

# *STRATEGIC REPORT*

## *FM14-21*

Bulgaria

Reporting period:

01 August 2019 - 31 July 2020

## 1. EXECUTIVE SUMMARY

With the approval of the management and control systems at programme level the establishment of the management, operational set up for the grants was completed, and in the reporting period implementation of activities has started under all programmes.

The socio-economic and political environment in Bulgaria in the reporting period witnessed dynamic changes, influenced by the global economic environment and pandemic turmoil. It could be regarded in two stages – before and after the outbreak of the pandemic Covid-19, for which the exact consequences and impact on the grants could not be fully estimated yet. The main indicators of economic and social development for 2019 include: GDP growth of 3.4%, increased absorption of EU and other donors' funds boosted a slight grow of the investment in 2019 to the level of EUR 1092 million, budget surplus of 2.1% of the GDP, unemployment rate at historically low levels of 4.2%.

The POs prepared and launched application procedures for 26 pre-defined projects and for 11 calls for proposals. Following evaluation and, where appropriate selection procedures, grant award contracts were signed for 23 pre-defined projects and for four projects approved under one open call. At the cut-off date of this report evaluation and selection procedures were on-going for 1 small grant scheme, 3 open calls and 4 pre-defined projects. Under 4 of the announced calls for proposals the deadline for submission of project applications has not expired. Preparation of guidelines for applicants is on-going for 3 open calls in Energy, Culture and Justice programmes.

As a result of different circumstances 3 pre-defined projects were withdrawn by the project promoters– 1 in Local Development programme with a project promoter the Council of Europe and 2 in Home Affairs programme with project promoters the Agency for Child Protection and the State Agency National Security. Since the objectives of the projects and targeted programme outcomes remain a priority, the POs, NFP and the donors agreed that they will be substituted by two other projects and one open call.

The Joint Committee for the Bilateral Fund (JCBF) held one on-line meeting and discussed the progress in the implementation of the amended work plan for the BF at national level as well as the status of bilateral cooperation at programme level. One bilateral initiative at national level "Cooperation for decent work" was contracted and is under implementation, for three initiatives consultations between the promoters and donor partners were on-going and application procedures will be launched by the end of August 2020. Travel support schemes were implemented at national level and under all programmes except for Energy, until March 2020 when this type of measures were temporarily suspended due to Covid-19 emergency situation.

The Audit Authority prepared and submitted to the FMO the Annual audit report and Annual audit opinion for 2019 and carried out the following audits:

- audit of projects for 4 programmes for expenditures certified for 2018 (Local development, home Affairs, TAF and BF) and for the Home Affairs programme for expenditures certified for 2019;

- system audits for 4 programmes (Home Affairs, Local Development, Energy and TAF and BF)

The CA certified and submitted due forecasts of likely payments and via GRACE two interim financial reports for each programme.

The financial implementation is as follows:

- Funds transferred from the FMO amount to 30 77 212 Euro;
- Funds transferred to POs amount to 35 92 004 Euro (incl.d national co-financing);
- Incurred expenditures by the POs amount to 7 769 399 Euro;
- Certified costs from the IFR#3 and IFR#4 packages amount to 2 372 038 Euro.

Compared to the approved time schedules (milestones) there are delays for all programmes. These delays are still manageable and could be overcome.

## 2. POLITICAL, ECONOMIC AND SOCIAL CONTEXT

During the reported period, the socio economic and political development of Bulgaria witnessed dynamic changes, influenced by the global economic environment and pandemic turmoil. It could be regarded in two stages – before and after the outbreak of the pandemic Covid-19, which spurred the deepest recession in the world economy since the World War II.

During the first stage, since the second half of 2019 until mid-March, Bulgarian macroeconomic environment remained stable despite the noticeable slowdown of the global economy. For five consecutive years, Bulgaria managed to maintain an economic growth above the average level of the EU and was the second country in the EU, striking positive growth in the first quarter of 2020. In the end of 2019, the government debt remained among the lowest in the EU and the current account positive. The unemployment and inflation hit their lowest levels, while the investment kept its upward trend. The private consumption remained the main driving force for growth, enhanced by wages increase, strong fiscal policy and financial support from the EU and other donor countries. At that stage, Bulgaria was facing two main challenges – to raise the productivity in order to reach convergence and address the rapid demographic change.

Before the outbreak of the COVID-19, it was projected that the Bulgarian economy would continue to grow, although at lower pace, with raising investments and domestic demand. The highest growth was expected in services, contributing the higher percentage to the GDP. However, the Covid-19 forced the governments, including Bulgaria's, to introduce unprecedented restrictions on mobility and public health measures, shutting down large part of the economy. This resulted in the deepest output contraction, trade and massive labour market deterioration. The services sector suffered the most, especially tourism, transport and recreations, Bulgaria being among the three most affected countries in the EU. After the Bulgarian Government declared a State of Emergency on 13 March 2020, it announced higher spending on medical equipment, wage bonuses and increases of the medical and security staff, as well subsidies, tax deferrals, state guarantees and reallocation of ESIF funds to support the economy and the labour market. If the containment measures are lifted gradually, it is forecast that the Bulgarian economy will start to recover still in the third quarter of 2020 with more favorable indicators than the EU. The EU and other donors' funds will remain the main financial

source for overcoming the Covid-19 deteriorating effects. Bulgaria received more than double funds from the EU budget for the next programming period 2021-2027, including from the instrument “Next Generation EU” within the newly set Recovery Fund for overcoming the negative effects of the pandemic. Other positive impact on the convergence and strengthening the economy is considered to come from the accession of Bulgaria to the Exchange Rate Mechanism II (ERM) since October 2020.

### 3. EFFECTS OF THE GRANTS

In the reporting period implementation of measures has started under all programmes with signature of contracts and launch of activities under pre-defined projects, preparation and launch of calls for proposals, conduct of evaluation and selection procedures. The restrictions caused by the emergency pandemic situation due to Covid-19 lead to changes in the schedule or mode of implementation of activities under the contracted projects, to extension of deadlines for submission of project applications, of evaluation procedures and postponement of calls. Generally the implementation of measures is still at a very early stage and no effects could be reported.

An important event was organized in December 2019 by the NFP in cooperation with the FMO a **Roundtable: EEA & Norway grants Roma focus 2014-2021 - Performance challenges, monitoring strategies, active Roma involvement and empowerment - sharing experience and good practices**. More than 120 representatives of the key stakeholders working on Roma inclusion on national and EU level took part – including Roma and pro-Roma civil society organizations, municipalities, Donor Programme Partners, Programme Operators/Active citizens Fund Operator, Project Promoters, International partner organizations, EC (DG Justice), CoE, FRA, ESIF Managing Authorities, line ministries, National Roma Contact Point, National association of the municipalities in Bulgaria, Commission for Protection against Discrimination.

The roundtable was a real example of active participation of Roma – the participants represented different sectors, institutions and organizations.

The results of the Roundtable discussions will be taken into account in the mid-term review of the FM implementation in 2020 and will serve as a basis for the forthcoming programming of the Roma focus for the next FM period, while looking for areas where other instruments cannot generate impact

The effects on strengthening bilateral relations continue to be more visible despite the cancellation of all travel support schemes and meetings since March 2020. As a result of the matchmaking events held in 2019 and the visits supported under the travel support at national or programme level there was a considerably high number of project applications with donor project partners (*88 projects out of 107 applications submitted in the municipal infrastructure call of the Energy programme, 11 projects out of 12 applications in the Establishing Youth Centers under the Local development programme and 61 projects out of 114 under the Culture programme*).

## 4. STATUS OF PROGRAMMES

### BG-JUSTICE 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)

All nine pre-defined projects were submitted through UMIS by 30<sup>th</sup> August 2019. The appraisal of the pre-defined projects were carried out by an external company independent of and unrelated to the PO. After the completion of the external appraisal the PO has signed 8 out of 9 grant contracts under the pre-defined projects. Only the grant agreement under PDP 4 with the GD National Police has not been signed yet. The contract as prepared, signed by the Head of the PO and the signature by the Project Promoter is expected.

**Correctional Services:** The preparatory work under all signed contracts has already started. There is launched public procurement procedures for construction of two prison sites in Vratsa and Pazardzhik under *PDP 1* with expected signature of contracts in the first quarter of 2021. As regards the remaining four sites – in Plovdiv, Bobov Dol, Petrich and Burgas the tender procedures for reconstruction will begin after the award and finishing the design of the respective sites. The signature of the contracts for reconstruction is expected in June-July 2021. The documentation for a public procurement procedure for preparation of investment design of the pilot prison under *PDP 2* has been prepared and submitted to the PO for ex-ante control. The public procurement for construction of the new prison connected to a training centre and a half-way house will be announced in June 2021 based on the elaborated design and the award of the contract is expected in December 2021 (delay with approximately 6 months compared to the initial timetable). The total duration of the activity is 34 months and the construction activities should be completed by January 2024.

There is also progress in the preparation of the remaining public procurement procedures for construction supervision, investment control, designer supervision, etc. as well as with the outputs related to the soft measures – needs assessment related to the new training strategy, initial analyses and studies as a basis for drafting specialised programmes for rehabilitation of prisoners.

A public procurement procedure for a selection of a tenderer to perform the contract for development of e-learning platform in the field of alternative sanctions to imprisonment was launched under *PDP 3*.

The partnership agreements with the Norwegian institutions under the three PDPs were signed in the beginning of March 2020.

**Judicial System:** The public procurement procedures under all projects are under preparation. The National Institute of Justice has started the development of a Framework for Sustainable Judicial Training as well as the preparation of trainings on the applications on the fundamental rights that are planned for October/November 2020 (PDP 6). E-learning trainings in the field of domestic violence and adaptation of the pilot HELP e-learning module on prevention and protection from violence against women and domestic violence are planned in the period October – December under PDP 7. The procedure for selection of Bulgarian judges for secondment to the ECtHR Registry and the Department of Execution of Judgements was launched under PDP 8. The establishment of the Local Coordination Mechanism for protection of victims of domestic and gender-based violence will start in August-September 2020. The mobile legal aid units of lawyers and Roma mediators to provide legal aid in small and distant locations with a special emphasis on women, children at risk and citizens of ethnic minorities will be operational in September/October 2020. In December 2020 the first training of lawyers on JUSTROM methodology will take place (PDP 9). The opening conferences under all projects were planned for September- October 2020.

The PO has drafted the call for proposals under the small grant scheme on child-friendly justice and domestic and gender-based violence. This is the only call within the programme and its launching is planned for October - November 2020.

The Cooperation Committee meeting was held in October 2019 in Lilleström, Norway. Its agenda covered various topics related to the programme and projects implementation, as well as the bilateral cooperation.

In March 2020 Annex I and Annex II of the Programme Agreement were amended. The change is due to the need to revise the description of PDP 6 “Modern learning environment for judges, prosecutors, investigating magistrates and other legal professionals” – the initially foreseen new training centre was replaced by an innovative model of in-work judicial training through establishment of shared learning spaces in the judiciary and development of reference tools for the magistrates.

The available limit on the programme account amounts to 6 228 374 EUR. Advance payments in the total amount of 2 122 263 EUR have been transferred under eight grant contracts for the implementation of predefined projects.

*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)

Project contracts are signed between the Programme Operator and the Project Promoters for 10 out of initially foreseen 14 projects, as follows: PDP 3, PDP 4, PDP 5, PDP 6, PDP 7, PDP 10, PDP 11, PDP 12, PDP 13 and PDP 14. The appraisal of PDP 2 has been concluded and the contract should be signed by 31<sup>st</sup> August 2020 after some changes in the partnership agreement with NPIS. As regards PDP 9 the appraisal is still on-going and the signature of contract is expected by mid-September 2020.

PDP 1 and PDP 8 will be excluded from the programme based on decisions of the project promoters to refrain from the planned actions. The information was received on 14 November 2019 from the State Agency for Child Protection (PDP 1) and on 4 March 2020 from the State Agency for National Security (PDP 8). Opportunity was given to the Bulgarian Red Cross to find a solution for implementation of PDP 1 but the organisation informed with letter from 12 March 2020 that it would also refrain from further actions. The proposed options by the PO was PDP 1 to be replaced with an open call entitled: "Improving the national asylum and migration capacities, especially as regards provision of specific reception conditions for vulnerable migrants and in particular for unaccompanied minors" and PDP 8 with a new pre-defined project in Programme Area 20 "International Police Cooperation and Combating Crime: "Development of the cooperation within the Schengen area" with a Project Promoter: General Directorate "Border Police". The proposed changes would require a modification of the Programme Agreement - the allocation of PDP 1 of 4,000,000 euro will be transferred to the new open call. The open call will be launched in November 2020 with the aim the implementation of the selected projects to start in 2Q2021 that will allow sufficient time for implementation.

The allocation of PDP 8 is 941,506 euro. To this amount savings from the other already contracted projects will be added and finally the new amount for PDP 8 is envisaged to be 1,200,000 euro in total.

During the period, there was also one minor modification of the Programme Agreement related to the inclusion of a project partner (OSCE) in the pre-defined project No. 9 of the Academy of the Ministry of Interior approved on 14<sup>th</sup> February 2020.

The public procurement procedure under PDP 4 for extending the communication network of the MoI was executed and the signing of the contract is expected after the expiry of the appeal period. Two project web-sites have already been developed under PDP 3 and PDP 4. One opening conference with the participation of NCIS (KRIPOS) was organised under PDP 7 on 09.12.2019. The remaining projects are at initial phase of implementation.

One Cooperation Committee meeting was carried out on 14-15 November 2019.

PO held bilateral meeting with the Norwegian Directorate of Immigration on 11 December 2019. Additional meetings were carried out between the PO, UDI and Bulgarian project promoters State Agency for Refugees and the International Organisation for Migration.

Due to the situation with Covid-19 all programme-related developments were consulted with the Cooperation Committee, FMO and NFP via email or videoconferences.

The amount transferred from the FMO to the programme is EUR 8 259 634. The amount of the advance payments to the Project Promoters is EUR 2 995 922 (incl. national co-financing) and the amount for Programme management is EUR 204 503 (incl. national co-financing).

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

- The condition in p. 5 in Annex I is fulfilled: Ecorys South East Europe Ltd. was selected and carried out external appraisal of the pre-defined projects;
- The condition in p. 6 in Annex I is fulfilled: Brain Storm Consult OD LLC was selected to carry out external verification of payment claims and verification of the project outputs. After the expiry of the contract a new independent company was selected;
- Fulfilment of the conditions set in points 1, 2, 3, 4 and 7 in Annex I will be monitored during programme implementation. Conditions 1, 2 and 7 concerning improvement of the situation of the Roma population, funding available for infrastructure (hard measures) and specific rules on buildings purchased, constructed, renovated or reconstructed are stipulated in all project contracts concluded between the Programme Operator and project promoters;
- As regards condition 3 about synergies with the 'Justice' programme, representatives of the Programme Operator of the Justice Programme regularly take part in the Cooperation Committee of the Home Affairs Programme and vice versa;
- The pre-eligibility condition regarding PDP 14 was fulfilled on 12 June 2020;
- The request for lifting the pre-eligibility condition of PDP 9 will be sent after its appraisal;
- Conditions related to PDP 1 (p. 8 of the general conditions and pre-eligibility conditions) cannot be fulfilled due to the decision to remove the project from the programme.

**Threats facing the programme as a result of the COVID-19 situation:**

Planning of calls and appraisal of the pre-defined projects were not affected by the COVID-19 situation.

The agreed bilateral activities will be postponed as they cannot be implemented through online communication channels and require presence of experts.

The next Cooperation Committee meeting will be carried out via videoconference in the beginning of September to discuss the proposed PA modification. Other issues requiring consultation and/or information from/to DPPs and IPOs are discussed via email.



The projects are in their initial phase of implementation. The monitoring process through regular meetings with the beneficiaries was postponed but the submission of interim progress reports continues.

Under some of the projects, the bilateral activities related to mutual visits in partner countries were affected and postponed. There are no requests for amendment of grant contracts related to COVID-19 situation.

## BG-LOCALDEV 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 “Local Development, Poverty Reduction and Enhanced Inclusion of Vulnerable Groups” Programme is being implemented in a relatively good pace, however some delays and obstacles, primarily related to Roma inclusion and empowerment measures, have been identified.

- **The 3 predefined projects** that started their activities in 2019 (with the following Project promoters: Bulgarian Red Cross, National Statistical Institute, National Association of Municipalities of the Republic of Bulgaria) are proceeding with their projects’ implementation according to the approved plans.
- During the reported period, the PdP “Recovery Centre for Children with Oncohematological Diseases”, implemented by the **Municipality of Kostinbrod was evaluated and contracted (June 2020)**.
- the PdP of the **Ministry of Health**, the PO officially launched the procedure on 04.05.2020, but on 05.06.2020 the application process was cancelled at the request of the Project promoter (MoH). MoH is expected to propose a new idea for this project to be discussed with the PO and NFP and to come to the FMO with an agreed decision by the end of September.
- The **restricted call for proposals** for enlarging the 4 existing youth centres has been launched in September 2019. The evaluation of the projects has been performed on time; the Selection Committee was organized on line and in written correspondence. The four projects were prepared [\[AK2\]](#) in June 2020 and their implementation started on July 1, 2020.
- The **Call for proposal** for establishing new youth centres has been launched. 14 out of 23 eligible municipalities have submitted project proposals. The evaluation process started on 22 January 2020 and was extended by 3 months due to the Pandemic Situation. The evaluation

report was issued on 15 July 2020 and the preparation of the Selection Committee has started immediately after that.

- In order to discuss the main priorities in the youth policies and the related tasks of the youth centres, the PO has organized a 2-day working meeting (16 - 18 December 2019) with representatives of the Ministry of Youth and Sports, the Ministry of Labour and Social Policy and the already existing 4 Youth Centres.
- Events for informing the general public about the forthcoming calls were organized, as well as working meetings with the applicants to help them better prepare their projects in accordance to the application guidelines.
- After the signature of the contracts, the PO has also organized special training for the project promoters of each PdP and each call for proposals in order to facilitate the project implementation. These trainings were focused on specific questions concerning the respective projects, as well as on the application process and the use of the UMIS platform for communicating and reporting to the PO.

#### ***Future steps***

- Following the identified risks in the Monitoring report 2 (by Blomeyer & Sanz), the NFP drew attention of the PO to the need to take action to start the preparation and launch the **integrated scheme for Roma inclusion and empowerment** as early as possible. The decision to wait for the results of the NSI PDP 6 project would diminish the effectiveness of the contribution to meaningful Roma inclusion. NFP advised the PO to present an action plan covering not exhaustively the following: approach for focusing the measures in municipalities with issues in Roma integration (not waiting the results from NSI PDP); attracting outside expertise for the design of the call; needs assessment with the participation of Roma who can facilitate the process; capacity building measures for the municipalities.
- A draft modification of the PA is under discussion, concerning the replacement of the INCLUDE project (PDP 5) and introduction of a new concept for the design of the **Early child care scheme**. Consultation with the Cooperation committee and relevant stakeholders, as well as additional analytical information on the needs and complementarity was requested by the NFP.

#### **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 contracts;
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 the first Roma Table organised by the NFP and held on 10 December provided a platform for intensive and qualitative discussion between representatives of all stakeholders – public institutions, academics, NGOs, central and local authorities, programme management bodies;
3. *The National Focal Point and the Programme Operator shall ensure joint ownership of the process and results among all relevant national stakeholders.* – the organization of coordination meetings

with stakeholders of programme components that receive funding from other sources as part of national policies, such as the Ministry of Youth and Sports, continued. ;

4. *The National Focal Point shall ensure that the Programme Operator ensures the sustainability of the youth centers and of the services provided.* – the Guidelines for applicants for the new Youth Centers 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.

Payment at the amount of 4 463 679 Euro, incl. national co-financing has been transferred to the PO in the period thus the total amount transferred to the PO is 8 334 267 Euro . Incurred expenditures by the PO amount to 2 312 523 Euro, of which 1 369 266 Euro were certified.

## **BG-ENERGY Renewable Energy, Energy Efficiency, 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)

A moderate progress was achieved in the programme implementation in the reporting period. The programme management framework was fully established with distribution of tasks and responsibilities finalised. Two calls for proposals were announced: for the pre-defined project "Feasibility study of the use of hydroenergy potential of existing water supply systems and increasing the potential of existing small hydroelectric power plants in water supply systems" (PDP 1) with project promoter SEDA and donor project partner NVE and for the open call "Rehabilitation and Modernization of Municipal Infrastructure - Systems for External Artificial Lighting of Municipalities

- The call for PDP 1 was launched on 15th of November 2019, the project application was submitted on 6 December and following the evaluation of the project a grant award contract was signed on 15 June 2020. The reason for the delay was some technical circumstances, related to the delivery by mail in Bulgaria of the Partnership agreement signed between SEDA and NVE.
- The open call "Rehabilitation and Modernization of Municipal Infrastructure - Systems for External Artificial Lighting of Municipalities" was launched on 18 November 2019. The deadline for submission of applications was extended with 15 days, till 20 March 2020. 109 applications were received, but 2 of them were withdrawn. Around 80% of the projects (88 projects) are with Norwegian partners. The evaluation is expected to be finalised by the beginning of September. The intention of the PO is to organize the Selection Committee (SC) meeting by the end of September and to have all grant award contracts signed by the end of October.

- Detailed description of the activities and budget of PDP 2 “System for forecasts, control and management of HPP generation and dam conditions” was submitted to the FMO and the feedback of the donors is expected.
- A draft description of the evaluation criteria for the open call on geothermal energy for municipalities was submitted to the members of the Cooperation Committee (CC), the FMO and NFP for preliminary consideration. The draft call was also sent to the Ministry of Finance for consultation on state aid regime. The finalised draft guidelines for applicants, incl. the administrative, eligibility, technical and financial quality criteria is still expected to be provided by the PO.
- Launching of the open call 3 on energy efficiency in public buildings is planned for beginning of December 2020.

During the reported period, two meetings of the Cooperation Committee were held in the form of a videoconference via Skype - on 27 November 2019 and 24 April 2020. The programme partners from Norway (NVE) and Iceland (Orkustofnun) were informed about the measures taken to address the challenges related to the COVID-19 situation.

Due to the impossibility to organise bilateral activities on site under Covid-19 situation, the PO and DPPs discussed and agreed to organise virtual bilateral events, *incl.* visits to different facilities. The first such event held in June was a webinar on “Near to zero buildings” organized jointly by the PO and NVE and attended by more than 40 participants.

The travel support scheme will be launched after the limitations on international travel are fully overcome.

In the reporting period serious efforts were made by the PO Head and team to overcome the initial overall delay in the implementation of the programme caused by a prolonged period of establishment of the management and operational structure. Still, certain internal procedures of the Ministry of Energy continue to impact the overall efficiency.

Funds received under the Programme for the reported period amounted to 1 045 000 EUR and thus the total amount transferred to the programme is 4 210 500 EUR. The amount of incurred expenditure is 38 691 EUR.

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

Pursuant to the pre-eligibility condition stipulated in Annex 1 of the Programme Agreement, on 18 June 2020 the PO sent to FMO the detailed description and budget for the PDP 2 “System for forecasts, control and management of HPP generation and dams condition”.

#### **Future activities/milestones**

BGENERGY-1.001: The pre-defined project "Feasibility study of the use of hydroenergy potential of existing water supply systems and increasing the potential of existing small hydroelectric power plants in water supply systems" is in implementation, monitoring by the PO and NFP will take place; BGENERGY-2.001: The call "Rehabilitation and Modernization of

Municipal Infrastructure -Systems for External Artificial Lighting of Municipalities" - by the end of October it is foreseen that all the contracts will be signed.

Call 2 Geothermal (heating/cooling) in buildings. Until the end of 2020 PO plans to launch the open call.

For PDP 2 the necessary steps will be made so that the pre-eligibility condition is lifted by FMO.

Meanwhile the guidelines for Call 3 will be developed so that it is launched in the beginning of December. Monitoring and payments will be implemented once the contracts are signed.

Bilateral initiatives will be mapped, among them virtual site visits in the donor countries.

## **BG-ENVIRONMENT 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)

In the reporting period, the Programme Operator succeeded to launch calls for proposals for 3 open calls, 4 small grant schemes and 2 pre-defined projects. For the pre-defined project 1. "Valuation and implementation of ecosystems services (VAIES)" the guidelines for applicants has been drafted and will be submitted to the FMO by the end of September.

The status of the launched calls for proposals is as follows:

Open call 1: Diffused pollution of marine waters – launched on 1 November 2019, one project application was submitted, that was rejected by the PO on the grounds of very low quality. The PO has analysed the reasons for this outcome and intends to re-announce the call in October, 2020.

SGS 1: Pilot models for marine waters purification – launched on 20 December 2019, evaluation procedure started on 20 March 2020. 1 project proposal was submitted, rejected by the PO for low quality of the application. The PO agreed with the FMO that the budget allocated to this SGS will be used for funding successful project applications submitted under the same outcome, e.g. under SGS 2.

SGS 2 Marine litter reduction measures – launched on 28 January 2020 with an extended deadline for submission of applications 29 May 2020. Submitted were 9 project applications at the total amount of 1 296 420.60 euro that are currently under administrative and eligibility evaluation.

PDP 2: Science and Information towards Regional Environmental Action for the Black Sea (SCIRENA-Black Sea) – the PO requested amendment of the project description in Annex II to the Programme Agreement as a result of the withdrawal of one of the partners (Institute for Oceanology) from implementation. The DPP, FMO and NFP approved the proposed

replacement of project partner and the PO submitted detailed description of the project, *incl.* budget breakdown to the FMO for approval. Following the approval of the FMO the guidelines for applicants were published on 12 March 2020, the project application is currently under evaluation and shall be finalized not later than 1 October 2020.

SGS 3: Circular economy – launched on 6 April 2020 with a deadline for submission of applications 31 July 2020;

Open call 2: Circular economy – launched on 8 May 2020 with a deadline for submission of applications 31 August 2020;

Predefined project 3: Climate (*Outcome 4* Increased ability of local communities to reduce emissions and to adapt to the changing climate) – guidelines for applicants were published on 2 April 2020, the project application is currently under evaluation and shall be finalised not later than 1 October 2020.

SGS 4: Climate – launched on 15 July 2020 with a deadline for submission of applications 30 September 2020;

Open call 3: Climate – launched on 21 July 2020 with a deadline for submission of applications 7 October 2020.

The above summary information shows that that in terms of launched measures the Programme is at a very advanced stage taking into consideration that it is among the two programmes (together with Energy programme) encompassing the largest number of open calls and small grant schemes. The PO organized information days under each launched call – two were organized in person and the rest were held as Webinars that allowed the participation of a significant number of potential applicants.

There was some turnover of staff of the PO team but the administrative capacity was sustained by undertaking immediate measures to hire new experts. The PO has analysed the training needs of both existing and new staff members and will ensure relevant capacity building measures.

The total amount of funds transferred to the programme is 3 749 180 Euro of which 684 783 euro in the reporting period. The incurred expenditures amount to 200 000 Euro.

*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 legal entity to perform appraisal of the pre-defined projects. The company BIM Consulting OOD was selected (contract No. D-30-23/15.06.2020) that is independent and unrelated to the PO, to perform the appraisal of pre-defined projects 1 and 2 .
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* – the selection of a legal entity independent of

and unrelated to the Programme Operator for-external verification will be made after signature of the grant award contracts and before the first disbursement of funds to the projects;

***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 were developed and submitted for approval to the FMC for PDP 3 on 29 November 2019 and for PDP 2 on 4 December 2019.

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## BG-CULTURE 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 first Call for project proposals under *Outcome 2 “Access to arts and culture improved”* was announced on 3<sup>rd</sup> September 2019. An information campaign was held in 10 regional cities in Bulgaria – Sofia, Varna, Burgas, Plovdiv, Russe, Veliko Tarnovo, Pleven, Stara Zagora, Blagoevgrad and Vratsa. The campaign was widely covered by national and regional media and there was very strong interest by potential applicants throughout the country. The initial deadline for submission of project proposals was extended from 3<sup>rd</sup> of December 2019 to 10<sup>th</sup> January 2020. As a result of the information campaign in total 114 project proposals were submitted through UMIS. The assessment of the administrative and eligibility compliance of the submitted project proposals was completed on 8<sup>th</sup> May 2020. As a result of the assessment 53 project (46,49% of the submitted project proposals) were admitted to the stage of technical and financial evaluation. The Selection Committee will be scheduled in August-September 2020 and signing of the contracts is expected in September – October 2020.

The second call under Outcome 2 is planned for November 2020.

The call for proposal under *Outcome 1, Output 1.2 “Cultural Heritage objects made accessible”* was prepared and coordinated with the NFP, Arts Council and FMO. The call should be submitted to the NFP and FMO for final approval. The call initially scheduled for February 2020 was postponed for September 2020.

The first call under *Outcome 1, Output 1.1 “Cultural heritage restored and revitalised”* originally planned for March 2020 was postponed for November/December 2020. According to the plan all contracts should be signed by the end of 2021 with a period of implementation of 24 months.

The two calls under *Outcome 3 “Awareness of arts and culture of ethnic and cultural minorities improved (Roma focus)”* will be combined into one call to be announced in April 2021. The call for proposals is under preparation.

Three on-line meetings were held during the period with the FMO and Arts Council to discuss the impact of the pandemic on the cultural sector and on the programme, the indicative timetable of the calls under the programme, issues related to the first call for proposals under Outcome 2, future meetings of the Cooperation Committee and the Selection Committee etc. In addition, technical meetings were held with the FMO, NFP and Certifying Authority to discuss the progress under the programme and possible corrective measures.

**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 1.2 that will support the digitalisation of the Roma culture. The fulfilment of this condition will be reported 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.

**Threats facing the programme as a result of the COVID-19 situation:**

The PO has proposed the following measures in response to the impact of the Covid-19 crisis on the implementation of the Programme:

1. Revised indicative plan – postponement of the calls under Outcome 1, the second call under Outcome 2 and merging of the two calls initially planned under Outcome 3 into one call to be announced in 2021
2. Amending the Application Guidelines for the second call under Outcome 2 in order to promote activities related to the online presentation of artistic content, including the promotion of entrepreneurship, as well as the digitalization of content. The indicators can be implemented as planned but with the clarification that visits, access to culture and events’ attendance, which is measured by the number of visitors, can be calculated as virtual/digital and not necessarily physical visits. The same applies to the events that should be supported under Outcome 3.
3. Regarding the contracts that have to be signed under Outcome 2 (after the completion of the evaluation stage and at the stage of signing contracts), there should be options to allow rescheduling in case of force majeure (for example: changing the venue, the time or the format of the event with regard to the measures and the participants from the respective countries). In some cases the postponement of the projects’ start date might also be



considered as an option that would allow the projects to keep the initial deadlines and outcomes and would prevent lower levels of absorption.

The funds received under the programme amount to BGN 3,635,992.34 (EUR 1 859 053,36). At this stage no contracts have been concluded with Project Promoters and no payments have been made to them. No expenses incurred under the program are reported in the interim financial statements due to the fact that no contract has yet been concluded with a verification company. The costs incurred so far for the Programme's management are paid from the budget of the Ministry of Culture.

## 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)

### **Implementation of the Bilateral Fund at national level:**

The following main developments took place related to the decisions of the IIIrd JC meeting (June 2019).

- The NFP prepared practically oriented guidelines for the implementation of BF at programme level to support the POs and CCs, and coordinated them in advance with the JC members, POs and DPPs. The purpose of the guidelines is to have a common approach in the operational set up (roles and responsibilities, rules/mode of proposing, submitting, agreeing on and assessment of initiatives) that ensures good level of transparency and management;
- The NFP submitted detailed descriptions, applications and final budgets corresponding to the first two pre-defined initiatives that were so far subject to evaluation ("Cooperation for Decent work" and "Bulgarian Cross-border dialogue") for information to the JC members.
- The NFP submitted to the JC members the Strategic Report for the period August 2018 – July 2019 on the implementation of the EEA FM and NFM 2014 – 2021.

The IVth JC meeting was held on 30<sup>th</sup> of June 2020. The main conclusions and decisions of it are as follows:

- The NFP should send an update of the Work Plan for the Bilateral Fund for approval of the JCBF, including:
- the new initiative for "Counteracting the discrimination against women from vulnerable groups" that will be elaborated further and presented to the Norwegian Embassy for identifying potential Norwegian partner;
- withdrawal of the initiative on youth cooperation with a promoter Ministry of Youth and Sports.

- The NFP will keep the members of the JCBF informed about the development of the pre-defined initiatives and any other information of relevance to the JCBF members between the meetings of the JCBF.
- The NFP will ensure regular upload of information on all bilateral initiatives in GRACE.
- The NFP will consider ensuring greater publicity for the opportunities provided under the Travel support scheme.
- The NFP will provide feedback on the project idea for bilateral police cooperation in the area of gender based violence.

The updated Work plan (July 2020) for the implementation of the BF was sent to the members of the JCBF for comments and considerations. It encompasses the following:

- In accordance with the MoUs, 7 of the programmes have allocations for bilateral cooperation activities;
- Six pre-defined initiatives, approved by the donors and by the JCBF;
- Calls for proposals – in line with the decisions of the IIIrd JC meeting there are currently no initiatives planned to be implemented as calls for proposals (small grant scheme);
- Reserve for additional funds to programmes;
- Travel support scheme and other cooperation activities to be implemented by NFP;
- Unallocated funds (incl. the additional funds dedicated to programmes upon request).

Provided below is a summary information on the progress in implementation of the measures from the updated Work Plan (July 2020).

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

The NFP prepared Guidelines for applicants and the whole package of application and reporting documents was submitted to the JC members prior to its publication on the web site of the Grants.

As per July 2020 two applications for travel support have been submitted by the following promoters:

- Bulgarian Ministry of Foreign Affairs – for participation in a meeting with the Norwegian Centre for Holocaust and Minority Studies held in Oslo in October 2019. The purpose of the meeting was to discuss the potential areas of cooperation and partnership in the implementation of the initiative “Strategic cooperation between Bulgaria and Norway in support of Bulgaria’s international commitments to combating antisemitism and preserving Jewish heritage”;
- The Institute of Agricultural Economics – for participation in a seminar “Environmental Governance in Bulgarian Agriculture” to be held in May 2020 in Reykjavík. The request was approved but the trip was not conducted due to COVID-19-related restrictions.

Taking stock of the state of emergency declared in Bulgaria and in most of the other European countries aiming to contain the spread of COVID-19, the closure of borders and bans on

travelling between countries, the NFP took a decision, consulted with the JC members, for temporary suspension of acceptance of applications under the Travel Support Scheme. The NFP also recommended to the POs to introduce the same temporary measure with regard to travel support under programmes.

### **Pre-defined initiatives**

Six pre-defined initiatives approved by the donors and by the JCBF have been included in the updated Work plan of the BF. Their progress is as follows:

- **“Cooperation for decent work”** (promoter: “General Labour Inspectorate” Executive Agency, donor partner: Norwegian Labour Inspection Authority)

The grant award contract at the amount of 800 000 euro was signed between the NFP and the promoter “General Labour Inspectorate” Executive Agency on 8th of October 2019. In the course of implementation the partners agreed to request an amendment of the initiative. As a result a number of changes were introduced in the implementation of the activities due to the epidemic circumstances and the related travel limitations or to other practical reasons. The NFP requested detailed justification before approving the amendment that will not result in change of the overall budget, in the results and objectives. An Additional Agreement was signed in June 2020 to reflect the postponements and the changes in the project activities and their budgets, as well as the adding of a new activity for development of guidelines and information materials for companies and employees, regarding their rights and obligations in Bulgaria.

The planned study of target groups under Activity 1 **“Information campaign”** has been set and performed by FAFO (Norwegian external provider). The results of the survey formed the basis for the communication campaign under the project activity. A joint communication strategy has been developed by cross-national team (Bulgaria, Norway, Romania, Estonia and Lithuania) with the help of GeelmuydenKiese (GK) communication agency, hired by the Norwegian Labour Authority. The strategy has been discussed at two meetings (in Oslo, Norway in February 2020 and Warsaw, Poland in March 2020) and through online exchange of information, ideas and good practices. Making migrant workers aware and empowered about their rights and duties when working in Norway has been defined as the campaign main objective. Based on the results from the FAFO research and the discussions, the key findings on the migrant workers’ problems and key challenges have been identified. As an external provider under the Project, GK developed an overall communication concept - main campaign message and information. One “long” film with all branches covered and separate “short” version have been made. Posters and postcards have been developed. Development of campaign webpages is in progress.

An annual meeting and joint inspections have been carried out under Activity 2 **“Cooperation through exchange of good practices, information and joint inspections”**. In February 2020 in Sofia, an annual meeting on leader and expert level has been held, as well as joint inspections with the participation of Norwegian labor inspectors. In March 2020 in Oslo, Norway joint inspections with the participation of Bulgarian labor inspectors have been held. As a result of the good and fruitful cooperation during the activities implementation, the participants of both Labour Inspectorate Authorities exchanged good practices of tackling undeclared work, shared

cases of common interest and gave proposals for future cooperation in certain economic sectors.

The implementation of Activity 3 “Development of new GLI EA website and self-assessment tool with a focus of tackling undeclared work” has been started through research on good practices and innovative regarding Labour Inspectorates’ webpages, performed by the Project Management Team. Work on the technical specification for the new GLI EA website has started.

- **“Cross border dialogue”** (promoter: Ministry of Regional Development and Public Works, donor partner: Norwegian Barents Secretariat)

The application evaluation was held in June-July 2019. Although it was signed by the NFP on 8th of August 2019 no contract was signed between the NFP and the promoter. The promoter requested a cancellation of the Grant Award and initialization of a new procedure, because of major changes in the initiative. The changes are due to the transfer of the information systems of the promoter to the services provided by the Bulgarian State e-Governance Agency, which are free of charge. The NFP canceled the Grant Award and is waiting to receive the description of the changed initiative, which is in a process of coordination with the Norwegian partner “Barentz Secretariat”. It will be sent for comments and consideration to the members of the JC, once received by the NFP.

- **“Crisis management center at the Bulgarian Ministry of Foreign Affairs”** (promoter: Ministry of Foreign Affairs, donor partner: Norwegian Ministry of Foreign Affairs)

A partnership between the Bulgarian and the Norwegian Ministries of Foreign Affairs was established. The description of the initiative with a budget of 200 000 euro was finalized and has to pass a coordination procedure with the Bulgarian State e-Governance Agency, before finally being submitted to NFP. This is needed because at least 50% of the initiative’s budget is foreseen for development of a mobile application for reaction in cases of crises/emergencies and evacuation of Bulgarian citizens traveling abroad. The NFP has prepared the Guidelines for applicant and is planning to launch the application and evaluation procedure at the end of July 2020.

- In line with the approved concept note during the III JCBF Meeting, a project description of a pre-defined initiative was prepared on **“Strategic cooperation between Bulgaria and Norway in support of Bulgaria’s international commitments to combating antisemitism and preserving Jewish heritage”**. The Norwegian Centre for Holocaust and Minority Studies was identified as a project partner to the Bulgarian Ministry of Foreign Affairs (MFA) and the partners held a special meeting in Oslo (October 2019) to discuss the details of the initiative and their future partnership. Upon the proposal from the Bulgarian MFA, the Diplomatic Institute and the State Cultural Institute, both separate legal entities at the MFA, were included as partners from Bulgaria in the project. During the preparation of the initiative, the NFP held meetings with the project promoter, provided comments on some aspects of the project idea and prepared draft Guidelines for applicants. The project description of the initiative was

finalized in June 2020 and was sent to the members of the JCBF, together with the draft Guidelines for applicants. Currently, a Partnership Agreement between the MFA and the Norwegian partner is in elaboration. The NFP prepares the procedure for application which is set to be launched at the end of July 2020.

- Under the approved by the III JCBF pre-defined bilateral initiative **“Boost up talents innovation mobility exchange”**, the Norwegian Agency for International Cooperation and Quality Enhancement in Higher Education – DIKU was expected to be involved as a partner to the Ministry of Education and Science of Bulgaria. However, it occurred that DIKU was no longer in a position to take part as a partner in the implementation of the initiative due to lack of capacity. Currently, the Bulgarian side is anticipating information from the Embassy of Bucharest on possible cooperation with Innovation Norway for a pilot exchange of researchers in the field of innovation and research on a cluster principle.
- The pre-defined initiative of the Bulgarian Commission for Protection against Discrimination (CPD) on **“Counteracting the discrimination against women from vulnerable groups”** received the principle support by the members of the JCBF. Initially, the initiative was envisaged to be implemented in partnership with the Icelandic Human Rights Centre /ICEHR/, which turned out to be out of capacity to be involved. Currently, the initiative is expected to be trilateral with the participation of Icelandic and Norwegian partners. The CDP already established contacts with the Directorate of “Equality” of Iceland that confirmed its readiness to be a partner. In order to identify a suitable Norwegian partner, a revised description of the initiative is to be elaborated in cooperation with the Icelandic partner. The new project idea should reflect the vision of the Icelandic and Norwegian parties to focus on the discrimination of women from vulnerable groups on the labour market. A synergy with other projects for vulnerable groups under the EEA FM and NFM 2014-2021 should be visible.

**Calls for proposals** In line with the decisions of the IIIrd JC meeting there are currently no initiatives planned to be implemented as calls for proposals (small grant schemes).

### **Bilateral funds to programmes**

A summary of the bilateral activities performed by the POs 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

The supported activities include: *searching for partners* – representatives of Veliko Tarnovo Municipality visited Norway; Ms. Arni Hole visited the municipalities of Kresna and Strazhitsa in connection with the early child education procedure and *developing partnership relations* – two representatives from Iceland visited Burgas Municipality in order to develop partner relations for implementation of the youth centre project; representatives of Stara Zagora Municipality visited Norway.

Incurring expenditures are reported at the amount of 7 077 Euro.

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

The PO and the DPP are in process of planning an online event which will be held on 24<sup>th</sup> of June 2020. It will be devoted to the energy efficiency in buildings, specifically the near-to-zero energy buildings. The participants will be representatives of the eligible promoters – mainly municipal staff. The Norwegian Water Resources and Energy Directorate – NVE and the Scandinavia's largest independent research institute – SINTEF will share their experience. A virtual tour is also envisaged in the programme. All expenses related to the event will be covered by the DPP budget.

#### Climate change and environment protection

The PO provided travel support to promoters for participating in exchange of experience and good practices with partners from the donor countries.

Incurred expenditures are reported at the amount of 8 669 Euro.

#### Justice

The following types of bilateral events took place: International Conference “European experience with the Istanbul Convention”; General coordination meeting in Romania on building a synergy network between the Programme operators and representatives of the penitentiary systems of the Beneficiary states – Romania, Poland, Latvia, Lithuania, Bulgaria, Czech Republic and KDI (Norway); International Conference “Towards a Europe free from violence against women and girls – The Istanbul Convention creating a new horizon and a paradigm change for all stakeholders”; A meeting of the Joint Working group for evaluation and indicators in connection with the achievement of synergy effect among the Programme activities; Participation of representatives from the General Directorate for Execution of Sentences in a meeting in the framework of the synergy networks.

Incurred expenditures are reported at the amount of 8 526 Euro.

#### Cultural entrepreneurship, heritage and exchange

The PO provided travel support to organizations in the field of culture from the Donor states and Bulgaria. Incurred expenditures are reported at the amount of 48 515 Euro.

#### Business development, Innovation and SMEs

The following type of initiatives took place: Circular economy and Matchmaking event in Oslo; Sustainability event in Sofia; Green Industry Innovation and ICT Conference and matchmaking event in Oslo; Green Industry Innovation, Circular Economy and ICT Webinar and digital matchmaking; travel support to Norwegian and Bulgarian companies.

Incurred expenditures are reported at the amount of 10 054 Euro.

Under the Home Affairs Programme there are no bilateral activities to be reported.

### **Financial implementation**

Under the Travel Support Scheme the amount incurred in the reporting period was 2 983 Euro and the amount total to date – 10 590 Euro. No funds have been requested and transferred under the contracted pre-defined initiative “Cooperation for Decent Work”. The NFP has transferred the second installment amounting to 50 000 Euro to the Programme Operator of the Cultural entrepreneurship, heritage and exchange Programme.. According to the information provided by the Programme Operators the total amount of expenditure incurred under the programmes to date is *approx.* 190 000 Euro.

## 6. MANAGEMENT AND IMPLEMENTATION

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

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

There are no any significant changes in the setup or staffing of the national authorities involved in the implementation of the EEA and Norway Grants.

During the period there were two changes in the Management and Control Systems (MCS) at national level, as follows:

- **Version No. 6 dated 3<sup>rd</sup> December 2019** - the main amendments are as follows: introducing the new Commission Decision C (2019) 3452 of 14.05.2019 for determining financial corrections to be made to expenditure financed by the Union for non-compliance with the applicable rules on public procurement as well as some more detailed provisions on the procedure to be used by the PO when imposing financial corrections; the Certifying Authority will no longer perform on-the-spot checks to projects and on-the-spot checks at the PO level will be carried out only in exceptional cases (less administrative burden); the rules for working with the SAP accounting system of the Ministry of Finance have been updated; NFP gives the promoters under the Bilateral Fund the flexibility to report the progress on a quarterly or on 6-month basis in order to facilitate the cash-flow.
- **Version No 7 dated 16<sup>th</sup> July 2020** – the amendments are made in order to address the findings and recommendations of an audit on functioning of systems at national level and the systems for management of the BF and TAF. The main changes are related to: audit trail and storage of documents, procedure for imposing financial corrections under the BF and TAF with a decision by the Head of the NFP, procedure for imposing of financial corrections based on signals received by the NFP on the “irregularity button” as well as some changes in the annexes related to verification and financial reporting.

There was also changes in the Management and Control Systems at programme level, as follows:

- “Local Development” Programme – Version 2.3. dated 26.05.2020 – changes related to the selection procedures and the use of the Unified Management Information System based on the practical experience of the PO with the first selection procedures;

- “Home Affairs” Programme – Version 3.0 dated 12.06.2020 - improved procedures for monitoring of programme implementation and in line with recommendations of the National Focal Point and the Audit authority.

On 8<sup>th</sup> July 2020 the NFP instructed all POs to make the necessary amendments in their MCS related to changes in the current legislation as well as with findings and recommendations from the systematic audits conducted by the Executive Agency "Audit of EU Funds", as follows: introduction of a Centralised electronic system for Public Procurements that is obligatory for all Contracting Authorities; provisions related to the necessary information in the irregularity registers at programme level (number of the signal on the irregularity and number and date of the decision of the Head of the PO); all POs shall have provisions related to their obligation to store the information on all expenditures under the Bilateral Fund on a shared space with clearly described audit trail.

## b. Complaints

### b. Complaints

During the period, the NFP has received several complaints through the “irregularity button” but they are related to open calls procedures and the complaints were sent to the competent authorities in the respective Programme Operators.

A complaint has also been received by one of the participants in the public procurement procedure for verification and monitoring under the “Justice” Programme. The NFP requested the position of the Programme Operator and the final statement was that the complaint is not justified. The participant has proposed a price that is 20% more favourable than the average price proposed by the other participants. The tender committee requested additional justification of the price, the presented clarifications were not satisfactory and the conclusion was that the offered price is not realistic. All actions of the tender committee are described in details in a protocol and the decision of the Contracting Authority.

## c. Irregularities

During the period, five Quarterly Irregularity Reports were submitted through GrACE for the periods: 2Q2019, 3Q 2019, 4Q2019, 1Q2020 and 2Q2020. Irregularities were reported in three of the Quarterly Irregularity Report, as follows:

- **3 Q2019** – three irregularities reported under the programmes Local Development (IR-10 and IR-12) and Home Affairs (IR-11);
- **4Q2019** – five irregularities reported under the Technical Assistance Fund (IR-15), Bilateral Fund (IR-16, IR-17 and IR-18) and Local Development Programme (IR-19);
- **1Q2020** – one irregularity reported under the Home Affairs Programme (IR-29).

All irregularities are detected by the Audit Authority in the performed system audits and audit of operations under the Technical Assistance, Bilateral Fund, Home Affairs and Local Development Programme.



The detected irregularities per programmes are as follows:

- **Local Development Programme** – 3 irregularity cases;
- **Home Affairs Programme** – 2 irregularity cases;
- **Bilateral Fund** – 3 irregularity cases – 2 under the Local Development Component and 1 under the Environment Component and
- **Technical Assistance** – 1 irregularity case.

The type of irregularities are as follows:

- Infringements/deviations in public procurement procedures – 8 irregularities related to restrictive requirements in selection criteria and procurement conditions; unlawful separation of the subject-matter of the procurement; unlawfully rejected bidder or winning bidder does not meet some tender conditions;
- Error in payment claims – one irregularity.

The total amount of the irregularities reported through GrACE is EUR 4 880.8.

All reported irregularities are reflected in the irregularity register filled in by the National Focal Point and the information on the follow-up actions is updated on a regular basis. The amounts under the reported irregularities were recovered by the respective Programme Operators and reflected in the Interim Financial Reports.

## d. Audit

### d. Audit

In the period July 2019 - July 2020, the Audit of EU Funds Executive Agency (AEUF EA) carried out the following activities under the European Economic Area Financial Mechanism and the Norwegian Financial Mechanism:

#### 1. Audits of projects

The objective of the audits of projects is to assure that declared expenditures to the FM Office for the accounting year are correct and the transactions are legal and regular.

##### 1.1. Accounting year 2018

The Audit Authority carried out audit of projects on four programmes and funds under the EEA FM and NFM 2014-2021 which have certified and declared expenditure for the second accounting year 2018. These are:

-

- “Local Development, Poverty Reduction and Enhanced Inclusion of Vulnerable Groups” Programme;
- “Home Affairs” Programme;
- Technical Assistance Fund;
- Bilateral Fund.

The respective audit procedures were performed during the period June – August 2019.

After the contradictory procedure, the final audit reports were issued on 24 and 31 October 2019 and were presented to the respective POs, NFP and CA.

The key findings of the *audits of projects* suggest *non-compliance with rules on public procurement, e.g.:*

- restrictive requirements in selection criteria and procurement conditions;
- unlawful separation of the subject-matter of the procurement;
- unlawfully rejected bidder;
- winning bidder does not meet some tender conditions;

The financial impact of the detected irregularities related to non-compliance with public procurement rules amounts to EUR 796,53. The Audit Authority proposed to POs and NFP to apply individual financial corrections in accordance with EC Guidelines for the determination of financial corrections, which apply to expenditure financed by the EU under shared management. POs and NFP implemented all recommended financial corrections and respective irregularities were registered, accounted and reported.

The Audit Authority have further analysed the nature, significance and reasons for occurrence of the above errors made by the NFP and the POs in the verification process and concluded that the errors found have random nature and they are not related to systemic weaknesses. As result of the analysis, the Audit Authority extrapolated the errors with financial impact identified in the sample, in accordance with the sampling method used. Detailed information about the imposed financial corrections is presented in the Second Annual Audit Report under the EEA FM and NFM 2014-2021 from February 2020.

## 1.2. Accounting year 2019

The second audit of projects for the certified and declared expenditure for the third accounting year 2019 for the “Home Affairs” Programme is currently under implementation and is scheduled to conclude on 30 July 2020.

The programmes and funds with certified and declared expenditure for 2019, which will be audited by the end of 2020, are as follows:

1.

- “Local Development, Poverty Reduction and Enhanced Inclusion of Vulnerable Groups” Programme;
- Technical Assistance Fund;
- Bilateral Fund.

## 2. System audits

The audit objective is to verify the effective functioning of the management and control systems set.

The Audit Authority carried out audits on the functioning of MCS for 5 programmes and funds under the EEA FM and NFM 2014-2021. The audit procedures were performed during the period November 2019 – June 2020.

After the contradictory procedure, the final audit reports and the unqualified audit opinions for 3 Programme operators and for NFP (for Technical Assistance and Bilateral Fund) were issued and presented to the respective POs, NFP and CA as follows:

- - “Home Affairs” Programme, PO Ministry of Interior, on 10.03.2020;
  - “Local Development, Poverty Reduction and Enhanced Inclusion of Vulnerable Groups” Programme, PO Ministry of Education and Science, on 11.03.2020;
  - “Renewable Energy, Energy Efficiency and Energy Security” Programme, PO Ministry of Energy, on 03.07.2020;
  - Technical Assistance Fund and Bilateral Fund, National Focal Point, on 22.05.2020.

The key findings of **the system audits** include:

- ineligible expenditure as a result of a technical error;
- part of the activities, processes and documents related to the management costs of the three audited programmes, Bilateral Fund and TAF are not stored in computerized systems;
- lack of an audit trail for the verified expenditure by the Programme operator, incurred by beneficiaries of the “Cultural Entrepreneurship, Heritage and Cooperation” Programme, under the Bilateral Fund;
- lack of an approved document of the examination and assessment of the presence or absence of irregularity on registered signals of irregularity in the MCS under the EEA FM and NFM 2014-2021;
- use of a verification checklist that is not approved or included in the MCS of “Renewable Energy, Energy Efficiency, Energy Security” Programme.

The Audit Authority have further analysed nature, significance and reasons for occurrence of the above errors made by the NFP and the POs. In conclusion, given the scope of the engagements, the results of the audit procedures performed to assess the key requirements

for the management and control systems, the weaknesses identified on functioning of some of them, the Audit Authority categorized the assessment of the management and control systems of the 3 audited POs and NFP at Category 2 “Works, but some improvement(s) are needed” from the four-category scale.

All recommendations given are adopted and are under implementation as of the dates of issuance of the final reports. The Audit Authority will follow-up the corrective actions taken by the POs and the NFP before issuing the Annual Audit Report on the EEA FM and the NFM.

#### 1. Other activities

- Development of the Second Annual Audit Report and Annual Audit Opinion under the EEA FM and NFM 2014-2021. The Report and the Opinion were issued on 13.02.2020 and were presented to the NFP, CA and OFM;
- Strategic planning of audit activities;
- Participation in the annual meeting;
- Participation in workshops and seminars, organized by FMO and NFP.

#### 2. Upcoming activities by the end of 2020

By the end of 2020, the Audit Authority plans the following activities under the EEA FM and NFM 2014-2021:

- Audit of projects under the “Local Development, Poverty Reduction and Enhanced Inclusion of Vulnerable Groups” Programme;
- Audit of projects under Technical Assistance Fund and Bilateral Fund;
- Follow-up of the recommendations from audit engagements, performed during 2020;
- Preparation of the Draft Annual Audit Report and Annual Audit Opinion under the EEA FM and NFM 2014-2021 for accounting year 2019.

## 7. COMMUNICATION

Highlights for the reporting period (in line with the Communication Strategy):

- Signed contract for daily media monitoring of the EEA and Norway Grants covering paper and electronic media;
- Signed contract for the production of publicity materials;
- Developed concept for project trip for journalists – postponed due to Corona Virus outbreak;
- Facebook status: more than 1300 followers (natural growth with 100); reach as high as 1347 on certain days and reactions as high as 34 on specific posts; average post reach is around 500; more than 90 posts – close to one post per 4 days and more than 20 shared events;
- Website status: more than 150 publications (an increase by 50% compared to the previous year) with close to 7 000 page views;

For more than 4 months the NFP receives a daily media monitoring based on key words linked to the EEA and Norway Grants. The monitoring is shared with the Norwegian Embassy and serves as source for information and a tool to evaluate media perception. In addition, once per year, the company that delivers the monitoring will prepare a report with analysis, conclusions and recommendations on how to improve the visibility. So far there is a clear difficulty in news about the EEA and Norway Grants reaching printed media. At the same time, online media have significant interest in the projects due to their social element and the contribution to addressing clear needs and issues. Two key players can be distinguished – NGOs and municipalities. Traditionally, NGOs have a strong social network and project stories, news and events, are widely shared and reach great audience. At regional level municipalities are good in communicating new projects and their impact on the society is very big. We expect both trends to continue and look forward to other programmes joining the club with project publicity and specific target groups like cultural organisations and private companies.

During the 2019 Annual Meeting, the NFP expressed a will to tackle the fake news in Bulgaria about the Norwegian social services by bringing more positive news into the public environment. With the launch of the implementation of numerous projects under the Active Citizens Fund and the Local Development programme, there were numerous positive news that went viral in the local and national media. In addition, the NFP developed a concept for a cooperation between the NFP and students from the Faculty of Journalism and Mass Communication at the Sofia University “St. Kliment Ohridski”. The idea is to develop a long-term cooperation with the ultimate goal to educate the media and to bring the programme and project results closer to the people. The concept was shared with the Donors for discussion, but the actual implementation had to be postponed due to the Corona Virus outbreak. The NFP intention is to proceed forward with the idea in the autumn, if possible. Nevertheless, a project trip for journalists is in the plans and specific projects are in discussion with the POs.

The increased website and social media activity for the reporting period are also result of joint efforts with the POs. It should be mentioned that no paid promotion has ever been used and we rely mostly on cross tagging of promoter and PO pages. In this regard, the NFP is committed to show ownership of the projects and to attend and promote, through our information channels, as many projects as possible. We are in direct communication with a number of beneficiaries and follow their publicity activities.

The outbreak of the Corona Virus poses a significant challenge for the communication and publicity on all levels and the future development of the situation will be crucial on how we communicate results and opportunities. So far, events are either postponed or held in a virtual environment. With the recent lift of some of the restrictions, there are mixed events with limited number of attendees and video broadcast through Facebook and/or other platforms such as Zoom. Attracting media interest in virtual events is very difficult as this is a new environment for reporters as well. In the time of difficulty, for us is even more important to keep the regular meetings of the communication group, where, together with the Norwegian Embassy and the POs, we can discuss future steps, lessons learnt and good practices. The group is also an important tool to ensure that horizontal messages are passed on to the target groups and the proper visibility of the EEA and Norway Grants is ensured.

## 8. MONITORING AND EVALUATION

### a. Monitoring

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

- 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.
- NFP reviewed and commented all draft calls for proposals and approved their final versions before submission to the FMO. Representatives of the NFP participate as observers in evaluation committees for pre-defined projects and open calls for proposals;
- 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;
- Administrative capacity of the POs – establishment and functioning of the programme and project management teams, issues related to remuneration of experts of the PO and in some of the pre-defined projects.

The NFP monitored the above issues through:

- A series of working meetings held on programme specific topics – such meetings were organized for all programmes, as more critical issues were tackled with regard to the Culture, Justice, Home Affairs and Local Development programmes;
- Participation of representatives of the NFP in all Cooperation Committee meetings and Selection Committees under the programmes as observers 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 - the NFP requested such information on a preliminary agreed format to be provided on a monthly basis;
- Technical meetings on all programmes held between the FMO, NFP, Certifying Authority and the POs (in February – attended by experts from the financial and legal unit of the FMO and July 2020 – attended by the Country Officer for Bulgaria, Programme Managers and other experts from FMO);
- Day-to-day communication between NFP and POs.

In September and December 2019 monitoring missions commissioned by the FMO and implemented by an external contractor Blomeyer&Sanz took place. The monitoring missions included a kick-off meeting with the NFP and separate meetings with the POs for programmes Energy, Justice, Home Affairs and Local Development (subject to monitoring during the

December mission). The POs received the monitoring reports through the FMO and provided written feedback on the findings and recommendations of the monitoring visit.

## b. Evaluation

During the period the NFP has prepared and launched a tender procedure with a subject: Mid-term evaluation of the progress in the implementation of the programmes under the EEA FM and Norwegian Financial Mechanism 2014-2021. The aim of the mid-term evaluation will be to evaluate the progress in the implementation of the six programmes implemented at national level in the period from the signature of the Programme Agreements until 30<sup>th</sup> June 2020. The evaluation will include separate analysis and evaluation of the programmes, incl. their relevance, efficiency and effectiveness, achieved results and the risks for non-achievement of results and indicators, identified problems as well as good practices (strengths and weaknesses). The selected contractor should also formulate practical recommendations how to overcome the identified obstacles that could support the respective management decision for corrective measures.

The tender procedure was launched on 7<sup>th</sup> July 2020 with a deadline for submission of offers – 31<sup>st</sup> July 2020. The offers were opened on 3<sup>rd</sup> August 2020.

The report of the mid-term evaluation should be presented to the NFP within 4 months from signature of the contract.

The report will support the decisions for possible reallocation between programmes and use of the reserve under the EEA FM and Norwegian Financial mechanism.