

STRATEGIC REPORT  
ON THE IMPLEMENTATION OF  
THE EEA FINANCIAL MECHANISM AND THE NORWEGIAN FINANCIAL  
MECHANISM 2014 - 2021  
IN  
THE REPUBLIC OF BULGARIA

***August 2018 – July 2019***

***National Focal Point – Central Coordination Unit Directorate,  
Council of Ministers of R Bulgaria***

## Glossary of acronyms

<b>AA</b>	Audit Authority
<b>ACF</b>	Active Citizenship Fund
<b>CA</b>	Certifying Authority
<b>CCU</b>	Central Coordination Unit
<b>CoE</b>	Council of Europe
<b>CoM</b>	Council of Ministers
<b>DPP</b>	Donor Programme Partner
<b>DSs</b>	Donor states
<b>EEA FM</b>	European Economic Area Financial Mechanism
<b>ESIF</b>	European Structural and Investment Funds
<b>FBR</b>	Fund for Bilateral Relations
<b>FDI</b>	Foreign Direct Investment
<b>FMO</b>	Financial Mechanism Office
<b>FO</b>	Fund Operator
<b>GDP</b>	Gross Domestic Product
<b>GII</b>	Green Industry Innovation
<b>IFR</b>	Interim Financial report
<b>IN</b>	Innovation Norway
<b>JCBF</b>	Joint Committee for the Bilateral Fund
<b>ME</b>	Ministry of Energy
<b>MES</b>	Ministry of Education and Science
<b>MFA</b>	Ministry of Foreign Affairs
<b>MoEW</b>	Ministry of Environment and Waters
<b>MCS</b>	Management and Control System
<b>MoU</b>	Memorandum of Understanding
<b>MRDPW</b>	Ministry of Regional Development and Public Works
<b>NAMRB</b>	National Association of Municipalities in the Republic of Bulgaria
<b>NGO</b>	Non-governmental organization
<b>NFM</b>	Norwegian Financial Mechanism
<b>NFP</b>	National Focal Point
<b>NMFA</b>	Norwegian Ministry of Foreign Affairs
<b>PA</b>	Programme Agreement
<b>PIA</b>	Programme Implementation Agreement
<b>PO</b>	Programme operator
<b>PDP</b>	Pre-defined project
<b>TAF</b>	Technical Assistance Fund
<b>UMIS</b>	Unified Management and Information System

## 1. Executive summary

The Programme Implementation Agreements (PIA) for all programmes under the EEA Financial Mechanism and the Norwegian Financial Mechanism (EEA FM and NFM) 2014 – 2021 were signed in the period July - August 2018. Together with the PAs signed during the first half of 2018 and approved national Management and Control System they provided the background for development of the descriptions of the MCS at programme level. The Management and Control System description for all programmes were approved by the NFP in the period January – July 2019 on the basis of positive compliance assessment reports issued by the Audit Authority and the FMO was informed accordingly in line with the provisions of *art. 5.7* of the Regulations.

The implementation of the programmes started in an economic and social environment that was to a large extent stable, following the average trends of the European economy, characterised with sustained low level of unemployment, GDP growth of 3,1% - still above the average of the EU, slight growth in private investment and public investment boosted by 58% in 2018 as a result of increased absorption of EU and other donors' funds with a prospect to grow by another 20% in 2019

Based on their experience from the previous programming period and on the supporting guidance provided by the national authorities (NFP, CA and AA) most of the POs succeeded to secure the programme management set-up within short time and to start in a timely manner the elaboration and submission of the MCS. The approval of the MCS was considered by all POs as a must before actual implementation starts, although this was not explicitly required by the Regulations. However, in order to avoid greater delays, the POs worked in parallel on the documents related to the programme components scheduled to be launched first.

At the cut-off date of this report the general progress in implementation across programmes is as follows:

- Official opening and matchmaking events took place under the programmes (except for Justice programme) and attracted high degree of interest on behalf of stakeholders, potential project promoters and partner, as well as potential donor project partner organisations from all three donor states;
- Guidelines for applicants were prepared and application procedures launched for 22 pre-defined projects (*under Local Development, Home Affairs, ACF and Justice programmes*), 5 pre-defined projects were contracted (*under the Local Development programme and ACF*);
- Draft Guidelines for applicants/Calls for proposals were under preparation and consultation with the DPPs (where relevant) for 11 open calls;
- 6 calls for proposals were launched under the Business Development programme, Social Dialogue and Decent work and the Active Citizenship Fund. For one Call for proposals under outcome 2: *Improved access to arts and culture* under the Culture programme the text of the call was approved by the NFP, the call was submitted to the FMO in line with art. 7.3.4 of the Regulation and the call is expected to be launched by the end of August 2019;
- Under six programmes calls for travel support were launched and will be open until the budget of the calls is exhausted;
- The Joint Committee for the Bilateral Fund (JCBF) held two meetings and approved changes in the Work Plan that would allow to widen the scope of bilateral cooperation beyond the programmes and to focus it on more strategic issues of joint interest;
- Under the BF the POs received their first advance payment of 50 000 Euro, two pre-defined initiatives were elaborated and applications submitted through UMIS were evaluated, as contract signature is pending. A Travel support scheme at national level was launched and has already committed funds for 4 requests. For two recently approved bilateral initiatives partnerships are in the process of establishment and joint elaboration applications is expected to take place within the next few months;

The NFP managed and coordinated the process of preparing and launching implementation in cooperation with the CA and AA and in particular:

- Ensured the adaptation of the UMIS system so that it could incorporate the programmes under the EEA and Norway Grants and dedicated staff members to provide support to POs in handling the process of uploading programme information and documentation;
- Organised training on state aid issues, financial management, results based monitoring, etc. and provided detailed guidance on horizontal issues, incl. description of the monitoring and control system, revenue generating projects, rules for remuneration of staff under projects, ;
- Working meetings with all POs were held in order to provide guidance and agree on a joint approach, to share problems encountered and to exchange best practise in tackling them;
- Coordination meetings with the participation of representatives of other donors – the Operational programmes under ESIF, the Swiss Cooperation programmes – the meetings provided unique opportunity to get better and up-to-date knowledge on what all stakeholders are doing, to the avoid overlaps, ensure synergy and complementarity of measures undertaken, better focus of operations, exchange of experience, etc.;
- Carried out activities in the framework of the approved Communication Strategy – elaborated and takes care of the Internet portal of the EEA and Norway Grants: [www.eeagrants.bg](http://www.eeagrants.bg), manages a Facebook page for the grants, held two meetings of the Working Group on Communications and organized training for the communication officers of the POs.

The Annual Audit Report was prepared and submitted to the FMO. The AA performed 6 compliance assessment audits on management and control systems for all 6 Programme Operators. Based on the assessment the Audit Authority issued an unqualified opinion for all 6 POs. Audit on projects of the certified and declared expenditure to the FMO for the second accounting year 2018 was carried out for 4 programmes.

The CA ensured the successful start of the financial management and implementation with the establishment and maintenance of a separate bank account dedicated to the EEA FM and NFM 2014-2021, transfer of payments to the POs for the tranches received from the FMC, certification of expenditure and submission to the FMC of the first and second Interim Financial Reports (IFR) via GrACE system, submission of the due forecasts of likely payments.

The financial implementation is as follows (*excl.* Business development and Social dialogue& Decent Work programmes):

- Funds transferred from the FMO amount to 20 545 794 Euro;
- Funds transferred to POs amount to 22 455 057 Euro (grant and national co-financing, *excl.* Active Citizenship Programme);
- Incurred expenditures by the POs amount to 1 840 226 Euro;
- Certified costs from the IFR#1 and IFR#2 packages amount to 390 987 Euro.

Compared to the approved time schedules (milestones) there are delays for all programmes. These delays are still manageable and could be overcome after the main preparatory background activities are completed (management set up, administrative capacity strengthening, MCS preparation and approval, launch of the first application procedures and their successful completion in UMIS). They were due partly to this necessary initial and preparatory actions but also to the willingness of POs to set short deadlines for all tasks and activities that sometimes proved unrealistic.

## 2. Political, economic and social context

During the regarded period of implementation of the EEA and Norway grants 2014-2021, the socio-economic development of Bulgaria was strongly influenced by the trends in the global economy. In the second half of 2018 the world economy slowed down its pace, affected by trade and political tensions but continued to maintain the high rate of 3% growth for two consecutive years. In the first half of 2019 it is witnessing a recovery with more favourable international environment.

In these conditions, Bulgaria continued to maintain stable macroeconomic indicators but at lower rates than the projected. The economic growth that slowed down its pace in 2018 started to recover in the first half of 2019 due to relieved external environment, increased absorption of the EU and other donors'

funds and implemented reforms by the Government. The real GDP growth remained above the average for the EU level, while a budget surplus and a significant drop of the state debt were registered. The unemployment rate decreased to its historical level and the employment of young people approached the average rate for the EU. The FDI began more sustainable by reorienting to the real economy. The improved labour market and the reforms in the financial and fiscal sectors increased the domestic demand, which turned to be the main driving force for economic growth.

These positive trends were highly influenced by the absorption of the EU Structural and Investment Funds and other donors' contribution, including EEA and Norway Grants 2009-2014, which reflect their long-term effect for reducing the socio-economic disparities and promoting the sustainable development of Bulgaria. The effect of the EEA and Norway Grants 2014-2021 will be visible with the implementation of the planned measures, addressing the main challenges in the field of environment, education, health and public services, R&D and innovations, energy efficiency, security and justice and which are expected to have high value added to the improvement of the well-being of the nation.

### **Bulgaria in figures during the period August 2018-July 2019:**

**GDP** - For four consecutive years Bulgarian economy showed a robust GDP growth of more than 3%. Following the global trends in the world economy, the real GDP growth of the country dropped from 3.6% in 2017 to 3.1% in 2018 but remained above the average level of the EU-28. In the first quarter of 2019 it regained its positions to 3.5% due to increased domestic demand, factoring production and absorption of the EU and other donors' funds. The GDP growth is projected to recover to 3.3% in 2019 and 3.4% in 2020 in line with the global trends. However, the GDP per capita, although slightly increasing to 7829 EUR in 2018 against 7328 EUR in 2017, remains the lowest in the EU with more than 60% than its average rate. The Bulgarian economy continues to be the most highly intensive in the EU with one of the lowest expenses in R&D and innovations.

**Overall investments** increased only slightly but high capacity utilization in industry prompted a growth in private investments. The increased absorption of EU and other donors' funds boosted the public investments by 58% in 2018 with a prospect to grow by another 20% in 2019. The net foreign investment position of Bulgaria continued to improve due to the increase of the FDI in Bulgaria and the investments abroad. FDI amounted 1744,4 million EUR in 2018 and although being less than double from these in 2017, a significant growth is recorded during the first half of 2019. The main reason for this growth became the reinvested profit of the foreign companies in their subsidiaries in Bulgaria. The investments in real estates dropped more than twice and the FDI became more directed to the industrial production. Thus, although being far from the rate of 6.5 billion EUR in 2008, the current FDI are considered more sustainable and with long-term effect on the economic growth. The main source of investments remain the funds from the EU and other donors, including the EEA and Norway Grants.

**Foreign trade balance** remained negative in 2018, influenced by the rising energy prices and domestic demand but its positive trend was restored in the first five months of 2019 when it amounted to 559 million EUR against the deficit of 1132 million euro in the same period of 2018. The exports also started to recover due to the increased volumes to small markets outside the EU. It reached 27 348 million EUR in 2018 and 11 623 million EUR in the first five months of 2019, registering a growth of 1,5 % and 10% accordingly. Imports continued to surpass the exports but its paste decreased almost twice - from 15.1% in 2017 to 6.8% in 2018. Overall, it is projected that the imports will continue to exceed the exports in Bulgaria in line with the expected drop of the global trade growth under its average level.

**Inflation** - As it was projected, the increase in the energy and food prices provoked a rising inflation rate from 1.2% in 2017 to 2.3% in 2018 and 3.3% in the first half of 2019 compared to 2.2% for the same period of 2018. However, there is not a reason for concern as the annual HICP inflation remains low - 2.1% against 3.6% for the world and 3.1% for the new EU Member-States. Consumer prices are projected to rise till the end of 2019 and slow down in the following two years with the stabilisation of the international energy prices. The inflation is set to ease to 2.4% in 2019 and 1.7% in 2020.

**Public finances, fiscal policy and state debt** - The initiated fiscal reforms improved the tax collection, thus contributing to a budget surplus of 0.8% for third consecutive year. The state debt dropped significantly, amounting to 12 241 million EUR in 2018 and 11 803 million EUR in the first half of 2019. The short-term forecast is for constant surpluses and low indebtedness. In order to improve the public

expenses, the Government put in place measures for strengthening the corporate management in the state enterprises in cooperation with the World Bank.

**Labour market, social policy and regional disparities** - The conditions on the labour market are steadily improving with the active policies for encouraging the employment put in place and the contribution of the EU and other donors' funds, including the EEA and Norway Grants. As a result, the rate of unemployment and inactive people dropped drastically for seven consecutive years and the access to the market of the vulnerable groups was improved. The unemployment reached its historical minimum since 2002 with 201 000 people in 2018 and 170 000 in the first half of 2019. Its rate dropped significantly to 6.1% in 2018 and 5.4% in the first half of 2019 and far below the average EU level. The employment reached 72.4% and it is highly probable to obtain the 76% target for 2020. However, the deficit of work force reached its peak in 2018, influenced by the deepening of the regional imbalances in labour distribution and negative demographic changes. More measures for improving the educational and health systems so as for the integration of the vulnerable groups are needed for overcoming these deficiencies.

Despite its upward trend of development and the implemented reforms, Bulgaria still faces serious challenges in achieving the needed inclusive growth to approach the EU standards. It remains the poorest country in the EU with low technological and energy intensive production and one of the lowest rates of investments in R&D and innovations. The level of investments is significantly far from the average for the EU due to unstable institutions and business environment, lack of sufficient infrastructure and qualified labour force, corresponding to the market needs. The entrepreneurship performance of the Bulgarian SMEs is still among the lowest in the EU. Although the employment rate is growing steadily, the level of non-integrated vulnerable groups, especially Roma and young people at risk remains very high. Despite the initiated reforms, there is a high need of investments in improving the performance of the health and educational sectors in order to reduce the socio-economic disparities, regional unbalances and negative demographic changes.

The EEA and Norway Grants 2014-2021 are expected to address to a certain extent these deficiencies by complementing and strengthening the effect of EU Funds 2014-2020 and other bilateral programmes with innovative and integrated measures for reducing the socio-economic disparities and improving the competitiveness of the Bulgarian economy, thus paving the way for robust growth and prosperity of the whole nation.

### 3. Effects of the Grants

All programmes and the Bilateral Fund are at their very initial stage of implementation when only few pre-defined projects have just been contracted and the first calls for proposals are still under preparation or at the stage of contracting. Therefore no real effects could be reported yet under both main objectives of the grants.

Some preliminary effects could be identified with regard to strengthening bilateral relations with donor state entities as a result of the launched calls for proposals for travel support under the programmes as well as under the Bilateral Fund at national level. These effects are limited to:

- establishing contacts between potential partners, getting to know each other and identifying potential for future cooperation and development of joint project proposals;
- exchange of experience, transfer of knowledge and good practices and discussing opportunities for potential wider future cooperation between the Bourgas Municipality and the Municipality of Reykjavik in some of the most significant areas of municipal policies and interventions where Bulgarian municipalities generally lack the possibility to study and transfer successful European practices – youth policy, education and culture.

### 4. Status of programmes

Provided below is a summary table of all approved programmes under the EEA FM and NFM 2014 – 2021 for Bulgaria.

	<b>Programme</b>	<b>Programme Operator</b>	<b>Donor Programme Partners/IPOs</b>	<b>Budget in Euro, incl. national co-financing</b>
1.	<b>Local Development, Poverty Reduction and Enhanced Inclusion of Vulnerable Groups</b>	<b>Ministry of Education and Science</b>	KS and Council of Europe	41 176 471
2.	<b>Cultural Entrepreneurship, Heritage and Cooperation</b>	<b>Ministry of Culture</b>	Arts Council Norway (ACN)	11 764 706
3.	<b>Justice</b>	<b>Ministry of Justice</b>	Norwegian MoJ, Norwegian Correctional Services (KDI), CoE	35 294 118
4.	<b>Home Affairs</b>	<b>Ministry of Interior</b>	Norwegian Police Directorate, Norwegian Migration Directorate (UDI), CoE	25 294 118
5.	<b>Renewable Energy, Energy Efficiency, Energy Security</b>	<b>Ministry of Energy</b>	NVE, National Energy Authority	32 941 176
6.	<b>Environment protection and Climate Change</b>	<b>Ministry of Environment and Water</b>	Norwegian Environment Agency	15 294 118
7.	<b>Business Development, Innovation and SMEs</b>	<b>Innovation Norway</b>		28 500 00
8.	<b>Decent Work</b>	<b>Innovation Norway</b>		951 000
9.	<b>Active Citizens Fund</b>	<b>Open Society Foundation and partners</b>		15 500 000

	Programme	Programme Operator	Donor Programme Partners/IPOs	Budget in Euro, incl. national co-financing
10.	<b>Fund for Bilateral Relations</b>	<b>Council of Ministers (NFP)</b>	NA	4 202 000
11.	<b>Technical Assistance Fund</b>	<b>Council of Ministers (NFP)</b>	NA	2 160 000
<b>Total budget allocated to programmes:</b>				<b>160 136 530</b>

#### **Local development, poverty reduction and enhanced inclusion of vulnerable groups**

*Programme Operator:* Ministry of Education and Science

*Donor Programme Partners:* Norwegian Association of Local and Regional Authorities (KS)

*IPO:* Council of Europe

**Budget:** 41 176 471 Euro (incl. 35 000 000 Euro grant and 6 176 471 Euro national co-financing)

The Programme Agreement between the FMC and the NFP was concluded on May 23, 2018, and the Programme Implementation Agreement was signed on July 25, 2018 between the NFP and the Programme Operator (PO). The Description of the Management and Control Systems was approved by the NFP on Feb 28, 2019 based on the positive compliance assessment report by the Audit Authority. The following documents have been elaborated: Guidelines for beneficiaries for implementation of the projects; Rules for the Evaluation commission for the predefined projects; Templates for the Application Guidelines (for both predefined project and Call for proposals), together with all related annexes, declarations, evaluation tables, Draft contracts, etc., The PO employees have successfully passed a training to work in UMIS 2020 and received the necessary access to the respective system's modules, related to their tasks and responsibilities in the PO activity.

The official launch of the programme was announced at a public event held on October 24th, 2018 in Sofia, combined with the first matchmaking session between potential Bulgarian project promoters and representatives from the Donor States. During the reported period two (25 October 2018, 15 May 2019) Cooperation Committee meetings were held to discuss the programme implementation progress with the participation of the PO, DPP (KS), IPO (CE), NFP, FMO and the Norwegian Embassy.

The first three predefined projects have been evaluated and contracted and the advance payments have been proceeded in due time:

- Innovative Community Care Models in Favour of People with Chronic Diseases and Permanent Disabilities (budget: 3 333 333 euro);
- Novel Approaches to Generating Data on Hard-to-reach Populations at Risk of Violation of their Rights (budget: 997 708 euro);
- Grow through Activating Local Potential (GALOP) – (budget: 1 200 000 euro)

Three trainings for the representatives of the management teams of the three predefined projects were held: on January 24, 2019 for the Bulgarian Red Cross, on March 15, 2019 for the National Statistical Institute, and on March 28, 2019 for the National Association of the Municipalities in Bulgaria. The main topics were connected to technical questions for the process of the application, discussions of proposals for improvements, risks related to various phases of the implementation. After the signing of their

contracts a training for beneficiaries was organised on June 25, 2019, focused on presenting the applicable procedures, raising awareness regarding important rules and regulations and the overall process of project implementation.

Two more predefined projects are under preparation and are planned to start by the end of 2019:

- The Recovery Centre for Children with Oncohematological Diseases and
- The project of the Ministry of Health regarding the establishment of the National Paediatric Hospital. The Project promoter has officially requested a change of the project content. The proposal for PA modification is under consideration.

Beside the change requested by the MoH two other minor changes in the Programme agreement were proposed:

- Cancellation of a pilot study in the PdP of the National Statistical Institute project, deemed already unnecessary (because of the later start of the Programme).
- Modification of the programme indicators related to the defined Number of Jobs Created (in order to reflect the recent FMO definition).

With regard to the preparation of the first Calls for proposals, the PO took into consideration the suggestions and comments provided by the DPP, IPO and NFP regarding the prepared documents and is in process for finalising the Application Guidelines and their respective annexes (in Bulgarian and in English) for the restricted call “Youth Centres: A Powerful Factor for Local Development” and for the open call “Establishing of Youth Centres”.

Following the good practice of establishing open communication, useful cooperation and trust with the potential beneficiaries, the PO continues to organise regular work meetings, training events and visits with the future project promoters. In December 2018 a 2-day workshop with the teams of the youth centres of Plovdiv, Stara Zagora, Dobrich and Vratsa, established with the support of the EEA Financial Mechanism in the previous programming period (2009-2014) was held in Plovdiv. The meeting took place in the Youth Centre – Plovdiv and was attended also by the deputy-mayors of the respective municipalities.

The implementation of the predefined project INCLUDE, promoted by the Council of Europe, is identified as risky at this stage. CoE still did not find the right form to collaborate with the predefined project partners – the Ministry of Education and Science and the Ministry of Youth and Sports. Several of the INCLUDE activities and results concern other components of the programme. Therefore, the further delay in the start of this project creates a risk for the effective implementation of three other calls for proposals: the support for the existing youth centres, the establishing of the new youth centres and the promotion of the childhood education and care. The PO works in good cooperation with both ministries in order to present to the CoE mutually satisfactory model for activities implementation and appropriate financing. In addition, the employees that represent the CoE as International Partner Organization in the CC meetings are the same that are acting on behalf of the CoE as a Project promoter (for the project INCLUDE). This situation has been already objected by the PO as a “conflict of interest” situation, but has not been remedied by the CoE.

#### *Fulfillment of the conditions from Annex I of the PA (relevant for the reporting period)*

1. *The maximum level of funding available from the total eligible expenditure of the programme for infrastructure (hard measures) shall be 50%. – ensured through the Guidelines for applicants and project contract;*
2. *The National Focal Point and the Programme Operator shall seek coordination and synergies with other Roma inclusion relevant measures across the different programmes of the EEA and Norwegian Financial Mechanisms 2014-2021 in Bulgaria. – ensured through through the Roma Plan prepared by the NFP, the series of coordination meetings organised by the NFP;*
3. *The National Focal Point and the Programme Operator shall ensure joint ownership of the process and results among all relevant national stakeholders. – coordination meetings were organised with stakeholders of programme components that receive funding from other*

sources as part of national policies. This mechanism will be further strengthened with the progress of implementation;

4. *The National Focal Point shall ensure that the Programme Operator ensures the sustainability of the youth centers and of the services provided.* – in the framework of the approval of the Guidelines for applicants for the existing Youth Centers the NFP insisted that the PO includes as an obligatory document of the application package a strategy for development of the YC, together with an indicative financial plan and measures for sustainability.

An advance payment at the amount of 3 870 588 Euro, incl. national co-financing has been transferred to the PO. Incurred expenditures by the PO amount to 1 266 319 Euro, of which 1 026 318 Euro were certified.

### **Cultural Entrepreneurship, Heritage and Cooperation**

*Programme Operator:* Ministry of Culture

*Donor Programme Partner:* Arts Council Norway (ACN)

*Programme Budget:* 11 764 706 Euro (incl. 10 000 000 grant and 1 764 706 national co-financing)

The Programme Implementation Agreement was signed between the NFP and the PO on 1<sup>st</sup> August 2018. The first draft of Management and Control Systems (MCS) of the programme was submitted to the NFP and the Certifying Authority on 04.02.2019. The Management and Control Systems under the programme were approved by the NFP on 5<sup>th</sup> July 2019 based on a positive compliance assessment report by the Audit Authority.

The PO in cooperation with the Arts Council organized on 30<sup>th</sup> and 31<sup>st</sup> January 2019 a very successful matchmaking event oriented towards Outcome 2: Access to Arts and Culture Improved for cultural operators from Bulgaria and the Donor States. On 12<sup>th</sup> December 2018 the PO has opened an announcement for participation in the matchmaking event. For the interested organisations from the Donor States the PO reimbursed their expenses for traveling, daily allowance and accommodation. Representatives of all three Donor States are present and there is huge interest from the Bulgarian participants with more than 200 people taking part in the event.

In parallel to the work on the matchmaking event the PO has prepared and announced a Travel Support Scheme (Support for Study visits) under the Fund for Bilateral Relations. The available funding is 100 000 Euro for establishing partnerships and preparation of joint project proposals under the foreseen six different calls under the programme. The Travel Support scheme will be active during the whole period of operation of the programme or until the exhaustion of the budget.

Two meetings of the Cooperation Committee were organized during the period – on 26<sup>th</sup> September 2018 in Oslo and 27<sup>th</sup> May 2019 in Sofia with the participation of the Arts Council and the NFP and FMO as observers. During the meetings were discussed the documents related to the matchmaking event, the Travel Support Scheme and the call for proposals under Outcome 2 as well as the preparation of future calls.

The Programme Operator has prepared the first call for proposals under Outcome 2: Access to Arts and Culture Improved, the documents were approved by the NFP and submitted to the FMO on 23<sup>rd</sup> July 2019 – the expected date for announcement is in August 2019 with 3-months period for submission of project proposals.

The call for proposals under the Outcome 1 (Output 2 – Digitalisation) is in the process of preparation by the PO. During the Cooperation Committee Meeting on 27<sup>th</sup> May 2019, the participating sides agreed that the PO together with the DPP will organize a bilateral initiative – meeting of stakeholders from Bulgaria and the Donor States in September 2019. The aim of the bilateral initiative will be to discuss the challenges that all four countries experience in the process of digitalization of the movable cultural heritage and to have more targeted approach related to the digitalization sector. After the bilateral initiative, the call for proposals will be finalized and submitted to the NFP for approval.

The documentation under Outcome 1 (Output 1 – Cultural Heritage presented in revitalized, restored and renovated spaces) is in the process of preparation and the call shall be announced in January 2020. The call for proposals under the SGS (Roma focus) will be announced in April 2020. The decision was to give priority and to launch earlier the calls for proposals that include hard measures and respectively

there will be a higher risk for delays in public procurement procedures and implementation of projects. The remaining two call under Outcome 2 and the SGS will be announced according to the initial schedule – respectively September 2020 and April 2021.

Fulfillment of the conditions from the PA (relevant for the reporting period)

- The requirement at least 10% of the total eligible costs of the programme to target the improvement of the situation of the Roma population will be achieved through the implementation of projects under the SGS as well as other measures under the Outcome 1, Output 2 that will support the digitalisation of the Roma culture. The fulfilment of this condition will be reported on in the annual and final programme reports;
- The maximum level of funding available from the total eligible expenditure of the programme for infrastructure (hard measures) shall be 60%;
- For the indicators: “Annual number of visitors to supported cultural heritage sites, museums and cultural activities” and “Annual revenues generated by cultural heritage objects safeguarded and revitalised” where the baseline value is “to be determined” (TBD), the Programme Operator will sign a contract with external contractor to assist the PO in the determination of the baseline value.

An advance payment at the amount of 879 706 Euro, incl. national co-financing has been transferred to the PO. No expenditures were reported by the PO in the first two IFRs.

**Renewable Energy, Energy Efficiency and Energy Security**

*Programme Operator:* Ministry of Energy

*Donor Programme Partners:* Norwegian Water Resources and Energy Directorate (NVE) and the National Energy Authority of Iceland (OS)

*Programme budget:* 32,941,176 EUR (incl. 28,000,000 EUR grant and 4,941,176 EUR national co-financing)

The Programme Implementation Agreement (PIA) between the Head of the PO and the Head of the National Focal Point was signed on 27 July 2018. Following the signature of PA and PIA, the management and operational structure of the PO team was established, by an Order of the Minister of Energy, incl. assignment of responsibilities and tasks of the units constituting the PO team. The Director of the Energy Projects and International Cooperation Directorate was appointed as a Head of the PO's Implementation team as the Directorate will be the core unit responsible for the administration and coordination of the programme implementation. Three ad-hoc expert groups were set-up and assigned with the tasks to elaborate: the Management and control system, the draft guidelines for applicants for the first open call to be launched (Call 5 on Rehabilitation and modernization of municipal infrastructure) and the description of the budget and activities and the guidelines for applicants for the pre-defined project “Feasibility study on utilising the hydro-energy potential in existing water supply systems and upgrading potential for existing small scale hydro-power plants in water supply systems”.

The first draft of the description of the management and control system was submitted to the NFP and the CA on 7 January 2019 and to the Audit authority on 13 May 2019. The revised and updated final version of the description of the MCS (*duly taking on board all findings and recommendations on weaknesses identified by the NFP and the Audit Authority (AA) in the process of review and examination of the submitted documents*) was approved by the NFP on 19 July 2019 on the basis of a positive Compliance assessment report and audit opinion issued by the Audit Authority. With an official letter the FMO was notified on the approval of the MCS.

The draft Guidelines for applicants for Call 5 together with the whole package of accompanying documents incl. the criteria for administrative, eligibility, technical and financial assessment were prepared, translated into English and submitted to the DPPs for comments on 2 August 2019. After its finalisation and approval by the NFP the call will be submitted to the FMO and is expected to be launched by mid September at the latest.

The description of the scope of activities and budget of the pre-defined project "utilising the hydro-energy potential" were elaborated in consultation between the project promoter SEDA, the donor project partner NVE and the PO and were submitted to the FMO in compliance with the provisions of the pre-eligibility condition from the PA. It was approved by the FMO in May 2019 and the condition was lifted. The guidelines for applicants is currently under finalisation and the application procedure is expected to be launched in UMIS in September 2019.

The NEK - project promoter of pre-defined project No.2 "System for forecasts, control and management of HPP generation and Dam condition" is preparing the detailed description of the activities and the budget that have to be sent to FMO so that the pre-eligibility condition is lifted for this project as well.

Immediately after launching Call No. 5 the PO will start the preparation of the draft Guidelines for applicants for Call no. 2 on geothermal energy.

The second meeting of the Cooperation Committee took place in the premises of the Programme Operator in Sofia on 23 of May. The members of the Committee discussed the draft Guidelines for applicants and selection criteria for Call no. 5, the procedures and terms for the PDPs and bilateral initiatives.

There is an overall delay in the implementation of the programme due to a prolonged period of establishment the management and operational structure, assignment and division of responsibilities of the PO team. The set-up used by the PO during the previous programming period 2009 – 2014 (establishing a team of experts from different Departments of the ministry with no designated special unit in charge) was not considered efficient and in line with the good management practices and was not accepted by the NFP and the Audit Authority for the current programme.

With the approval of the MCS ensuring clear and adequate management and expert responsibilities the implementation of the programme is expected to proceed smoothly and to compensate for the accumulated delay. Representatives of the PO took part in all trainings organised by the NFP and FMO incl. in the trainings on implementing the programme in UMIS. The NFP will monitor closely the sustainability of the administrative capacity of PO.

An advance payment at the amount of 3 165 500 Euro, incl. national co-financing has been transferred to the PO. The expenditures incurred by the PO at the amount of 38 691 Euro are still under verification and no expenditures were reported by the PO in the submitted IFRs.

**Fulfillment of the conditions from the PA (relevant for the reporting period)**

1. *The Programme Operator shall seek to ensure synergies with the programmes "Business Development, Innovation and SMEs" and "Environment protection and climate change" implemented under the Norwegian and EEA Financial Mechanisms 2014-2021 in Bulgaria – no specific actions have been initiated so far by the PO as only call No.5 was under preparation in the reporting period ;*
2. *For pre-defined project no. 2 (numbering under Section 5.1 of Annex II to the Programme Agreement), the National Focal Point shall ensure that the Programme Operator ensures that the appraisal foreseen in Article 6.5.3 of the Regulation is externalised and carried out by a legal entity independent of and unrelated to the Programme Operator. – contracting of external evaluator and appraisal of the project is envisaged to take place in February 2020;*
3. *For pre-defined project no. 2 (numbering under Section 5.1 of Annex II to the Programme Agreement), the Programme Operator shall provide, with the first Annual Programme Report, a description of the benefits for the energy system in Bulgaria resulting from the project, including its contribution to increased renewable energy production in quantifiable terms. – the required information was provided in the first Annual report in February 2019.*
4. *The National Focal Point shall ensure that the Programme Operator ensures that project promoters:*

- *Keep any buildings purchased, constructed, renovated or reconstructed under the project in their ownership for a period of at least 5 years following the completion of the project and continue to use such buildings for the benefit of the overall objectives of the project for the same period;*
    - *Keep any buildings purchased, constructed, renovated or reconstructed under the project properly insured against losses such as fire, theft and other normally insurable incidents both during project implementation and for at least 5 years following the completion of the project; and*
    - *Set aside appropriate resources for the maintenance of any buildings purchased, constructed, renovated or reconstructed under the project for at least 5 years following the completion of the project. The specific means for implementation of this obligation shall be specified in the project contract - Respective provisions have been included in the draft Granta award contract attached as Annex to the MCS.*
5. *The National Focal Point shall ensure that the Programme Operator ensures that any residual or extracted material from project activities is reused, recycled, treated and/or deposited in an environmentally sound manner - Respective provisions have been included in the draft Granta award contract attached as Annex to the MCS.*

### **Environment protection and climate change**

*Programme Operator:* Ministry of Environment

*Donor Programme Partners:* The Norwegian Environment Agency

*Budget:* 15 294 118 Euro (incl. 13 000 000 Euro grant and 2 294 118 Euro national co-financing)

### *Progress in implementation of the programme*

The Programme Implementation Agreement between the Head of NFP and the Head of PO was signed on 10 July 2018. The PO started promptly the elaboration of the description of the MCS and the first draft of the document was submitted to the NFP and the Certifying Authority on 26 October 2018. The MCS was approved by the NFP on 11 January 2019 based on a positive compliance assessment report and audit opinion issued by the Audit Authority (AA).

On 13<sup>th</sup> March the PO launched the first bilateral initiative – a call for proposals for a travel support. The maximum amount for application is 5000 euro and the call will be open until the available budget is spent.

After the approval of the MCS, the PO launched the preparation of the draft Guidelines for applicants/calls for proposals and assessment methodologies for all 7 calls for proposals and in parallel uploaded all the necessary programme information in UMIS. After consultation with the DPP the drafts of the first 3 open calls – “System of assessment, monitoring and management of marine waters” (*outcome 2*), “Enhanced utilisation of resources at municipal level (circular economy)” (*outcome 3*) “Increased ability of local communities to decrease emissions and adapt to climate change” (*outcome 4*), were submitted to the NFP on 4 June 2019 for preliminary review and comments. The PO sent the draft call packages also to the Ministry of Finance for review of their compliance with the state aid and *de-minimis* legislation and received positive opinion.

On 8<sup>th</sup>- 9<sup>th</sup> of May the Programme operator held the Opening event for official start of the programme, back to back with a Matchmaking seminar for development of potential future partnerships and submission of joint project proposals. The event was attended by 7 representatives from 5 Norwegian organizations and 80 representatives from 66 potential project promoters from Bulgaria. As a follow up several applications were submitted from Bulgarian promoters under the Travel support scheme.

For all three PDPs partners from donor states had to be defined as pointed out in Annex II to the PA. The FMO and DPP provided support for the identification of the appropriate donor state partners in a way that ensures that the involvement of these partners would not require any selection procedures to be applied and they will be in charge of activities that correspond to their public sector mandate. As a result

- for PDP 1 “Valuation and Implementation of Ecosystem Services” the Norwegian institute for Nature Research NINA was identified as the donor project partner;
- For PDP 2 “SCIRENA Black Sea” two entities - the Icelandic Marine and Freshwater Research Institute (MFRI) and Norwegian Institute of Marine Research (Havforskningsinstituttet, IMR) have been identified as possible donor project partners
- for PDP 3 “Implementation of innovative measures for mitigation and adaptation to climate change in municipalities in Bulgaria” KS (Norwegian Association of Local and Regional Authorities)) was identified as the donor project partner.

The PO coordinated with the project promoter and partners the preparation of the star of pre-defined project 2 „Science and information towards regional environmental action for the Black Sea (SCIRENA Black Sea)” that is the most urgent project under the programme, intended to support Bulgarian authorities in fulfilling obligations stemming from EU acquis. On 14.05.2019 a meeting of all partners was held with the purpose to discuss and agree on the distribution of tasks and responsibilities and on to take a decision on the need to change one of the project partners. As a result a request for amendment of the PA is currently under preparation by the PO that will incorporate all amendments that need to be effected with regard to PDP projects’ partnerships as well as other technical issues..

In accordance with the requirements for communication and publicity under the Programme in January 2019 the PO contracted the elaboration of branded promotional materials

*Status of implementation of the conditions from Annex I of the Programme Agreement relevant to the current reporting period;*

1. *Appraisal of the pre-defined projects no. 1 and 2 to be carried out by a legal entity independent of and unrelated to the Programme Operator* - In July 2019 the PO launched a tender procedure for contracting an external entity to perform appraisal of the pre-defined projects. According to the updated milestones for the programmes the external evaluator will be selected in September 2019.
2. *Verification of payment claims for pre-defined projects 1 and 2 to be carried out of a legal, entity independent of an not related to the PO* – selection of a legal entity independent of and unrelated to the Programme Operator for-external verification is expected to take place by the end of September 2019;

***Pre-eligibility*** – *No costs shall be eligible under PDPs 1, 2 and 3 before the detailed descriptions and budgets, incl. the role and contribution of the donor project partners have been submitted and approved by the FMC* – detailed descriptions in line with the aforementioned requirements shall be developed and submitted for approval to the FMC for PDP 1 in 4<sup>th</sup> Q of 2019 and for PDPs 2 and by the end of September.

The NFP will keep track on the progress in implementing the above commitments.

An advance payment at the amount of 3 870 588 Euro, *incl.* national co-financing has been transferred to the PO. The total amount of incurred expenditures by the PO is 200 000 Euro management costs, of which 100 000 Euro were certified in the first two IFRs.

On 29 November 2018, representatives of the PO core team took part in the EEA/Norway Grants 2014-2021 - DPP Kick-off Conference. The event took part in Oslo and gave the opportunity to present programme “Environment protection and climate change” to the potential Norwegian partners and also a good chance for networking, mingling and contacting with other Programme operators.

On 8<sup>th</sup>- 9<sup>th</sup> of May the Donor Programme Partner (DPP) the Norwegian Environment Agency (NEA) took part in and contributed to the opening event for official start of the programme “Environment Protection And Climate Change”, back to back with the Matchmaking seminar. The PO count on support of the DPP on a high level as they provide qualitative guidance and advice together with the backing up the

Bulgarian promoters finding their potential partners from Donor States. The PO is keeping up to date the DPP regarding the whole process of implementation of the programme.

## **Justice**

*Programme Operator:* Ministry of Justice

*Donor Programme Partners:* Norwegian Ministry of Justice and Public Security; Directorate of Norwegian Correctional Services (KDI)

*IPO:* Council of Europe

*Budget:* 35 294 118 Euro (incl. 30 000 000 Euro grant and 5 294 118 national co-financing)

The first draft of Management and Control Systems (MCS) of the Justice Programme was submitted to the NFP and the Certifying Authority on 13.11.2018. The Management and Control Systems under the programme were approved by the NFP on 2<sup>nd</sup> April 2019 based on a positive compliance assessment report by the Audit Authority.

A meeting of the Cooperation Committee was organized by the PO and took place in February 2019 with the participation of all interested parties. The main aim of the CC meeting was to review the progress, incl. a milestone table of the programme implementation. Small-scale meetings between Donor Programme Partners and Project Promoters were held in parallel in order to set up a stable basis for future project partnerships and to ensure smooth implementation process.

Guidelines for application and e-submission of project proposals for all nine PDPs were prepared by the PO and launched on 10<sup>th</sup> July 2019. The deadline for submission of project proposal is 30<sup>th</sup> August 2019. The procedure was launched via the UMIS module for the Justice Programme. The appraisal of the PDPs will take place in the period September – November 2019 and the signing of contracts is foreseen for November – December 2019.

At project level a risk related to the identification of location of the pilot prison and a training center (PDP 2) was identified since the initially planned location has turned out to be not suitable. After examination of a few potential construction sites, a location has been identified (Samoranovo) that in terms of ownership and infrastructure would be the most appropriate site, close to the capital city. Problems has been identified also under PDP 4 where the Project Promoter requested 28 regional police offices to be included as other project partners but this is not considered acceptable for the Programme Operator as this might create additional burden for the PO in terms of monitoring and verification and different terms and conditions for signing the contract.

There is also a risk in the implementation of PDP 6 with a Project Promoter – National Institute of Justice. The initial idea was to reconstruct and equip a new centre for magistrates and court staff in an existing building in Varna. However the reconstruction of the respective building has already been launched with a national resources. The idea of the NIJ is to reconstruct another building near Sofia that will better reflect the needs for training of judges and court staff but this will create practical difficulties due to the fixed deadline for submission of all PDPs by 30<sup>th</sup> August 2019.

The PO has prepared documentation for three public procurements: for external appraisal of the PDPs (contract signed), for verification and monitoring (to be launched ) and for information and publicity (to be launched). The selection of external contractors for verification and monitoring and for information and publicity is expected by December 2019.

The advance payment at the amount of EUR 5 294 118 has been transferred to the PO. Two IFRs were submitted but no expenditures made by the PO were included and verified because of the condition for external verification.

### **Fulfillment of the conditions from the PA (relevant for the reporting period)**

- At least 10% of the total eligible costs of the programme shall target the improvement of the situation of the Roma population – the fulfilment of this condition will be achieved through implementation of measures in the field of correctional services related to improved material

conditions, rehabilitation programmes for Roma prisoners, rehabilitation of prisoners of Roma origin in the period of pre-release, increased application of alternative measure to vulnerable groups, special focus on Roma juveniles, enhancing the capacity for effective implementation of judgements by the ECHR related to Roma housing and children with disabilities as well as legal aid services and measures in the field of domestic and gender based violence and child-friendly justice. Representatives of the PO took part in the working group between Managing Authorities under ESIF, the Bulgarian-Swiss cooperation Programme and the POs under the EEA FM and NFM for sharing experience, best practices and discussing challenges related to inclusion of vulnerable groups with focus on Roma population;

- The maximum level of funding available from the total eligible expenditure of the programme for infrastructure (hard measures) – 70% shall be checked during the appraisal procedures;
- The PO fulfilled the requirement that the appraisal of the pre-defined projects is externalised and carried out by a legal entity independent of and unrelated to the Programme Operator. The PO prepared the documentation for a public procurement procedure with a subject appraisal of pre-defined projects prior to signing of grant contracts. Public procurement has been launched and completed and a contract with external company was signed on 20<sup>th</sup> June 2019. The selected company will appraise all nine PDPs after their submission by the Project Promoters;
- For the predefined projects the Programme Operator's responsibilities regarding the verification of payment claims described in Article 5.6.1 e) of the Regulation, and the verification of the project outputs described in Article 5.6.1 g) of the Regulation, shall be externalised and be carried out by a legal entity independent of and unrelated to the Programme Operator. The NMFA shall approve the entity to be charged with these tasks prior to the first disbursement to the pre-defined projects. A public procurement procedure for monitoring and verification was included in the Annual procurement plan of the Ministry of Justice for 2019. The PO prepared the technical specification. On 28<sup>th</sup> May a direct market consultation in line with the new Public Procurement Act was published on the web-site of the PO. It is expected the public procurement to be launched in August 2019.
- The programme includes measures to increase the use of alternative sanctions to imprisonment.
- The Programme Operator participated in the CC Meeting of the Home Affairs Programmes in order to strengthen the justice chain, inter alia, regarding access to justice, good governance, gender-based violence and trafficking in human beings.

### **Programme "Home Affairs"**

*Programme Operator:* Ministry of Interior

*Donor Programme Partners:* National Police Directorate (POD); Norwegian Ministry of Justice and Public Security; Norwegian Directorate of Immigration (UDI)

*IPO:* Council of Europe

*Budget:* 25 294 118 Euro (incl. 21 500 000 Euro grant and 3 794 118 national co-financing)

The first draft of Management and Control Systems (MCS) of the Home Affairs Programme was submitted to the NFP and the Certifying Authority on 18.10.2018. The description of the MCS of the Home Affairs Programme was approved by the National Focal Point on 05 March 2019 based on a positive audit opinion issued by the Audit Authority.

With a letter dated 18.06. 2019 the Programme Operator requested a modification of the Programme Agreement in order to enhance the impact of the programme through inclusion of new donor project partners (Norwegian National Criminal Investigation service and Oslo District Police), other project partners at national level and remove some technical errors identified at a later stage. The Financial Mechanism Office approved all requests for modifications of the programme agreement in the Home Affairs programme informing the PO for their decision with correspondence from 9 July 2019.

Invitations for submission of project proposals for the first batch of pre-defined projects (No 4, 5, 6, 7, 8) were published in UMIS and the Single portal for the FMs - eeagrants.bg in Bulgarian and English on

10.05.2019. Project promoters had to submit their proposals until 10.06.2019. Three out of five projects were submitted within the specified deadline. PDP 5 and PDP 8 were not submitted. The procedure for PDP 5 was relaunched on 28.06.2019 and the proposal was submitted on 03.07.2019. The deadline of the procedure for PDP8 (SANS) was extended 2 times on the request of the project promoter; the deadline is 05.08.2019.

The second batch of pre-defined projects (No 10, 11, 12, 13, 14) was launched on 07.06.2019. Project promoters again had one month to develop and submit their project proposals in UMIS, i.e. until 08.07.2019. Only two projects were received within the deadline (PDPs 10 and 12). On the initiative of project promoters, the deadlines for PDP 11 and PDP 13 were extended to 09.08.2019 and 22.07.2019 respectively. CCCIAF (PDP14) did not submit their proposal within the deadline and PO will relaunch the procedure in August 2019.

All project proposals received through UMIS are delivered to Ecorys for external appraisal in line with the pre-eligibility condition in p. 5 of Annex I (General Conditions) of the Programme Agreement. In accordance with a decision taken by the Cooperation Committee on 13.05.2019, the descriptions of the pre-defined projects submitted in UMIS are sent to the members and the observers of the Committee for information. It was also decided that PO would also provide the assessments of the external evaluator and the final versions to the CC members and observers at a later stage. The external appraisal reports prepared by Ecorys under the PDPs 4, 6, 7, 10 and 12 were submitted to the CC Members on 26<sup>th</sup> July 2019.

Following the approval of MCS in March 2019, the Programme Operator updated the dates set for conclusion of project contracts by providing a more detailed and precise planning for the launch of the procedures in UMIS. The updated milestone plan was presented in the Cooperation Committee meeting on 13 May 2019. This plan is currently under implementation without any delays identified at this point. The contracts under the first five projects submitted in UMIS will be signed in September 2019 and the remaining eight contracts in October 2019. Regarding the PDP 1 the appraisal process is likely to be postponed for January 2020.

Partnership agreements were concluded for PDP 3 “Increasing the capacity of General Directorate Combating Organized Crime for more effective investigation of organized and transnational crime” and PDP 7 “Development of expert forensic examinations and activities at the research institute of forensic sciences at the ministry of interior (RIFS) and technical upgrade and expansion of the possibilities of five basic regional forensic laboratories” – with Kripas on 25.06.2019 and with Oslo District Police on 15.07.2019.

Negotiations between OSCE and the Academy of Mol for the inclusion of OSCE under PDP 9 are ongoing. Details of a partnership agreement related to activities and budget are under discussion.

The draft of the partnership agreement between the National Police Immigration Service (NPIS) and the Bulgarian partners within the framework of PDP2, i.e. State Agency for Refugees (project promoter), Migration Directorate (project partner and direct counterpart with NPIS), and General Directorate Border Police, is drafted and subject to consultation among the partners.

The main risk identified in the Home Affairs Programme concerns *PDP1 Establishing an interim care facility for unaccompanied minors (UAMs)* – the project promoter and partners have not identified a site/building appropriate for the interim care facility to replace the initially proposed site owned by Bulgarian Red cross due to reluctance by local administrations. The measures taken by the PO and the PP are regular meetings/ reporting/ consulting with NFP, FMO, DPP – Norwegian Directorate of Immigration (UDI), national and regional authorities.

**Fulfillment of the conditions from the PA (relevant for the reporting period)**

- In line with Art. 2.5 and p. 6 of Annex I (General Conditions) of the Programme Agreement, the PO selected an independent entity to execute the responsibilities regarding the verification of

payment claims and project outputs of PDPs of MoI project promoters. The selected company Brain Storm Consult LLC is independent of and unrelated to the Programme Operator and was selected in accordance with the Bulgarian Public Procurement Act. FMO approved the entity charged with external verification of payment claims and project outputs of PDPs of MoI project promoters on 18 March 2019.

- In accordance with p. 5 of Annex I (General Conditions) of the Programme Agreement regarding the pre-defined projects under Section 5.1 of Annex II, the appraisal foreseen in Article 6.5.3 of the Regulation before conclusion of project contracts was externalised and carried out by a legal entity independent of and unrelated to the Programme Operator. The PO launched procedure for award of public service contract. The contract with the external evaluator (Ecorys South East Europe) was concluded on 21.06.2019. The Cooperation Committee was informed about the contract by email on 24.06.2019 and the external contractor has already started the appraisal of submitted PDPs.
- At least 10% of the total eligible costs of the programme shall target the improvement of the situation of the Roma population – the 10% Roma focus will be ensured through implementation of four out of 14 PDPs. The fulfilment of this condition shall be reported on, through the use of quantitative and qualitative data, inter alia, in the annual and final programme reports;
- The maximum level of funding available from the total eligible expenditure of the programme for infrastructure (hard measures) shall be 63% - the compliance with this requirement will be checked during the appraisal of projects;
- During the implementation of the programme, the Programme Operator shall seek to ensure synergies with the 'Justice' programme in Bulgaria in order to strengthen the justice chain, inter alia, regarding access to justice, good governance, gender based-violence and trafficking in human beings. Representatives of the PO of the Justice Programme regularly take part in the Cooperation Committee of the Home Affairs Programme and vice versa, representatives of the Ministry of Interior participate in the Cooperation Committee of the Justice Programme.
- The NFP and the PO shall seek coordination and synergies with other Roma inclusion relevant measures across the different programmes of the EEA and NFM. Representatives of the PO took part in the working group between Managing Authorities under ESIF, the Bulgarian-Swiss cooperation Programme and the POs under the EEA FM and NFM for sharing experience, best practices and discussing challenges related to inclusion of vulnerable groups with focus on Roma population;
- The general condition in point 8 of Annex I to the Programme Agreement requires that "the Bulgarian Red Cross keeps the functionality of the building as an Interim Care Facility for Unaccompanied Minors for at least 5 years following the completion of the project". However, the project promoter and project partners will not be able to use the building initially envisaged as an interim care facility due to the negative response by the local communities and authorities. PO expects the decision of the project promoter on which building will be selected for interim care facility and will further proceed with a request for amendment of the Programme Agreement.

### **Business Development, Innovation and SMEs Bulgaria**

*Fund Operator:* Innovation Norway

*Programme budget:* EUR 28 500 000

The first call for project proposals under the *Green Industry Focus area* was closed on 11 October 2018. 79 applications were received and the total grant applied for was more than MEUR 47, e.g. approx. 3 times higher than the available funds. 35 applications were with a Norwegian partner. Applications were received from all 6 NUTS regions in Bulgaria. Approximately 60 % of the applications are from South West region (incl. Sofia) and South Central region. Both are well developed economic regions. More than 93 % of the applicants were SMEs. Applications are from

different economic sectors – from the construction, metal processing, IT, furniture production, food processing, etc. 18 projects have been shortlisted. Even though there are a good number of innovative green ideas, it is expected only 45 % of the available funds to be allocated to projects. The FO is expecting to finalise the assessment of applications and contracting in September 2019.

The first call for project proposals under the *Welfare technology Focus area* was closed on 21 March 2019. 23 applications were received and the total grant applied for was approx. MEUR 17 and it is 3 times higher than the available funds. Approx. 50 % of the applications were with a Norwegian partner, one project has 2 Norwegian partners. Applications were received from all 6 NUTS regions in Bulgaria. The FO is expecting to finalise the assessment of applications and contracting in October/November 2019.

The programme costs so far are mainly related to the operational expenses of the FO. Approx. 35 % of the management budget has been already spent.

### **Active Citizenship Fund**

*Fund Operator:* Consortium Open Society Foundation, Workshop for Civic Initiatives Foundation, Trust for Social Achievement

*Programme Budget:* 15 500 000 Euro

The First Call for Strategic Projects was announced on 23 October 2018 under the following six outcomes: Strengthened democratic culture and civic awareness; Increased support for human rights; Vulnerable groups are empowered; CSOs actively address gender equality and gender based violence (GBV); Increased civic engagement in environmental protection/climate change; Enhanced capacity and sustainability of the civil society sector including CSOs. The call budget was 6,700,000 euro. A total number of 364 applications were received by the closing date of 28 January 2019. The Selection Committee meeting was held on 21 June 2019. 69 projects were suggested for funding for a total amount of 6,545 845 euro, among them 14 projects with Donor states partners;

The Small initiatives scheme (rolling call) was launched in March 2019 with a first deadline for receiving proposals set for 15 September 2019. The Guidelines for applicants were published already in October 2018.

The first bilateral seminar for organizations from Bulgaria and the Donor states was held on 7 November 2018, with the participation of approximately 50 representatives of non-governmental organizations from Bulgaria and 13 participants from Norway;

Following the launch of the first bilateral measure providing funds for development of project ideas between organizations from the donor states and Bulgarian CSOs (seed money facility) in conjunction with the announcement of the First Call for Strategic Projects of the programme, in November 2018-January 2019 a total of 138 people participated in meetings in Bulgaria, Norway and Iceland to discuss project ideas – out of them 69 participants from Bulgaria, 68 participants from Norway, and 2 participants from Iceland;

In April 2019 the plan for the use of the fund for bilateral relations and the plan for the use of the fund for regional civil society initiatives were developed and provided to the Financial Mechanism Office;

The Bulgarian Fund Operator, together with Norwegian Helsinki Committee and other Active Citizens Fund FO's is co-organizing the Active Citizens Days on Civic Education to take place in Oslo on 14 September 2019. In July 2019, 4 Bulgarian representatives were selected to take part in the initiative;

The Roma Scholarship component was launched in July 2018 by inviting applicants enrolled in medical specialities to apply for scholarship support. A total of 79 applications were received. In February and March 2019 the Trust for Social Achievement Foundation (TSA) - the partner responsible for implementing the Roma scholarship component conducted a re-evaluation of the applicants. The procedure of the re-evaluation was conducted in line with the recommendations of the lead partner of the Fund Operator for compliance with the requirements of the published Call for Applications and Application Guidelines and their implementation. The findings and recommendations have been issued by the Open Society Institute - Sofia in response to complaints and alerts received regarding the

competition for awarding scholarships to students of Roma background enrolled in medical specialties for the academic 2018/2019 year, held by TSA, in order to prevent, discover and remove any assumed or established irregularities as well as improve the management of the scholarship component. The Commission for selection of scholarship holders, by its decision from 31 March 2019, proposed a final list of 25 recommended applicants and reserves. The Executive board of the FO approved the suggested final list by a decision from 23 April 2019.

Two of the three pre-defined projects were launched in 2018. Progress on the “Mentorship Support for the Next Generation of Roma Health Professionals” project was delayed due to the necessity of organizing a public procedure for the selection of mentors. The project is expected to be fully operational for scholarship holders in 2019/2020 academic year.

*Conformity with conditions in Annex 1:*

1. The Fund Operator identified and mapped potential applicants/target groups that would require extra support in order to be able to submit project applications under the announced call for projects. The mapping was made by review of the performance/location of applicants during the previous EEA Grants NGO Programme cycle and by carrying out of a survey to identify specific training needs (July-August 2018). The survey was sent to 572 civil society organizations who in 2013 and 2014 have participated unsuccessfully with at least one (small and/or micro project) in the EEA Grants 2009-2014 NGO Programme. The response rate of the survey was 55,3%. Over 80% of organizations surveyed said they needed to increase their capacity. The survey results were taken in consideration in the process of planning of the capacity building trainings (project development workshops, coaching seminars) carried out by the Fund Operator in 2018.

Following the mapping, between October-December 2018 the Fund Operator organized the first series of project development workshops in 6 different locations in Bulgaria (Veliko Tarnovo, Shumen, Rousse, Montana, Haskovo, and Kardzhali) that were identified most appropriate and easy to reach especially for small CSOs working with vulnerable/underserved groups, including Roma and/or in underserved areas. Following an open and widely disseminated registration process, (through variety of communication channels, including official web pages, social media and direct mail invitations) the Trust for Social Achievement Foundation, responsible for the workshops, received 87 registration forms by CSOs from targeted locations to participate at the two-day workshops on increasing organizational capacity to develop project proposals. A total of 52 participants from 41 organizations attended the workshops. The topics of the training included Theory of change, Strategy development, Activities and Action plan, Evaluation and Monitoring, Risk assessment, Budgeting and Communication of results.

In the period 5-26 November 2018, following the announcement of the calls for project proposals, the Fund Operator organized at its premises a series of coaching seminars on the modalities of project design and on topics related to the priorities of the Active Citizens Fund and the process of development and submission of project proposals. The topics and the timetable of the seminars were preliminarily announced on the Funds’ website and communicated in social media. A total of 75 participants attended seminars on the following 10 different topics: Planning and design of projects for promoting democratic culture; Planning and design of human rights projects; Planning and design of projects for empowerment of vulnerable groups; Planning and design of projects on preventing gender based violence; Planning of projects focusing on the role of citizens in protecting the environment and climate change; Planning and design of projects for developing the capacity of the civil society sector and CSOs; Planning and design of projects on media environment and media literacy in Bulgaria; Project budget and financial conditions for the award of grants under the Active Citizens Fund Bulgaria; Everything project applicants should know about the Electronic Proposal Submission System and the submission of project proposals; Introduction to the use of open data (data) and so-called big data for the purpose of developing and evaluating projects, measures and policies.

The Fund Operator developed and offered 10 webinars on the topics of the coaching seminars to ensure equal opportunities for potential applicants in the announced calls for proposals outside Sofia and all other interested CSOs. The webinars were attended in real time by a total of 127 people. The links to webinars are published in the capacity building section of [www.activecitizensfund.bg](http://www.activecitizensfund.bg).

2. The suggested baseline value for Outcome 4 indicator “Level of awareness of GBV among the general population” is 56.3%. The data was gathered by means of a national representative survey conducted among the population aged 18 and above in April 2018 according to the face-to-face interview method

using a standardized questionnaire. Respondents were selected through a two-stage probability cluster sampling. 1200 interviews had been planned of which 1179 were conducted. The maximum stochastic error is  $\pm 2,8\%$ . The survey was carried out and funded by Open Society Institute – Sofia.

No projects were contracted by July 2019 in order to determine the baseline value for Outcome 4 indicator “Share of target groups favourable to gender equality”.

3. No projects were contracted by July 2019 in order to determine the baseline value for Outcome 6 indicators “Number of CSOs that regularly disseminate information on their activities and results to the public”, “Number of CSOs with effective management procedures”, “Number of CSOs with transparent and accountable governance” and “Number of target CSOs with at least 2 sources of funding each of which is larger than 30% of their total yearly budget”. A suggested description of the proposed data collection method (questionnaire) was sent to the FMO.

#### *Financial implementation between August 2018 – July 2019*

Received funds amount to 1 362 225 euro, including funds on the regranting account for forecasted payments of grants. Expenses amount to 480 000 euro.

### **Social Dialogue and Decent Work**

*Fund Operator:* Innovation Norway

*Programme budget:* EUR 951 000

- The First Call for project proposals was published in October 2018 with a deadline for submission of applications 7 February 2019. The Programme in Bulgaria is expected to reach the following two outcomes: (1) Improved social dialogue and cooperation, and, (2) Enhanced implementation of the decent work agenda (fair and decent working conditions). The available grant amount for financing of projects is EUR 922,470.
- The launching event of the programme took place on 18 September 2018 in Sofia. Ms. Zornitsa Roussinova, Deputy Minister, Ministry of Labour and Social Policy and Ms. Grethe Ødegaard, Counselor, Royal Norwegian Embassy in Bucharest, opened the event. The participants from Bulgaria and Norway received information about the programme’ objectives and expected outcomes as well as practical information and guidance on the applications process and application e-portal. Two organisations – one from Bulgaria and one from Norway shared their experience from participation in the previous financial period - Norway Grants 2009-2014 and provided advice on developing partnership projects.
- 6 applications were received within the deadline. The total project budget applied for was approx. EUR 1 mln. and the total grant amount was approx. EUR 900’000.
- 5 projects are with Norwegian partner; two of them are with 2 Norwegian partners
- The applicants are well recognised and important social partners – mainly trade unions and 1 employers’ organisations
- All Norwegian partners are very strong organisations, having an important expertise and competence in the tripartite/social dialogue and Decent work agenda
- 5 applications have been shortlisted and the FO is in process of finalising the assessment of projects. The signing of Project contracts is expected to take place in September/October 2019.

### **5. Status of bilateral funds**

***Budget of the Bilateral Fund:*** 4 202 000 EUR (incl. 2 300 000 EUR under the EEA FM and 1 902 000 EUR under the NFM)

Provided below is a summary information on the progress in implementation of measurec from the updated Work plan approved by the Joint Committee of the Bilateral Fund (JCBF).

#### **a. NFP activities, incl. Travel support scheme**

As per July 2019 5 applications for travel support have been submitted by the following promoters:

- General Labor Inspectorate – for participation in a tripartite seminar to be held in May 2019 in Oslo. The request was approved, the trip was conducted and the beneficiary submitted reporting documentation;
- Institute for Study of Societies and Knowledge – for participation in the Third European Conference for domestic violence to be held in Oslo in September 2019. The request was approved;
- Bourgas Municipality – for participation in a working visit to the Municipality of Reykjavik for exchange of experience. The request was approved, the trip was conducted and the beneficiary submitted reporting documentation;
- Stara Zagora municipality – for participation in the 10<sup>th</sup> European Platform of Youth Centers in Budapest, June 2019. The request was approved, the trip was conducted and the beneficiary submitted reporting documentation;
- One Dance Week (NGO) – the request for support was rejected as NGOs are not eligible applicants according to the Guidelines for applicants.

#### **b. Pre-defined initiatives**

- The NFP held further meetings with the project promoters of the three pre-defined initiatives included in the initial Work plan – “Cross border dialogue”, “Cooperation for decent work” and “Crisis management center at the Bulgarian Ministry of Foreign Affairs”. All substantive, technical and procedural issues related to the elaboration and submission of the applications were clarified;
- On the basis of the final agreed between the promoters and donor partners descriptions of pre-defined initiatives the NFP prepared and published on 8<sup>th</sup> April 2019 in UMIS and on the web site of the Grants Guidelines for applicants for the “Cross-border Dialogue” and “Cooperation for Decent Work” with a deadline for application 8<sup>th</sup> May 2019. Following requests submitted by both promoters the NFP extended the deadline for application to 4 June 2019. Evaluation of the submitted applications was completed in July 2019 and signing of grant award contracts is envisaged to take place by the end of August 2019 or at the beginning of September 2019;
- For the pre-defined initiative “Crisis Management Center at the BMFA” the main efforts were dedicated to the establishment of the partnership between the Bulgarian and the Norwegian Ministries of Foreign Affairs, the identification of the precise scope of activities and time schedule of the intervention. The description of the initiative was submitted to the NFP in June 2019. It was identified that one of the activities – Development of a mobile application for crisis response should be consulted with the State E-government Agency before launching of the application procedure. According to the national legislation each activity, related to information and communication technology in public administrations with budget which represents at least 50 % of the total eligible costs should be approved in advance by the State E-government Agency. The submission, evaluation and contracting of the initiative is expected to be finalized by the end of 2019.

The two already approved pre-defined initiatives have total budget amounting to 1 164 725 Euro. The budget of the pre-defined bilateral initiative of the Ministry of Foreign Affairs is expected to be 200 000 Euro.

The three concepts for pre-defined bilateral initiatives submitted by the NFP to the JC members for consideration and comments amount to a total of 600 000 Euro. In case the JC would approve the initiatives the total allocation to this type of measure under the BF will be 1 964 725 Euro. The unallocated funds would amount to 637 275 Euro.

#### **c. Calls for proposals**

Following the general guidelines of the donors (during the NFP Workshop held in January 2019) to follow a more strategic approach in identifying and supporting initiatives under BF as well as in view of the need to have a targeted and policy oriented interventions and cooperation with stronger and more sustainable impact, the NFP revised the concepts in the research and innovation field, antisemitism, youth policy as pre-defined initiatives and submitted them for comments to the JC members. The three concepts were discussed during the third JCBF meeting, held in June 2019 and the following decisions on follow-up actions were taken:

- Concept on innovation and research – the Concept was approved in principle by the JCBF. The Norwegian Agency for International Cooperation and Quality Enhancement in Higher Education (DIKU) has expressed readiness to cooperate with the Ministry of Education and Science to elaborate the concept further and provided, through the Norwegian Embassy in Romania, its comments on the text. The NFP informed the Ministry of Education and Science (MES) on the developments and advised MES to contact DIKU in order to set a joint meeting to discuss further details of the bilateral initiative proposal;
- Concept on anti-Semitism – the Concept was approved in principle by the JCBF. The NFP was informed by the Norwegian Embassy in Romania on the interest for cooperation expressed by the Norwegian Center for Holocaust and Minority Studies (CHMS). The Bulgarian Ministry of Foreign Affairs has contacted the CHMS and further steps are currently under discussion among the partner institutions. The conduct of a joint meeting in Oslo in September or October 2019 has already been agreed, as the meeting could be supported under the Travel Support Scheme;
- Concept on youth policy has to be redrafted by the NFP in view of the considerations, expressed by the JC members.

#### **d. Bilateral funds to programmes**

The NFP has transferred in the period September – October 2018 the first installment amounting to 50 000 Euro to the Programme Operators of the following programmes:

- Local development, poverty reduction and enhanced inclusion of vulnerable groups;
- Renewable energy, energy efficiency and energy security;
- Climate change and environment protection;
- Justice;
- Cultural entrepreneurship, heritage and exchange.

The payment of the first installments for the programmes Business development, innovation and SMEs and Home affairs were made directly by the FMO in 2017.

In line with the reporting requirements the POs provide to the NFP on a six-months basis interim reports for the implementation of bilateral activities supported under the Bilateral fund. A summary of the bilateral activities performed by the POs since the start of eligibility period is provided below. The list of initiatives is not exhaustive as the Programme Operators fund some of their bilateral initiatives under the management costs of their programmes and they are not reported under the BF.

#### Local Development, Poverty Reduction and Enhanced inclusion of vulnerable groups

A matchmaking event was organized by the PO on 24th of October 2018. As of May 20, 2019, the PO announced a call for proposals for travel support that has the purpose to support all potential project promoters of the Programme to search for partners for partnership projects.

Incurred expenditures are reported at the amount of 22 879 Euro.

#### Renewable energy, energy efficiency and energy security

The PO held a Conference “On the road of near-to-zero energy buildings: the Norwegian experience and challenges in Bulgaria”. The event took place during the Bulgarian Presidency of the EU and was combined with the signature of the Programme Agreement.

Incurred expenditures are reported at the amount of 8 157 Euro.

#### Climate change and environment protection

The supported activities include: Travel of representatives of the PO for participation in meetings in Norway and Announcement of a call for travel support for potential project promoters and partners – one request for support has been approved and carried out by the Norwegian Institute on Humanitarian Sciences.

Incurred expenditures are reported at the amount of 1 639 Euro.

#### Justice

The following types of bilateral events took place: Working Visits and Partners’ Meetings in Norway, Meetings of the Working Groups, Synergy network meetings, Conferences, Workshop on the further development and preparation of the implementation of new approaches in the beneficiary countries’ correction services during the new programming period under NFM 2014-2021, Working visit in Bulgaria of partner organizations from the Norwegian penitentiary system.

Incurred expenditures are reported at the amount of 52 000 Euro.

#### Cultural entrepreneurship, heritage and exchange

A call for travel support was announced by the PO on 12.12.2018 with the purpose to support travels and meetings for the establishment of partnerships for joint projects under outcome 2 of the programme. Supported were 14 applications for participation in a match-making event organized by the PO in Sofia.

A call for support for study visits to donor states or Bulgaria was also announced on 12.12.2018 for all six calls for proposals that will be launched under the programme. Supported were requests submitted by 19 organisations 7 of which from donor states.

Incurred expenditures are reported at the amount of 25 756 Euro.

#### Business development, Innovation and SMEs

Under the Travel support scheme announced by the PO at the end of 2017 a total of 68 applications have been submitted out of which 24 were approved.

In addition the following type of events took place: 2 matchmaking events in Oslo (September 2018 and March 2019), 1 study visit of Norwegian companies and clusters to Bulgaria (November 2018), 1 Bilateral workshop in Oslo (March 2018) and 1 Health Forum in Sofia (November 2018).

Incurred expenditures are reported at the amount of 11 569 Euro.

Under the Home Affairs Programme all bilateral activities field so far have been supported under the management costs of the Programme Operator.

### **Financial implementation**

Under the Fund for bilateral relations the NFP received advance payment from the FMO at the amount of 370 000 Euro. The NFP transferred to the POs the total amount of 250 000 Euro covering advance

payment of 50 000 Euro for five of the programmes. The FMO has transferred advance payments to two POs amounting to 100 000 Euro.

According to the information provided by the Programme Operators the total amount of expenditure incurred under the programmes to date is *approx.* 122 000 Euro.

The amount committed under the Travel Support Scheme is 20 000 Euro.

## **6. Management and implementation**

### **a. Management and control systems (MCS)**

During the period there were some technical changes in the Management and Control System (MCS) at national level related to more precise description of the role and responsibilities of the Certifying Authority that are reflected in Version no. 5 of the MCS approved by the Head of the NFP on 23<sup>th</sup> July 2018.

There are no significant changes in the setup or the staffing of the National Focal Point, the Certifying Authority and Audit Authority.

The NFP in consultation with CA has prepared a guidance for the MCS at programme level containing unified texts describing the common rules and procedures as well as horizontal issues applicable across programmes. All POs have developed their MCSs based on the model provided by the NFP while taking into consideration the specificities of each programme and the respective detailed description of the management structure. The NFP has active role in the approval of the MCS at programme level through providing comments and recommendations before the submission of the MCS to the Audit Authority for audit opinion and audit report. During the period the MCSs under all six programmes managed at national level have been approved.

### **a. Complaints**

During the period there are no complaints directly related to the implementation of the EEA FM and NFM under the programmes managed at national level. There was only one complaint related to the Bulgarian leadership of the Norwegian Financial Mechanism in the field of Justice without concrete allegations on any irregularity under the Justice Programme. The NFP explained that there are strict mechanism for control to ensure the sound management of the programme and assured the complainant that the NFP will strictly follow the programme's implementation.

Unsuccessful applicants under the component for scholarships to medical students of Roma origin financed by the Active Citizens Fund have approached the Head of the NFP with complaints. The Head of the NFP requested information and appropriate actions by the Programme Operator related to the received signals.

### **b. Irregularities**

No irregularities were reported during the period.

### **c. Audit**

In the reporting period the Audit of EU Funds Executive Agency (AEUF EA) – Audit Authority (AA) for the EEA and Norway grants carried out the following activities:

#### **1. Compliance assessment audits (at programmes level)**

The Audit Authority performed 6 compliance assessment audits on management and control systems for all 6 Programme Operators under the EEA FM and NFM 2014-2021. The objective of the audits was to confirm that management and control systems of the Programme Operators complies with the Regulations and generally accepted accounting principles.

The Audit Authority has examined the management and control systems and some shortcomings have been identified in the preliminary reports. The main findings of the compliance assessment audits concern the discretion of the organizational structure of the POs, lack of sufficient controls for some key processes as verification, monitoring and reporting procedures for irregularities and recovery of funds. POs agree with all findings and recommendations given and has taken action for implementation of the recommendations. Up to issuing the final reports all recommendations concerning findings with high and medium risk were implemented and the findings were closed.

After the contradictory procedure, the final audit reports were issued in the period from 08.01.2019 to 16.07.2019 and were presented to the respective POs, NFP and CA. The Audit Authority assessed the proportionality of the management and control systems' requirements in relation to the effectiveness of achieving the objectives of the programmes. Base on the assessment the Audit Authority issued an unqualified opinion for all 6 Programme Operators under the EEA FM and NFM 2014-2021.

## **2. Audits of operations (on projects)**

Audit on projects of the certified and declared expenditure to the FMO for the second accounting year 2018 is under implementation and will finish on 02.08.2019. The programmes and funds with certified and declared expenditure for 2018, which are within the scope of the audit are as follows:

- Programme "Local Development, Poverty Reduction and Enhanced Inclusion of Vulnerable Groups" under the EEA FM 2014 – 2021 with a PO Ministry of Education and Science;
- Programme "Home Affairs" under the NFM 2014-2021 with a PO Ministry of Interior;
- Technical assistance Fund and Bilateral Fund under the EEA FM and NFM 2014-2021 in Central Coordination Unit Directorate within the Council of Ministers Administration -National Focal Point.

The AA prepared the First Annual Audit Report and Annual Audit Opinion under the EEA FM and NFM 2014-2021. The Report and the Opinion were issued on 14.02.2019 and were presented to the NFP and CA.

### **Certification activities carried out by the CA**

*Main activities carried out by the Certifying Authority during July 2018 – July 2019:*

The Certifying Authority (CA) - National Fund Directorate carried out the following activities during the reporting period:

- Certification of expenditure and submission to the FMC of the first and second Interim Financial Reports (IFR) via GrACE system according to the schedule set out in the Regulations on the implementation of the EEA FM and NFM 2014-2021;
- Establishment and maintenance of a separate bank account dedicated to the EEA FM and NFM 2014-2021;
- Transfer of payments to the POs for the tranches received from the FMC within the set deadlines;
- Maintenance of the accounting system by registering the movements on the bank account, cash and non-cash operations as well as carried out all standard control activities and crosschecks in order to ensure that the accounting records are correct, timely and true, as well that they are in compliance with the applicable national legislation and/or standards;
- Preparation of a methodology for the accounting of operations in relation to the management and control of the funds granted;
- Preparation of standard entries, applicable by the Programme Operators for the operations under the Programmes and for defining the deadlines and formats for providing reporting information;
- The CA submitted the forecasts for the likely payments under the Programmes in due time, namely as of 20 September 2018, 20 November 2018, 20 February 2019 and 20 April 2019 in line with Article 5.4 (b) and Article 9.5 of the Regulations on the implementation of the European Economic Area (EEA) Financial Mechanism 2014-2021 and the Norwegian Financial Mechanism 2014-2021;

- CA representatives took part in meetings with regard to the Programmes' implementation;
- CA experts ensured constant methodological support to different Programmes' Operators for better implementation of the reporting process;
- CA experts took part in working meetings and provided methodological support regarding management and spending of funds under the two mechanisms;
- The Bulgarian CA maintains professional relations with CA representatives from other Beneficiary States;
- CA is working closely with the NFP concerning different topics and issues under the EEA FM and NFM 2014-2021.

Certification of expenditure during July 2018 – July 2019:

Within the reporting period (**July 2018 – July 2019**) two Interim Financial Reports (IFRs) under each Programme were submitted via GrACE. The first IFRs under all Programmes were null.

***The status of certified expenditure/Tranches/Limits during the reporting period July 2018 – July 2019:***

<b>PROGRAMMES</b>	<b>Certified expenditure</b>	<b>Tranches total (EUR)</b>	<b>Limits total (EUR)</b>	<b>Incurred expenditure by programmes (as per 31 Dec. 2018)</b>
Programme "Home Affairs"	50 129,00	4 013 871,00	4 722 201,00	50 129
Programme "Renewable Energy, Energy Efficiency, Energy Security"	0,00	2 690 675,00	3 165 500,00	0
Programme "Justice"	0,00	5 294 118,00	6 228 374,00	0
Programme "Cultural Entrepreneurship, Heritage and Cooperation"	0,00	747 750,00	879 706,00	0
Programme "Local Development, Poverty Reduction and Enhanced Inclusion of Vulnerable Groups"	127 556,00	3 290 000,00	3 870 588,00	127 556,00
Programme "Environment protection and climate change"	100 000,00	2 502 020,00	2 943 553,00	100 000,00
Bilateral Relations	66 755,00	370 000,00	370 000,00	250 000*
Technical Assistance	46 547,00	275 135,20	275 135,20	257 072**
<b>TOTAL:</b>	<b>390 987,00</b>	<b>19 183 569,20</b>	<b>22 455 057,20</b>	

\*Funds transferred by the NFP to POs. In addition 100 000 Euro have been transferred from the FMO directly to two POs. The amount of incurred funds by the BF beneficiaries is 137 908 Euro.

\*\*Funds reported by the beneficiaries of TAF, verification is on-going.

Problems identified in the certification process

During the reporting period the identified problems are mostly related to GrACE functioning. The identified issues in GrACE such as audit trail, calculation errors, etc. are communicated with the FMC for their resolving.

**7. Communication**

The reporting period was marked by focused efforts of the NFP for the transformation of the website into a single portal for information about the EEA and Norway Grants in Bulgaria. This was achieved

through an organised training by the NFP for all PO communication officers. Additional one-on-one meetings and exercises were held with POs that experience difficulties. This resulted in increased number of publications by 109 (news, events and calls for proposals) published by the NFP and the POs for the reporting period in comparison with 20 for the year before. The smooth functioning of the website is considered very important not only for the purpose of publicity, but also as a tool to secure transparency and accountability.

The statistics from Similarweb shows the following traffic source for the portal: from search – 39%, from Facebook – 39%, direct – 19%. The data pin Facebook as the main tool for promotion of the portal. The NFP encourages the Programme Operators to develop pages and share content tagging and linking to secure information flow. The Facebook page managed by the NFP has a solid natural growth to 1200 followers, which is an increase by 200 from last year. This is considered very good since no funding has been used for paid promotion.

As a part of the process of overall coordination of the POs, two meetings of the Working Group on Communication have been held. The agenda for the meetings included horizontal instructions as well as information shared during the communication workshops, organised by the FMO.

The NFP has produced a bilingual brochure to present the EEA & Norway Grants 2014 – 2021 in Bulgaria. The brochure includes general information about all programmes – supported areas, PO, DPP, as well as relevant contacts for further details. The brochure is considered as an important tool for dissemination of information among potential beneficiaries at national level. For this purpose, the brochure was distributed among the POs – to be used during events, as well as among District Information Points (DIPs) around the country. In addition, the NFP has developed an information package for the DIPs often request information about the EEA & Norway Grants. It is at this initial level of implementation that we feel crucial, to flood with a lot of information for potential beneficiaries and entities searching for partnerships.

The NFP has launched a public procurement procedure for production of publicity materials for the EEA & Norway Grants. We expect to have it finalized by the end of the year and receive the first batch of items. They will be used for promotion of the grants through events at programme level and the DIPs.

## **8. Roma inclusion focus**

Roma inclusion plan on the 10% target for improving the condition of the Roma population in Bulgaria (2014-2021) was elaborated by the NFP and submitted to the FMO on 4 October 2018. The aim of the plan is to give a clear description of the Roma inclusion measures thus ensuring the achievement of the targets set in the Memoranda of Understanding. The paper is also considered as an overview on the horizontal level of the grants and the possible synergy of the measures within different programme areas, as well as on the challenges and risks that lie ahead and the envisaged reporting and evaluation tools to be used for measuring progress. An assessment of this plan will structure a dialogue on follow-up actions with the objective of maximizing the impact of support from the Grants towards the improvement of the situation of Roma in Bulgaria. The implementation of the plan is a joint task of the NFP and the program operators. Implementation of the measures will be based on the partnership principle with local communities and target group representatives. The total amount of funds dedicated to measures with an impact on Roma population is 18 048 416 euro, which corresponds to 14 % of the total amount of the programmes targeting Roma minorities (LocDev, Justice, Home affairs, Culture). At that stage the projects included in the Plan are still under preparation/assessment. In this sense, no substantial progress cannot be reported on the targets set.

On 7-8 November 2018 in Kjustendil was held one of the regular meetings of the expert group between Managing Authorities under ESIF, the Bulgarian-Swiss cooperation Programme and the POs under the EEA FM and NFM for sharing experience, best practices and discussing challenges related to inclusion of vulnerable groups with focus on Roma population. Main problems identified: Integrated procedures under ESIF – difficult coordination on local level, insufficient political will, insufficient involvement of the Roma communities, close monitoring and support on day to day basis gives best results; Better

coordination mechanism between all stakeholders is needed - national institutions, non-governmental organizations, local authorities; more precise approach is needed the target groups and their needs to be defined so as to ensure the integrity of the services provided. For the future integrated projects under the LocDev programme the following recommendations were discussed: meetings with the potential beneficiaries to be conducted prior and during the projects preparation stage, as well as focused trainings to strengthen their capacity to manage and coordinate activities and partnerships on already approved projects. Regular communication and support by the PO as well as revision of activities in order to eliminate non-working models and practices, is proven good practice for successful implementation of such projects.

On the next meeting of the group held on 24-25 July in Borovets the representatives of the four POs (LocDev, Justice, Home affairs, Culture) reported in details the planned measures targeting Roma minorities under NFM and EEA FM. Special attention was paid on how to avoid the formal approach and to maximize the impact of the measures, improving the situation of the vulnerable communities by providing quality service, applying the right set of requirements, procedures, mechanisms during the entire process, from project preparation phase through implementation, reporting, monitoring and evaluation stage – on PO level as well as on beneficiary level.

Following the discussions on expert level, NFP is going to organize a two day event/round table to be held in November 2019 with the participation of FMO, NGOs, PO, MA under ESIF, municipalities and other stakeholders. The aim of the event is to facilitate the reciprocally useful exchange of experience and best practices between municipalities, civil society and the public administration on national level.

## 9. Monitoring and evaluation

### a. Monitoring

The monitoring activities of the NFP in the period were related to:

- The process of establishment of the set-up at programme level, *incl.* programme management teams, description of the management and control systems, availability of the necessary administrative and expert capacity, training needs, etc.;
- keeping track of the progress of implementation with regard to the approved time schedules and specifically the preparation of guidelines for applicants for the pre-defined projects and calls for proposals, the status of any outstanding issues that were to be defined after signatures of the Pas (*e.g.* identification of donor project partners, identification of appropriate site for implementation of project activities, etc.);
- The progress in fulfillment of conditions from the Programme Agreements, especially those related to pre-eligibility and pre-payment.
- Coordination between institutions concerning measures of similar nature that are supported under the EEA and Norway grants and the ESIF Operational Programmes with the purpose to avoid risk of potential overlap and ensure synergy and

The NFP monitored the above issues through:

- A series of working meetings held on horizontal or programme specific topics – such meetings were organized at the initiative of NFP or of the POs. They were held at the level of the top management of the NFP and POs or at expert level depending on whether a strategic or operational decisions were at stake. Such meetings were organized for all programmes, as more critical issues were tackled with regard to the Energy, Culture and Justice programmes;
- Participation of representatives of the NFP in the Cooperation Committee meetings under the programmes as well as in other technical meetings at programme level, *incl.* teleconferences;
- Regular information requested and provided by the POs on the status of implementation – as of the beginning of 2019 the NFP requested such information to be provided on a monthly basis, as it will be summaries and provided to the FMO so that progress could be followed-up at all levels and timely corrective actions could be agreed among all stakeholders when necessary;
- Day-to-day communication between NFP and POs.

In addition to the monitoring carried out at national level, regular monitoring was performed on behalf of the FMO through a series of technical meetings carried out *apprx.* every two months of

the Country Officer with all Programme Operators. The series of meetings that were held in February 2019 were also attended by experts from the legal and financial teams of the FMO.

In June 2019 a monitoring mission commissioned by the FMO and implemented by an external contractor Blomeyer & Sanz took place. The monitoring mission included a kick-off meeting with the NFP and separate meetings with the POs for programmes Energy, Local Development, Justice and Home Affairs. The NFP has not received any feedback on the finding and recommendations from the meetings. The next monitoring missions is scheduled to take place in September 2019.

#### **b. Evaluation**

No evaluations have been carried out during the period. According to the Evaluation Plan developed by the NFP the mid-term evaluation under all programmes is planned for 2020 in order to support the management decision on the reallocation of the reserve under the EEA FM and NFM and possible reallocation between programmes.

### **10. Issues for the annual meeting**

- External monitoring - In order for this monitoring to support the national authorities for more efficient and effective implementation of the programmes, it would be highly appreciated to receive findings and recommendations relevant to the NFP, POs and project promoters.
- Requests by DPPs to apply for funds under the national BF for programme level activities that in accordance with the Bilateral Guide shall be financed with the amounts allocated to the POs.
- Not clear understanding of the role of DPPs in Cooperation Committee decision taking and the selection process, incl. the appraisal of PDPs and bilateral funds initiatives.
- Including new partners under pre-defined projects at a very late stage that have a negative impact on the timely launch of projects' implementation – e.g. under the Home Affairs Programme.
- CoE role as project promoter under INCLUDE.
- Sensitive topic for Bulgarian society that we could not ignore related to Roma issues, refugees, domestic and gender based violence, in particular the Istanbul Convention, prisons, children protection and child-friendly justice.
- Participation of Bulgarian representatives in bilateral activities in donor states possess some financial issues due to restrictions in the national rules.
- Mid-term evaluation under the EEA FM and NFM - the programmes will not be in sufficiently advanced stage in 2020 to have a clear picture on what to be reallocated.