover the scope and content defined by a regulation;	After submission of all required documents, approves or refuses approval within: - 14 days if the compliance valuation report is made by a consultant; - 1 month if the compliance valuation report is made by the Municipal Expert Council for Territorial Development	Compliance valuation report - min. 500 BGN, max. 3000 BGN; Project approval – min. 500 BGN, max. 3000 BGN;
	Compliance valuation report *; Preliminary agreements with the utility companies for connection to their technical infrastructure networks; Approvals/ assessments from the controlling authorities - fire safety department, sanitary inspection agency, environmental authorities (if necessary)		
In case of refusal, appeal by the investor before National Construction Supervision Directorate within 14 days; The investor may apply for construction permit within one year after design approval.			
Construction permit by the Chief Architect of the region where the real estate is located			

S T E P 3	Application to the respective authority; Ownership title/ construction right documents; Visa; Preliminary agreements with the utility companies; 3 copies of the valuated project design; Environmental assessment (if necessary); Approvals of the controlling authorities (if applicable)	- 7 days if the compliance valuation report is made by a consultant; - 1 month if the compliance valuation report is made by the Municipal Expert Council for Territorial Development	min. 250 BGN, max. 1500 BGN
	<p>National Construction Supervision Directorate can make an ex officio inspection on the issued construction permit within 7 days after its announcement.</p> <p>Issuance or refusal to issue a construction permit can be appealed by the interested parties before the regional branch of National Construction Supervision Directorate, within 14 days of them being notified thereof.</p> <p>The permit expires if construction works have not commenced within 3 years or if the core-and-shell construction has not been completed within 5 years of its issuance</p> <p>It can be revalidated within 1 year after it being expired against payment of 50 % of the fee due for a newly issued permit.</p>		
S T E P 4	Commencement, execution and completion of construction works		
	17 standard types of acts and protocols, among which: Act 14 - document for acceptance of the building's structure; Act 15 - ascertains that the building is fully finished; Act 16 / Certificate of Commissioning - ascertains the suitability for use of the construction. (40 days for categories I-III; 7 days for categories IV-V);		
	"As built" documentation - full set of drawings of the works as they were actually executed; Technical passport - contains terms for execution of repairs and data for all certificates issued for the construction project.		

* Compliance valuation for projects in category I or II must be made by a consultant (different from the designer), who issues a report on its findings. The structural part of the project design must be evaluated by a structural engineer and the compliance of the requirements for energy efficiency must be executed by traders entered into public register maintained by the Energy Efficiency Agency. In lower construction categories, the consultant's activities can be performed by the municipality.

Residential buildings categorizations:

Category III - Tall residential buildings - over 15 m high

Category IV - Medium-height residential buildings - up to 15 m high

Category V - Low-height residential buildings - up to 10 m high

Table 4.5 provides illustrative examples of the costs and the duration of the permitting process for residential buildings of categories V, IV and III with an area of 100m², 5000 m² and 10000 m², respectively.⁸⁴

⁸⁴ No 14 Tariff for the fees collected at the Ministry of Regional Development and the Regional Governors.

Table 4.5 Illustrative cost and duration of permitting process for residential buildings by category

Process	Official time frame	Cost ⁸⁵	Residential building 100 m ² (V category)	Residential building 5000 m ² (IV category)	Residential building 10000 m ² (III category)
Visa issue	14 days	150 BGN	150 BGN	150 BGN	150 BGN
Compliance valuation with the current requirements and regulations	Min. 1 month	min. 500 BGN, max. 3000 BGN	500 BGN	3000 BGN	3000 BGN
Project approval		min. 500 BGN, max. 3000 BGN	500 BGN	3000 BGN	3000 BGN
Construction permit	Min. 1 month	min. 250 BGN, max. 1500 BGN	250 BGN	1500 BGN	1500 BGN
Total	2.5 months or more	min. 1400 BGN, max. 7650 BGN	1400 BGN	7650 BGN	7650 BGN

While the official turnaround time for the building permit is 2.5 months, it was reported unanimously by all stakeholders interviewed that it typically takes 6-12 months. This includes the Chamber of Architects, Chamber of Engineers, and also government officials at the central level. Getting a building permit is one of the biggest hurdles, not just in terms of the bureaucracy and red tape, but in terms of real time and cost, which adds a significant burden on building professionals and on the final cost of the building.

4.6.4 Property Titling Process

The most common ownership documents in Bulgaria are as follows:⁸⁶

- Title Deed, registered with the Registry Agency – title deed for purchase and sale, title deed for donation, title deed for exchange, notarized statement of ascertainment
- Deed, with records for its registration
- Sales Contract executed under the Ordinance on State-Owned Properties
- Sales Contract executed under the Municipal Property Act and the State-Owned Public or Municipal Real Estate Act. If executed after 1 June 1996, it must be registered at the Registry Office

Table 4.6 presents all the stages in the purchase or sale of property.

⁸⁵ The law states that the cost for Project approval is 0.1 % of the building construction cost (which means the total cost to build the building), but no less than BGN 500 and no more than BGN 3000, the same amount of money is for the Compliance valuation with the current requirements and regulations.

For the Construction permit the law says: 0.05 % of the building construction cost, but not less than BGN 250N and no more than BGN 1500.

⁸⁶ http://www.property-in-bulgaria.bg/en/Buying_and_selling_property/Required_Documents

Table 4.6 Stages in the purchase and sale of property

1. Finding Property/ Buyer
2. Preliminary Contract: The practice established in real estate transactions, considering the usually high price, is that the parties enter into a preliminary contract which stipulates the conditions for the future performance of the formalities related to the deal at the notary's office.
3. Performance of the Formalities Related to the Deal at the Notary's Office
4. Registration: On the day of the performance of the formalities related to the deal, the notary presents the title deed in the registry office where the real state is located.
5. Declaration: According to the Local Taxes and Fees Act, any person who has acquired a new property, whether new or old construction, or whether a replacement, is required within two months of the performance of the formalities related to the deal before a notary and the registration of the transaction with the Registry Agency to file a tax declaration, levying an annual tax.
Taxes and Fees in Case of Purchase and Sale Transactions
1. Notary fee, calculated as per the Notary Fees Tariff on the certified material interest (in case of difference between the tax evaluation and the sale price - on the higher amount) + 20% VAT.
2. Fee for the registration of the title deed with the Property Register at the Registry Agency, amounting to 0.1% of the certified material interest.
3. Tax in the case of onerous acquisition of property, amounting to 0.1 to 3 %. ⁸⁷

Documents required for purchase/ sale of property include:⁸⁸

- Document of ownership of the property - the document of ownership of the property, which legitimizes the seller and previous title deeds
- Certificate of Tax Evaluation of the property – issued by the tax office at the location of the property. The Certificate of Tax Evaluation of the property must have an address identical to the address of the property as per the title deed, otherwise the respective administration must issue a Certificate of Identity of Addresses
- The Certificate of Tax Evaluation must list all co-owners of the property
- The co-owners must have no outstanding obligations concerning the property (to have paid the property tax and waste management fees) and this fact must be indicated in the Certificate of Tax Evaluation of the property.
- Certificate of Marital Status of the seller(s) showing the marital status of the owner (co-owners) as of the date of acquisition of the property. The certificate is issued by the ESGRAON (Unified System for Civil Registration and Administrative Services to Population) department in the district of domicile of the owner
- Certificate of Marriage if the seller is married
- In the event that the property is not acquired during marriage, it is not considered MPC (matrimonial property community), but if the property is the registered address of the spouse, a statement (link to DEKL_26.doc) is to be filed as per Article 26 of the Family Code evidencing the consent of the spouse to the sale. The same applies to property acquired by inheritance, donation, and others which are not MPC.

⁸⁷ The tax is calculated on the basis representing the higher of the two values - the tax evaluation of the property, determined in compliance with the rates stipulated under Annex 2 to the Local Taxes and Fees Act or the agreed price. For this purpose, before the performance of the deal at the notary's office, the owner of the property must obtain a Certificate of Tax Evaluation issued by the municipality where it is located. The total of these amounts is paid to the notary and the latter performs the registration of the title deed and pays the fees due. Depending on the situation, additional charges may be required to be paid, namely:

- Remuneration of the real estate agent /agency/ - determined by negotiation, usually at the rate of 2.5 to 3%;
- Remunerations to lawyers, consultants and other fees.

⁸⁸ http://www.property-in-bulgaria.bg/en/Buying_and_selling_property/Buying_and_Selling_Real_Estate

- In the event that real rights are registered for the property, in order to execute the sale transaction the user must abandon the real right established in their favor - this is carried out by filing a statement (link to dekl_otkaz_blank.doc) for waiver of the right of use. It must be executed at the notary's office and is subject to registration. If the user is deceased, an excerpt of the Death Certificate must be submitted.
- In the event that the property is subject to partition – the respective document (contract, judgment), must be duly registered at the Registry Agency. DEKL_23.doc
- Sketch of the property, in the event of transfer of land (land plot, yard or part of yard on which the property/apartment is built). This is issued by the technical service in the district where the property is located and is valid for six months.
- When the property was received as inheritance - Certificate of Inheritance, Death Certificate of the ancestor, or Will.
- In the event that the seller(s) is divorced, the court judgment for the dissolution of the marriage in divorce is to be presented.
- The specific cases require different documents tracing the history of the property and proving the right of ownership
- Certificate of Encumbrances on the property – issued by the Registry Agency, enclosing all documents of the ownership, from the first title deed to the last one. In the case of inheritance, a Certificate of Inheritance is needed as well. In the event that the property includes land or parts of land, a sketch of the property must also be enclosed.
- In the event that the seller is unable to attend the performance of the deal personally, he/ she is legally entitled to authorize a third person to represent him/ her by means of a Power of Attorney. This Power of Attorney must specifically describe the representation rights granted by the authorizer to the authorized. The Power of Attorney is to be notarized - with certification of the signatures affixed and the content of the document. The Power of Attorney must enclose a notarized declaration under Article 25, Paragraph 7 of the Notaries and Notarial Practice Act (NNPA) and a declaration under Article 264, Paragraph 1 of the Tax-Insurance Procedure Code (TIPC).
- Identity document, other documents individualizing the buyer and the seller (identity cards, certificates of good standing, if the party under the transaction is a legal entity – a decision of the competent authority).
- When the deal concerns the transfer of a property in a newly constructed building – the relevant documents from the builder/ investor – building permits, architectural design and distribution of land, use permit – Act Form 16, etc.
- Other documents depending on the specifics of the deal. Taking into consideration the diversity of options, it is recommended that the documents on the transaction held by both parties should be checked by a lawyer.

5. LOWER INCOME AND VULNERABLE HOUSEHOLDS

5.1 Poverty and Deprivation

5.1.1 Definitions of Poverty

Bulgaria participates in EU's annual Survey on Income and Living Indicators (EU-SILC) to track progress in poverty levels and social exclusion. The definitions of the indicators used by NSI in Bulgaria for measuring poverty are the same as those used by Eurostat.

Households 'at-risk-of-poverty': This includes households with an income below 60% of the national median equivalized disposable income.⁸⁹ This threshold for 2016 is BGN 325.83 for Bulgaria, which is also the national poverty line.

Housing deprivation rate: This is the percentage of population living in overcrowded dwellings that also exhibit at least one of the housing deprivation measures. Housing deprivation is based on poor amenities, for instance a leaking roof, no bath/ shower or indoor toilet, or lack of adequate interior lighting.⁹⁰

Material deprivation: This is a composite indicator of housing and economic deprivation and one of the key indicators for Europe 2020. According to Eurostat, material deprivation is based on economic strain and the condition of durables and housing quality. Persons who are 'materially deprived' suffer from a severe lack of resources and are not able to afford at least four of the following nine items:⁹¹

- Rent or utility bills
- Adequately heating
- Unexpected expenses
- Meat, fish or a protein equivalent every second day
- Week's holiday away from home
- Car
- Washing machine
- Color TV
- Telephone

Population-at-risk-of-poverty or social exclusion: This is a combined indicator that includes at-risk-of-poverty rate, severe material deprivation rate, and the percentage of people living in households with low work intensity.

⁸⁹ Equivalized income is a measure of household income that takes account of the differences in a household's size and composition. For more information, see

http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Glossary:Equivalent_income

⁹⁰ Eurostat (http://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:Severe_housing_deprivation_rate).

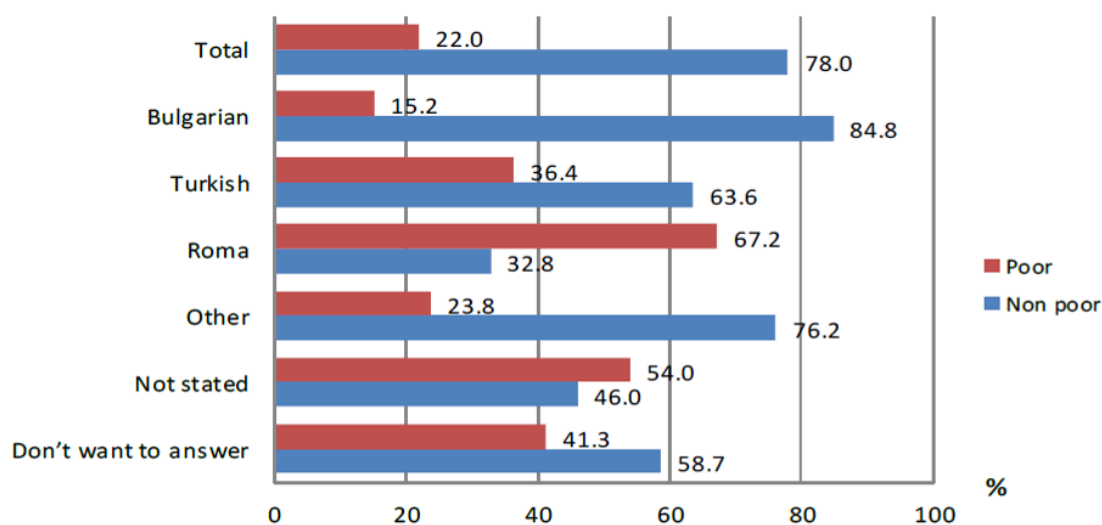
⁹¹ Eurostat (http://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:Material_deprivation).

5.1.2 Poverty in Bulgaria

Bulgaria is the poorest country in the EU with an annual income per capita of EUR 13,600 in 2015.⁹² Bulgaria adopted the Eurostat official poverty line for the first time in 2007. The poverty line for Bulgaria in 2015 was BGN 325.83 per capita; and 1,585,800 people or 22% of the population live below the poverty line.⁹³

According to the EU-SILC survey of 2015, a quarter of children and teenagers between the ages of 0 and 17 years are below the poverty line.⁹⁴ A disproportionate number of Roma (67%) and other ethnic minorities, such as the Turkish population (36%) live below the poverty line (see Figure 5.1).

Figure 5.1 Poverty rates according to ethnic groups, 2015



Source: EU-SILC and National Statistical Institute⁹⁵

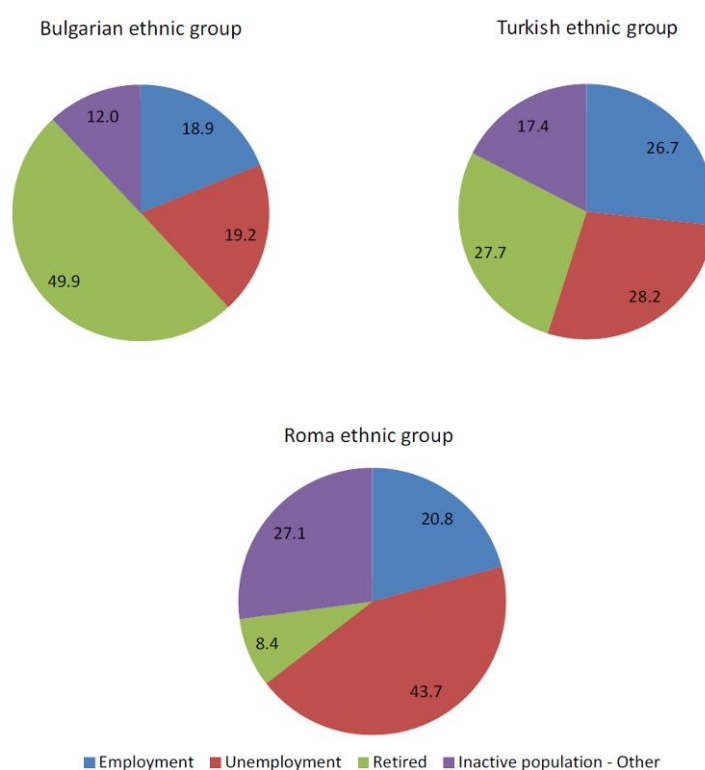
Comparing poverty between ethnic groups by economic activity shows that the share of unemployed persons among the poor belonging to the Roma and Turkish ethnic groups is much higher than the majority Bulgarian community, in which most poor individuals are retired (Figure 5.2).

⁹² <http://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do>.

⁹³ EU-SILC and National Statistical Institute, Poverty and Social Inclusion Indicators in 2015, p. 1 (http://www.nsi.bg/sites/default/files/files/pressreleases/SILC2015_en_U9QJAY2.pdf).

⁹⁴ EU-SILC and National Statistical Institute, Poverty and Social Inclusion Indicators in 2015, p. 1 (http://www.nsi.bg/sites/default/files/files/pressreleases/SILC2015_en_U9QJAY2.pdf).

⁹⁵ EU-SILC and National Statistical Institute, Poverty and Social Inclusion Indicators in 2015, p. 4 (http://www.nsi.bg/sites/default/files/files/pressreleases/SILC2015_en_U9QJAY2.pdf).

Figure 5.2 Share of poor between ethnic groups by economic activity, 2015

Sources: EU-SILC and National Statistical Institute⁹⁶

In 2015, 34.2% of the Bulgarian population lived in severe material deprivation. Material deprivation is very high among the Roma (78.4%), but also quite high among the Turkish minority (43.6%).⁹⁷ As illustrated in the Table 5.1, the Roma have the largest percentage of people in arrears among the main ethnic groups in Bulgaria. Roma also have the greatest difficulty affording anything beyond the bare basics (e.g. holiday, food, or any emergency expense, see questions 2, 3, and 4).

⁹⁶ EU-SILC and National Statistical Institute, Poverty and Social Inclusion Indicators in 2015, p. 5 (http://www.nsi.bg/sites/default/files/files/pressreleases/SILC2015_en_U9QJAY2.pdf).

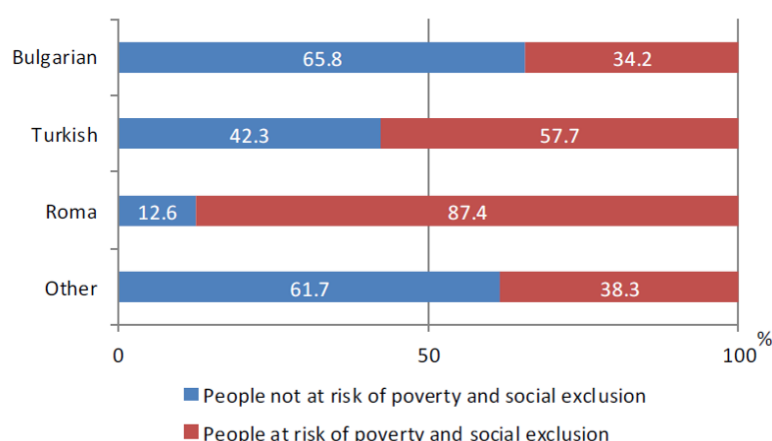
⁹⁷ EU-SILC and National Statistical Institute, Poverty and Social Inclusion Indicators in 2015, p. 7 (http://www.nsi.bg/sites/default/files/files/pressreleases/SILC2015_en_U9QJAY2.pdf).

Table 5.1 Material deprivation items by ethnic group, 2015

	Questions	Bulgarian ethnic group	Turkish ethnic group	Roma ethnic group	Other ethnic group
1	Percentage of households which have been in arrears, i.e. have been unable to pay on time due to financial difficulties for any of the listed housing costs: <ul style="list-style-type: none"> • Mortgage repayment for the main dwelling • Rent • Utility bills for electricity, water, heating, etc. (without expenditures on telephone) • Hire purchase instalments or other loan payments 	30.0	38.7	65.0	18.1
2	Percentage of households which cannot afford (if they wish) going for a week's annual holiday away from home every year, including staying at a second dwelling or with friends and relatives:	54.8	78.9	90.1	56.2
3	Percentage of households which cannot afford (if they wish) eating meat, chicken or fish (or their vegetarian equivalent) every second day	32.9	36.3	70.6	32.2
4	Percentage of households that cannot afford an unexpected required expense and cannot pay through its own resources (urgent repair of the dwelling or car, replacement of washing machine or refrigerator, sudden illness, etc.)	48.3	68.3	81.5	51.0
5	Percentage of households that do not have a telephone (incl. mobile)	1.4	4.3	17.6	2.6
6	Percentage of households that do not have a color TV	0.9	2.0	13.1	0.3
7	Percentage of households that do not have a washing machine	5.6	13.3	46.7	8.9
8	Percentage of households that do not have a car/van (incl. company car for private use)	18.4	31.1	69.6	15.9
9	Percentage of households that cannot afford to keep their home adequately warm	35.0	50.2	62.3	41.2

Sources: Adapted from EU-SILC and National Statistical Institute⁹⁸

According to the combined indicator of at-risk-of-poverty, severe material deprivation, and people living in households with low work intensity, 41.3% of the Bulgarian population are at risk of poverty or social exclusion. Figure 5.3 shows that 87.4% of the Roma are at risk of poverty or social exclusion. This is much higher than the Turkish ethnic group (57.7%) or Bulgarians (34.2%).

Figure 5.3 Population at-risk-of-poverty or social exclusion by ethnic group, 2015

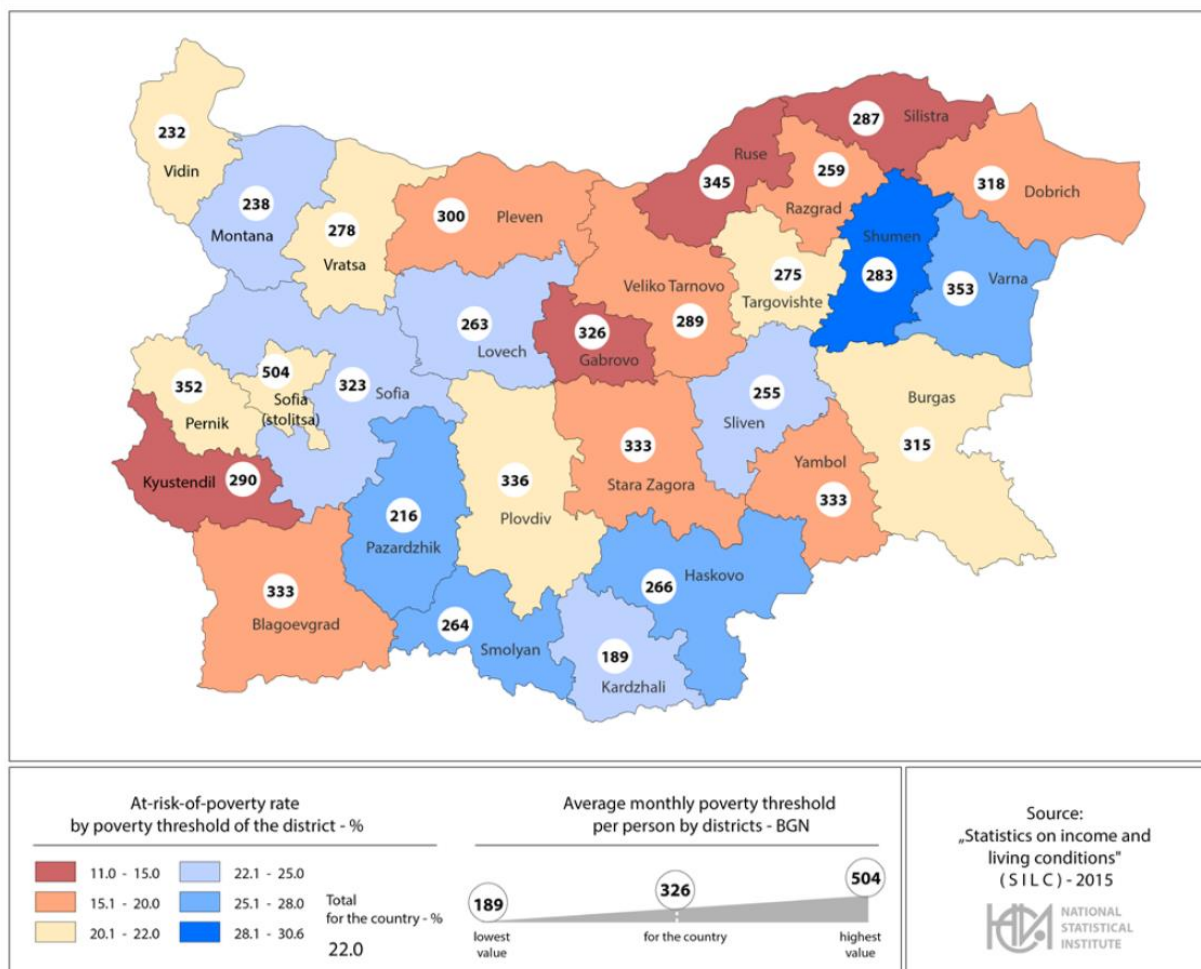
Source: EU-SILC and National Statistical Institute⁹⁹

⁹⁸ EU-SILC and National Statistical Institute, Poverty and Social Inclusion Indicators in 2015, p. 7 (http://www.nsi.bg/sites/default/files/files/pressreleases/SILC2015_en_U9QJAY2.pdf).

⁹⁹ EU-SILC and National Statistical Institute, Poverty and Social Inclusion Indicators in 2015, p.9 (http://www.nsi.bg/sites/default/files/files/pressreleases/SILC2015_en_U9QJAY2.pdf).

The EU-SILC also measures poverty at the district level by setting a unique poverty line at 60% of the average disposable net household income of each district. The districts of Shumen (with a poverty rate of 30.6%) followed by Varna, Haskovo, Smolyan, and Pazardzhik where the poverty rate ranges between 25% and 28% (see Figure 5.4) have the highest poverty rates by district in the country.

Figure 5.4 Poverty rates and thresholds at the district level, 2015



Source: EU-SILC and National Statistical Institute¹⁰⁰

5.2 Roma

5.2.1 Population and presence

The Roma constitute the third largest ethnic group in Bulgaria. According to the 2011 Housing and Population Census, some 325,343 persons, or 4.9% of the Bulgarian population, identify themselves (self-report) as Roma.¹⁰¹ However, since many Roma are reluctant to self-identify as such, this official datum is likely to be an underestimate.

¹⁰⁰ EU-SILC and National Statistical Institute, Poverty and Social Inclusion Indicators in 2015, p.14 (http://www.nsi.bg/sites/default/files/files/pressreleases/SILC2015_en_U9QJAY2.pdf).

¹⁰¹ Source: 2011 Population and Housing Census, National Statistical Institute.

Roma live in all regions of the country, and approximately half (55.4%) reside in cities. In comparison, 77.5% of ethnic Bulgarians and 37.6% of Turks reside in cities (see Table 5.2). The Roma share of the general population is biggest in the districts of Montana (12.7%) and Sliven (11.8%), followed by Dobrich (8.8%), and Yambol (8.5%).

Table 5.2 Place of residence of the large ethnic communities (%)

Settlement	Bulgarian			Turkish			Roma		
	1992	2001	2011*	1992	2001	2011*	1992	2001	2011*
city	71.6	73.5	77.5	31.6	37.0	37.6	52.3	53.8	55.4
village	28.4	26.5	22.5	68.4	63.0	62.4	47.7	46.2	44.6

Source: NSI 1994, 2004, 2011

5.2.2 Poverty and Marginalization

Roma integration is explicitly stated within the Europe 2020 growth strategy framework. According to a survey conducted by UNDP in 2011 in 11 EU countries,¹⁰²

- on average, about 90% of Roma live in households with an equivalized income below national poverty lines;
- on average, around 40% of Roma live in households where somebody had to go to bed hungry at least once in the last month since they could not afford to buy food;
- on average, in Roma households more than two persons live in one room;
- about 45% of Roma live in households that lack at least one of the following basic housing amenities: indoor kitchen, indoor toilet, indoor shower, bath and electricity;
- on average, fewer than one out of three Roma are reported to be in paid employment;
- one out of three Roma respondents said that they are unemployed; others said that they are homemakers, retired, not able to work or self-employed;
- about half of the Roma surveyed said that they have experienced discrimination in the past 12 months because of their ethnic background;
- around 40% of the Roma surveyed are aware of laws forbidding discrimination against ethnic minority people when applying for a job;
- on average, only one out of two Roma children surveyed attend pre-school or kindergarten;
- during compulsory school age, with the exception of Bulgaria, Greece and Romania, nine out of 10 Roma children aged 7 to 15 are reported to be in school;
- participation in education drops considerably after compulsory school: only 15% of young Roma adults surveyed complete upper-secondary general or vocational education;
- one out of three Roma respondents aged 35 to 54 report health problems limiting their daily activities;
- on average, about 20% of Roma respondents are not covered by medical insurance or do not know if they are covered.

The same report shows that in Bulgaria:

¹⁰² The situation of Roma in 11 EU Member States: Survey results at a glance, European Union Agency for Fundamental Rights and UNDP, 2012. As part of this study, two surveys were conducted across the 11 EU Member States (Bulgaria, Czech Republic, Greece, Spain, France, Hungary, Italy, Poland, Portugal, Romania, Slovakia), under which 22,203 Roma and non-Roma were interviewed, providing information on 84,287 household members. The general population living in the same area as or in the closest neighborhood to the Roma interviewed. In the report, this group is referred to as non-Roma.

- 88% of Roma persons live in households at risk of poverty, compared to 51% of non-Roma citizens.
- 42% of Roma live in households in which someone went to bed hungry at least once in the past month. This is seven times the rate of non-Roma citizens (6%). Some 82% of Roma households face severe material deprivation compared to 38% of their non-Roma neighbors.
- The average number of persons per room (excluding kitchen, corridor, toilet, bathroom and any room rented out) in a Roma household is 1.8, compared to 0.9 in non-Roma households. Some 77% of Roma live in households without at least one of the following basic amenities: indoor kitchen, indoor toilet, indoor shower/ bath and electricity (pooled data). This is more than double the corresponding percentage for non-Roma (34%). Out of the 11 countries surveyed, Bulgaria is the highest in this indicator after Romania.
- 53% of Roma aged 20 to 64 reported themselves to be unemployed, compared to 16% of non-Roma.
- 35% of Roma respondents aged 16 and above looking for work in the past 5 years reported that they experienced discrimination because of their ethnic background.
- Only 45% of Roma children were enrolled in kindergarten or preschool compared to 85% of non-Roma neighbors. Some 15% of Roma children aged 7-15 years are not attending school, compared to 4% of non-Roma children.

Table 5.3 Development indicators for Roma in EU-11 and Bulgaria

INDICATORS	EU-11	BULGARIA	
	Roma	Roma	Non-Roma neighbors*
Poverty:			
Persons living in households at-risk-of-poverty	90%	88%	51%
Persons living in households in which someone went to bed hungry at least once in the past month	40%	42%	6%
Absolute poverty rate PPP \$4.30 income based		33%	5%
Absolute poverty rate PPP \$4.30 expenditures based		29%	4%
Absolute poverty rate PPP \$2.15 income based		11%	2%
Absolute poverty rate PPP \$2.15 expenditures based		6%	1%
Households with severe material deprivation		82%	38%
Housing:			
Average number of persons per room (excluding kitchen, corridor, toilet, bathroom and any room rented out)	>2	1.8	0.9
Persons living in households without at least one of the following basic amenities: indoor kitchen, indoor toilet, indoor shower/bath, electricity	45%	77%	34%
Discrimination:			
Roma respondents aged 16 and above looking for work in the past 5 years, who said that they experienced discrimination because of their Roma background	50%	35%	-
Respondents aged 16 and above who know about a law forbidding discrimination against ethnic minority people when applying for a job	40%	20%	30%
Employment:			
Household members aged 20-64 in paid employment, excluding self-employment	30%	35%	66%
Household members aged 20-64 who consider themselves "unemployed"	33%	53%	16%
Education:			
Children enrolled in kindergarten or preschool	50%	45%	85%

Children aged 7 to 15 are not attending school	-	15%	4%
Household members aged 20-24 with at least completed general or vocational upper-secondary education	15%	19%	74%
Health:			
Respondents aged 35 to 54 with health problems that limit their daily activities	33%	17%	12%
Respondents aged 18 and above with medical insurance	80%	45%	84%

Source: Adapted from “The Situation of Roma in 11 EU Member States: Survey Results at a Glance,” European Union Agency for Fundamental Rights and UNDP, 2012.

Notes:

As part of this EU Roma study, two surveys were conducted across the 11 EU Member States (Bulgaria, Czech Republic, Greece, Spain, France, Hungary, Italy, Poland, Portugal, Romania, Slovakia), under which 22,203 Roma and non-Roma were interviewed, providing information on 84,287 household members.

*The general population living in the same area as or in the closest neighborhood to the Roma was interviewed, and this group is referred to as “non-Roma”.

5.2.3 Living conditions and development indicators

There has been much emphasis in recent years – both by the Bulgarian Government and the international community—to address the needs of the Roma population in Bulgaria, who are among the most marginalized groups in the country. A disproportionate number of Roma are poor (88% at-risk-of-poverty), and face the worst living conditions nationwide. Their poverty is an outcome of centuries of discrimination and marginalization, and similarly, their current sub-standard housing conditions are a consequence of policies such as their ‘forced settlement’ during the socialist period, but even today, public support to improve the living conditions in Roma settlements is still limited and prejudices towards the Roma are prevalent within society.¹⁰³

The decrease in the social housing stock since the transition has led to an increase of homelessness and squatting in Bulgaria.¹⁰⁴ Also, many people who belong to the Roma minority live in poor conditions in informal settlements. Conditions in these settlements differ significantly from those in the rest of the country as outlined in the previous section based on the UNDP 2011 survey.^{105,106} See Table 5.4 for a wide range of indicators comparing Roma to non-Roma.

Roma settlements located in cities or on their peripheries have the worst conditions. With space already very limited in urban Roma settlements, newcomers often have no other choice than to settle on the most dangerous or undesirable plots, e.g. near garbage dumps or on flood plains. This pattern of settlement has led some Roma communities that were originally created as formal, government-authorized settlements to be considered increasingly “illegal”, for example, Fakulteta and Filiptovski

¹⁰³ EU, National Report for Bulgaria, “TenLaw: Tenancy Law and Housing Policy in Multi-level Europe”, p. 44

¹⁰⁴ EU, National Report for Bulgaria, “TenLaw: Tenancy Law and Housing Policy in Multi-level Europe”, p. 4.

¹⁰⁵ The situation of Roma in 11 EU Member States: Survey results at a glance, European Union Agency for Fundamental Rights and UNDP, 2012, p. 22f. Around 78% of Roma households do not have at least one of the following facilities: Indoor kitchen, indoor toilet, indoor shower/ bath and electricity. Among the non-Roma, the percentage of the population that lacks at least one of these amenities is only 34%. Furthermore, overcrowding is higher among Roma households than in Bulgarian households on average. The average number of persons per room amounts to 1.75 for the Roma ethnic group and to 0.85 for the non-Roma.

¹⁰⁶ National Program for Improving the Living Conditions of Roma in Bulgaria for the period 2005-2015, p. 43f.

in Sofia. Local authorities are often unable to monitor – and sometimes unwilling to control – this pattern.

Utility companies, on their part, decline connections to houses with no documentation. In order to get an electricity connection, the applicant must present a Certificate of Municipal Address, which is essentially a verification by the municipality that such an address exists, and that the individual is a resident of that address. A large number of Roma do not have such a document.

As a result, and in the absence of alternatives, these unserved households resort to tapping into their neighbors' connections, sometime with and sometimes without their permission. This stealing of electricity has created tension between residents who tap into others' connections and those that receive utility bills for their registered connections (see Box 5.1).

For houses with titles, meters are at the house level; for those with Tolerance Certificates, meters are perched up on a pole at an inaccessible level; for those without either of these, there is no electricity connection. While the municipality and utility companies accuse the Roma of stealing electricity, local residents, especially those with Tolerance Certificates, complain about abuse by utility companies. Those who have their meters perched up on electric poles are unable to access them to verify readings (see Plates 5.1 and 5.3). Many residents report that their electricity bills seem too high, but that if they refuse to pay their connection will be cut altogether.

Fakulteta is the largest Roma neighborhood in Bulgaria, with about 40,000-50,000 residents. About a third of the population constitutes long-term residents, many originally from Sofia. The others are largely migrants from other parts of the country. Their occupations are predominantly informal in nature: men mostly work as carpenters, window makers, metal recyclers (pots and pans), and women mostly work as cleaners. Households are relatively large compared to the national average: A typical household constitutes anywhere between 4 and 10 people (parents, 2-4 children, and extended family).

Table 5.4. Development Indicators comparing Roma and non-Roma

	Roma	Non-Roma
Regularity of waste collection		
At least every week	51%	62%
At least every 2 weeks	18%	17%
Not regularly	22%	17%
Never	8%	4%
Rooms per HH member**	0.90	1.71
Square meters per household member	13.86	25.63
Share of the population not having access to secure housing**	20%	2%
Monthly expenditures on housing as a percentage of total monthly expenditures (avg.)	15%	18%
Share of the population not having access to improved water source	5%	2%
Share of the population not having access to improved sanitation**	41%	6%
Access to electricity**	93%	99%
Access to various HH amenities**		
1. Radio receiver	33%	60%
2. Color TV	88%	99%
3. Bicycle or motorbike	26%	44%
4. Car/van for private use	27%	60%
5. Horse	17%	6%
6. Computer	18%	49%
7. Internet connection	15%	47%
8. Mobile phone or landline	66%	88%
9. Washing machine	55%	88%
10. Bed for each HH member including infants	80%	99%
11. 30 and more books	17%	72%
12. Power generator	1%	2%
EU material deprivation index		
Material deprivation	89%	54%
Severe material deprivation	82%	38%
Preference of living in mixed areas*	68%	
Preferences - source of income (16-64)*		
Live on social assistance with problems making both ends meet but with no particular effort	13%	4%
Have higher standards of living but working hard to earn your living	87%	96%
Preferences - source of income (16-24)*		
Live on social assistance with problems making both ends meet but with no particular effort	16%	0%
Have higher standards of living but working hard to earn a living	84%	100%

Source: UNDP/WB/EC Regional Roma Survey (Bulgaria data) 2011 and FRA Pilot survey 2011

Notes:

* indicator is based on the responses from randomly selected adult member of the household

** indicator is based using pooled data from UNDP/WB/EC Regional survey 2011 & FRA Pilot survey 2011

Plate 5.1 Roma settlement in Fakulteta, Sofia



Elevated electricity meters are visible atop the utility poles in the leftmost photograph.

Filipovtsi was created in 1959 with a population of about 1,000 Roma. Currently, there are an estimated 7,000 Roma living in the neighborhood. In Filipovtsi, there are 270 social housing units which are owned by the municipality and are rented out to the residents of the settlement. The rent for a 40m² apartment amounts to BGN 16/ month (without utilities). Only around 10% of the residents of Filipovtsi have a legal/ formal electricity connection.

Plate 5.2 Roma settlement in Filipovtsi, Sofia



Hristo Botev housed some 7,000 people in 1989, a mixed population of Roma and non-Roma. However, between 1995 and 2001, many non-Roma sold their houses and left. Today the settlement has a population of about 5,000, 90-95% of whom are Roma. A typical household in this area contains parents with two to three children. Since approximately 2010, younger families are having only one child. 15-20% of households have extended family members. Some 40-50% of people earn below the minimum wage. Men typically work as carpenters, in meat processing, restaurants, and also as specialists. "This was a case of forced assimilation during the socialist period, when Roma culture and language were banned. We Roma forcibly became mainstream, and are much more progressive than the traditional Roma. Many of the progressive Roma don't get along with the traditional Roma."¹⁰⁷

¹⁰⁷ Interview with local resident, November 2016.

Box 5.1 Tensions between local authorities and the Roma

The residents in Roma settlements feel a high degree of harassment and injustice on the part of the “authorities”, including the local municipality and utility companies.

Electricity

Fakulteta

- One woman, the owner of a small shop, lives with her young son and ailing husband who has cancer. The family has inhabited the house for 17 years, and the structure has a Tolerance Certificate. She reported that she pays BGN 100-120 per month for four or five lightbulbs and a refrigerator. They use only coal for heating, and having no AC or other electricity-intensive appliance. “We don’t get a bill with a breakdown of the charges; when I go to pay, they just tell me the amount.”
- Another woman who lives in a two-room house with a Tolerance Certificate pays an electricity bill of BGN 70-100 per month for using three light bulbs, a TV, and a washing machine. They use coal for heating, and gas for cooking.
- “The light is very dim. We believe that the company intentionally keeps the voltage low, so that the consumption is more, and we have to pay more.”
- “They say the Roma don’t pay their bills. Not true. Maybe some don’t pay, but this is not true of everyone. There are probably some who steal electricity, but not us. We are honest people who end up paying for other people’s crimes. The utility company simply charges us for the unbilled amount, and if we don’t pay, we will lose our connection.”
- “They don’t treat us like human beings. If you come here on Christmas or New Year’s Eve, there will be no electricity. Not because of a genuine power failure, but because they don’t want us to celebrate. This happens every year. So we always cook and prepare our feast two days before.”
- “We are treated like criminals here. Representatives of utility companies, when they come here, are always accompanied by police.”
- “Often when we file a complaint about a power failure, no one comes. Instead they say they came but no one was home so they couldn’t get in.”

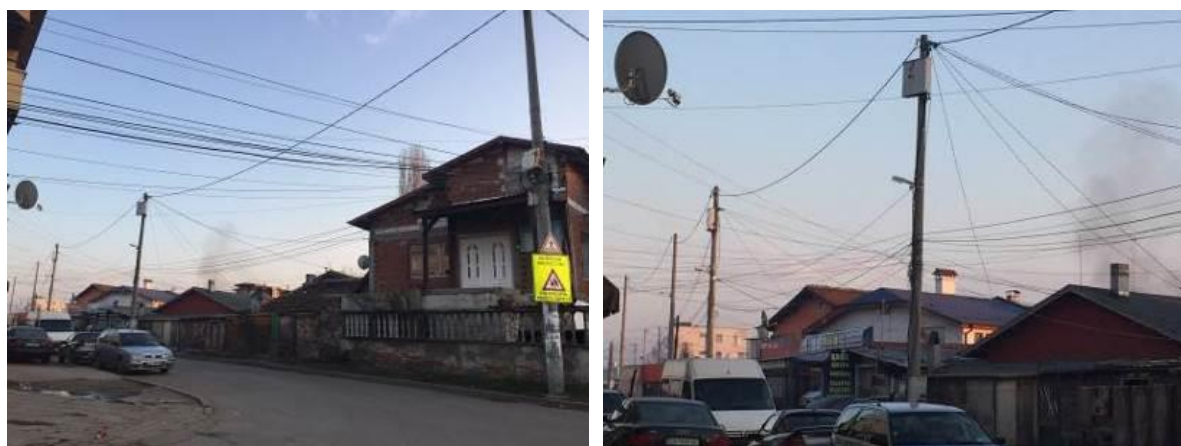
Filipovtsi

- “Of the 3,000 households in this area, some 400 have electricity meters. Others do not, and that is because it is so difficult to get a connection. There is a BGN 550 connection fee, and one must have an ID as well as proof of residency, which most people do not have. So they are forced to steal.”

The municipality and illegal construction

- One local leader in Fakulteta reported that “there is a forest area next to us. There are more and more people coming and settling there in temporary shacks every day. The municipality turns a blind eye. This has been happening for decades. It’s like they want the place to become predominantly illegal so they can put us all into one pool and say we all break the rules.”
- Another leader in Filipovtsi stated, “this place was originally meant for the rehousing of 1,000 Roma people displaced from the center of Sofia. We were about 270 households, and came here in 1959. And we have titles [Tolerance Certificates]. Today there are more than 7,000 residents, maybe more. Most of them are ‘illegal’ and do not have TCs, and as a result, we are all treated as ‘illegal’.”
- “In Hristo Botev, the situation is remarkably different. Although the majority of residents are Roma, there is a mixed population. Infrastructure including roads, water, and sanitation was put in place in 1968. Although the municipality does not pay much attention to us, we have somehow managed to self-govern. We do not allow any newcomer ‘invasions’.”
- In Filipovtsi, “nothing is being done in the neighborhood for our people – by the Roma or by other Bulgarians. There was a plan to build small units upgradable to a second story on plots in the adjoining parcel, but now with the political change, everything is on hold.”
- In Fakulteta, one person interviewed reported that he purchased a 200 m² parcel two years ago for BGN 80,000. “When I went to get a building permit, I was advised by a municipality official that I should build illegally rather than trying to get a permit as it is a very difficult and tedious process.”

Source: Interviews in Roma neighborhoods, November 2016.

Plate 5.3 Roma settlement in Hristo Botev

5.2.4 Cost of housing and utilities

Lower income households, Roma and non-Roma alike, spend the bulk of their income on food and everyday household goods: 49% and 44% of total expenditure, respectively. The next largest expense is housing and utilities: 15% and 18%, respectively. Given that their houses are relatively modest, and in many cases informal or illegal (especially in the case of the Roma) it can be inferred that much of this goes towards utility payments (electricity and water). Also, considering that the vast majority of the Roma fall in the lowest income percentiles, this is a very heavy cost overburden. The norm for housing related expenditure for households in the lowest income quintile is in the range of 10%.

Table 5.5 Monthly expenditure (as a share of total expenditure)

Item	Roma	Non-Roma
Alcohol and cigarettes	6%	5%
Transportation	3%	4%
Socializing event	2%	3%
Durable goods	1%	1%
Education	2%	2%
Food, everyday household goods	49%	44%
Clothes (incl. shoes)	3%	5%
Housing (rent and public utilities)	15%	18%
Medicines and medical services	7%	8%

Source: UNDP/WB/EC Regional Roma Survey (Bulgaria data) 2011 and FRA Pilot survey 2011

Interviews conducted in Roma neighborhoods with members of the local communities revealed a high cost burden associated with utilities, in particular electricity and heating with wood or coal. Given the high cost of utilities, many lower income households have outstanding payments for these services. More than a third of the Roma have overdue payments for water, and a quarter have electricity arrears. This compares poorly with 7% and 4%, respectively, for non-Roma households.

Table 5.6 Outstanding payments (share of people)

Type of service	Roma	Non-Roma
1. Water	34%	7%
2. Electricity	26%	4%
3. Other housing related utilities	4%	1%
4. Mortgage	1%	0%
5. Credit for household appliance or furniture	3%	1%
6. Taxes	15%	4%
7. Education	5%	0%
8. Health services	31%	7%

Source: UNDP/WB/EC Regional Roma Survey (Bulgaria data) 2011 and FRA Pilot survey 2011

The primary heating sources for lower income households, Roma and non-Roma alike, are coal and wood.

Plate 5.4 Households in low income settlements use stoves fueled with coal or wood for heating and cooking



Table 5.7 Sources of energy for Roma and non-Roma households

Source of energy	Heating		Cooking	
	Roma	Non-Roma	Roma	Non-Roma
Gas in bottles	0%	0%	28%	32%
Piped gas supply	0%	1%	1%	1%
Electricity	3%	11%	18%	36%
Coal	6%	7%	1%	0%
Wood	77%	68%	45%	19%
Petrol	0%	0%		
Central Heating Supply	0%	1%		
Other	12%	11%	7%	12%

Source: UNDP/WB/EC Regional Roma Survey (Bulgaria data) 2011 and FRA Pilot survey 2011

5.2.5 “Illegal” housing: Legalization and Tolerance Certificates

According to the National Program for Improving the Living Conditions of Roma in Bulgaria 2005-2015, one quarter of Roma settlements have been constructed illegally in Bulgaria.¹⁰⁸ For most of these neighborhoods, there are no cadastral maps. The vast majority of Roma households have no property deeds on the land or buildings they rightfully possess. The absence of property papers, together with their lack of awareness of their rights, makes them susceptible to the whims of the local authorities.

The government has offered two possible avenues for informal settlement dwellers towards formalization: The issuance of “Tolerance Certificates” and the process of “Building Legalization”. Although both of them represent a deviation from the normal building process and may be described as “construction amnesty”, they differ from each other.

Tolerance Certificates. In settlements that were established “legitimately”, i.e. with government consent, Tolerance Certificates are issued to eligible households. The issuance of the Tolerance Certificate does not legitimize the construction per se, it only protects it from demolition. Tolerance Certificates only guarantee to the building owners that the building would not be subject to removal or prohibition of use. In addition, a building with a Tolerance Certificate could be transferred via a real estate transaction but cannot be subject to the right to erect an additional story or add a construction to the existing building. To be eligible for a Tolerance Certificate, the construction must have been built before 31.03.2001 and must comply with the provisions applicable at the time of its completion or with the present applicable provisions of the SDA. This procedure is not time precluded, and can still be used.

Building Legalization Document. This document was intended to act as a substitute for missing building permits and construction papers. The document was available from 26.11.2012 until 26.11.2013, and only for buildings constructed before 26.07.2003. Moreover, if the document was refused on the grounds of ineligibility, the construction was issued an order for removal.

The necessary documents and the particularities of each of these two procedures are described in Table 5.8.

¹⁰⁸ National Program for Improving the Living Conditions of Roma in Bulgaria for the period 2005-2015, p. 9.

Table 5.8 Building legalization and Tolerance Certificates

	BUILDING LEGALIZATION Closed 26/11/2013	TOLERANCE CERTIFICATE On-going
ELIGIBLE BUILDINGS	<ul style="list-style-type: none"> - Constructions built without construction documents for the period until 26.07.2003; - Eligible according to the rules and regulations applicable at the time of its execution or under the current requirements of the Spatial Development Act; - Application for legalization can be submitted by the owner of the property or the person who has the right of construction; - Without previous attempts to legalize that have failed 	<ul style="list-style-type: none"> -Built before 31.03.2001; -Illegal construction - no construction documents; -Eligible according to rules and regulations applicable at the time of its execution or under the current requirements of the Spatial Development Act
NECESSARY DOCUMENTS	<ol style="list-style-type: none"> 1. Application form; 2. Proof of ownership; 3. Project - surveying for legalization¹⁰⁹; 4. Opinion of a structural engineer; 5. Declarations of stakeholders 	<ol style="list-style-type: none"> 1. Request a free text; 2. Current sketch issued by the municipal administration on the location of the site; 3. Proof of ownership, while ownership of the property - notarized consent of all owners; 4. Declaration for the period of building completion/ notarized; 5. Copies of the detailed development plans at the time of construction of the building and the current detailed development plans / certified by the municipal administration; 6. Surveying made by authorized person (licensed engineer) with reflected floors, built-up area and distances to property and regulatory limits; 7. In case of reduced distances, a notarized consent from owners of neighboring plot (real estate) should be submitted; 8. Photographs of the site; 9. Other
PRICE	3 times higher than the fee for a building permit	Normal service - BGN 250 Fast service – BGN 375 Express service – BGN 500
DEADLINES	1 month	Normal service: 14 days Quick service: 7 days Express service: 4 days
SIGNED BY	Mayor of the Municipality	Mayor of the Municipality

Both procedures require that the applicant be the owner of the land or a person who has a legal right to build on a third party's land (right to build). The fact that most Roma do not own land, non-compliance with building regulations and, lack of awareness of the Legalization Act and high cost (both

¹⁰⁹ Project including the following project parts – Architecture, Geodesy (Surveying), Structural part, Heating and Ventilation, Electricity, Water and Sewerage

technical and financial) of legalization explain why so few Roma have obtained Tolerance Certificates or benefited from the construction amnesty programs.

5.2.6 Social housing for the Roma

The Roma can apply for municipal social housing. However, the application requires a registered address (and uninterrupted residency for five years) either in the form of a property contract or a tenancy contract. Individuals who do not have an official address may get around this by asking their friends to register them at their address, so long as the friend has a property title or a Tolerance Certificate. Hence, while most Roma would qualify for social housing in terms of their period of residency, they are often excluded from social housing due to lack of a “registered” domicile. Residents of illegal housing do not qualify for social housing, despite the fact that residence in illegal housing is often a proxy for need.

In addition to these legal prohibitions and given the non-transparent selection criteria and wait lists together with a very limited stock of social housing, the poorest Roma are almost certainly the last ones to benefit from this subsidy. Indeed, only 4% of Roma live in municipal housing, despite the high rates of poverty in the Roma community (Table 5.9).

Table 5.9 Dwelling ownership rate

Dwelling ownership	Roma	Non-Roma
Own household or family	91%	95%
Private ownership (not family)	3%	2%
Municipality	4%	2%
Unknown ownership	1%	0%
Other	0%	0%

Source: UNDP/WB/EC Regional Roma Survey (Bulgaria data) 2011 and FRA Pilot survey 2011

Moreover, in many cases, social housing in its typical configuration (a flat in a multifamily building) is not the preferred option for lower income Roma households, given their lifestyle and their need for ground level outdoor space (for their horses and other livestock). In addition, living in a multifamily building could negatively impact the close social networks and safety nets. Some of the more economically successful Roma, however, have managed to adapt in social housing units in multifamily buildings, including in the new fully furnished units targeted to the households of public servants who are not necessarily poor.

5.2.7 Successful initiatives for Roma

Kavarna Municipality

Kavarna municipality made various successive investments from 2004-14 in the neighborhood of Hadji Dimitar, a predominantly Roma neighborhood. The aim was to improve the living conditions and promote social inclusion of the Roma. These investments covered a wide range of areas such as housing and infrastructure, education, employment and healthcare as well as political participation. The Center for the Study of Democracy (CSD) examined the social and economic effects of those public investments and compared the living conditions and social inclusion of the Roma in Kavarna to elsewhere in the country as well as other non-Roma groups.¹¹⁰

¹¹⁰ Center for the Study of Democracy, Socio-Economic Effects of Public Investments for Roma Inclusion, 2015, p. 9.

The most direct impact of these investments was in the area of infrastructure and housing. Municipal land was provided to the Hadji Dimitar neighborhood for the construction of new houses. Furthermore, the municipality developed a scheme for architectural planning and gave owners of illegal dwellings the chance to legalize their houses. In 2015, there were no illegal dwellings in the Hadji Dimitar neighborhood reported to the municipality.¹¹¹

The municipality was also successful in improving the quality of housing. This was done through the construction of a sewerage system and a water pipeline. Through these measures, 92% of Roma in Kavarna now have access to indoor piped water as compared to 61% of Roma nationally. Since the construction of the sewerage system in 2004, only 0.76% of the dwellings in Hadji Dimitar do not have a sewerage system or a wastewater tank. Nationally, the figure is much higher. According to a regional survey, 39% of Roma do not have a sewerage system or a wastewater tank available. According to the 2011 Census 17% of Roma do not have a sewerage system or a wastewater tank.¹¹²

ADRA Bulgaria – New houses for Roma families

The aim of this project is to ensure proper housing conditions as the basis for improvement in quality of life for Roma. ADRA built a total of 35 homes for poor Roma families for a total value of EUR 400,000. Of these, some 20 new homes were delivered in May 2010 in the Iztok neighborhood of Kyustendil, which is predominantly inhabited by Roma.

Trust for Social Achievement project - "Regulation and legal construction of neighborhoods with predominantly Roma population" has been implemented in the towns of Peshtera, Dupnitsa and Kyustendil with the financial support of the "America for Bulgaria" Foundation. The project is aimed at legalizing Roma settlements in these cities by purchasing the land underneath illegal Roma settlements from the municipality or individual owners.

Habitat for Humanity Bulgaria¹¹³

- *Home Improvements for Families at Risk*: Habitat for Humanity joined the Program for Prevention of Child Abandonment and Institutionalization in 2008 and, to this end, provides assistance for improving the living conditions of families in risk in Stara Zagora.
- *Housing Microfinance Program*: Habitat for Humanity International works closely with DIGH, a Dutch housing association, to design and fund social housing projects in Bulgaria. Habitat for Humanity Bulgaria receives financial support from DIGH and, in partnership with Mikrofond, have created a Joint Housing Fund offering low-income families access to energy efficiency loans with reasonable terms and interest rates.
- *My Home is not my Fortress*: Habitat for Humanity Bulgaria together with the Center for hope Foundation partners with families of children with disabilities to improve dwelling accessibility.
- *Renovations of multi-apartment buildings*: Habitat for Humanity Bulgaria, together with the microfinance institution Mikrofond is establishing partnerships with homeowner associations all over Bulgaria to renovate blocks of flats – privately owned or owned by municipalities. The aim is to support families of low income in their desire to live in decent buildings and achieve lower energy consumption.
- *Home renovations in small villages*: This project addresses the housing needs of families with children from rural areas. The project builds on a successful program initiated by the Tulip

¹¹¹ Center for the Study of Democracy, Socio-Economic Effects of Public Investments for Roma Inclusion, 2015, p. 28ff.

¹¹² Center for the Study of Democracy, Socio-Economic Effects of Public Investments for Roma Inclusion, 2015, p. 28ff.

¹¹³ <http://habitatbulgaria.org/en/currentprojects.php>

Foundation and Heifer that provides families with pregnant pedigree farm animals and offers training, support, resources for crop seeds, medication for the animals, etc. The project gives partner families the opportunity to improve their living conditions using their own resources and labor. Habitat for Humanity provides small affordable home improvement loans to families who have already benefited from the Tulip Foundation-Heifer project and already have a small but steady income.

- *Breaking the Cycle of Poverty, a holistic approach to community development:* Habitat for Humanity Bulgaria will build core houses and will support the renovation of existing houses in the village of Pamukchii, Shumen region. In addition, HFH will work with partners to develop local economic opportunities.

6. HOUSING MARKET AND FINANCE

6.1 Market Dynamics

6.1.1 House Price Index

While high housing surpluses and the correspondingly high vacancy rates characterize the challenge of shrinking cities across Bulgaria, the housing market is generally recovering after a large crash due to the financial crisis of 2008. In nominal terms, prices have more or less recovered to their pre-crisis levels. See Table 6.1 for House Price Indices from 2004-2015. However, in real terms, prices are still much below pre-crisis levels, and the recovery process is very much underway (see Figure 6.1).¹¹⁴

Table 6.1 Nominal House Price Indices for Bulgaria, Sofia, Varna, and Plovdiv

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
National level												
Nominal House Price Index (2006=100)	63.8	87.2	100	128.9	161.1	126.7	113.9	107	104.1	102.3	105.9	108.9
Change in Nominal House Prices (Annual % change)	47.5	36.6	14.7	28.9	24.9	-21.4	-10.1	-6.1	-2.7	-1.8	1.4	2.8
City level Nominal House Price Index (2006=100)												
Sofia	103.8	102.1	100	109	101.1	88.8	97.8	96.3	97.8	98.3	98.8	96.9
Varna	107.6	98.5	100	103.9	97.9	90.8	93.6	94.7	95.4	95.1	96.3	85.3
Plovdiv	112.9	100.1	100	103.1	103.7	86.4	97.7	95.1	96.7	97.3	97.7	91.8

Source: European Mortgage Foundation, HYPOSTAT: A review of Europe's mortgage and housing markets (2014, and 2016)¹¹⁵

Figure 6.1 Bulgaria Real House Price Index



Source: NSI, Eurostat¹¹⁶

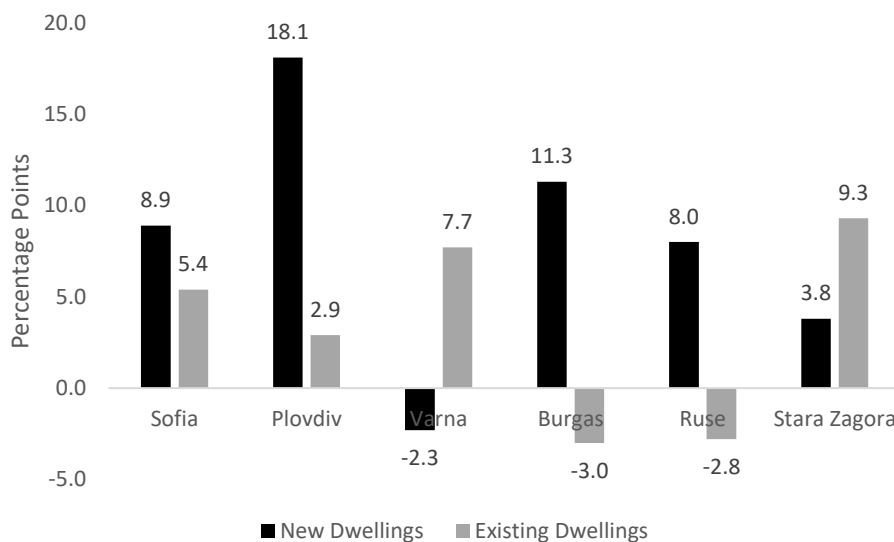
¹¹⁴ This includes the annual average market price index of dwellings, flats in the district centers (new flats are excluded) – source: NSI

¹¹⁵ http://www.hypo.org/portaldev/objects/6/files/hypostat_2014.pdf; and <http://www.hypo.org/PortalDev/Objects/6/Files/Hypostat%202016%20FINAL.pdf>

¹¹⁶ <http://www.tradingeconomics.com/bulgaria/building-permits>

The upward trend in price was triggered by a recovery of confidence in the real estate market as well as increased demand for housing in Bulgaria's large cities, combined with a limited supply of new housing to satisfy demand.¹¹⁷ The general increase in sale price for units in the six Bulgarian cities with a population over 120,000 is illustrated in Figure 6.2.

Figure 6.2 Percent change in HPI from Q1 2015 to Q1 2016

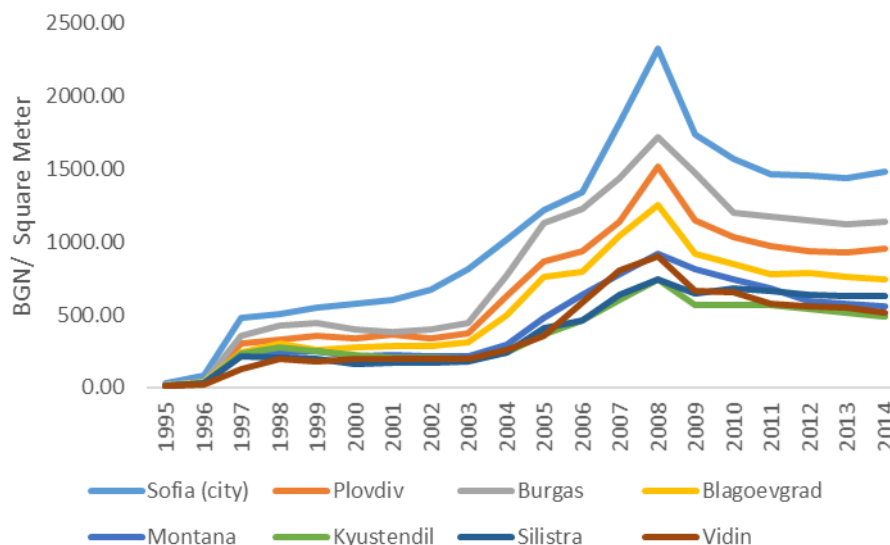


Source: NSI data "House Price Indices (HPI)", for the Six Cities in Bulgaria with Population More than 120 000 Inhabitants (Regional Level). https://infostat.nsi.bg/infostat/pages/reports/result.jsf?x_2=1423

The NSI maintains data on the selling prices of residential properties by quarter until 2014. Selling price is shown for several district centers in Figure 6.3, which demonstrates the large fall in prices during the international financial crisis of 2008 and then a slight recovery in larger cities in 2014. For example, Apartment prices in Sofia rose 6% to EUR 790/ m² in 2015 compared to the previous year.¹¹⁸

¹¹⁷ Delmendo, Lalaine. "Bulgaria's Housing Market – Getting Better." Global Property Guide. Apr 15, 2016.

¹¹⁸ Delmendo, Lalaine. "Bulgaria's Housing Market – Getting Better." Global Property Guide. Apr 15, 2016.

Figure 6.3 Annual average market prices of dwellings in district centers¹¹⁹

Source: Data from NSI Macroeconomic Statistics,
https://infostat.nsi.bg/infostat/pages/module.jsf?x_2=276

The rise in price despite the significant housing surplus might suggest that the stock of old (existing) housing is not being utilized and inhabited efficiently. This could be attributed to absentee ownership, lack of a developed rental market, and divestment from and severe deterioration of communist-era housing blocks. These factors would all contribute to underutilization and vacancy of old housing stock, putting upward pressure on the prices of new units coming onto the market.

6.1.2 House prices

Reliable data on housing prices is difficult to find, although several interviews with housing market stakeholders provided price ranges for comparison. Additional data on housing prices is available for certain typologies, locations, and years from the NSI. Prices differ for different typologies across different forms of tenure, which will inform the affordability analysis in Chapter 7.

Using the NSI's Housing Price Index year-on-year data for Sofia to extrapolate on the 2014 price data, existing residential properties were selling at an average of BGN 1,538/m² (EUR 786) in Q1 of 2015 and for BGN 1,621/m² (EUR 828) in Q1 2016.¹²⁰

Data for smaller cities and for new construction is not available from the NSI, although qualitative interviews yielded data for all housing and geographic categories that corresponded to the official datasets. For instance, old panel block construction in Sofia was said to range between approximately

¹¹⁹Data only for existing stock, newly built dwellings excluded. Annual averages were calculated as an average of quarterly data for each year.

¹²⁰ Data from NSI Macroeconomic Data. Average Market Prices of Dwelling – National Level, District Centers; Market Price Indices of Dwelling, Previous Quarter = 100 – National Level, District Centers. https://infostat.nsi.bg/infostat/pages/module.jsf?x_2=276

EUR 550/m² for less desirable properties to EUR 800-900/m² for more desirable buildings in better locations.¹²¹ New construction in Sofia may be classified into several price ranges as illustrated in Table 6.2.

Table 6.2 Ballpark house price range targeted to different income segments in Sofia

Market Segment	Price (EUR per m ²)
Low	600-750
Middle	750-850
High middle	850-1000
High	>1000

Source: Interview with Colliers, November 2016

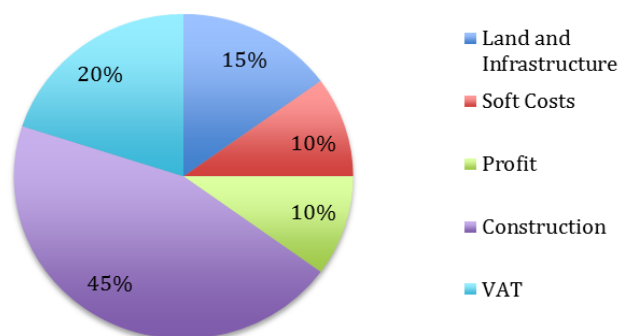
The average transacted price for residential real estate in Sofia in the first quarter of 2016 was EUR 835/m². The average unit price of new houses sold in the Q1 of 2016 was EUR 950/m². The average purchase price of apartments in Sofia during the Q1 of 2016 was EUR 79,800, whereas the price for new houses was EUR 90,000.¹²² In small villages, prices for units can be as low as BGN 1000-2000 for a small house.¹²³

That said, anecdotal information suggests that most real estate sale prices are underreported to reduce tax liability on the transaction. This underreporting can be as high as 20-30% of the actual transaction price or value of the property.¹²⁴

6.1.3 Price breakdown

Figure 6.4 presents a rough breakdown of the selling price of new construction in terms of the cost of land, infrastructure provision, soft costs, construction, VAT, and developer's profit.

Figure 6.4 Breakdown of selling price



Source: Interview with Atanas Danov, LD Group, November 2016

¹²¹ Interview with Polina Stoykova, Bulgarian Properties on November 16, 2016.

¹²² "Sofia Residential Property Market Makes Strong Start to 2016 – Industry" Novinite.com Sofia News Agency. April 18, 2016. <http://www.novinite.com/articles/174084/Sofia+Residential+Property+Market+Makes+Strong+Start+to+2016+-+Industry>

¹²³ Tihomir Toshev, Credit Center on November 21, 2016.

¹²⁴ Tihomir Toshev, Credit Center on November 21, 2016.

6.1.4 Activity in the residential market

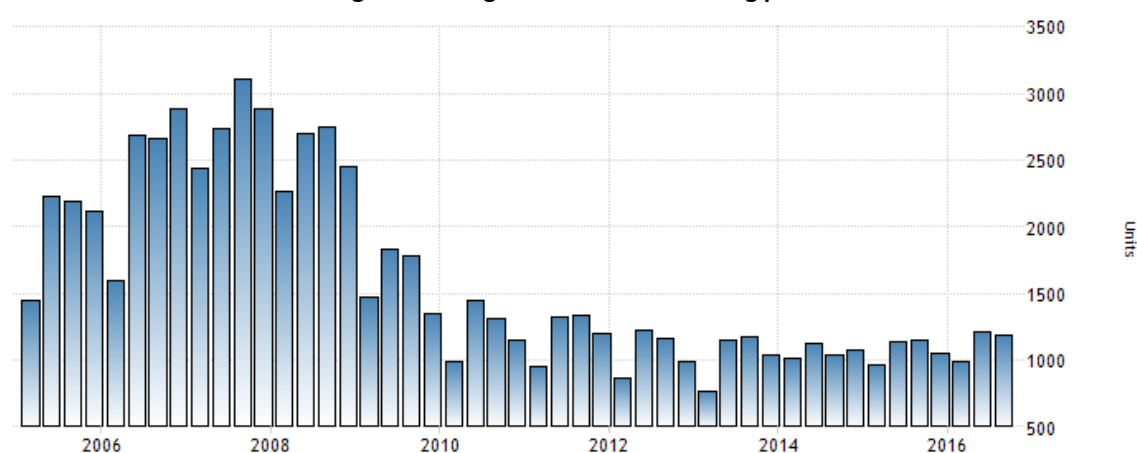
After a slump between 2011 and 2012, the activity in the residential property market has been picking up since 2013 due to increased property demand and higher investor confidence. This is evident from the upward trend in the number of building permits being issued (8.9% increase, year-on-year, also see Figure 6.5), and the number of housing starts (48% increase year-on-year) in 2015 compared to 2014. And even though these figures are still far away from the peaks reached in 2007 for permits and in 2009 for completions, this is an encouraging sign.¹²⁵

Table 6.3 Housing market trends/ indicators (2006-2016)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Building Permits issued (number issued)	53,049	64,185	49,407	20,166	12,832	10,973	10,616	12,278	15,848	17,264
Housing Starts (Number of projects started per year)	N/A	N/A	N/A	N/A	8,009	7,096	6,789	7,669	8,355	12,308
Housing Completions (# projects completed/ year)	13,270	18,864	20,924	22,058	15,771	13,953	9,970	9,250	9,993	7,806
Number of Transactions	71,905	70,225	53,248	46,215	52,955	44,064	45,506	45,732	-	-

Source: European Mortgage Foundation, HYPOSTAT: A review of Europe's mortgage and housing markets (2014 and 2016)¹²⁶

Figure 6.5 Bulgaria residential building permits



Source: NSI, Eurostat¹²⁷

¹²⁵ HYPOSTAT: Review of the European Mortgage and Housing Markets" 2015. Pp41-42.

¹²⁶ http://www.hypo.org/portaldev/objects/6/files/hypostat_2014.pdf; and <http://www.hypo.org/PortalDev/Objects/6/Files/Hypostat%202016%20FINAL.pdf>

¹²⁷ <http://www.tradingeconomics.com/bulgaria/building-permits>

One-bedroom apartments comprised half of the 24,379 transactions in Sofia during 2015. Approximately 37% of all deals were for two-bedroom apartments. Most sales were conducted in cash.¹²⁸

6.2 Rental Housing

Rental prices differ greatly across the market and from city to city. The lowest market rate rent available for a small apartment of 40-50 m² in Sofia is in the range of BGN 120-200 per month, excluding utilities.¹²⁹ In smaller cities like Montana, monthly rent for an apartment of 70-80 m² is approximately BGN 300-360, whereas for a comparable unit in Sofia, it would be BGN 400-600.¹³⁰

Many Bulgarian home owners prefer to not rent out their “non-primary” homes, and this is attributed to a host of issues. From the landlord’s side, these include: (i) The current eviction laws which lean in favor of the tenant, making eviction difficult; (ii) the inability to enforce formal lease agreements in the court of law, even when registered by a notary; and (iii) a general hesitation to rent out the property based on the legacy of poor maintenance.¹³¹ There is also a flat 10% income tax that applies to rental income, which, although minimal, could be a disincentive to report rental income. From the tenant’s side, it is usually the high cost of market-based rental that is problematic. And this has contributed at least in part to the vacancy rate.

The rental market caters mostly to upper middle and high-income renters, and is characterized by a high degree of informality, as tenants and landlords often prefer to reach a verbal or informal agreement as opposed to signing a lease. Many tenants pay reduced or even free rent to friends and family as opposed to entering the formal market-rate rental pool which is often unaffordable.

Students in Sofia can rent in the University City for as low as BGN 30-50 per month, although the quality is reported to be very poor. Outside University City, market rents are unaffordable for the vast majority of students from less well-to-do households. Based on a focus group discussion with students in Sofia, the minimum market rent for a basic furnished studio or 1 BR in Sofia ranges from approximately BGN 120 (excluding utilities) to BGN 200 (inclusive of utilities). Box 6.1 presents some information gathered on the student rental market.

Box 6.1 Student accommodations: Interviews

Student A: Lives in a partially-furnished student dorm in University City. He pays BGN 30-100 per month, depending on utility charges – this includes rents and utility bills. The quality of the housing is very poor, coupled with an unresponsive rental administration. There is a hole in his mattress, a rotting desk on the balcony, and the other roommate has locked off the kitchen and is using it as a private space. He would like to move out, but he has no family property in Sofia in which to live and cannot afford to rent on the market.

Student B: Lives in a newly constructed partially-furnished dormitory, and does not have any major problems with the quality of the housing. However, he encounters difficulty with the state bureaucracy that is responsible for letting the dorms, as there is no contract or accountability as to when utilities must be paid. His rent is BGN 17-18 per month.

¹²⁸ Delmendo, Lalaine. “Bulgaria’s Housing Market – Getting Better.” Global Property Guide. Apr 15, 2016.

¹²⁹ Focus Group with students on November 22, 2016

¹³⁰ Interview with Deputy Mayors of Montana, November 22, 2016.

¹³¹ EU, National Report for Bulgaria, “TenLaw: Tenancy Law and Housing Policy in Multi-level Europe”, p. 21.

Student C: She first rented a centrally located, newly constructed one-bedroom apartment with balcony for BGN 500. Student C's next apartment was a small 12 m² unit close to the National Palace of Culture, which she rented for BGN 200. She recently moved into another centrally located apartment built in 1949 and pays BGN 650 per month, excluding utilities. The electricity bill for October 2016 was BGN 85. She comes from a wealthy family, and her family supports her with the bills.

Student D: Upon moving to Sofia, he first found a two-bedroom apartment through a real estate agent with EUR 280 monthly rent in a centrally located area. Utilities costed BGN 150-200 per month. He then moved to a new one-bedroom apartment located at a distance from the city center and now pays BGN 600 in rent. A one month security deposit was required for this unit. Most people rent through agents and pay one half of monthly rent in commission.

Student E: He lives in an apartment with his family. Originally his family is not from Sofia, but the whole family moved to Sofia gradually, and bought the apartment with a mortgage. He works part-time to sustain himself. He and his brother are supporting their parents in repaying the mortgage.

Student F: She lives in an apartment with her boyfriend and her boyfriend's family. The apartment was bought by the family with a mortgage. Before moving to the family apartment, she lived in a dormitory in University City because she could not afford to rent an apartment. The rent of the dormitory was BGN 50/month and the cost for electricity was BGN 30/month.

Source: Focus group discussion with students in Sofia, Nov 22, 2016.

6.3 Housing Finance

6.3.1 Market trends

Although mortgage declined significantly during the crisis, it appears to be making a strong comeback, particularly in the past two years. There has been a successive increase in the gross residential lending between since 2013 -- from EUR 635 million in 2013 to EUR 697 million in 2014 to EUR 973 million in 2015 – thus reversing the trend observed over the previous years.

Table 6.4 Indicators for residential lending

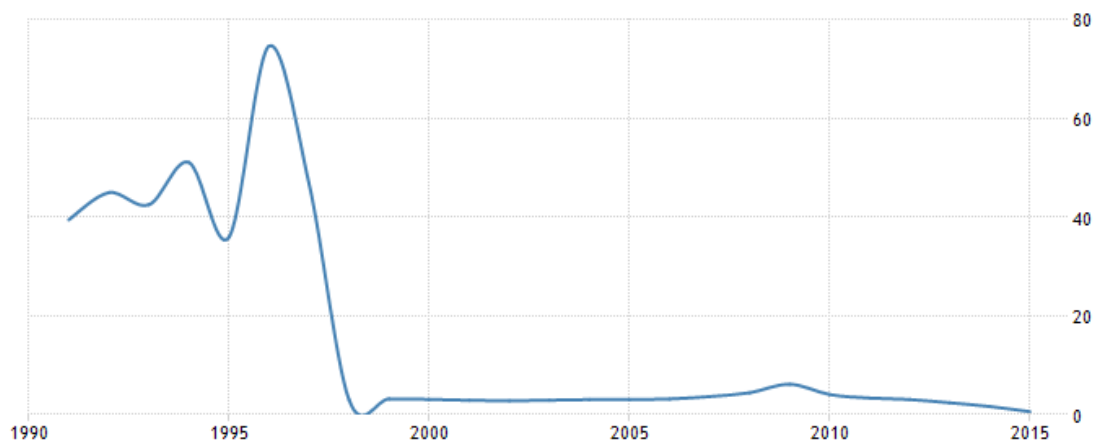
Indicators	2007	2008	2009	2010	2011	2012	2013	2014	2015
Outstanding Residential Loans: GDP Ratio (%)	9.1	10.7	10.9	10.3	9.3	8.9	8.8	8.2	8.0
Outstanding Residential Loans (EUR million)	2795	3806	3798	3714	3589	3573	3507	3499	3522
Change in outstanding residential loans (End of period, EUR million)	N/A	1,011	-8	-85	-125	-16	-66	-8	+23
Gross Residential Loans Total (EUR million)	1783	1648	617	669	656	599	635	697	973
Representative Interest Rates on New Residential Loans (Annual average, %)	8.31	9.09	10.09	8.97	8.23	7.51	6.9	6.6	5.8

Source: European Mortgage Foundation, HYPOSTAT: A review of Europe's mortgage and housing markets (2014, and 2016)¹³²

¹³² http://www.hypo.org/portaldev/objects/6/files/hypostat_2014.pdf; and <http://www.hypo.org/PortalDev/Objects/6/Files/Hypostat%202016%20FINAL.pdf>

The financial sector has been maintaining high levels of liquidity due to the gradually increasing volume of domestic deposits over the past several years.¹³³ Legislative improvements in lending conditions and credit availability together with a gradual decline in savings interest rates and mortgage interest rates (see Figure 6.6) have contributed to an increase in the number of new mortgage loans compared to previous years.

Figure 6.6 Deposit interest rate in Bulgaria



Source: NSI, Eurostat¹³⁴

6.3.2 Products and services

There are no specialized mortgage banks in Bulgaria; most commercial banks offer mortgage products. Five banks, namely, DSK Bank, United Bulgarian Bank, First Investment Bank, Central Cooperative Bank and Unicredit Bulbank hold the largest market share. Funding for mortgage loans is largely based on deposits, although the total volume of mortgage-backed bonds in 2014 was EUR 273.3 million.¹³⁵ Over-liquidity and extremely low savings deposit rates drove down bank interest rates for mortgage loans to approximately from 7.0% in January of 2014 to 4.75% in 2015.¹³⁶ Savings deposit rates in Q3 of 2016 were between approximately 0.2 and 0.6%, compared with a Return on Investment of 4-6% in the real estate market.¹³⁷

Mortgage loans. The average size of mortgage loans in Sofia is approximately BGN 80,000-90,000, while outside of Sofia it is approximately BGN 50,000. More than 60% of housing lending occurs in Sofia, with the rest occurring in other big cities.¹³⁸

While there is a variety of housing finance products on the market, most mortgages conform to the following terms:

¹³³ http://www.hypo.org/portaldev/objects/6/files/hyostat_2014.pdf

¹³⁴ <http://www.tradingeconomics.com/bulgaria/building-permits>

¹³⁵ HYPOSTAT, "A Review of Europe's Mortgage and Housing Markets". 2015. Pp. 28-29. http://www.hypo.org/PortalDev/Objects/6/Files/Hyostat_2015.pdf.

¹³⁶ HYPOSTAT, "A Review of Europe's Mortgage and Housing Markets". 2016. Pp. 41-42.

¹³⁷ Interview with commercial banks in Sofia. November, 2016.

¹³⁸ Interview with commercial banks in Sofia. November, 2016.

- *Interest Rate*: Fixed rate for 1-5 years, at approximately 4.75%; thereafter, variable rate linked to SOFIBOR or EURIBOR. APR is approximately 6%.¹³⁹
- *Currency*: Customers can choose between EUR and BGN, but the majority of loans is taken in BGN.
- *Term*: 30 years, but most borrowers pay off mortgage within approximately 18 years.¹⁴⁰
- *Loan to Value Ratio (LTV)*: 80-85% for new construction, and approximately 10% lower for older panel construction; in the countryside LTV ratios are generally lower than in bigger cities as banks due to risk of price depreciation.¹⁴¹
- *Debt to Income Ratio*: ~ 60%
- *Non-Performing Loan Rate (NPL)*: Below 3%, with most NPLs occurring on mortgages taken to purchase investment properties for rental income.
- *Minimum Income Requirements*: Approximately EUR 500 monthly HH income

Many borrowers take assistance from family and friends in order to pay off mortgages before the 30 year term. This is why the average mortgage term in Bulgaria is 18 years, with many paying off their mortgage before the first renewal of the contract at 10 years.

Consumer loans. Given the low LTV ratios for older properties, some borrowers will take out consumer loans to finance down payments, pay off mortgages before the term of the loan, or finance other housing-related activities such as renovation. It is also quite common to take out consumer loans to finance purchases in buildings under construction, as mortgages are not available to buyers at this stage of construction. The interest rate of consumer loans is about 7% for a term of 5-7 years.¹⁴²

Home improvement loans. Apart from mortgages and consumer loans there are also loans for home improvement on the market. The interest rate of this loan type is in the range of 4.6%.¹⁴³

Most customers of housing finance products are Bulgarians buying their first home. Commercial banks also give loans to foreign customers, however, they are required to have a permanent residence in Bulgaria.¹⁴⁴ Most customers who take out mortgages from commercial banks earn above BGN 1000/month per person. Few banks offer products for people with lower incomes, and those that do require customers with lower incomes to pay higher interest rates due to their higher risk profile.¹⁴⁵ Some banks also use a regional differentiation of the income required to qualify for a loan.¹⁴⁶

Mortgage brokers. Apart from commercial banks, there are also mortgage brokers on the market who help customers find the right housing finance products (mortgages versus consumer loans) on the market. Mortgage brokers also give advice to less wealthy clients on financial planning, in particular, saving for a mortgage. Mortgage brokers' fees are about 1-2% of the mortgage amount, and are paid by the banks.¹⁴⁷

¹³⁹ Interview with Ani Angelova and Mariela Atanassova, Raiffeisen Bank on November 21, 2016.

¹⁴⁰ Interview with Anna Atanasova and Silvia Kalenska, CiBank on November 21, 2016; Interview with Tihomir Toshev, Credit Center on November 21, 2016, Focus group with government officials on November 24, 2016.

¹⁴¹ Interview with Ani Angelova and Mariela Atanassova, Raiffeisen Bank on November 21, 2016; Tihomir Toshev, Credit Center on November 21, 2016.

¹⁴² Interview with Ms. Toteva, United Bulgarian Bank on November 14, 2016.

¹⁴³ Interview with Ms. Toteva, United Bulgarian Bank on November 14, 2016.

¹⁴⁴ Interview with Ani Angelova and Mariela Atanassova, Raiffeisen Bank on November 21, 2016.

¹⁴⁵ Interview with Anna Atanasova and Silvia Kalenska, CiBank on November 21, 2016.

¹⁴⁶ Interview with Ani Angelova and Mariela Atanassova, Raiffeisen Bank on November 21, 2016.

¹⁴⁷ Interview with Tihomir Toshev, Credit Center on November 21, 2016.

7. HOUSING AFFORDABILITY

7.1 Affordability and Housing Cost Overburden

7.1.1 Definitions and Methods

Housing affordability is generally defined as a relative standard, taking into account the cost of housing in relation to GDP, purchasing power, or other quantitative benchmarks. Various levels of housing consumption are compared to these quantitative benchmarks in order to give a picture of affordability.

Housing costs, according to Eurostat, include mortgage payments, housing loans, interest payments, rent payments, as well as utility costs, maintenance costs, and insurance costs. According to the NSI definition, housing costs include costs for housing, water, electricity, gas, other fuels, furnishing, and maintenance of the dwelling unit.

Housing cost overburden rate, or lack of housing affordability, is defined by the European Union as the percentage of people spending more than 40% of net household income on housing costs. This analysis goes a step further in defining housing cost overburden threshold differently for different income groups, as shown in Table 7.1. This is based on the fact that lower income households, after spending on basic needs such as food, have much lesser disposable income to spend on housing.

Table 7.1 Housing cost overburden threshold by income quintile

Income Quintile	Housing Cost Overburden Threshold (percent of HH income)
1 (poorest)	10
2	20
3	40
4	40
5 (richest)	40

Given the prevalence of undisclosed income and conflicting income data, this analysis relies on a combination of data obtained from the field work (qualitative) and NSI data (quantitative).

7.1.2 Incidence of Housing Cost Overburden

The NSI 2015 Household and Budget Survey (HBS) data indicates that households in Bulgaria spend an average of 17% of their total income on “housing costs”. The percentage of households with a housing cost overburden is 10% among homeowners with a mortgage or loan, and 14% for home owners without a loan. Tenancy is also expensive: nearly a third of tenants living in market-rate housing and 16.6% of those living rent-free or in subsidized housing face a housing cost overburden.

Table 7.2 Housing Cost Overburden Rate

Tenure Type	Housing Cost Overburden Rate (% of population)
Owner occupied with mortgage or loan	10.4
Owner occupied, no outstanding mortgage or housing loan	14.1
Tenant (market price)	30.4
Tenant (reduced price or free)	16.6

Source: Eurostat Housing Statistics, <http://ec.europa.eu/eurostat/web/income-and-living-conditions/data/main-tables>

This relatively low cost overburden rate for homeowners conceals the more deep-rooted problems facing Bulgaria today, for example:

- the high degree of home ownership and very small number of households with active mortgage debt or rental payments.
- the fact that a greater percentage of homeowners *without* a loan have a cost overburden than homeowners *with* a loan indicates that the former are likely so poor that even without a loan (which is usually the largest expense for housing), they cross the affordability threshold paying for only utilities and maintenance. While most Bulgarian households own their homes and incur no mortgage or rental costs, they bear the costs of utilities and maintenance that can be quite excessive for lower income households in proportion to their incomes.
- according to NSI data, nearly 50% of homeowners are low income households who cannot afford major expenses for housing, or middle income households who choose not to spend on housing maintenance or upkeep, which has led to the poor quality of many old socialist era multifamily buildings, as discussed in Chapter 3. As such, even households that are not overburdened by housing costs are in fact under-investing in their dwellings, leading to a longer-time quality issues.

In reviewing the housing cost overburden for different population sub-groups, according to Eurostat, in 2015 the housing cost overburden rate was 41.6% for single person households, 15.2% for households constituting two adults, 7.0% for households constituting three or more adults, 24.4% for older residents aged 65 years and over,¹⁴⁸ 30.8% for tenants of market priced rentals and 16.6% for tenants of subsidized or rent-free accommodation.

Among those who face a housing cost overburden, 46.3% are from households below the 20th income percentile, and 66% are from households below the 40th income percentile. This is based on Eurostat data that uses the 40% overburden threshold of income spent on housing expenses across all income segments. However, in reality, if lower overburden thresholds are used for the two lower income quintiles as discussed in the previous section, i.e. 10% for the bottom income quintile, and 20% for the 2nd income quintile, the cost overburden rate will be much higher.

Table 7.3 shows the geometric decrease in housing cost overburden rate as one moves up the income ladder according to the Eurostat data.

¹⁴⁸ Eurostat, 2015. <http://ec.europa.eu/eurostat/web/income-and-living-conditions/data/main-tables>

Table 7.3 Housing Cost Overburden Rate in 2015 by Income Quintile

Income Quintile	Percent of population with Housing Cost Overburden
First Quintile (poorest)	46.3
Second Quintile	19.2
Third Quintile	5.4
Fourth Quintile	2.6
Fifth Quintile (wealthiest)	0.8

Source: Eurostat 2015 data on Income and Living Conditions¹⁴⁹

7.2 Income

7.2.1 Assumptions and Methodology

Household income bands are critical to measure housing affordability, but difficult to measure in Bulgaria given the high prevalence of undocumented and underreported income. According to some estimates, anywhere from 15% to 30% of personal income is unreported, and this is common practice primarily among higher income earners.¹⁵⁰

Given these constraints, this analysis uses two sets of income data: one from the NSI HBS for 2015, and the second from broad income categorizations estimated by multiple housing market stakeholders during the fieldwork conducted for this study.¹⁵¹

7.2.2 NSI income data

Table 7.4 presents NSI income data by decile for 2015.

¹⁴⁹ <http://ec.europa.eu/eurostat/web/income-and-living-conditions/data/main-tables>

¹⁵⁰ Tihomir ToshevUm and Todor (Vitusha), interviews in November, 2016.

¹⁵¹ The HBS measures household income and expenditure, and considers a household to be any number of individuals who cohabitate and share meals and budget. The HBS data considers monetary, non-monetary, and some other irregular income and expenditure, classified according to the Eurostat requirements for EU-SILC. This data provides an accurate picture of average household income and expenditure disaggregated by source and type. The data are available as annual average incomes by income decile groups.

The income data is calculated as total household gross income, which represents a total of all individual income of household members from gross employee cash or near cash income, non-cash employee income, self-employment income, social benefits with include unemployment benefits, old-age benefits, survivor's benefits, sickness benefits, disability benefits, and education-related allowances. It also includes income received by the household as a whole, including income from rental of property or land, social benefits, regular inter-household cash transfer received, income from dividends, interest, capital investments and property sales, income received by people aged under 16. (Statistics on Income and Living Conditions [sic] (EU-SILC) Methodology).

Table 7.4 Monthly household income by decile (BGN), 2015

D1	D2	D3	D4	D5	D6	D7	D8	D9	D10
467	570	611	708	801	984	1070	1238	1448	1969

Source: NSI

In addition to the income data available from HBS, it is helpful to understand the income categorizations as suggested by some real estate companies during the field work. These are very different from the NSI data, in that there are basically three broad income categories – low, middle, and high income – that the developers consider when building housing (see Table 7.5). This helps shed light on the target group that the private sector is catering to, and understand how these income groups fit within context of NSI’s income categorization.

Table 7.5 Household income categorization used by developers in Sofia

Salary Category	Typical income range/month (BGN)	Income used for affordability calculations (BGN)	Income used for affordability calculations (EUR)
Low	800-1200	1000	510
Middle	3000-4000	3500	1786
High	5000-8000	6000	3061

Source: Interviews with real estate companies in Bulgaria, November 2016.

7.2.3 Expenditure data from NSI

NSI’s 2017 household expenditure data indicates that 18% of total household expenditure is on housing-related costs. This is well within – and in fact even lower – than the acceptable threshold for expenditure on housing (and utilities) which ranges between 25-40% of household income. If taken on its face value, this would mean that housing is extremely affordable in Bulgaria. However, the sub-categories of housing expenditure paint a rather different picture: households spend 14.3% of their income on “housing, water, electricity, gas and other fuels” and 3.7% on “furnishing and maintenance of the house.” The bulk of the expenditure in the first sub-category is likely to go into utilities, given that the vast majority of Bulgarian households are not in the house purchase market. The second category includes expenses for housing maintenance, which explains the underinvestment in the existing housing stock.

Table 7.6 Share of Household Expenditure

	2010	2011	2012	2013	2014	2015	2016
Consumer monetary expenditure	85.8	84.0	83.6	83.3	83.4	83.3	82.6
Foods and non-alcoholic beverages	37.2	36.2	33.4	33.2	32.3	31.4	30.8
Alcoholic beverages and tobacco	4.6	4.4	4.4	4.0	4.1	4.4	4.3
Clothing and footwear	2.9	3.0	3.2	3.5	3.8	3.5	3.6
Housing, water, electricity, gas, other fuels	14.3	14.1	15.3	14.2	13.4	14.3	14.3
Furnishing and maintenance of the house	3.4	2.8	3.2	3.4	3.7	3.7	3.7
Health	5.5	5.6	5.2	5.2	5.2	5.3	5.5
Transport	6.1	5.9	6.4	6.9	7.3	7.1	6.9
Communication	4.7	4.6	4.4	4.3	4.4	4.3	4.4

Recreation, culture and education	3.5	3.5	4.1	4.5	4.7	4.9	4.8
Miscellaneous goods and services	3.7	3.9	3.9	4.2	4.4	4.5	4.2
Taxes	3.7	5.1	4.9	4.9	4.9	5.0	5.2
Social insurance contributions	4.4	5.9	6.1	6.4	6.3	6.4	6.5
Regular transfers to others households	1.7	1.7	1.4	1.2	1.2	1.2	1.2
Other expenditure	4.4	3.3	4.0	4.2	4.2	4.1	4.5

Source: NSI¹⁵²

7.3 Housing Affordability: Existing Market

7.3.1 Assumptions and methods

This analysis is based on the following data and assumptions:

- Size of units: one room units are 50 m², two rooms units are 65 m², and three room units are 90 m².
- Square meter prices for old units are derived from NSI data on average market price of units in 2014 (Table 7.7).¹⁵³
- Square meter prices for new units in Sofia are derived from a recent media report on the local market for prices in 2016 (Table 7.7).¹⁵⁴

Table 7.7 Square meter prices for old units (outside of Sofia) and new units

Unit Location/ Type	Price per m² (BGN)
Sofia (old)	1481
Sofia (new)	1862
Blagoevgrad (old)	747
Montana (old)	558
Pleven (old)	772

Source: Miscellaneous ^{155, 156}

- All purchases are assumed to be financed with mortgages. Mortgage terms are taken from interviews with a number of leading Bulgarian mortgage banks, i.e. term of 20 years, interest rate 5%, and LTV 75% for old units and 90% for new units.¹⁵⁷

¹⁵² <http://www.nsi.bg/en/content/5696/annual-data>

¹⁵³ Data from NSI Macroeconomic Data. Average Market Prices of Dwelling – National Level, District Centers; Market Price Indices of Dwelling, Previous Quarter = 100 – National Level, District Centers. https://infostat.nsi.bg/infostat/pages/module.jsf?x_2=276

¹⁵⁴ “Sofia Residential Property Market Makes Strong Start to 2016 – Industry” Novinite.com Sofia News Agency. April 18, 2016. <http://www.novinite.com/articles/174084/Sofia+Residential+Property+Market+Makes+Strong+Start+to+2016+-+Industry>

¹⁵⁵ https://infostat.nsi.bg/infostat/pages/module.jsf?x_2=276;

¹⁵⁶ <http://www.novinite.com/articles/174084/Sofia+Residential+Property+Market+Makes+Strong+Start+to+2016+-+Industry>

¹⁵⁷ Interviews with BulBank, CIBank, Reifeissen Bank, November 2016.

- Upfront payment includes: down payment, closing costs (at 4% of house price), and VAT of 20%, for newly constructed units only. Note: VAT does not apply to transactions of second-hand homes sold by private individuals.
- The prices next to the housing types along the X axis represent total housing price including VAT and closing costs (for new units) and only closing costs for old units.
- Only the housing cost is financed. VAT and closing costs are not financed through a mortgage and are paid separately by the buyer as part of the upfront costs (along with the down payment).
- The affordability thresholds are calculated for income deciles using the official NSI income data (national income deciles) and the thresholds as outlined in Table 7.8.

Table 7.8 Income deciles (2015) and housing cost overburden thresholds

Decile	HH monthly income (BGN)	Overburden Threshold (% of HH income)	Overburden Threshold Amount (BGN)
1	467	10	47
2	570	10	57
3	611	20	122
4	708	20	142
5	801	40	321
6	984	40	394
7	1070	40	428
8	1238	40	495
9	1448	40	579
10	1969	40	788

Source: NSI, Income deciles¹⁵⁸

7.3.2 Affordability of purchase

Figures 7.1 through 7.4 demonstrate the general unaffordability of units in Sofia and other cities in Bulgaria given high monthly mortgage payments as well as the high upfront costs of purchase comprised of down payment, closing costs and VAT.¹⁵⁹ Overburden thresholds per decile are represented by dark horizontal lines. Only the top two or three income deciles can afford to purchase a unit in the several Bulgarian cities examined here. If the trends of underreporting house sale prices or taking out consumer loans to cover the down payment were to be included in these calculations, affordability would decrease even further.

For example, as Figure 7.1 (a) illustrates, people below the 5th decile (HH income BGN 984/m) in Sofia cannot afford to purchase anything in the housing market.

- The seventh income decile (with HH income 1,070/m) can afford a 50 m² 1-room unit in an older multifamily building, costing BGN 77,012 (including closing costs). In addition to the estimated monthly payments, this household would have to produce an upfront payment equivalent to about 20 months of their regular income - see Figure 7.1 (b).
- The ninth income decile (with HH income BGN 1,448/m) can afford a larger 65 m² 2-room unit in an older building costing BGN 100,116 or a 50 m² 1-room unit in a new building costing BGN

¹⁵⁸ https://infostat.nsi.bg/infostat/pages/reports/query.jsf?x_2=457

¹⁵⁹ VAT is only considered for new units in this analysis.

115,444 (including closing costs and VAT). For the new 1-room unit, upfront payment would be equivalent of just under 20 months of HH income, and for the older 2-room unit, it would be about 15 months of income - see Figure 7.1 (b).

Figure 7.1 (a) Affordability of unit purchase in Sofia

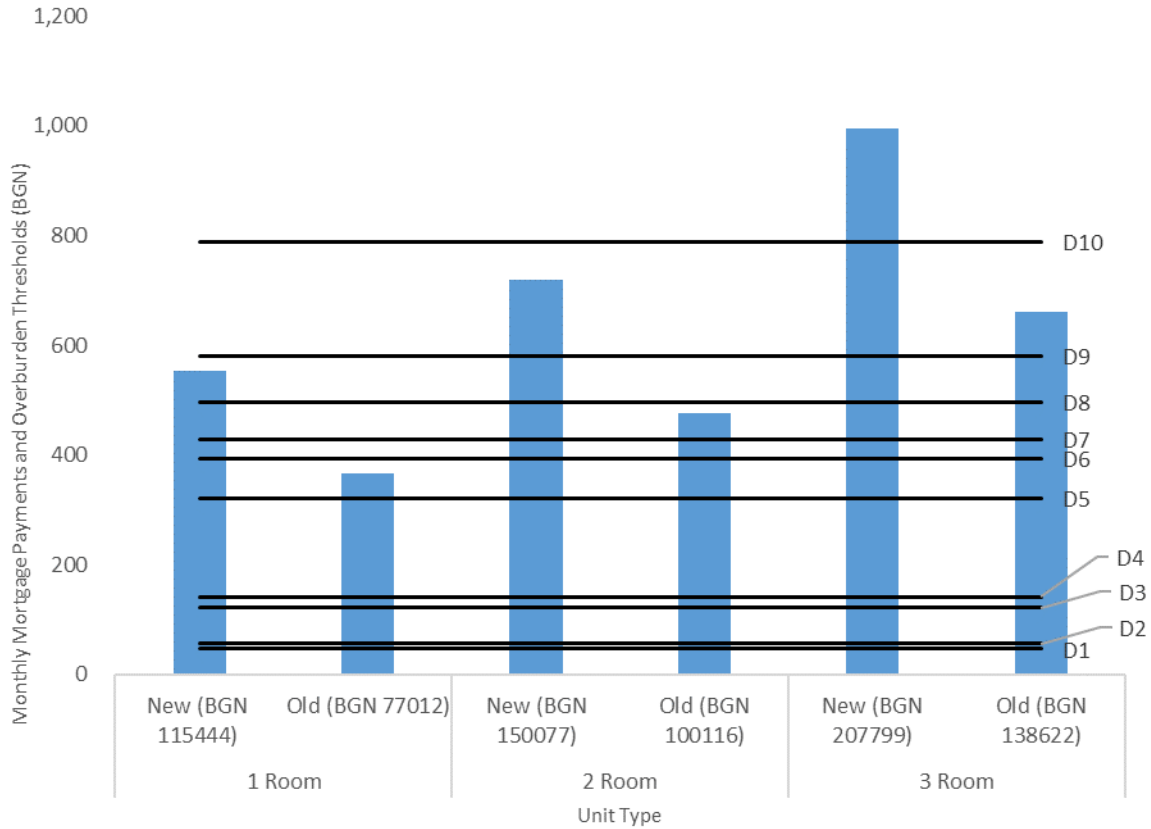
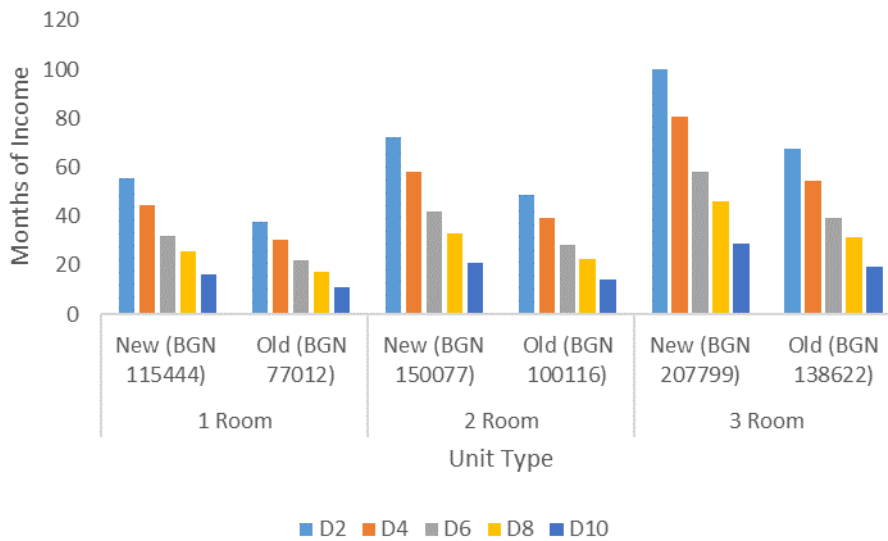


Figure 7.1 (b) Upfront costs of purchase in Sofia in terms of months of income, by NSI income deciles



Similarly, as shown in Figure 7.2 (a), in Blagoevgrad, the fourth decile (HH income BGN 708/m) and below cannot afford to purchase any type of housing unit mentioned above. A household in the fifth income decile (HH income BGN 801/m) can afford a simple 1-room 50 m² unit costing BGN 38,850 or a slightly larger 2-room 65 m² unit costing BGN 50,506. This would require an upfront payment of 11 and 14 months of this household's income, respectively (see Figure 7.2 (b)). The housing affordability – or lack thereof -- is very similar in other cities such as Montana (see Figures 7.3 (a) and 7.3 (b)) and Pleven (see Figures 7.4 (a) and 7.4 (b)).

Figure 7.2 (a) Affordability for old unit purchase in Blagoevgrad

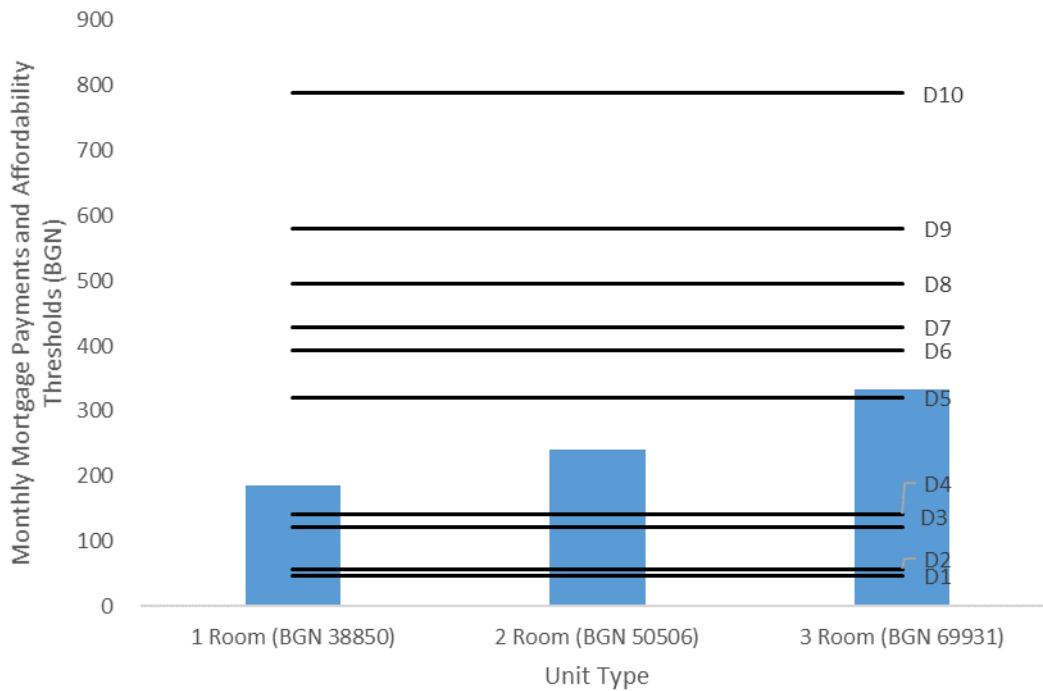


Figure 7.2 (b) Upfront costs of purchase in Blagoevgrad in terms of months of income, by NSI income deciles

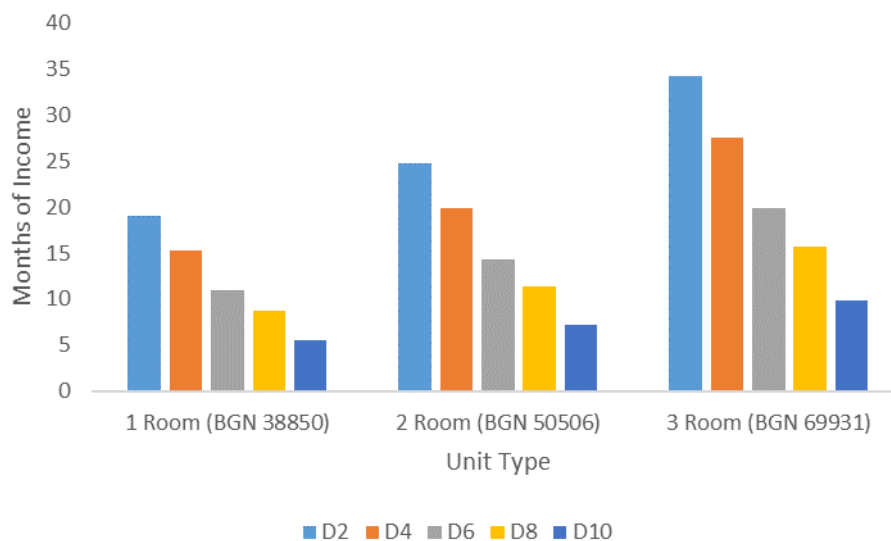


Figure 7.3 (a) Affordability for old unit purchase in Montana

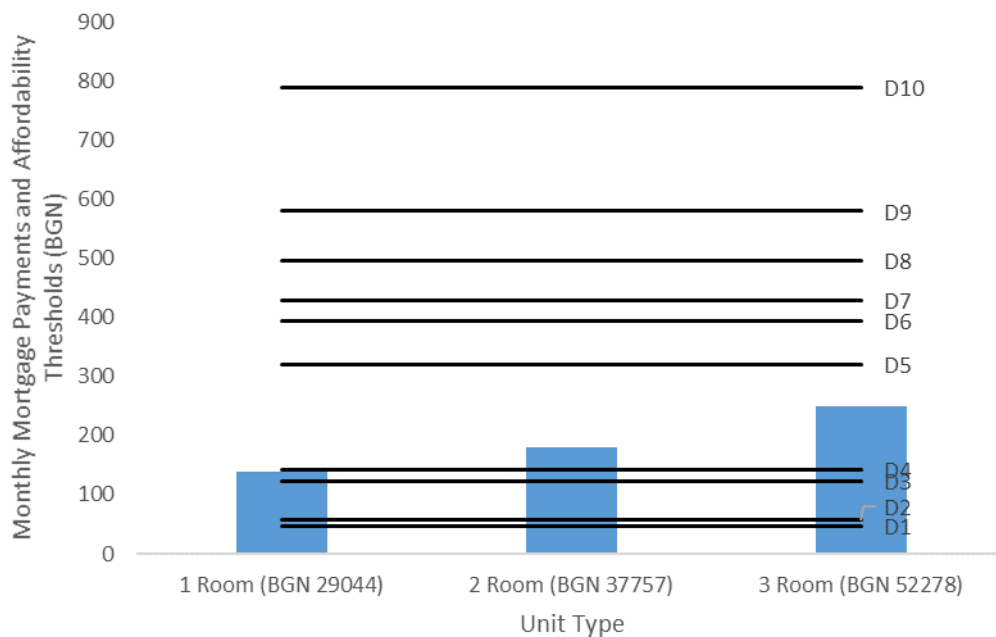


Figure 7.3 (b) Upfront costs of purchase in Montana in terms of months of income, by NSI income deciles

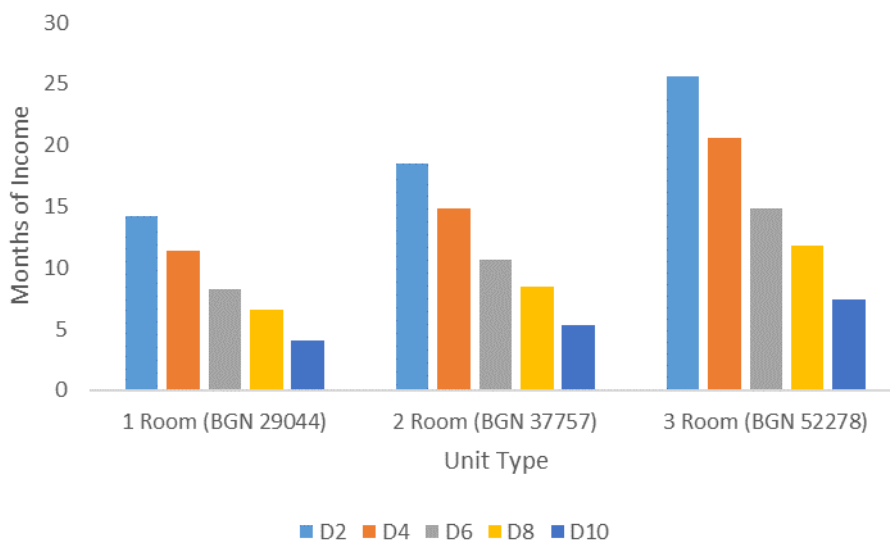


Figure 7.4 (a) Affordability for old unit purchase in Pleven

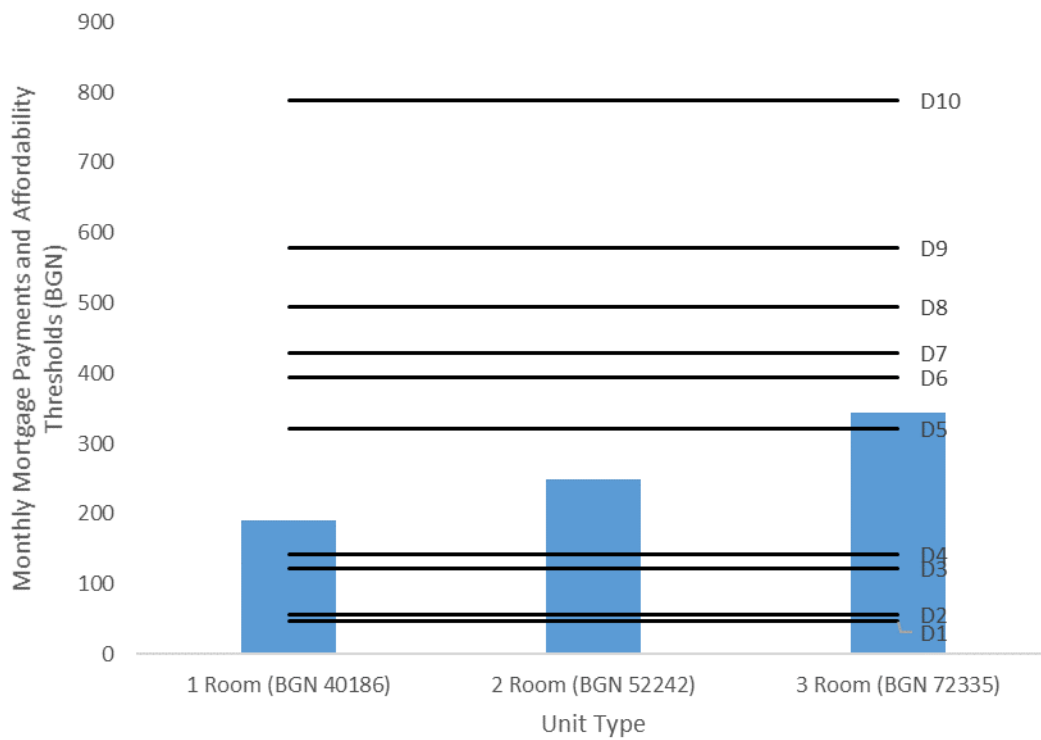
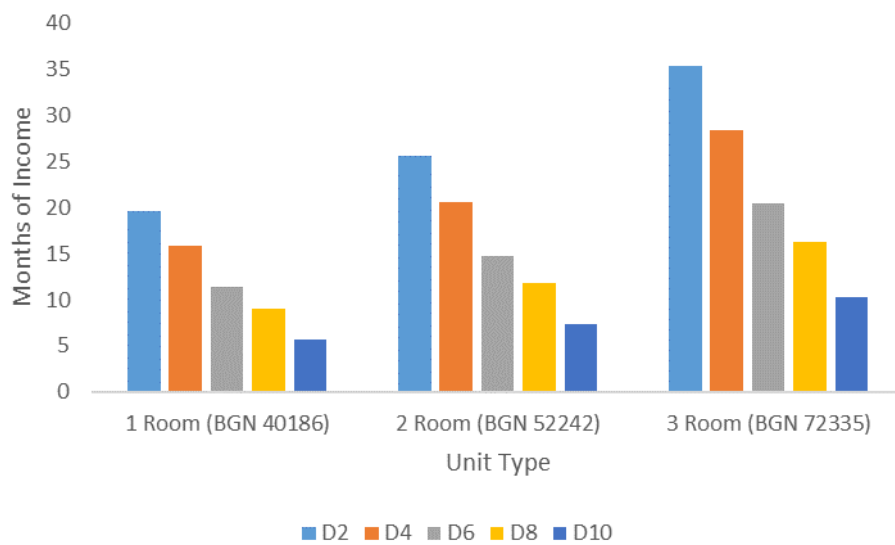


Figure 7.4 (b) Upfront costs of purchase in Pleven in terms of months of income



Despite a growing housing market and favorable mortgage lending terms (e.g. low interest rates in recent years), the data show that only households in the sixth income decile (HH income 984/m²) and higher can afford anything on the market in Sofia. The picture is slightly better in Blagoevgrad and Montana where households in the fourth and fifth income deciles respectively can still afford to buy a one room, old house on the market. However, in all cases the upfront costs are significant, equaling multiple months and even years of income for most income deciles.

Qualitative income data indicative of households participating in the real estate market in Sofia suggests that the expanding housing market is only serving high income households; indeed, the ‘low’ income qualitative category falls between the sixth and seventh income deciles from the NSI data. Households in the ‘medium’ category can afford the most expensive type of unit used in this analysis, which even the top income decile from the NSI data cannot afford. This stark gap in affordability between the two sets of income data corroborates the fact that the market is mainly targeting higher income households.

7.3.3 Affordability of rental

Rental is generally unaffordable in Sofia, where only the highest income decile can afford high priced rental properties. The less expensive rental properties are only affordable to the seventh income decile and above. The trend of multiple unit ownership and vacancy likely contributes to high rental prices, and the informality of the rental market erodes the rights and protections of tenants and landlords alike. Given the high vacancy rates in nearly all Bulgarian cities, there is an opportunity to encourage more rental properties to come onto the market and increase affordability, at the same time offering a viable alternative to the expense of unit purchase, as illustrated above. Figure 7.5 illustrates the general lack of affordability of rental.

Figure 7.5 Affordability of Rental



7.4 Potential options for lower income households

7.4.1 Options for HH earning below median income

Households earning below national median income can afford little on the housing market as it exists today. Table 7.9 shows how many square meters of old construction a household in each income decile can afford in various cities. Scenarios in which a household can afford more than a basic 50 m² apartment have been highlighted. In most cases, households in the fourth income decile and below cannot afford a unit of 50 m² or larger. Moreover, these households are all under most mortgage minimum income requirements.

Table 7.9 Square meters of old construction affordable to different decile groups below the national median income with a standard mortgage loan

Income Decile	Sofia	Blagoevgrad	Montana	Pleven
1	6	13	17	12
2	8	15	21	15
3	17	33	44	32
4	19	38	51	37
5	44	87	116	84

Source: Miscellaneous^{160,161}

Only the fifth deciles can afford above the lowest square meter cost of old construction considered in this analysis (Montana, BGN 558/m²). what households below the national median income can afford to pay per square meter of housing is far below prevailing market prices.

Table 7.10 Maximum square meter price affordable for a 50 m² old unit using a standard mortgage loan

Income Decile	Square meter price (BGN)
1	189
2	230
3	494
4	572
5	1295

Source: Ibid.

Given the low likelihood of anyone in the 0-15th income percentile to get a housing loan, Table 7.11 provides affordability calculations based on a purely self-financed purchase. It shows how many years' worth of income a household in each decile must save to buy an old unit of 50 m² in different cities.

¹⁶⁰ https://infostat.nsi.bg/infostat/pages/module.jsf?x_2=276;

¹⁶¹ <http://www.novinite.com/articles/174084/Sofia+Residential+Property+Market+Makes+Strong+Start+to+2016+-+Industry>

Table 7.11 Years of savings needed in order to self-finance a 50 m² house in different cities

Income Decile	Sofia	Blagoevgrad	Montana	Pleven
1	13	7	5	7
2	11	5	4	6
3	10	5	4	5
4	9	4	3	5
5	8	4	3	4

Source: Ibid

As explained in section 7.3.2, the fifth income percentile is completely priced-out of Sofia and only barely above the affordability threshold to rent in smaller cities like Montana. Lower income percentiles are far below even the rental prices in these smaller cities.

7.4.2 Options for special target groups

Students, young professionals, and starter families are represented in the lower income groups. As discussed earlier, the market only sometimes serves the higher of the income groups that fall below median household income (e.g. the 4th and 5th income deciles), and does not serve at all deciles 1, 2, or 3. Households in these income deciles will need policies to help them access housing. Because the mortgage market is already on very favorable terms for borrowers, policy could focus on rental for these lower income groups, who have trouble finding affordable rental housing, especially in Sofia.

Possible solutions might include government subsidies such as rental vouchers for income-qualifying households. For the very low income segments as well as households living in informal settlements, serviced plots and upgrading programs might be offered.



FINDINGS AND RECOMMENDATIONS

8. KEY FINDINGS

Bulgaria's housing sector provides a window into the broader issues of the country's social, political, and economic transformation in the Europe and Central Asia (ECA) region over the last 25 years. The country's transition has been difficult, and the government has played an active role in reforming the housing sector – starting in 2004 with a Housing Strategy to more recent large-scale initiatives to improve energy efficiency in residential buildings. Still, many challenges remain, and while these challenges are not unique to the region, they appear to be more acute in Bulgaria. For example,

- *Since 2008, poverty rates have been on the rise and income gains for the bottom 40% of the population have slowed significantly.* Over 40% of the population is at-risk-of-poverty¹⁶² or social exclusion, and this problem is particularly prevalent among Roma families and other ethnic minorities.¹⁶³
- *The country has a large stock of deteriorating multifamily residential buildings* – the largest share of pre-1990s housing built by a centrally planned socialist state – which is questionable in terms of its quality, design, and location. A large proportion of the population is either unable to afford basic maintenance or has little incentive to do so.
- *The 2008-2010 global financial crisis resulted in a large drop in house prices* – 30-50% since 2007 in many prime locations – that bankrupted many private developers, and resulted in many households suffering major losses in wealth and equity. The market is only slowly recovering from the shock, but remains volatile.

All these factors – population decline, poverty, deteriorating housing stock, and the aftermath of the financial crisis – have exacerbated the housing demand-supply imbalance. As a consequence,

- *The cost of housing relative to prevailing income levels is very high*, which makes it virtually impossible for households earning less than BGN 1000/month, i.e. those in the 60th-70th income percentile, to purchase or rent any housing in the market. More than a third of young adults are unable to afford a house, and hence are continuing to live with parents or other family.¹⁶⁴
- *The number of informal and illegal settlements has been on the increase*, with people living in poor quality housing and inadequate infrastructure.¹⁶⁵ The situation is precarious for the Roma, more than 90% of whom are categorized as poor.
- *Job mobility and corresponding productivity is very low¹⁶⁶, and emigration is high*, particularly among the educated youth in whom the country has invested so much.

¹⁶² Eurostat ^{definition} of at-risk-of-poverty: those earning below 60% of median equalized income.

¹⁶³ World Bank; Bulgaria National Statistics Institute; EU-SILC.

¹⁶⁴ Ibid

¹⁶⁵ National Report for Bulgaria on the Tenancy Law review, “TenLaw: Tenancy Law and Housing Policy in Multi-level Europe”.

¹⁶⁶ Between 2001 and 2011, only 380,000 people, or 5.1% of the total population, changed residence within Bulgaria (30% within the same town, and 70% into a different town). Nearly half of all people who migrated internally moved to Sofia or Varna

- *Public expenditure in the housing sector is a small fraction of the overall budget, especially the portion targeted to lower income and vulnerable groups.*¹⁶⁷

The Government of Bulgaria (GOB) is now in the process of developing a new National Housing Strategy. This World Bank ASA (Advisory Services and Analytics) was requested by GOB to complement their efforts, and assist them in establishing strategic pillars that could be used as the foundation of this forthcoming Strategy. Key findings of this study are elaborated in detail below, followed by recommendations in Chapter 9.

8.1 High vacancy rate, surplus and overcrowding

8.1.1 Massive vacancy

Bulgaria has a very high incidence of vacant or “uninhabited” housing – some 1.2 million housing units, which is more than 30% of the country’s housing stock. The incidence of vacancy is 43% in rural areas, and 25% in urban areas. (see Table 8.1).^{168,169}

Some of this might be attributed to declining populations in rural areas and small towns, and hence a declining housing demand for rent or purchase. Based on data from 2001 to 2011, all but two districts – Sofia (+10.3%), and Varna (+2.8%) – have witnessed net depopulation.¹⁷⁰

Table 8.1 Vacant housing units in Bulgaria (2011)

	Total dwellings	# Uninhabited or “vacant” dwellings	% Uninhabited or “vacant” dwellings
Total	3 887 149	1 220 416	31.4
Urban	2 566 601	653 105	25.4
Rural	1 320 548	567 311	43.0
Sofia district	176 842	85 277	48.22
Sofia capital	607 473	142 608	23.48

But another explanation for this high vacancy rate may lie in the data itself – from two aspects:

- First, these data are from 2011, one of the peak years of the global financial crisis in Bulgaria, when the property market was depressed. Over the past year, the markets have begun to recover. So, while the picture painted here might be a bit overstated compared to the reality today, especially in some of the larger towns and cities, it does provide a good point of departure more generally, particularly in the context of Bulgaria’s declining population.

¹⁶⁷ In 2013, little less than 1.5% of GDP went into government support of housing and community amenities and housing development.

¹⁶⁸ 2011 Census, National Statistical Institute.

¹⁶⁹ “Uninhabited” houses, as defined by NSI, include vacation homes, apartment hotels etc. (more prevalent in the Black Sea coast) as well as dilapidated housing that is unfit for habitation (prevalent in rural areas and small towns),

¹⁷⁰ 2011 Census, National Statistical Institute.

- Second, the data on “uninhabited dwellings” collected by NSI includes cottages, holiday homes, apartment hotels and such – more predominant along the Black Sea coast – which are not necessarily “housing units” in the traditional sense. It also includes dilapidated, deserted dwellings – in declining towns and villages – that are uninhabitable for one reason or another.

Still, while this may, in part, explain the numbers at the national level as well as in the declining towns and tourist destinations, it is puzzling to see such vacancy in otherwise growing, vibrant housing markets. For example, vacancy in Sofia capital is 24%, 48% in the surrounding Sofia district, 26% in Plovdiv district, and 30% in Varna district.

8.1.2 Housing “surplus”

There is a housing surplus in all districts of Bulgaria, which has grown from 677,053 units in 2010 to 926,853 units in 2014.

The district level data indicate a negative correlation between housing surplus and higher district populations, meaning that the housing surpluses in less populated districts are of greater magnitude. This may, at least in part, be attributed to the significant population decline in smaller towns located in less populated districts. However, even the smaller of the major cities (Varna and Burgas) have large surpluses compared to Sofia and Plovdiv, indicative of the effects of migration on a national scale.

8.1.3 High incidence of doubling -up and overcrowding

So while the 3.9 million dwelling units for 3 million households might, at first glance, have suggested a “surplus”, the fact that 1.2 million of these units are uninhabited implies that, effectively, 3 million Bulgarian households are living in 2.7 million housing units.¹⁷¹ About 1.05 million people, i.e. 15% of the population, live in dwellings that are shared by more than one family.¹⁷² In other words, “doubling-up” is common, especially among lower income households in the larger urban centers: often, up to 3 generations, or some 6-8 family members, live in a small 60 m² apartment.

The national housing overcrowding rate is 41%. The overcrowding rate is particularly high among certain population groups:

- Households at-risk-of poverty: nearly 50%
- Children and teenagers below 18 years: 62%
- Children and teenagers below 18 years belonging to households at-risk-of-poverty: 80%
- Females below 18 years belonging to households at-risk-of-poverty: 83%
- Young adults between 16 and 29 years (59%) Tenants paying market rent: 82%.

This may be attributed to several major issues:

- Bulgaria’s high vacancy rate of 31% (25% in urban areas and 43% in rural areas), which is a result of population shifts to employment centers and international emigration.
- An unaffordable housing market and a highly constrained rental housing stock, which is forcing youth and young families to continue to live with their parents or extended families.

¹⁷¹ 2011 Census, National Statistical Institute.

¹⁷² EU, National Report for Bulgaria, “TenLaw: Tenancy Law and Housing Policy in Multi-level Europe”, p. 40

8.2 Poor quality of old stock, potential seismic risk

8.2.1 Age and quality

Most of Bulgaria’s housing stock comprises old socialist-era multi-family buildings, many of which are made of prefabricated panels blocks. More than three-fourths of apartments in the country are in buildings that are older than 30 years.¹⁷³

8.2.2 Lack of maintenance

While the age of a building may not be itself a problem per se, the lack of maintenance of these buildings over the last several decades has led to a rapid deterioration of much of the old housing stock. This is attributed to a combination of a lacking sense of responsibility for common areas and elements of the building, non-payment of fees by absentee owners of vacant units and some of the poorer residents, differences in income levels among residents, dissatisfaction about the buildings’ conditions and service levels, and a general apathy resulting from a sense of entitlement that the state will take care and pay for the common areas have impeded the establishment and proper functioning of HOAs. The result is all too common: leaking roofs, damaged facades with fallen plaster, dark and ill-maintained stairwells and hallways, and leaking water and sewer pipes in the basements.

Further, while the Condominium Law obliges Homeowners Associations (HOAs) are supposed to maintain their buildings, it does not ‘mandate’ the establishment of an HOA. The supporting legal framework or funding capacity of the public sector to intervene or enforce building management and maintenance is very limited. Management companies are increasingly coming into the fore, but they are unregulated/ unlicensed, and hesitate to service older buildings given the complexity of the underlying maintenance issues and disorganization of the residents.

Fixing these buildings will require major capital repairs and entail huge costs, which many apartment owners cannot afford.

8.2.3 Potential seismic risk

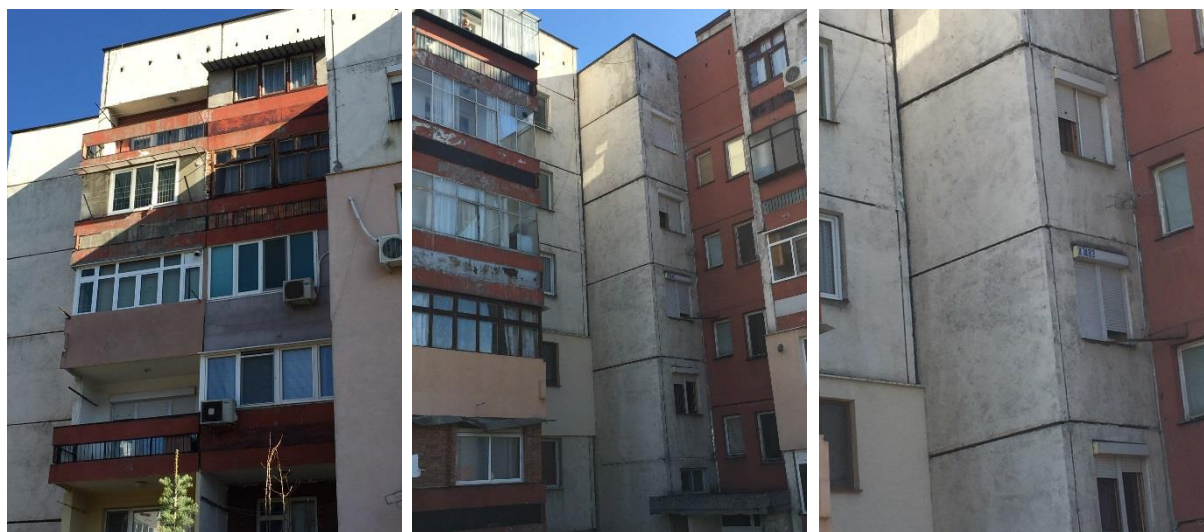
In addition to the above two issues, there is another reason to be concerned: the structural integrity of some of the older housing stock. Old prefabricated “panel” buildings built in the 1970s-80s constitute over 40% of the current multifamily housing stock. The “links” joining the precast panels in these buildings are believed to be at the end of their 50-year lifespan, and in some cases, could be corroding/rusting. Although the extent of this risk is unknown, the fact that the panels are load-bearing, even a remote possibility of disintegration of the links raises serious questions about the structural safety of these buildings. This is of particular concern given Bulgaria’s propensity to seismic hazards (see Box 3.1), but there has been no comprehensive study of the seismic vulnerability of this housing stock to date. In the meanwhile, the majority of residential buildings – according to some estimates, over 95% – do not possess a “Technical Passports”, which is the technical documentation of the building’s structure.¹⁷⁴

¹⁷³ World Bank, Bulgaria housing stock overview.

¹⁷⁴ According to a recent amendment to Ordinance No. 5 on Technical Passports, the deadline for all existing buildings to prepare their Technical Passports was moved from 2017 to 2022.¹⁷⁴ Unlike the old building stock, all buildings built after 01.01.2007 have Technical Passports.

Further, the concept of building-wide hazard insurance is still not prevalent in Bulgaria; apartment owners buy individual insurance for their units.

Plate 8.1 “Panel” building in Blagoevgrad



According to the Spatial Development Act, it is the responsibility of the owners to maintain their buildings in terms of the appearance as well as developing Technical Passports. If they do not comply, the Mayor can appoint a commission to examine the building. This is a “visual” exam that employs X-ray technology to check if the building is consistent with the regulations at the time of its construction. The test does not consider current standards nor seismic risk. Depending on the results of the exam, the Mayorality can place an “order” to the owners to take mandatory improvement measures. In reality, however, neither the municipalities nor the owners have the required mechanisms nor the means to do this. Moreover, the GOB has moved the deadline to establish Technical Passports in all buildings from 2017 to 2022.¹⁷⁵

8.3 Inadequate housing for poor and vulnerable groups

8.3.1 Inadequate government assistance

Little has been done and little *can* be done under the current legal and fiscal structure to address the increasing housing informality and marginalization of poor households. Government assistance falls far short of the prevailing need of poor and vulnerable groups. The lack of both public and private investment in low-income areas combined with social prejudices has resulted in self-proclaimed ‘ghettos’ in which low-income communities (including a high proportion of Roma households) feel marginalized and are even feared by the rest of the Bulgarian population.

¹⁷⁵ Before the last amendments in Ordinance No. 5 on Technical Passports of buildings made on 13.10.2015, there were different deadlines according to the different categories of buildings (category I, II and III – 31.12.2015, category IV - 31.12.2017, category V - 31.12.2019). In the last version of this ordinance there is no difference between the categories of the buildings and the deadline is 2022:

“Technical passports of existing buildings - state, municipal or private property, including construction - a mixed state and private ownership or mixed municipal and private property shall be prepared until 2022. (§ 2. (2) Ordinance No. 5 on Technical passports of buildings, last amendments 13.10.2015).”

There is a lack of proactive interventions for poor and vulnerable communities with respect to the provision of better quality social housing, slum upgrading, land rights. The National Roma Integration Strategy 2012-2020 calls for the improvement of housing conditions in Roma neighborhoods including infrastructure upgrading and titling. However, it is unclear how much funding is set aside for this purpose. The two largest programs in the housing sector – NEEP and Regions in Growth-Priority Axis 1 (Investment Priority 4c) – focus heavily on energy efficiency, and are aimed at serving a broad population and do not necessarily target the poor. While Investment Priority 9a under Priority Axis 1 of the Regions in Growth calls for investing in social infrastructure (including social housing) and promoting social inclusion for vulnerable groups, the focus is on providing “social housing” and “social infrastructure”. In other words, infrastructure upgrading in marginalized areas, which is a very critical and much needed activity, is not an eligible activity in the Regions of Growth program, and neither is there a clear State budget allocation for the implementation of the Roma Strategy.

8.3.2 Insecurity of tenure: Tolerance Certificates and Legalization Documents

Households belonging to poor and vulnerable communities can generally not access the housing market, especially in urban areas, which directly impacts tenure security. Many Roma, who have had a history of landlessness, do not possess legal papers for properties to which they were assigned during the process of ‘forced settlement’ during the communist period or even to which they were relocated to by the government for one reason or another after 1989.

Government attempts to legalize illegal houses in informal settlements have not been successful. Tolerance Certificates and Legalization Documents were introduced as a means to legitimize or legalize illegally constructed buildings. However, they are not universal solutions. They were adopted in a concrete historical context and with the particular aim to retroactively settle the legality issues of buildings that, in principle, were suited to obtaining building permits (in terms of building standards, etc.), but had not done so. These are mainly buildings constructed in rural areas over occupier-owned plots of land that respect at least the minimum building requirements.

While legalization was limited to a defined time period, the Tolerance Certificate (TC) is not, and is still an available option. However, even though the procedure is looser than legalization, very few Roma households have been able to make use of it. This may be attributed to two major requirements of the procedure: i) Clear ownership status, and ii) compliance with the building requirements. If any of these two requirements is not met, the applicant is ineligible.

Also, TCs do not create titles of ownership. On the contrary, one must have already had a title document to apply for a TC. However, in order to sell a house, the owner must submit to the notary public documents proving that the house is legal. In such cases, the Tolerance Certificate substitutes the missing building documents.

Opening of a new window for the legalization option (in its original form) will not lead to many new applicants from the Roma neighborhoods because the same obstacles remain in place. On the other hand, retroactive legalization of unlawful constructions will most probably meet massive public outcry because the measure shall be perceived as favoring unlawful constructions belonging to wealthy owners (e.g. owners of hotels and other large, commercial institutions). In addition, numerous subsequent openings of the legalization window shall create incentives for unlawful construction in the future.

In any case, some form of legalization can be enacted in order to guarantee some degree of security to informal, marginalized communities. Regulating Roma neighborhoods in particular needs a new more nuanced approach that can include, at a minimum: *Ex-officio* identification of land ownership and possibilities for legalization; drafting detailed masterplans; creating financial incentives for the local authorities to pursue legalization; exemption of administrative fees for low income families; etc.

8.3.3 Worst living conditions in city slums

The worst living conditions are often found in slums in the larger cities. Not only do a large percentage of Roma and other ethnic minorities live in slums or illegal settlements, these minorities are also spatially concentrated. That is, the majority population in most such settlements comprises ethnic minorities, primarily the Roma.

Typically, the economically worst-off households live in these areas, including a disproportionate number of working-age Roma who are unemployed or underemployed, with children not attending school and very inadequate housing conditions with poor infrastructure. With improvised housing structures, limited or non-existent sanitation, poor quality or limited water supply and so on, these areas closely resemble slums in developing country cities. However, there is an important distinction between the two: unlike slums in other countries, which are often used as a ‘stepping stone’ to prosperity, these Bulgarian communities seem to be trapped in a vicious cycle of unemployment, poverty, lack of education, poor health, and grossly inadequate housing and infrastructure. Given the relatively higher densities in these areas and the fact that they are often in sub-optimal locations (e.g. garbage dumps and floodplains), these areas pose serious health and environmental risks, and need to be considered priority areas for government action.

8.3.4 Lack of municipal protection for “legitimate” residents of illegal settlements

With space already very limited in existing Roma settlements, newcomers tend to occupy the more dangerous or environmentally sensitive locations, e.g. near garbage dumps, flood plains, forests etc. Local authorities are often unable to monitor – and sometimes unwilling to control – this influx. Such spatial concentration has consequences for the municipality as well as the settlement: not only in terms of planning and infrastructure capacity, but also in that many settlements such as Fakulteta and Filiptovski that started out as “legitimate” are now largely seen as “illegal” because the original residents are vastly outnumbered by new migrants living in illegal structures.

8.3.5 Discrimination and exclusion due to lack of domicile and/ or identity cards

Migrant families, descendants of such families and residents of illegal settlements often have limited or no proof of identity or domicile, which in turn excludes them from not just social housing but also from renting or owning another property or getting a utility connection (electricity, water, etc.). In order to get an electricity connection, the applicant must present a Certificate of Municipal Address, which verifies that the address exists and that the individual is a resident there. A large number of Roma do not have such a document and, as such, utility companies decline them connections (see Box 8.1).

Box 8.1 Requirements for proof of address

The Certificate of permanent or current address does not prove that such an address exists, but in order to get it, one should present an ownership document or contract for rental.

Address registration - According to the Civil Registration Act, any person subject to civil registration is obliged to declare in writing their permanent and current address. This is done in the local Municipality.

The Permanent address (can be only one and just in Bulgaria) is in the settlement, which the person chooses to be entered in the Population registers. This is the address on the ID card, passport and other official documents.

Current address (can be only one, but it can be in a foreign country too) is the address where the person resides.

In order to make the Address registration and get the **Certificate of permanent or current address**, one should present a document that is a proof of ownership or contract for use of the property for residential use. In case of lack of such document, these circumstances shall be established in accordance with Article 92, para. 8 and 9 from the Civil Registration Act:

(8) The circumstances for making an address registration of persons who cannot submit a document under par. 2 shall be established by a commission appointed by the Mayor of the municipality, which includes officials from the municipal administration and territorial departments of the Ministry of Interior, Directorate General "Civil Registration and Administrative Services" in the Ministry of Regional Development and Public Works and the Agency for social assistance.

(9) In the cases under par. 8 bodies under par. 1 refer the matter to the commission, which examines the circumstances and give an opinion on address registration in 7 days. Based on the

8.3.6 Harassment by utility companies and excessive utility bills

In the absence of legitimate electricity connections, “unserved” households in informal settlements resort to tapping into their neighbors’ connections, sometimes with and sometimes without their permission. This “stealing” of electricity has created a difficult situation for everyone involved, not least of all the legitimate residents who endure the worst in terms of excessive bills from the utility companies to cover the costs of the electricity stolen by others.

While the municipality and utility companies accuse and stereotype the Roma of stealing electricity, local Roma residents complain about harassment by the authorities; in order to avoid pilferage, the electricity company in Sofia and some other towns has perched meters high up on utility poles (see Plate 8.2), which the residents cannot access to verify readings and bills. They must pay what the utility company demands or risk losing their connection. The high cost of utilities is especially felt by those at low-income levels – often also with the largest households – where the ability to pay is often hampered by debt cycles or debts inherited from former tenants’ arrears. While this may not be the typical situation, it is also not rare. The burden of utility costs, especially for large poor families living in small dwellings, marks the difference between affordable and unaffordable housing.

Plate 8.2 Individual electricity meters perched in boxes on top of electricity poles

8.3.7 Negative perception of Roma exacerbating social, economic, and physical exclusion

The stereotyping of the Roma as ‘thieves, untrustworthy, lazy, and uneducated’ is rooted in a mentality – in Bulgaria and across Europe – that continues to reinforce itself in many ways. The continuing poverty and marginalization of the Roma is, in a large part, a manifestation of these attitudes. Unless these attitudes change, random acts of disempowerment and discrimination that challenge their dignity will continue to be condoned. In the housing sector this refers to the continued marginalization of Roma communities and the lack of public assistance in the form of upgrading works, including the registration of property rights.

8.4 Limited reach of national government initiatives

8.4.1 National Energy Efficiency Program

Since 2007, the government has implemented several energy efficiency programs in residential buildings, but these programs have had problems scaling up. The earlier EU-funded residential energy efficiency programs executed over the past decade started out with a 50% co-financing element for eligible energy efficiency improvements. This was later increased to 80% to attract more homeowners, together with some soft loans for in-house renovations. Under the most recent (2015-16) National Program for Energy Efficiency in Residential Buildings (NEEP), the criteria were changed: the subsidy element was increased to 100%, the program was opened up to everyone (not just the poor) and the original requirement of 100% homeowner buy-in was reduced to 95%.¹⁷⁶ All these changes to the program have contributed to a much more rapid expansion of the NEEP compared to previous programs.

¹⁷⁶ The HOAs shall declare their interest to participate in the program to the municipality based on achieved consent of 67% among the homeowners. For a building to be granted financing at least 95% of homeowners must agree to provide access to their individual properties.

Box 8.2 Blagoevgrad: National Program for Energy Efficiency

Blagoevgrad has the largest number of residential buildings in the country where the program has been implemented, with around 190 buildings participating in the program. As of 19.05.2017, 60 buildings had been commissioned in operation, construction and installation works were on-going in 67 buildings, and activities are going to be launched in 63 buildings.

Eligibility: The buildings must be pre-fabricated panel buildings constructed in the 1980s with between 6 and 15 floors, with at least 36 households.

Why has the program worked in Blagoevgrad?

- The municipality had a team of specialists that understand all the requirements
- The program was advertised widely in the targeted panel buildings
- Word-of-mouth recommendations from beneficiaries
- The municipality was very engaged in the monitoring of the program
- A grievance mechanism was established by which residents could raise concerns
- HOAs participated in every step of the process

Implementation Process

- HOAs are formed and registered at the municipality as a legal entity (with simplified legislative requirements as compared to NGOs).
- A contract is signed between the municipality and the HOA. Furthermore, after the contract between the municipality and HOA has been signed, the municipality on behalf of HOA signs a sample contract for target financing with Bulgarian Development Bank and the district governor.
- After the building has been approved for participation under the Program, technical and energy audits are performed, after finalization of relevant procedures in compliance with the Public Procurement Act.
- Before construction starts, all involved parties (constructor, HOAs, architect, construction supervisor) come together in a meeting to discuss the construction work.
- Technical and Energy Audits are conducted before construction starts.
- The work is monitored by a licensed construction supervision party. The State Agency for Construction Supervision has the ultimate supervision responsibility

Average Cost. BGN 800,000 (EUR 400,000) per building; BGN 150-160 (EUR 75-80)/m², which covers measures for Energy Efficiency + all accompanying (technical) measures.



Despite the many hurdles faced, the government has managed to get this program off the ground, and there seems to be strong interest to continue it. This is illustrated by the successful experience of municipalities such as Blagoevgrad (see Box 8.2).

However, there have been some problems with regard to project design and implementation, as is recognized by the government. According to a survey conducted under a Poverty and Social Impact Analysis (PSIA) for the NEEP, several factors have contributed to the relatively slow uptake of the NEEP despite the 100% subsidy. This includes a low understanding of the program within the population (except among high income groups), the lack of consensus among homeowners to participate (vacancies are also a challenge in this regard), the compulsory requirement to register an HOA as a legal person, distrust of both neighbors and authorities (fear of potential fraud regarding homeownership), difficulties to prepare the application documents and fear of poor quality of work as well as a lack of guaranties/compensation in case of poor quality work. ;,

The same survey found that owners of units in buildings that have been completed had additional issues:

- In some cases, the contractors did not attend to portions of the work such as fixing the mail boxes or cleaning up. The residents were then left responsible for addressing these issues with their own funds.
- In some cases, there was no grievance mechanism, so owners were not able to report problems in construction works to the municipality.
- Many municipalities were ill-prepared to monitor the quality of construction works. Often municipality construction supervisors did not have adequate knowledge of the retrofitting works at hand. Some owners called for additional EE audits after construction was completed due to the municipalities' lack of capacity in this regard.
- The principle for the building selection ("first come, first served") was not adequately transparent.
- Prices charged by contractors were higher than market prices; to rectify this problem, the government enforced price caps. In response, some contractors resorted to using cheaper materials, which has compromised the quality of some of the construction works.

Moving forward, some challenges remain, as summarized below:

1. From the perspective of improving building management, NEEP requires that an HOA be established and registered with the municipality in order to be eligible for funding under the program, and it is recommended that a capital improvement fund be set up for building repairs. However, experience indicates that while HOAs were established in buildings that participated in the program, their capacity and motivation to deliver their functions remains questionable, and most beneficiary HOAs continue to operate without adequate capital reserves. Another common problem cited is the lack of participation of the HOAs in terms of decision-making or supervision or quality control of the works.
2. A technical audit is conducted as part of the NEEP package, which includes an "investigation and evaluation of the seismic security of the building."¹⁷⁷ While, on paper, this appears to be a reasonable requirement to ensure structural safety, some experts express concern that this is essentially a 'visual observation' of the structural quality using X-ray technology. In the event – and however unlikely that might be – that a structurally unsafe building manages to qualify

¹⁷⁷ in pursuance of Art. 6, para 1 of Ordinance No RD-02-20-2 of 27.01.2012 on design of buildings and facilities in earthquake-prone areas, a technical audit must be carried out within the scope of the program.

for an EE makeover, its structural defects could get further concealed, exposing the residents to catastrophic seismic risk.

3. The 100% subsidy element also raises the issue of equity: the program offers full government funding for energy efficiency measures to every household in an eligible building, regardless of need, and without targeting assistance to the poor. This applies to both, the poorest households within participating buildings, as well as buildings that have a large majority of poor households (including social housing). While recognizing the need for such a subsidy due to the challenges faced in mobilizing this program, and the value in getting the program off the ground first with the “low-hanging fruit” in the immediate term, there is potential to improve the design in the medium and long term, by gradually introducing user contributions over time.
4. Buildings with a majority of poor with a majority of poor people are least likely to participate under the current conditions, but their needs are likely to be the highest. So, while there is value in getting the program off the ground first with the “low-hanging fruit”, i.e. working with HOAs that are more organized and willing to participate, the program could do better in the medium and long term by striving to prioritize and target more assistance to the poor.

And finally, industry experts believe that a 100% subsidy might be too generous for renovating buildings up to C energy efficiency standard, especially given that B standard will be mandatory in the EU in several years.

8.4.2 Municipal social housing

Data on the social housing is very limited, but there is enough evidence to suggest that the current stock current stock does not meet the demand of poor and vulnerable groups. Although local governments are required to provide and manage social housing for those in need, it appears to be an unfunded mandate. Municipalities are hardly investing in the development of new projects; the central government is not engaging in any kind of central policy development and planning for social housing.

In many municipalities, sitting tenants of social housing units have the right to buy the unit they are occupying after a certain period of time (often after five years). This practice is inherited from the socialist period, and is also the reason why the residual stock of municipal dwellings is heavily dispersed in condominiums, making it difficult to manage. It is also further depleting the already limited stock of municipal housing.¹⁷⁸ In some municipalities like Sofia, there is no term limit on social housing, which has exacerbating the backlogs and lengthened wait times.

Where social housing is being constructed, perhaps motivated by funding from the Regions in Growth (Priority Axis 1: Investment Priority 9a), it appears that the target group is not necessarily low income households (see Plate8.3).¹⁷⁹ While the appropriateness of such an approach can only be decided on a case-by-case basis, it would be helpful if the local government had an informed and clear objective for building these social housing units – for example, to attract or retain certain population groups

¹⁷⁸ EU, National Report for Bulgaria, “TenLaw: Tenancy Law and Housing Policy in Multi-level Europe”, p. 41.

¹⁷⁹ Two such projects in Dupnitsa and Sofia visited by the team conducting this study were very luxurious, and fully furnished. The one in Sofia was targeted to people with disabilities, and the one in Dupnitsa was targeted to middle income families who do not own a house.

(youth, professionals, etc.), or to house the needy (low income households or other vulnerable groups). Both are important objectives, but a clear understanding of what purpose the project is fulfilling is clearly lacking.

In general, there is a lack of technical capacity at the local level to plan¹⁸⁰ for or implement social housing projects. Most municipalities do not have the capacity or resources to estimate the demand for social housing by population groups.¹⁸¹ Currently, NSI data on publicly owned housing stock combines both social housing and other state-owned housing; there is no specific data on social housing. Municipalities, therefore, are unable to determine the number of units to build or where and when to implement new projects.¹⁸² This is exacerbated by a lack of financial means to invest in new municipal housing, that restricts the ability of municipal governments to adjust to changing housing demand.

Plate 8.3 New Social housing project in Dupnitsa



In terms of targeting, municipalities are at liberty to establish their own eligibility criteria for social housing. These criteria typically include income, employment, current living conditions, domicile with a registered address, household size, and so on. In most cases, regular income is required to be able to apply for social housing. While this flexibility to adjust to local needs may be good, it risks excluding those with the most need by relegating them to the bottom of long waiting lists .

It is critical to note that people who have squatted illegally and/or do not have a registered address in the respective municipality are, by default, ineligible for social housing on the territory of the respective municipality. In other words, even if an individual squatted more than 30 years ago, he/she would be precluded from applying for municipal housing. With such criteria, the majority of the

¹⁸⁰ For instance, the capacity to estimate the demand for social housing at the local level, i.e. which population groups to cater to, and therefore, which types of units to build. (Source: OSI Europe Foundation, *Housing in Bulgaria: Challenges and Perspectives*, 2003.)

¹⁸¹ For example, housing for the youth is critical in a country where a large number of young people are leaving the country. While it might not be the government's interest to build housing specifically for this group, it would be worthwhile to conduct a study to assess demand of this population segment, and provide the sorts of housing assistance that can serve as an incentive to lure them to stay or move to certain parts of the country.

¹⁸² OSI Europe foundation, *Housing in Bulgaria: Challenges and Perspectives*, 2003.

Roma households that typically lack formal employment, a registered address and generally live in illegal housing/ settlements with large households would be the most disadvantaged in the current social housing system. While it is clear that the problems facing local authorities vary widely and therefore that there is need for flexibility in how they address their unique problems, it is not clear that allowing them to establish their own terms (tenure, etc.) and eligibility criteria for social housing allocation is an effective policy.

9. RECOMMENDATIONS

As the findings suggest, the Bulgarian housing market faces many constraints. This situation is costly for the economy in terms of employment opportunities and productivity, but it also makes it very difficult for municipalities to function effectively. When market responders are unable to respond as easily as they could if the market worked effectively, the costs of housing assistance are considerably higher and the ability of local authorities to carry out their functions are impaired. As a result, besides the difficulties for younger families to be able to move to locations with job opportunities, it is very difficult to assist lower-income households in such a system.

Creating a better functioning housing market is thus an important step to improve the efficacy of housing and municipal programs. Consequently, attention to the sector's broader reform agenda is at least as important as improving the functioning of specific programs.

Below are some recommendations to help inform the government's forthcoming National Housing Strategy.

9.1 Housing Policy: Fundamental Principles

An overarching approach or strategy to housing is required to enable the government to better target scarce public resources to those who need them most, and to facilitate the development of a better functioning housing market. As mentioned earlier, the government is currently in the process of developing a new National Housing Strategy.

The core tenet of a good National Housing Strategy is to target public assistance to those most in need as defined by income or vulnerability. More specifically, public investments need to be targeted first at the poorest households in the 20th income percentile and lower, and then at households in the 20th to the 50th income percentile.

At the same time, it is critical to make the market work better. Subsidy programs, however well-designed and well-targeted, cannot work effectively in a dysfunctional housing market where the vast majority of the population (including middle income households) cannot afford adequate, decent, and safe housing. In such a situation, the subsidies intended for the poor inevitably get "hijacked" by the middle income segment. Here, the role of government as a "facilitator" of a well-functioning housing market – while effectively targeting scarce public resources to the poor – cannot be overstated. This involves a proactive role of the government in creating the right environment through appropriate incentives and tools for the private sector to play its role in housing delivery more effectively.

Accordingly, the underlying strategic vision should outline the types of interventions most appropriate at different income levels. For instance, the poorest households might need purely public assistance, other low income households might be targeted with a mix of public and private "hard" investments, while middle income households might require "soft" assistance in the form of affordable mortgages and tax breaks.

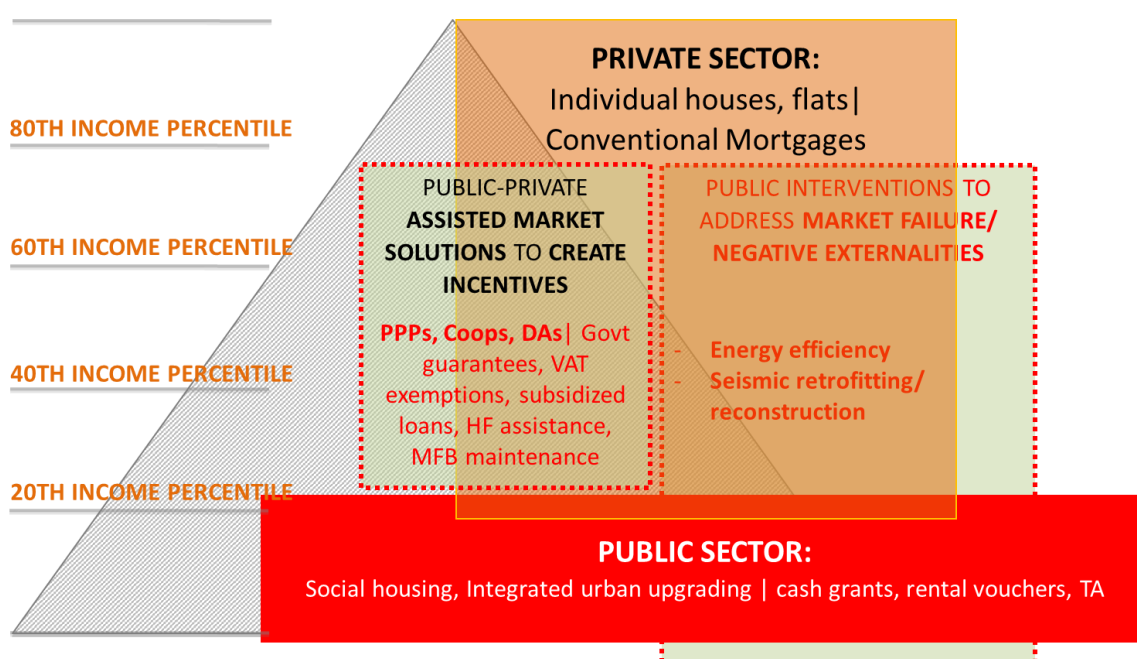
Finally, given the many different markets in different parts of the country, geographical segmentation will be important. In other words, it will be important to customize and differentiate solutions, for

example, between urban versus rural areas, between growing cities with increasing housing demand versus smaller towns with declining populations, and so on.

At a more general level, as illustrated in Figure 9.1 the Strategy should aim for a housing sector where:

- The public sector plays a key role in providing direct housing assistance to the poorest and most vulnerable groups;
- The public sector actively intervenes in specific themes or sectors facing market failure or negative externalities;
- The public sector creates incentives to change behavior and leverage private investments for affordable housing through “assisted” market solutions; and
- The private sector is enabled to serve the housing needs of middle and upper income groups.

Figure 9.1 Functional housing market: Roles of public and private sector stakeholders



9.2 Housing market

9.2.1 Address data gaps in the housing market

While a good deal of data on Bulgaria’s housing sector is available from Eurostat and the NSI, it is limited in terms the quality and price aspects. Also, NSI’s current data on vacant or uninhabited housing – identified in this report as a critical sector that needs more analysis – makes it impossible to assess how much of this vacant housing stock is “usable”, i.e. what percentage can be potentially unlocked for other purposes such as rental or social housing. Getting a better sense of this will contribute greatly to municipalities’ ability to assess and plan for local housing needs. Box 9.1 presents examples of databases used in other countries and regions.

Box 9.1: Examples of housing databases in other countries and regions

The Government of the United Kingdom produces a very extensive set of data related to housing. This data covers the economic, demographic and social aspects of housing but also includes map based information about the different administrative districts.

<https://data.gov.uk/data/search?theme-primary=Towns+%26+Cities&publisher=office-for-national-statistics>

The American Community Survey (ACS) provides demographic, economic, social and housing data derived from the United States census.

<https://www.census.gov/acs/www/data/data-tables-and-tools/>

The United States Department of Housing and Urban Development (HUD) publishes the results of housing surveys:

https://www.huduser.gov/portal/pdrdatas_landing.html#dataset-title

The HOFINET data set is a comprehensive set of data on housing finance. Because home financing is an essential link in the housing value chain, it is important to maintain financial data in addition to more general housing data. The HOFINET indicators can be found at:

<http://www.hofinet.org/countries/context.aspx?regionID=3&id=169>

9.2.2 Unlock vacant houses – for rental and social housing purposes

Under present legislation, local councils have the duty to provide social housing. This requires that they obtain and service land and construct dwellings on it. Once they have obtained these lands and serviced them, they have the duty to allocate the units, collect the rent and maintain the building. The current policy is drawn unduly narrowly in that it requires the local council to construct the dwellings. It can instead leverage cooperatives, housing associations, or private sector developers working with the local council to develop public housing (for social purposes) under a public private partnership while retaining the existing policy of the local council providing and servicing land. In so doing, the local authorities can mobilize funds and land reserves to expand and retain a stock of public housing based on local needs.

New construction is usually not the best solution for addressing housing needs. Given the vast stock of vacant housing, municipalities will need to make sure that regulations are not encouraging wanton new construction. Municipalities can also take a proactive role in signing agreements with landlords of vacant units to use them as social housing. While at least some portion of the large pool of vacant housing units is an untapped reserve that could be used as social housing, appropriate legislation is required before this resource can be utilized. Such legislation should not compromise the rights of the owners of the vacant houses, but rather provide them the necessary protections and incentives to let their houses to people who need housing, with the guarantees necessary to ensure that their properties are maintained adequately. Similarly, incentives could be introduced to encourage landlords to rent out their vacant homes, discussed more in the next section.

9.2.3 Promote the development of a robust rental housing sector

The lack of formal market-based rental housing and particular dearth of formal rental housing in Bulgaria acts as a major deterrent to labor mobility, causes difficulties for newly-weds, and inflates the rents of the limited stock available. The lack of rental housing and particular dearth of formal

rental housing in Bulgaria acts as a major deterrent to labor mobility, causes difficulties for newly-weds, and inflates the rents of the limited stock available. Increasing the supply of rental housing will help increase affordability, especially for young families, and lower income groups, and help make rental a viable alternative to purchasing a house.

Several types of tax incentives may be considered to boost the rental market, for example:

- Rental expenditure could be made tax deductible. This could be a general policy, but will likely be more effective if it is targeted to specific population groups (for example, youth, students, specific groups of professionals, young starter families, etc.) who are likely to be the best suited for rental accommodation.
- Rental income of private landlords renting their own homes (up to a limit, say, of 5) may be exempt from tax. This will also have the effect of encouraging formal lease agreements, thereby bringing many existing tenancies out of the grey economy.

Existing rental policy should be reviewed to ensure that an equitable balance is achieved between the parties – that is to say, creating conditions in which exploitative rents or demands for excessive advance payments are eliminated by an open market, balanced with powers for the landlord to evict tenants who abuse their rights by late or non-payment, damage to the property, creating nuisance to the neighbors, etc. The objective of such policies is to reduce disincentives for landlords to enter the market, thereby increasing the supply of rental housing.

The potential for landlord tenant disputes not only discourages owners from renting out their property, but also leads to very high up-front deposits etc. A simple arbitration procedure may be established to resolve such disputes cheaply and quickly. Ideally, there should be a compulsory arbitration procedure – which is cheap, easy, and fast – before a dispute is taken to court.

9.2.4 Streamline building permit process

Developing a modern, effective and efficient planning and development review system is crucial for streamlining the permitting process. An improved system would be one that is faster, better, concurrent, more predictable, customer-focused, transparent, maintains high-quality community standards, and protects the public interest. This can be achieved through the following measures:

- Increase the budget and staffing of the permitting department, which is currently grossly understaffed and unable to handle the workload efficiently.
- Move from the current sequential review process to a concurrent development review process.
- Create an interagency committee meeting at the concept review phase and design development phase of every major project.
- Establish a technical review team comprised of representatives from all the reviewing and permitting agencies who meet early in the review process.
- Develop a single, comprehensive, automated permit information and tracking system. Create a system that has easy public access to information, procedures and processes.
- Lower the requirements for smaller projects.
- Optimize the whole process and align it with best European practices.
- Clearly identify the roles and the responsibilities of participating parties in the investment process: (i) architects and engineers – design the project; (ii) consultants – make the compliance valuation report; (iii) municipality – verifies the urban indicators; (iv) builder – receives detailed and quality project.

- The scope of the Technical Design is currently very extensive. It includes 13 different project parts. This needs to be simplified.^{183, 184}
- Numerous inspections are required throughout the process from institutions that do not have the adequate capacity. This leads to multiple rejections and undue delays, resulting in a much longer time frame.
- The accountability of the architects and engineers needs to be greater in terms of the quality and performance of the building, and at the same time, the amount of documentation needs to be decreased.

9.2.5 Leverage private sector for affordable housing delivery

Local authorities can leverage the private sector through several instruments for the delivery of private ‘affordable’ housing, and even public social housing, in locations where the current supply is inadequate. In other words, the housing would be built with private investment and centered on a more demand-responsive approach.

Public Private Partnerships. Public-private partnerships (PPPs) in the context of housing provision in Bulgaria can be understood as contractual arrangements between a government entity and a private company whereby the private company uses government resources and shares risk by following government guidelines to provide affordable housing (see Table 9.1).

Table 9.1 General framework for the roles of public and private counterparts in housing PPPs

Partner	Relationship	Responsibilities	Project Incentives
Public body (autonomous semi-government agency funded by relevant ministry; public-public framework)	Enter into PPP with private developer. Share in profits according to pre-determined scheme.	Provides trunk infrastructure to keep costs down and to attract private sector participation	Incentives for construction of affordable housing include tax breaks or free land
Private developer	Enter into PPP with public body through RFQ and RFP. Share in profits according to pre-determined scheme.	Provides project details, expertise, and financing	Can implement cross-subsidization in order to ensure affordability for a proportion of units

Table 9.2 below outlines the components of a housing PPP. These would all work towards achieving a specified goal set out in a national housing strategy, which in the context of this report, could aim towards the provision of affordable housing.

¹⁸³ For example, in Germany, a project for building with total area 2000 m² or less, the drawing requirements are very simple for receiving a Construction permit, while in Bulgaria for similar project, the design team prepares 13 different big folders with drawings for each project part. (Source: Interview with Borislav Ignatov, President of the Chamber of Architects in Bulgaria, (<https://www.youtube.com/watch?v=vUjqdbAMhQw&feature=youtu.be>))

¹⁸⁴ For a single-family house in Germany the design team should prepare 19 different documents and 60 days after the application for the Construction Permit one can start the construction, while in Bulgaria there are 178 different documents and the process is much longer. (Source: Interview with Borislav Ignatov, President of the Chamber of Architects in Bulgaria)

Table 9.2 Typical components in a housing PPP

Stage	Process
Delegation of control and decision authority	Private company given full authority to make physical, financial, and operation decisions according to a set of conditions specified in the PPP governance document.
Devolution of risks to the private company	Normally, the private company assumes the major performance risks, such as completion of the development, construction cost and risk of cost overruns, timing of delivery, delivery price, and warranty of materials and workmanship.
Shared risks	Some risks such as natural disaster or non-commercial risks (e.g. political) will be apportioned or shared between the two parties. Controllable factors related to project execution are allocated to the private party while unpredictable factors are shared.
Sharing of upside	Most PPPs provide that if things go much better than expected, both the private company and the government entity will share in that economic benefit.
Mechanisms for preventing 'shadow profiteering'	Governments normally want to see a transparent cost structure so that they can be sure they are getting the value proposed in the project plan. PPPs should provide mechanisms to prevent misrepresentation and shadow profiteering.
Formal Legal Closing	Upon signing of the legal documents, both parties enter into the PPP.
Dispute adjudication via the court system	The parties in a Housing PPP generally retain the right to sue each other.
Conclusion of the PPP	Housing PPPs have a fixed duration. At an agreed upon time or project stage, the joint venture entity is dissolved and one party withdraws to allow the other to remain in a management position, or control of the assets are assumed by homebuyers as individuals or as part of a Homeowners Association.

Source: Adapted from Smith, David. "Public Private Partnerships for Housing Delivery in Iraq," March 2013.

Build-Operate-Transfer Agreements. Partnerships could be entered into with private developers to develop new social housing under Build Operate Transfer (BOT) agreements. Under this arrangement, the local authority would provide the land and infrastructure, while the private sector would develop the housing, collect the rents and maintain it for a fixed period (typically 30 years) where after the ownership of the property passes to the local authority. Rents would be set at levels sufficient to give a modest return on investment, and subject to review procedures as set out in the BOT agreement.

Development Agreements. Private developers could be required to include a percentage of low-income housing in their developments as a condition for development. Some of this may be used as social housing. A Development Agreement (DA) is a contract between a private developer and the local authority, which is based on the concept of a quid pro quo. As a condition of granting approval to a developer to construct a certain number and type of housing units, the local authority requires that a percentage of those units be priced lower. As noted above DAs may be used to require private sector developers to provide social housing; in other cases, they may simply require that a certain percentage – for example 20% - be priced below, for example, EUR 50,000. This principle of "Development Agreements" is practiced widely in many parts of the world and does not deter the private sector from making investments. In Bulgaria, implementing DAs might require legal amendments to existing regulations.

The same objective may be achieved with a similar tool known as “inclusionary zoning” or “inclusionary housing” in the USA and Canada.

Housing Cooperatives. Housing cooperatives can offer an alternative approach to solving some affordable housing needs without needed large scale government support. A housing co-operative is a housing business that is a consumer co-operative owned mutually by all of its members.¹⁸⁵ Housing co-operatives are modeled differently in every country, although all operate on the principle of one member, one vote.¹⁸⁶ Housing co-operatives generally provide a higher quality of private and communal life at a competitive cost because they are geared towards providing affordable housing to members rather than maximizing profits for developers. Because housing co-operatives are not designed for short-term real estate speculation, rents and prices are generally stable and social cohesion is high among neighbors who are committed to fostering a shared community.

A tradition of housing cooperatives has existed in Bulgaria since the 1920s. They flourished in Sofia in the 1930s and 1940s; the city center of Sofia is dominated by cooperative buildings dating back to that period. Currently, the House-building Cooperatives Act adopted in 1978 is in force. A peculiarity of the house-building cooperatives in Bulgaria is that they were established with the sole purpose of the construction of the building and cease to exist as soon as the building was completed and all members received their own individual dwellings. In the past, the house-building cooperatives were assigned municipal lands designated for cooperative building. After the major shift of the land ownership (restitution, privatization) after 1990, this practice has nearly disappeared.

Given this well-established tradition of cooperatives in Bulgaria, this form of housing might still be a viable option. However, the existing House-building Cooperatives Act must be updated to bring it in line with the modern requirements. For example, according to the current Act, a housebuilding cooperative may be established for the construction of a building with at least six separate dwellings. Also, the underlying principle of the house-building cooperatives was that their members conducted the construction work themselves. Going forward, the subcontracting of a building company is inevitable due to the higher construction standards and requirements, so the Act would need to be changed accordingly.

Cooperatives have for very long been the major source of housing within Germany and Austria, and to a lesser extent in the Netherlands and Scandinavia. They offer the advantage of pooling limited resources to establish a body with sufficiently strong legal standing to borrow funds for house building. In times gone by, the cooperatives raised money from members’ own savings, but now they normally borrow from a financial institution. Housing Associations, widely used in the UK and Germany, is a similar concept (see Box 9.2). In both types of arrangements, there is a policy to support the registration of housing associations or cooperatives, whether in the form of grants, loans and/ or technical or legal assistance in developing the scheme.

Some 10% of Europeans live in housing co-operatives, which generally provide housing below the market price. Housing co-operatives manage over 3.5 million dwellings in Poland (27% of total housing stock in that country in 2009), 17% of the stock in the Czech Republic and Sweden, and 15% in Norway.¹⁸⁷

¹⁸⁵ “Cooperative housing: a key model for sustainable housing in Europe” organized by CECODAHs HOUSING EUROPE. 26 April.

¹⁸⁶ Ibid.

¹⁸⁷ Ibid.

Many European countries boast robust co-operative housing sectors that offer an affordable midpoint between fully private housing and fully public housing both for tenants and for governments that can encourage co-operatives with limited subsidies.

Figure 9.2 Housing co-operatives offer a midpoint option between public and private housing



Cooperatives and housing associations are essentially private non-profit organizations. Because membership is limited to lower income groups, in some cases these bodies may qualify for subsidies. They may be formed by residents of a specific locality, savers, employees in specific industries or workplaces, or any other group with a common interest. They may have different roles as described below:

- *Housing cooperatives as private developers of affordable housing.* There is a strong tradition in Germany and Austria, and in a slightly different form in the Netherlands, Scandinavia and England, that a group of people (typically lower middle or working class) join together to form a non-profit organization which will develop housing to meet their needs. This allows them to select the site on which they will develop and design the development. Typically, they will make a small capital contribution from their savings, but the majority of the capital is sourced from the private market or sometimes specially earmarked government funds. Land, however, is often provided by the state or the Local Authority. Once completed, the units are occupied by the members of the cooperative as owner-occupied dwellings. In some cases, members may sell their units, but there are often clauses requiring the sale price to be to the benefit of the cooperative with the seller only retaining the funds that he had invested up to the date of the sale. This discourages speculation and justifies the use of public funds in the initial investment.
- *Cooperatives as registered social landlords.* In many cases, these organizations develop only for rent. They might develop only for rent of their members, or may build for a wider public. As non-profit organizations catering for lower income groups they are eligible for subsidies and can benefit from the preferential treatment in terms of land and infrastructure provided by the local authority. As such, they are well placed to act as a provider of social housing, thus taking the management burden from the public sector. Typically, such associations can usually access public sector funds for the development. This would of course require the establishment of conditions facilitating the non-profit rental housing sector, following experiences in the EU member states, and drafting legislation to regulate the development of such housing stock.
- *Cooperatives as an integrating force.* The 'ghettoization' of social housing is bad for the occupants and for society at large. Throughout Europe there is increasing concern about the emergence of an underclass in zones of social housing. This results in harmful stigma to the occupants as well as a loss of care for the environment by those affected. Cooperatives and Housing Associations offer the opportunity for a social mix. Indeed, projects may be designed in such a way that subsidized and non-subsidized families share common facilities.

Box 9.2 Cooperative Housing and Housing Associations

The concept of people forming groups in order to obtain housing started in the 19th century and has been formalized in several ways. The “Building Society” and “Savings and Loans Banks” are examples of mutual societies in which citizens join to raise funds for building. Cooperatives in Europe played a similar role, and were a major force in developing housing in the first half of the 20th Century.

The Case of Germany

In Germany, the first housing cooperatives were founded because the growing cities of the 19th century provided inadequate housing. After the first major foundation phase around 1900, numerous new coops were established in the 1920s, often by trade union members. Cooperative housing construction experienced a new upswing after 1945 in reconstructing the destroyed cities and accommodating refugees. Some 50% of existing cooperative housing stock in West Germany was built in the 1950s and 1960s, and about 60% of stock in East Germany dates from the 1970s and 1980s. The drastic reduction in housing subsidies after the 1980s and the abolition of the Non-Profit (or Public Utility) Housing Act in 1989 in West Germany, as well as the end of the housing construction program of the GDR changed the ground rules regarding financing of cooperative housing.

However, the not-for-profit tradition in Germany is associated with the provision of housing for *lower-income households*. Although in the late 1980s there was a trend for West German housing cooperatives not to claim public support because they found themselves confronted by the segregation of “difficult” tenants in social housing, charges for inappropriate occupation, and long lock-in periods – about 80% of cooperative dwellings are now no longer subject to price and occupancy commitments – this did not necessarily mean that lower-income households were not accommodated. East German coops have a relatively high proportion of rental tenants (22.3%) with a net household income of under EUR 1000 as a result of the privatization of local authority housing stock, housing cooperatives in some local authorities have become the most important providers of affordable housing. The fact that most major cooperatives now employ social workers or cooperate with other social service agencies points to an aggressive approach on their part.

Cooperative approaches can also reduce the individual risk of homeownership, especially if they are associated with self-help. Most cooperatives see another task in adaptation to an ageing population. As far as *age structure* is concerned, members and tenants of most cooperatives are on average much older than the population at large, 40% being over 65, so that secure and stable living arrangements are needed to ensure residents can remain.

Geographical differences exist concerning the objectives of cooperatives. The development of owner-occupied dwellings plays a major role in South German housing cooperatives, whereas large rental cooperatives are to be found in North Germany.

Source: Beetz, S. German Journal of Urban Studies Vol. 47 (2008), No. 1 - Housing Cooperatives and Urban Development

Housing Associations in the UK

A similar concept has been used in Britain following the large-scale sale of public sector housing in the 1980s. Groups who form a Housing Association are eligible for a social housing grant, and usually obtain the remainder of the capital cost from a commercial bank. They operate as non-profit companies, trusts or voluntary associations. Government established the Homes and Communities Agency as a body to assist the Associations and channel grant funding for them.

Energy Service Companies (ESCOs). ESCOs have proven effective in other countries such as the Czech Republic, the USA and others, especially with the public sector as client. This is because public entities typically have a range and scale of building types that can be serviced – including hospitals, clinics, schools, offices, and housing. Further, public owners are typically long-term asset holders as compared to commercial asset holders and managers. ESCOs are generally able to get bank financing relatively easily for works in public buildings.

ESCO models should be explored where public housing and other properties in public ownership can be offered together for ESCO-type services and financing. As energy performance contracting is relatively new, a common issue raised is that public procurement legislation often does not cater to it, or is unclear on how this may be allowed.

Energy Efficiency Revolving Fund. A revolving fund where savings from the energy efficiency (EE) and renewable energy (RE) investments is used to make additional investments. A revolving fund can help implement scaled-up programs in public buildings. For example, the World Bank provided support in setting up the Armenia Renewable Resources and Energy Efficiency Fund (the Fund). The Fund has made an initial USD 10 million investments in public buildings, and now is able to make more investments without additional capital injection other than the capital reflows. The Fund provided turnkey services for EE upgrades in eligible public buildings, including energy audit, procurement, detailed design, financing, construction and monitoring. The project has developed, tested and disseminated replicable and sustainable models for EE service provision through energy service agreements (ESAs). Under ESAs, the clients only pay what is currently payed for energy, i.e., a baseline payment. The Fund makes new (lower) energy payments and recover its investment cost and associated fees until the contract period ends.

The cash flow under the ESA allows the Fund to remain constant while retaining energy cost savings for the duration of the agreement. The contract has a fixed term and may be terminated after the agreed payment is made, which encourages the client to save more energy. In the case of public clients, ESAs are generally not viewed as debt, but rather long-term service contracts, thus allowing financing of central government entities that may not be allowed to borrow, and municipalities that may have already reached their debt limits or otherwise have borrowing restrictions. This approach provides a dual advantage to the client of being relatively simple to implement with very little risk.

9.3 Old Socialist era housing stock

9.3.1 Carry out a detailed risk assessment study on panel buildings

It is a well-known fact that panel buildings (and all other buildings in Bulgaria) have high exposure to seismic activity. It is also a fact that the structural integrity of panel buildings relies on the metal “links” that hold the panels together. However, it is *unclear* whether or not those links continue to retain their structural integrity after 50+ years. This as an urgent issue with high risk exposure and potentially catastrophic consequences. There is thus an urgent need for this matter to be investigated further. Accordingly, a comprehensive study of the seismic vulnerability of this housing stock is strongly recommended.

9.3.2 Increase public awareness of the legal framework surrounding building maintenance and safety

The provisions in the Condominium Law outlining the responsibility of HOAs to maintain and manage their buildings need to be disseminated more widely, so owners jointly take responsibility of the

common areas and common elements of buildings. This is particularly relevant for the on-going NEEP program where these measures could be included as part of the standard package of measures.

9.3.3 Provide technical assistance and capacity building to HOAs

A small training and technical assistance unit could be established which can make its services available free of charge to HOAs. It would:

- Provide a quick dispute resolution service;
- Advise on routine maintenance procedures and prudent financial management regarding maintenance;
- Advise on matters arising from major maintenance needs, including: Prioritizing repairs, obtaining finance for repairs, and obtaining suitable professional construction management.

This unit could be located within the MRDPW, with some presence in the regions/ municipalities to provide demand-based services.

9.3.4 Link energy efficiency measures in NEEP program with more general building improvements

There is a need to assist homeowners with ‘comprehensive’ modernization of multi-apartment buildings including thermal insulation of walls, roofs, doors/windows, common areas, improvement of district heating systems, building services upgrades, structural/ cosmetic repairs, metering installation – not only thermal insulation, as is currently being practiced. This will improve efficacy of building performance and will also reduce the chance of individual, piecemeal upgrades that are inefficient and expensive. Technical assistance and financing should come from the proposed National Housing Fund to HOAs and cooperatives to undertake such large-scale improvements, possibly over phases, and special allowances/ grants to low income households to do the same. The draft for the EU ROP 2014-2020 stipulates that structural strengthening work will be implemented, if necessary, along with thermal insulation work. Although the Applicant guide is not yet implemented and exact details of funding splits are not known yet, this is expected to be a step in the right direction. Inclusion of common areas and maintenance facilitation would improve efficiencies even further.

9.3.5 Enforce HOA savings in a capital reserve fund (particularly under NEEP)

While it lasts, the current 100% subsidy element in the NEEP can be a strong lever to make HOAs contribute into their capital repairs fund. A precondition for NEEP funding could be introduced: what would otherwise have been expected as an HOA contribution (e.g. 5 to 20% of total project cost) could be required as a reserve budget for the building to be deposited into a capital repair fund to be maintained at a specified minimum level. Here again, poor households who are unable to make this contribution may be supported through a Housing Allowance.

9.3.6 Improve subsidy design of the NEEP

It is recommended that, for the medium- and long-term, the government consider introducing a sunset clause for the 100% co-financing subsidy under the NEEP that comes into effect (i.e. in five years) after which the co-financing element would be gradually reduced with each passing year. This could serve as an incentive for more HOAs to sign incorporate quickly and also render the program more financially sustainable in the long term. Poor households in participating buildings could be supported with additional grants through the Housing Allowance mentioned below.

The justification for the 100% subsidy provided by government officials is that most buildings have many poor households who will not agree to sign up without a full subsidy. This issue could be more effectively addressed by targeting the subsidy to those specific households in need. The Housing Allowance discussed in Section 9.4.5 could be used for this. This will not only be a more efficient and equitable use of government funds, but also be much cheaper for the government, overall.

9.3.7 Provide transitional accommodation for residents during retrofitting, where needed

In buildings with urgent need for retrofitting, there needs to be a plan to ensure that residents are temporarily moved into transitional shelter provided by the state. Instead of build new social (emergency) housing, the government might consider offering other more flexible incentives to households to vacate the premises so that improvements can be undertaken - for example, rental vouchers offered to all residents – with special assistance focused on the poorest and more vulnerable groups. This will be a major incentive for them to move. However, it should be designed as a progressive subsidy, as described in Section 9.5.4 on rental vouchers for social housing.

9.4 Low income and vulnerable groups

9.4.1 Expand the menu of housing options for the poor

No single housing product works for all; in all cases, it will be important to adapt the product to meet the needs of different population groups, and not the other way around. This is particularly relevant for the poorest communities, including the Roma, for whom ‘housing assistance’ can be expanded beyond the delivery of public social housing to include a menu of options that are not just more appropriate for the recipient households and their lifestyles, but also more value-for-money for the government, more equitable, and more sustainable.

Housing programs to assist the poor can adopt the following elements in their development and implementation to better serve poor communities:

- *Emphasize ‘process’, not only ‘product’.* It is important to understand that often participatory processes are time-consuming on one hand and slow with respect to upfront monetary disbursements. But they are critical for success. Local housing improvement programs require a constant and patient engagement with the communities to identify the right interventions and to build ownership for the product. The communities must be *drivers of the process*¹⁸⁸ and act as decision-makers on the type of housing solution they want and/ or need.
- *Integrate physical investments with sustainability measures that address the root causes of poor living conditions.* In programs targeted to low income and poor households, it is critical to integrate ‘hard’ and ‘soft’ measures, i.e. physical investments with sustainability measures to address the root causes of poor living conditions. This is already being done in certain municipalities, but needs to be scaled up. Such measures include: (a) income generation support such as vocational training (e.g. involve local population in infrastructure upgrading, which builds ownership, creates job opportunities, and develops skills), job search assistance, apprenticeship facilitation, second chance education; (b) transition and social integration support such as conflict mediation by social workers, awareness campaigns, community activities to facilitate interaction

¹⁸⁸ Martin R., Mathema A. *Development Poverty and Politics: Putting Communities in the Driver’s Seat*, Routledge, NY, 2010.

and understanding; and (c) organizational support, such as facilitation of formation and running of residents' associations / committees and capacity training (accounting, basic financial literacy, community decision-making).

- *Encourage inclusive developments, retain the social fabric.* To the extent possible, any housing intervention should ensure that the existing social fabric is retained; this applies especially to the poorest and most vulnerable households. It is important to emphasize that, to the extent possible, there should be no distinction made as to the application of government programs based on ethnicity (e.g. between Roma- and non-Roma) within the same community in order to avoid conflict and resentment.

9.4.2 Legalize informal settlements

It is in the interest of the government to facilitate the legalization of “upgradable” informal/ illegal settlements – for example, settlements located on lands suitable for habitation, not hazardous areas – for several reasons. One, legalization will encourage private infrastructure investment into these areas; two, it will improve the health and productivity of poorer communities; three, once these areas are legalized and upgraded they can be a potential source of revenue for local authorities (through property taxes). Also, once given a clear sense of ownership, the local communities will be in a position to work with the municipal authorities to protect their settlements from potential illegal invasions. However, unlike when the previous legalization window was opened, this time caution would need to be exercised to ensure that:

- The legalization process is simple and inexpensive;
- it is targeted well to benefit specifically lower income settlements and poor households;
- the residents receive all the technical and financial assistance necessary to facilitate the process;
- the technical standards are lowered (for example, requirements for minimum plot size, distance between the buildings, rights of way, road widths, construction standards etc. See Designation of Improvement Areas in Section 9.4.3);
- clear and legal ownership of the land underlying the house is also provided.

9.4.3 Designate “Improvement Areas”

Under the Spatial Development Act, which serves as an umbrella for other laws, the norms/ standards for a house are too difficult for poorer households to meet. This may be why they are flouted. Households in informal settlements also have difficulty conforming to zoning regulations, partly because the settlements grew in an unplanned, organic fashion.

The application of uniform and universal minimum building standards can never be achieved in view of the fact that existing stock, especially rural housing, does not conform. This anomaly does not prevent most jurisdictions from requiring that all new housing be built to conform to it. This creates a de facto two-tier system. Although the role of building standards is to ensure that buildings are strong, waterproof, properly insulated, and with an appropriate level sanitary provision, all of which are excellent goals, in fact there are segments of the population for which these standards will take time to achieve. Meanwhile, their priorities may place a higher value on space than services. It is therefore better to permit building to alternative standards than to try and insist everyone reach a standard that is impractical.

At the settlement level, this may be achieved by designating areas of informal housing and incremental housing development as “Improvement Areas” within which a different set of more relaxed infrastructure standards will be applied. Such regulations should not skimp on issues of the ‘hard’ components (related to structural stability, safety and health) but should be flexible in terms of the ‘soft’ components (finishes and materials), which can be upgraded with time. At the household level,

this requires a regulatory framework that recognizes the right to occupy units that are technically ‘unfinished’. Incremental increase in the size of the dwelling should also be allowed so that a simple two room unit may be expanded to a 3-bedroom unit over time. The Tolerance Certificate comes close to providing such a framework. It can be further improved, and possibly also renamed to something that offers more dignity and legitimacy to informal communities.

Finally, zoning and general municipal plans are critical tools that municipalities can use to provide infrastructure to existing settlements and plan for future growth. Re-zoning informal settlements might be more time- and cost-effective than construction new social housing, and might work as a much more effective solution for residents.

9.4.4 Facilitate the monitoring of individual meters by users in illegal settlements.

Perching electricity meters high up on electricity poles to prevent pilferage and theft has resulted in users being unable to monitor their usage. Many feel they are being unfairly over-charged and have no recourse. A user of any service is a “client” or “customer”, and deserves to get the same treatment as other users, and also the ability to hold the service provider accountable. These households are “legitimate” users of electricity in what are deemed illegal settlements and should have access to their meters. The service providers should be required to place the meters within the premises or within reasonable distance of each user’s home where they can be read by the customer.

9.4.5 Introduce “Housing Allowance” for the poorest 40%

The poorest households (bottom 20th income percentile) typically should not use more than 10-15% of their income on housing and related utility expenses combined. Similarly, those in the 20-40th income percentile should not spend more than 20-25% of their income on housing and utilities. Subsidies for both housing and energy should factor in this in the calculations.

This is particularly relevant for those who might want to rent a social housing unit, or those poor households in multifamily buildings that cannot make their monthly contributions. A housing allowance program may be introduced, similar to the one in Kazakhstan (see Box 9.3), that targets households below the 40th income percentile and those in other “vulnerable” categories (disabled,

Box 9.3 Kazakhstan: Housing Allowance Program

The current Housing Allowance Program was initiated in 2011 to assist residents on an income-targeted basis with the cost of capital repairs in common areas of multifamily residential buildings. The allowance covers expenditures beyond 10% to 30% of total household income, depending on region, as determined by the local representative bodies. Eligibility criteria and application rules vary by local legislatures (*maslikhats*). In principle, this is a good program to support housing renovations; however, data to determine its effectiveness are unavailable.

Illustrative example

At a general meeting of a HOA, the required 2/3 of the homeowners decides to make certain repairs of common areas in their building where 500 households reside. The cost of work is KZT 10 million. Accordingly, the contribution from each of the 500 apartments will be KZT 20,000 (assuming all apartments are of equal size). A household with a total income of KZT 50,000 - in a region of Kazakhstan where the threshold for co-payment by a household is 10% of total family income - should contribute KZT 5,000 (for housing plus all utilities), and the difference KZT 15,000 is paid by the Government as housing assistance to that household. In a region with 30% limit, such a household would pay KZT 15,000 with the remaining KZT 5,000 paid by the Government.

elderly, etc.) with a subsidy to ensure that the household does not pay more than 10-20% of income on housing and utility bills. This sort of allowance would be much better targeted, and more simple and transparent than the current subsidies that exist. However, it will require accurate data to minimize leakage.

9.5 Social housing

9.5.1 Make social housing financially viable for local authorities

Current policy for social housing subsidizes the rent payable irrespective of the cost of the dwelling. This means that buildings designed for social housing will always be a net drain on the finances of the local authority, which acts as a significant disincentive to develop more units. Instead, rents should be set at a level sufficient to recover all costs of the development (i.e. loan repayment of the building cost) and day-to-day maintenance and management costs. This is to ensure that such projects are financially viable in the long term. However, tenants in such units whose income is insufficient to pay the rent should receive a subsidy – in the form of a Housing Allowance, as discussed in Section 9.4.5 – from the national government to make up the difference. The underlying principle is to subsidize the family, not the house. Whether the rent of such families is paid direct to the public landlord or to the family is a policy debate to be examined. The effect of such a change in policy would be to stimulate the market in social housing and even other forms of low cost rental development.

9.5.2 Stop sale of social housing

The current practice on the part of some municipalities to offer social housing stock for sale to sitting tenants effectively removes stock from the already tiny pool of public sector housing. Instead, this stock should be retained and used as one or more of the following, as appropriate: (i) Housing targeted to lower income households (up to the 30th income percentile, for instance) or other ‘vulnerable’ groups; (ii) housing for the youth or other “priority” groups (young professionals, etc.) that the local authority may seek to attract to its municipality; or (iii) transition houses for residents of buildings undergoing building retrofitting. In the unlikely event of a social housing surplus, which is clearly not the case at present in any municipality, these units could be used as revenue generating assets with market-price rents that can help cross-subsidize existing social housing or raise funds to construct new social housing.

It is also important for the municipality to conduct a regular review of whether or not the tenant continues to meet the eligibility requirements for social housing. This will help ensure that ineligible tenants do not continue to reside in these units indefinitely, and make more houses available to people who have real housing needs.

9.5.3 Prioritize social housing for government thermal insulation programs

It does not appear that Bulgaria is targeting social housing to receive insulation funding. Social housing should be prioritized so that energy bills for the poorest citizens (and the associated subsidy burden on government) are reduced first. One option may be to use an ESCO financing model for combined thermal insulation packages for publicly-owned buildings, including the social housing stock. Public grants used to reduce the economic burden on citizens, such as for insulation measures, should be targeted first at the poorest and most disadvantaged citizens – such as those living in social housing. In the UK for example, the ‘Decent Homes’ program has run from 2000 onwards and aims to renovate all social housing stock to a good standard of insulation (see Box 9.4).

Box 9.4 Decent Homes Standard, UK

The Decent Homes Standard is a technical standard for public housing introduced by the United Kingdom government. The government set out a target in 2000 that it would "ensure that all social housing meets set standards of decency by 2010, by reducing the number of households living in social housing that does not meet these standards by a third between 2001 and 2004, with most of the improvement taking place in the most deprived local authority areas."

Local authorities were required to set out a timetable under which they will assess, modify and, where necessary, replace their housing stock according to the conditions laid out in the standard.

The criteria for the standard are as follows:

- It must meet the current statutory minimum standard for housing
- It must be in a reasonable state of repair
- It must have reasonably modern facilities and services
- It must provide a reasonable degree of thermal comfort

The standard was updated in 2006 to take account of the Housing Act 2004, including the implementation of the Housing Health and Safety Rating System (HHSRS).

Source: Department of Communities and Local Government, UK - A Decent Home: Definition and guidance for implementation, 2006

9.5.4 Offer rental vouchers for social housing

In the absence of adequate municipal housing, or in cases where construction of new public housing is not feasible for logistical or financial reasons, the government could consider offering rental vouchers. This could be particularly relevant for Bulgaria, given the large number of vacant housing units. Under such a scheme, the eligible household could find a private rental house, and receive a subsidy in the form of a voucher from the government to cover the rent (see Section 9.5.4 on the use of vacant houses). The amount of rent covered by the subsidy should factor in the household size and the size of housing unit needed. It should be progressive and target those most in need - for example, the voucher amount may be 100% of established standardized market rent (SMR) for households below the 20th income percentile, and progressively decreased for households higher up in the income ladder – see Table 9.3.

Table 9.3 Illustrative subsidy amounts for rental vouchers

Income percentiles	Owner Contribution*	Illustrative grant component (voucher value)
0-20	0% of HHI	1 (SMR)
21-40	10% of HHI	SMR minus 10%HHI
41-60	20% of HHI	SMR minus 20%HHI
>60	20-30% of HHI	Ineligible

(*) Note: These percentages are the assumed “affordable” expense on the house only, not including utilities.

9.5.5 Introduce legislation to tap into the stock of private vacant houses

The large pool of vacant housing units is an untapped reserve that could be used as social housing. However, this will require the appropriate legislation to be in place. Such a legislation should not compromise the rights of the owners of the vacant houses, but rather provide them the necessary protections and incentives to let their houses to people who need housing, with the guarantees necessary to ensure that their properties will be maintained adequately. The tenancy could take two potential forms:

- A contract between the user (tenant) and the owner (landlord) directly, with the user getting a housing voucher as a subsidy to pay the rent to the landlord. Here, caution needs to be exercised to avoid potentially false tenancy agreements where the beneficiary (tenant) has no real intention to live in the house, but rather only to receive the state subsidy.
- A contract between the municipality (manager) and the owner (landlord), whereby the municipality is responsible for the management of the rental property, and for the allocation of the units to users in need. The latter would be similar to the current arrangement by which the municipality manages its stock of public social housing; the only difference would be that in this case the property (used as a social rental house) would be owned by a private individual.

9.5.6 Revise criteria for social housing allocations

It is important to streamline the criteria for eligibility of social housing intended for low income households, and to mandate that allocation of this social housing be made on the basis of transparent and published criteria. Criteria established by local authorities that are based on home domicile hurt the poor and vulnerable who typically do not have the necessary (residency) registration papers. These need to be revisited and revised. More specifically, it is advisable to completely remove the domicile criteria because it hinders the mobility of the work force. Any housing measures should pursue the aim of stimulating the mobility of working people.

Eligibility criteria for social housing intended as a reserve stock or for public servants or other special population groups could be very different across municipalities, based on their specific needs.

9.5.7 Introduce housing benefits to retain emigrating population

The loss of the educated young population is of enormous consequence for the country and methods of ameliorating this condition need to be studied further. It is recommended that the government consider housing assistance for young families so that they are able to move to another location in the country if the city in which they live has very limited job opportunities. Similarly, municipalities of declining towns might consider providing social housing for their youth and young professionals as an incentive to retain them in their hometowns. Countries such as Estonia have offered young families low down payment loans in order to encourage those who the state has provided with a free college education not to move out of the country.

9.6 Legal and Institutional Framework

9.6.1 Reform the Condominium Law

Improved enforcement of the Law may be structured around incentives rather than penalties, for example by granting tax concessions and other benefits to HOAs/ condominiums that have adopted certain standards for management of the condominium, including having adequate reserves in a capital improvement fund and the purchase of condominium/ hazard insurance. Such standards should ideally be voluntary – within a framework of minimum requirements – and each condominium wishing to adopt them would need to apply for certification. A model of such a standard may include, as a minimum, the following requirements: registration of the HOA; appointed bodies of the condominiums (manager), adopted annual budget of the condominium and existing Fund of Repairing and Improvements, meeting basic requirements of hygiene and security standards, etc.; and possibly the purchase of condominium/ hazard insurance. Tax concessions may also be granted for the implementation of the necessary repairs and improvements of condominiums.

The Condominiums Act provides for a fast court procedure for enforcement of debts to the condominium, and it would be beneficial to make HOAs aware of their ability to challenge non-payers in the court of law. In the case of transfer or sale of an apartment unit, the seller may be required to provide a certificate from the Managing Board of the condominium of any current liabilities. Absentee owners who miss their payments for an extended period of time need to be held accountable, and HOAs could serve as the first enforcing body.

In addition, it is recommended that HOAs purchase condominium insurance/ hazard insurance. Such products do exist in the market, but are not commonly used by HOAs or apartment owners.

9.6.2 Reform the Law on Property Rental

As stated elsewhere in this report, the legislative framework for residential tenancies needs to be amended so as to encourage more house owners to “officially” rent their property. Legislation can be adapted to facilitate renting by:

- Establishing a quick and low cost system to resolve disputes between tenants and landlords;
- Introducing a tax deduction on rental expense for tenants. This will induce people to rent rather than buy homes, because it will become more financially attractive to do so (as opposed to buying), and also provide an incentive to formalize rental agreements.
- Providing rental income tax exemption for small landlords (with less than, say, five units) to encourage the “formalization” and mainstreaming of the rental market.

9.6.3 Reform the Spatial Development Act

The Spatial Development Act needs could be reformed to:

- Simplify procedures for building permissions for small projects including, for example, requiring “registration” instead of “permission”
- Designate territories for building (low cost) model houses with simplified procedures. This procedure could be allowed for low-rise buildings (e.g. up to 10 meters in height). There should be a list of projects with preliminary approval from the local authorities that is made available to the public. Such an option could lead to a significant decrease in the expenses and time for obtaining a building permit
- Simplify the procedure for contracting utility service providers;

- Adopt more relaxed planning regulations for street infrastructure in territories with specific characteristics, according to the relevant regulations issued by the Ministry of Regional Development, and Article 80(6) of the Spatial Development Act, which states that:
 “Some provisions shall not be applied to settlements or parts thereof with historic, archaeological, ethnographic or architectural significance neither to settlements or parts thereof with very difficult terrain *and other specific conditions or to those allocated for development of socially-oriented housing.*”

9.6.4 Reform eviction laws

The eviction process is one of the most important measures of fairness in a housing system and in society. Adequate measures are needed to ensure protection for lower income households (in informal settlements, for example) and, at the same time, for landlords (to be able to evict a delinquent tenant and thus pave the way for a more active rental housing market).

At present, there is inadequate legislation to protect the housing rights of people in need. A legislation is needed that prohibits the eviction of people (in ‘housing need’) who might be inhabiting illegal buildings without offering them an alternative decent shelter that meets all housing requirements. At the same time, municipal ordinances need to be amended so that local governments have the authority, the resources, and the legal framework to provide alternative housing for people in need, including those with a history of squatting (who, under the current law, are ineligible to apply for public housing assistance) as well as those who have been evicted from public or private property. Such a provision could be included in Art. 46 of the Municipal Property Law and in the municipal ordinances under art. 225a of the Spatial Development Act. In case eviction is inevitable, there need to be some statutory limitations in place under certain circumstances – for example, during winter months or in unfavourable weather conditions, or when there are minors, pregnant women, elderly, disabled, or other vulnerable people in the house.

The role of eviction policies in discouraging rental housing is not clear and needs to be studied further.

9.6.5 Strengthen institutional capacity at the national level

The gains from a proactive public role in the housing sector cannot be overstated. At present, national public expenditure in housing is minimal by international standards, and not very well targeted to the those in need. More resources could help realize social benefits, and these benefits could go far beyond the housing sector. However, to realize this larger, more substantial role, the national level institutions would need to be strengthened.

A much stronger Housing Policy Directorate is proposed within the MRDPW that would have responsibility for programs in energy efficiency, HOAs and maintenance, accessing finance, monitoring, evaluation, and data collection. Such a strengthened housing department can provide training to specialists at the district level, who can then provide support to local authorities in energy efficiency standards and procurement, social housing, asset management, housing finance, and other key areas. [Note: A specialized National Housing Agency – outside of the Ministry or a subsidiary of the Ministry – is not recommended at this stage.]

Twinning¹⁸⁹ can be employed to build institutional capacity at the national level to help carry out the roles and responsibilities for housing. This can encourage best practice exchange with other countries where planning has a well-defined and developed institutional setting.

Budgets and financial control. MRDPW, responsible for housing, has a duty to prepare budgets and play an advocacy role in relation to them so as to justify the maximum allocation possible for housing. At the same time, it has a duty to ensure that the funds received (a) benefit the most needy segments of the population, or those that have the highest social benefit, and (b) are properly accounted for.

Since funds will largely be passed through local authorities, this will require a well-defined procurement and financial management procedure that would be subject to regular audits. The audits would ensure that allocation of units to beneficiaries is in accordance with the criteria defined by MRDPW for the funds, and that value for money has been obtained through efficient and effective procurement procedures. Budget allocations and expenditure may be monitored using a central housing monitoring platform to inform future budgetary decisions.

Program monitoring and evaluation. MRDPW should monitor all housing programs to determine whether they are being implemented according to agreed cost and time parameters. It should also evaluate all publicly funded programs to determine whether they are meeting their objectives, and in what way program design and implementation procedures can be improved. Monitoring the need of different populations for different housing solutions is also critical in targeting and adjusting housing programs for efficient budget allocation. This monitoring and evaluation should be linked to the audits required under financial management, and can be conducted using a centralized housing monitoring platform.

Data management. MRDPW can establish a housing monitoring platform that would overview public investments in housing as well as data on existing housing stock and housing needs. In addition to the very good quality data already being collected by NSI, the MRDPW might need to introduce new indicators for data collection and review the existing monitoring system of local budget expenditure to ensure that housing-related investments are tracked. Such a monitoring platform would support knowledge creation in the housing sector (including appropriate statistical databases and tools, elaboration of housing analysis, etc.) as well as promote training for public sector employees with responsibilities in the field (mayors, public servants, others). Increased monitoring and data infrastructure in the housing sector would provide policy makers and developers with a picture of what type of housing is being built, at what cost and where, by whom, and how public investments impact the housing sector. Such data would form a useful input to the monitoring and evaluation process, but would also be a useful resource for all agencies and companies involved in housing production. The NSI could be a partner for such a housing monitoring platform.

Policy development. New initiatives might require either legislative or administrative support from the national government. For example, MRDPW might convene national workshops or establish

¹⁸⁹ **Twin towns** or **sister cities** are a form of legal or social agreement between towns, cities, counties, oblasts, prefectures, provinces, regions, states, and even countries in geographically and politically distinct areas to promote cultural and commercial ties. The modern concept of town twinning, conceived after the Second World War in 1947, was intended to foster friendship and understanding between different cultures and between former foes as an act of peace and reconciliation, and to encourage trade and tourism. In recent times, town twinning has increasingly been used to form strategic international business links between member cities.

(Source: https://en.wikipedia.org/wiki/Twin_towns_and_sister_cities)

committees to share experiences, both locally and internationally, or to debate policy issues or discuss implementation methodologies.

9.6.6 Clearly define and strengthen the role of local authorities

The role of municipalities in implementing a more effective policy cannot be overstated. At present, it appears that cities are burdened with more responsibilities than resources for addressing these problems. An analysis of how housing policy affects municipal functioning and how the central government policy affects municipal operation is an important next step in understanding this complex problem. At the end of the day, the way a city's housing stock and its management affects the functioning and responsibilities of local governments is an important part of the country's fiscal system that warrants further analysis.

Given the current lack of information on the demand for or the stock of municipal housing at the municipal level, it is nearly impossible for local authorities to plan for or respond to the need for social housing. It is essential that local authorities maintain a multi-dimensional database of the housing sector, including social housing in terms of available stock, prevailing demand from different population sub-groups including not only low-income groups but also youth, young starter families, professionals, students, etc. Data currently collected by NSI on publicly owned housing stock could be parsed by "state-owned" housing and social housing.

9.6.7 Funding for housing

There is a need to introduce a dedicated line item for housing in the state and local budgets, which focus on those areas of housing that the Regions in Growth and the on-going state housing programs (such as NEEP) are not covering – for example, upgrading of informal settlements.

References

ADRA. "New houses for Roma families."

<http://adra.bg/> (http://adra.bg/?page_id=5737), accessed on Jan 9, 2017.

Andersen, H.T. and Atkinson R. "Production and Use of Urban Knowledge: European Experiences." 2013.

Barnes, William F. et al. "Bulgaria: Background Notes on the Housing Sector in a Reforming Economy," USAID/ Urban Institute, 1990.

Beetz, S. "Housing Cooperatives and Urban Development." *German Journal of Urban Studies*, Vol. 47 No. 1, 2008.

Bulgaria National Registry Agency. "Buying and selling property."

Center for the Study of Democracy. "Socio-Economic Effects of Public Investments for Roma Inclusion," 2015.

CECODAHS Housing Europe. "Cooperative housing: A key model for sustainable housing in Europe," 2012.

Delmendo, L. "Bulgaria's Housing Market – Getting Better," *Global Property Guide*, Apr 15, 2016.

Department of Communities and Local Government, UK. "A Decent Home: Definition and guidance for implementation," 2006.

European Union. "TENLAW: Tenancy Law and Housing Policy in Multi-level Europe, National Report for Bulgaria," 2015.

European Union Agency for Fundamental Rights and UNDP, "The situation of Roma in 11 EU Member States: Survey results at a glance," 2012.

Eurostat. "EU Statistics on Income and Living Conditions," 2015.

<http://ec.europa.eu/eurostat/web/income-and-living-conditions/data/database>

<http://ec.europa.eu/eurostat/web/income-and-living-conditions/data/main-tables>

Eurostat. "Statistics Explained: Glossary," 2017.

http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Glossary:Equivalent_income

http://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:Severe_housing_deprivation_rate

http://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:Material_deprivation

Eurostat. "Statistics Explained: Graphs," 2011.

[http://ec.europa.eu/eurostat/statistics-explained/index.php/File:Overcrowding_rate_by_degree_of_urbanisation_2011_\(%25\).png](http://ec.europa.eu/eurostat/statistics-explained/index.php/File:Overcrowding_rate_by_degree_of_urbanisation_2011_(%25).png)

[http://ec.europa.eu/eurostat/statistics-explained/index.php/File:severe_housing_deprivation_rate_by_degree_of_urbanisation_2011_\(%25\).png](http://ec.europa.eu/eurostat/statistics-explained/index.php/File:severe_housing_deprivation_rate_by_degree_of_urbanisation_2011_(%25).png)

Eurostat "Statistics Explained: Housing Statistics," 2015.

http://ec.europa.eu/eurostat/statistics-explained/index.php/Housing_statistics#Source_data_for_tables_and_figures_.28MS_Excel.29).

Georgiev, G. "Bulgarian Housing. Status and Prospectives." *Journal of Economic Development, Environment and People* Volume 3(3) 2014.

Government of Bulgaria. "Construction and building permits."
<http://investbg.government.bg/en/pages/construction-and-building-permits-134.html> (accessed on Nov 28, 2016).

Habitat Bulgaria. "Current Projects."
<http://habitatbulgaria.org/en/index.php> (<http://habitatbulgaria.org/en/currentprojects.php>) (accessed on Jan 10, 2017).

Operational Programme "Human Resources Development: 2014-2020."
<https://www.eufunds.bg/en/programming-period-2014-2020/operational-programmes-2014-2020/operational-programme-human-resources-development-2014-2020>

HYPOSTAT: "Review of the European Mortgage and Housing Markets," 2015.
http://www.hypo.org/portaldev/objects/6/files/hypostat_2014.pdf
<http://www.hypo.org/PortalDev/Objects/6/Files/Hypostat%202016%20FINAL.pdf>

Martin, R., Mathema, A. "Development Poverty and Politics: Putting Communities in the Driver's Seat," Routledge, NY. 2010.

National Statistical Institute, "Infostat," 2015.
https://infostat.nsi.bg/infostat/pages/reports/query.jsf?x_2=457

National Statistical Institute. "Macroeconomic Data," 2015.
https://infostat.nsi.bg/infostat/pages/module.jsf?x_2=276

National Statistical Institute. "National Census 2011," 2011.

National Statistical Institute and EU-SILC. "Poverty and Social Inclusion Indicators in 2015."
(http://www.nsi.bg/sites/default/files/files/pressreleases/SILC2015_en_U9QJAY2.pdf) (accessed in January 2017).

"National Program for Improving the Living Conditions of Roma in Bulgaria for the period 2005-2015," 2006.

"National Roma Integration Strategy of the Republic of Bulgaria (2012 - 2020): Draft," 2012.

Novinite.com Sofia News Agency "Sofia Residential Property Market Makes Strong Start to 2016 – Industry," April 18, 2016.
<http://www.novinite.com/articles/174084/Sofia+Residential+Property+Market+Makes+Strong+Start+to+2016+-+Industry>

OSI Europe foundation. "Housing in Bulgaria: Challenges and Perspectives," 2003.

Paz, M. "International Handbook of Earthquake Engineering: Codes, Programs, and Examples," 1994.

http://www.property-in-bulgaria.bg/en/Buying_and_selling_property/Required_Documents (Accessed on Dec 5, 2016).

Smith, David. "Public Private Partnerships for Housing Delivery in Iraq," March 2013.

Social Assistance Directorate. "Social Welfare,"
<http://pomosti.oneinform.com/socialni-pomosti/> (accessed on Nov 29, 2016).

Trading Economics. "Building permits – Bulgaria."
<http://www.tradingeconomics.com/bulgaria/building-permits> (accessed on Jan 13, 2017).

Trust for Social Achievement. "TSA Hosts a Working Lunch on Zoning of Roma Neighborhoods."
<http://socialachievement.org/en/> (accessed on Jan 11, 2017).

World Bank. "Cities in ECA: A shifting story of growth and decline," forthcoming, 2017.

World Bank. "Bulgaria housing stock overview," 2014.

World Bank Group, Global Facility for Disaster Risk Reduction (GFDRR). "Country Risk Profiles for Floods and Earthquakes, Europe and Central Asia," December, 2016.

World Bank. "Portraits of Labor Market Exclusion 2.0: Understanding Employment Barriers," 2016.

World Bank. "Program Appraisal Document on a Proposed Loan to Bulgaria for the National Residential Energy Efficiency Program-for-Results," 2016.

Zahariev, B. and Milkova, R. "Utilisation of the private vacant housing units for increasing the social rental fund in Bulgaria," Open Society Institute, 2014.