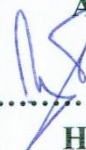


APPROVED:



.....  
HEAD OF PO

Date: ..... 26.07.2019 .....

**GUIDELINES FOR BENEFICIARIES**  
**FOR IMPLEMENTATION OF PROJECTS UNDER**  
**"LOCAL DEVELOPMENT, POVERTY REDUCTION AND ENHANCED**  
**INCLUSION OF VULNERABLE GROUPS" PROGRAMME FINANCED BY THE**  
**EUROPEAN ECONOMIC AREA FINANCIAL MECHANISM 2014-2021**

Version 2.1

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## LIST OF ABBREVIATIONS

AEUF EA	Audit of European Union Funds Executive Agency
CA	Certifying Authority
CC	Cooperation Committee
CSA	Civil Servants Act
EEA	European Economic Area
EEA FM	European Economic Area Financial Mechanism
EFTA	European Free Trade Association
EU	European Union
FMC	Financial Mechanism Committee (EEA)
FMO	Financial Mechanism Office (EEA)
IPO	International Partnership Organization
LC	Labour Code
LOC	Law on Obligations and Contracts
LVAT	Law on Value Added Tax
MES	Ministry of Education and Science
MF	Ministry of Finance
NCU	National Coordination Unit
PO	Programme Operator
PPA	Public Procurement Agency
PPDC	Programme Partner from Donor Countries
PPL	Law on Public Procurement
RIPPL	Rules on the Implementation of the Public Procurement Law
VAT	Value Added Tax

## DEFINITIONS:

**"Beneficiary"**: the natural or legal person responsible for the initiation, preparation and implementation of a project.

**"Project Grant / Project Financing"**: a subsidy granted by the project promoter to the project contractor, intended for the implementation of a project;

**"Project Financing Contract"**: an agreement between the Programme operator and the contractor of the project/Beneficiary regulating the specific implementation of the project;

**"Eligible costs"**: the costs that may be accepted as authorized per project within the meaning of Art. 8.2 "General Principles of Eligibility of Expenditure", Art. 8.3 "Eligible Direct Costs for a Project", Art. 8.4 "Standard Scales for Unit Costs", Art. 8.5 "Indirect Cost of Projects" and Art. 8.6 "Purchase of Real Estate and Land" of the Regulation on the Implementation of the Financial Mechanism of the European Economic Area 2014-2021;

**"Additional Agreement"**: a document modifying or supplementing the terms of the contract for the implementation of a project;

**"Donor States"**: The Republic of Iceland, the Principality of Liechtenstein and the Kingdom of Norway;

**"Financial Mechanism Committee"** (hereafter FMC): Committee set up by the Standing Committee of the EFTA States to manage the European Economic Area Financial Mechanism 2014-2021;

**"Cooperation Committee"**: In the case of a programme implemented in partnership with an organization from donor countries and/or an international partner organization, the Programme Operator shall set up a Cooperation Committee involving both the Programme Operator and the partner organizations. The Committee provides advice on the preparation and implementation of the programme.

**"International Partnership Organization"** (IPO): an international organization, body or agency designated by the FM Committee and involved in the implementation of the EEA Financial Mechanism 2014-2021;

**"Monitoring"**: monitoring the implementation of the programme and the project in order to ensure compliance with the agreed procedures, to verify progress towards the results achieved and to identify potential problems in a timely manner in order to implement remedial action;

**"National Coordination Unit"**: It is a national public entity ("Central Coordination Unit" Directorate at the Administration of the Council of Ministers of the Republic of Bulgaria) designated by the Beneficiary Country, which has the overall responsibility for the achievement of the objectives of the Financial Mechanism of the European Economic Area 2014-2021 and the implementation of the Memorandum of understanding;

**"Ineligible costs"**: costs that cannot be accepted as authorized under the project and cannot be included in a payment request within the meaning of Art. 8.7 "Ineligible costs" of the Regulation on the implementation of the Financial Mechanism of the European Economic Area 2014-2021;

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**"Non-governmental organization"** (NGO): a voluntary non-profit organization set up as a legal entity independent of local, regional and central government, public authorities, political parties and trade organizations. Religious institutions and political parties are not considered non-governmental organizations;

**"Irregularity"**: any breach of the legal framework of the European Economic Area Financial Mechanism or of any clause of EU or national legislation of the beneficiary state which affects or impedes the implementation of the EEA FM 2014-2021 in the Member State of affiliation, at whatever stage, and in particular, but not limited to, the implementation and/or budget of any programme, project or other activities funded under the EEA FM 2014-2021, for example through unreasonable or disproportionate costs, or through the reduction or loss of income in the programme and/or project;

**"Audit Authority"**: a national public entity (the European Union Audit Implementation Agency) functionally independent of the National Focal Point, the Certifying Authority and the Programme Operator designated by the beneficiary state and responsible for verifying the effective functioning of the management and control system;

**"Irregularities Body"**: a national public entity designated by the Beneficiary Country responsible for preparing and submitting reports on irregularities on behalf of the beneficiary state;

**"Financial Mechanism Office"** (FMO): organization supporting the Committee of the Financial Mechanism for the management of the European Economic Area FM 2014-2021. FMO, which is an administrative unit of the European Free Trade Association, is responsible for the day-to-day implementation of the EEA FM 2014-2021 on behalf of the Committee and serves as a contact point;

**"Assessment"**: systematic, objective and independent evaluation of the design, implementation and/or results achieved in programs and projects to determine the coherence, consistency, continuity, effectiveness, efficiency, impact and sustainability of the financial contribution;

**"Partner from Donor Countries"**: a public entity from a donor country designated by the Financial Mechanism Committee to advise in the process of preparing and/or implementing a programme and/or to participate in the implementation of a programme;

**"Programme"**: a structure defining a development strategy with a coherent set of measures to be implemented through projects supported by the Financial Mechanism of the European Economic Area 2014-2021 aimed at achieving coherent objectives and results;

**"Programme Grant"**: the financial contribution from donor countries to a programme;

**"Programme Operator"**: public or private, commercial or non-commercial, as well as non-governmental organizations responsible for the preparation and implementation of the programme;

**"Programme Partner"**: a public or private organization, whether commercial or non-commercial, as well as a non-governmental organization, international organization or agency that actively participates and contributes effectively to the implementation of a programme;

**"Programme Area"**: a thematic area within a priority sector with specific objectives and measurable specific results;

**"Programme Agreement"**: an agreement between the Financial Mechanism Committee (FMC) and the National Coordination Unit (NCU) governing the implementation of a specific programme;

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**"Donor Country Partner(s) Project"**: a project implemented in close cooperation with project partner(s) whose principal place of residence is in one of the donor countries;

**"Project"**: an economically indivisible series of events performing a precise technical function and having clearly defined objectives related to the program under which it falls. The project may include sub-projects. Without revocation of Art. 6.5 of the Regulation on the implementation of the EEA FM 2014-2021, the projects are selected by the Programme Operator.

**"Project Contractor/Beneficiary"**: a natural or legal person responsible for the initiation, preparation and implementation of a project;

**"Project Partner"**: a natural or legal person who is actively involved in the implementation of a project and effectively contributing to its implementation; He shares with the project contractor a general economic and social objective that must be realized through the implementation of the project;

**"Programme partner from Donor Countries"**: a public entity from a donor country designated by the Financial Mechanism Committee to advise in the process of preparing and/or implementing a program and/or to participate in the implementation of a programme;

**"Project Proposal"**: a grant proposal for a project funded by the EEA FM 2014-2021, including an application form and other supporting and requisite documents;

**"Certifying Authority"**: a national public entity ("National Fund" Directorate at the Ministry of Finance) functionally independent of the Audit Authority and the Programme Operator designated by the beneficiary state for certification of financial information;

**"Social Partners"**: representatives of employers' organizations and trade unions.

**"Programme Implementation Agreement"**: an agreement between the Programme Operator (PO) and the National Coordination Unit (NCU) governing the implementation of the specific programme;

**"Joint Committee on the Bilateral Fund"**: a committee set up by the beneficiary country to discuss bilateral issues, make decisions on the use of the bilateral fund and review progress on the implementation of the EEA FM 2014-2021 to achieve the objective of strengthening bilateral relations;

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## LEGISLATIVE FRAMEWORK

The following documents form the regulatory framework of the EEA FM 2014 - 2021:

1. Agreement between the European Union and Iceland, the Principality of Liechtenstein and the Kingdom of Norway on the EEA FM 2014-2021
2. Protocol 38C on the EEA Financial Mechanism 2014-2021 between Iceland, the Principality of Liechtenstein and the Kingdom of Norway;
3. Regulation on the Implementation of the EEA Financial Mechanism 2014-2021;
4. Memorandum of Understanding on the Implementation of the EEA Financial Mechanism 2014-2021;
5. Programme Agreement on the Financing of „Local Development, Poverty Reduction and Enhanced Inclusion of Vulnerable Groups“ Programme, signed on May 23, 2018 (and its additional documents);
6. Agreement on the Implementation of the „Local Development, Poverty Reduction and Enhanced Inclusion of Vulnerable Groups“ Programme, signed on 25 July 2018;
7. All the rules and guidelines adopted by the Donors in accordance with the Regulation;
8. Annex III - Requirements for information and publicity;
9. Design and Communication Handbook;
10. Guidelines for determining the financial corrections to be made by the European Commission against EU funded expenditure under the principle of shared management for non-compliance with the procurement rules approved by Decision C (2013) 9527 of 19.12.2013;
11. Ratification Act of the Memorandum of Understanding on the Implementation of the Financial Mechanism of the European Economic Area 2014-2021 between the Republic of Bulgaria and the Republic of Iceland, the Principality of Liechtenstein and the Kingdom of Norway;
12. National legislation of the Republic of Bulgaria in the field of public procurement, contractual relations, ownership, settlement of civil disputes, accounting, including but not limited to:
13. Law on Administration;
14. Law on Value Added Tax and Regulations for Implementing the Law on Value Added Tax;
15. The State Aid Act and the Regulations on the Application of the State Aid Act;
16. The Civil Servants Act;
17. The Public Procurement Law and the Implementing Regulations of the Public Procurement Law;
18. Law on Counteracting Corruption and for Removal of Illegally Acquired Property;
19. Public Finance Act;
20. Accountancy Act;
21. Financial Management and Control Act in the Public Sector;
22. Internal Audit Act in the Public Sector;
23. Law on Obligations and Contracts;
24. Labour Code;
25. Personal Data Protection Act;
26. Spatial Planning Act;

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27. National/International Accounting Standards Applicable to Beneficiary/Partner Organizations; Accounting Schedule of the Budgetary Organizations;
  28. Guidelines of the National Fund Directorate at the Ministry of Finance on the organization of the accounting process of the programme operators and standard accounting entries for the accounting events resulting from the financial management of the programmes financed by the EEA FM 2014-2021;
  29. Decree of the Council of Ministers No 118 of 20 May 2014 on the terms and conditions for the designation of a contractor by grant recipients of the EEA Financial Mechanism, the Norwegian Financial Mechanism, the Asylum, Migration and Integration Fund and the Internal Security Fund (title amended and complemented - SG, no. 50 of 2015, in force from 03.07.2015, Am. - SG, no. 52 of 2016, in force as of 08.07.2016)
  30. An ordinance setting out the conditions, procedures and mechanism for the functioning of the Unified Management Information System of the European Structure and Investment Funds 2020 (UMIS 2020) and conducting proceedings before the Managing Authorities through UMIS 2020;
  31. Systems to manage and control the implementation of the „Local Development, Poverty Reduction and Enhanced Inclusion of Vulnerable Groups“ Programme under the European Economic Area Financial Mechanism 2014-2021;
  32. Other policies, manuals, and instructions accepted by the Programme Operator.

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## INTRODUCTION

The EEA Financial Mechanism provides funds granted by the Kingdom of Norway, the Republic of Iceland and the Principality of Liechtenstein to reduce economic and social disparities in Europe and strengthen bilateral relations between donor states and beneficiary countries.

One of the programs to be funded in Bulgaria during this programming period is the „Local Development, Poverty Reduction and Enhanced Inclusion of Vulnerable Groups“ Programme aimed at strengthening economic and social cohesion, ensuring a systematic approach to local development and reducing poverty through integrated measures in the fields of education, employment and health. The programme is managed by the Ministry of Education and Science ("External European Programmes" Directorate of the Ministry functions as Programme Operator). Its management partners are - The Norwegian Association of Local and Regional Authorities (KS) - on behalf of the donor states; - The Council of Europe (CoE) - the international partner organization.

The purpose of current Guidelines is to assist the beneficiaries in the implementation of their projects financed under „Local Development, Poverty Reduction and Enhanced Inclusion of Vulnerable Groups“ Programme by systematizing the information on the procedures to be followed in the implementation of the projects.

### I. IMPLEMENTATION OF THE CONTRACT

The signed project financing contracts govern the relations between the Programme Operator (PO) and the Beneficiary in the implementation of the approved project proposals. The Contract establishes a number of rights and obligations to be respected by both parties.

In the event of difficulties or obstacles in the implementation of the project financing contract, the Beneficiary must immediately notify the PO to find a timely and appropriate solution to the problems encountered and in order to avoid risks to the successful implementation of the project.

#### **1. Term for implementation of contracts**

The Project Implementation Contract (hereinafter referred to as the Contract) enters into force on the date of signing by both sides and its exiting into the MES registry system. The deadline for the implementation of the Project is set out in Section II of the Contracts.

#### **2. Parties to the contract**

Under the signed agreement, the PO and the Beneficiary are the only parties to it. PO is not in a contractual relationship with the Beneficiary's partners or subcontractors. Consequently, the Beneficiary is responsible for the overall implementation of the project.

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### 3. Correspondence with PO

The correspondence between the PO and the Beneficiary in relation to the implementation of the project is carried out through the electronic system UMIS 2020.

### 4. Organization of the work

The basic principle that all beneficiaries have to observe is to implement the project as described and planned in the Application Form, which is an integral part of the Contract.

The Beneficiary should apply endeavour and care as a good manager to implement the project in the most effective, efficient, inexpensive and expedient manner.

#### *4.1 Hiring people in the project organization and management team*

Project team members organize recurrent activities related to the organization, coordination, management and reporting of project activities and the results achieved throughout the project implementation period. The remuneration of the project management and organization team is planned in the MANAGEMENT COSTS section. According to Art. 1, paragraph 2 of the Labour Code, the provision of labour force takes place within an employment relationship. This can be done by Conclusion of **a full-time** (8-hour) or **part-time** (duration and distribution of working time are determined by the parties to the employment relationship), the full remuneration of the person being paid out of the project budget.

- The conclusion of an **additional agreement to a core labour contract**, which entrusts project management functions within the established opening hours. In this case, the remuneration under the main contract is measured proportionally - the work is done in the established working time and the remuneration for the actually worked hours of the project is paid out of the project budget.
- Concluding an **employment contract with the same employer** that assigns project management functions outside the opening hours of the main employment contract. The maximum admissible employment outside the established working hours is determined by the limitations for additional labour laid down in the Labour Code (LC) and observing the mandatory daily and weekly rest.
- Concluding an **employment contract with another employer** to assign project management functions outside the opening hours of the main employment contract. The maximum admissible employment outside the established working hours is determined by the additional labour limitations stipulated in the Labour Code and the observance of the obligatory daily and weekly rest. In this case, the provisions of Art. 113 of the Labour Code should be taken into account.

The assignment of the duties of the staff assigned to the management of the project should be done by validating a job description for each position when concluding new contracts under the Labour Code or through an order for appointment of the team and specific rights and obligations of each member of

the management team when assigning the work within the established employment relationship. The duties of the respective expert shall be described in detail in job description, respectively in the order for appointment of the management team.

#### **Nota Bene!**

In the hypotheses listed above, it is not possible to cumulate the individual grounds in assigning functions to the organization and management of the project. For example, a member of the organization and management team who is hired to work at the opening hours cannot conclude an additional contract for the same obligations to be performed outside the opening hours.

#### **IMPORTANT!**

A person who receives remuneration as a member of the **management** team of the project cannot yet receive remuneration for participation in **the implementation of project activities!**

*Beneficiaries/Partners - Bodies of the Central and Territorial Administration of the Executive Authority:*

Remuneration of employees of the central and territorial administration of the executive authority in connection with the implementation of activities under the projects financed by „Local Development, Poverty Reduction and Enhanced Inclusion of Vulnerable Groups“ Programme is eligible, provided that:

1. **The job description** of the official under a service or employment relationship **includes the implementation of project management activities**. In this case, the work is done within the established working time, and the actual hours worked for project management or the additional remuneration pursuant to Art. 67, para 7, item 5 of the Civil Service Act are paid out of the project budget.
2. A **further duty outside the scope of his job description** (in accordance with Article 21 (4) of the Civil Servant Act) has been assigned to the official on his **official contract**, with his consent and for remuneration, by an order of the Appointing Authority. In this case, the work is done outside the established working hours, subject to the limitations for additional labour, and the civil servant receives additional remuneration for a project or programme management (according to Article 67, paragraph 7, point 6 of the Civil Service Act).
3. For the employee under his **employment relationship**, with his consent and for remuneration, an employer has been **given additional duties beyond the scope of his job description** (pursuant to Article 107a, paragraph 9 of the Labour Code). In this case, the work is done outside the established working hours, subject to the limitations for additional labour, and the employee receives an extra remuneration for a project or programme management (according to Article 107a, paragraph 14, point 6 of the Labour Code).
4. An **employment contract** has been concluded with the employee under the **labour contract for additional work with the same employer pursuant to Art. 110**, for work not within the scope of his regular employment duties, out of the working hours established in a basic legal relationship **or with another employer** under the procedure of Art. 111 of the Labour Code,

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which has been assigned to work outside the working hours established for the basic labour contract, subject to the limits of the additional labour. When changing legislation, other ways of assigning work are possible.

Out of the above mentioned cases, the recruitment of members of the organization and management team through the conclusion of a service contract under the Law on Obligations and Contracts (LOC) is admitted only exceptionally upon written approval by the PO at a justified request by the Beneficiary setting out objective circumstances, which do not allow the assignment of work under the procedure provided for in the Labour Code. In such cases, the Beneficiary should take into account the provisions of Art. 17 of the LOC.

#### ***4.2 Hiring persons for project implementation***

In the first days after the start of the project, the necessary actions must be taken to identify the experts directly involved in the implementation of the project activities. The project implementation team should be optimal as a number of people with a qualification that meets the specifics of the project. There are three hypotheses for identifying and hiring experts:

1. The Beneficiary designates for a contractor an employee, **employed under an employment or service relationship**. If the assigned job is in accordance with the job description, participation in the implementation of the project is carried out within the established opening hours and the actual hours worked for the project are paid out of the project budget. If additional commitments are made against additional remuneration outside the scope of the job description, the work on the project is carried out outside the established working hours, subject to the limitations of additional work. The extra pay due is paid out of the project budget.
2. The Beneficiary designates for a contractor a person, who has been assessed as an expert in the project approval (his/her professional qualifications have been reviewed and evaluated during the project evaluation). The approved expert is employed on a labour or service contract in compliance with the labour law. If necessary, the Beneficiary may select and conclude an employment contract with another person, subject to applicable labour law.
3. The Beneficiary hires an external person for project implementation activities and concludes a service contract under the Law on Obligations and Contracts. This approach is acceptable when a single service is assigned for a short period of time and a certain result is due - in these cases, the provisions of the PPL apply to the determination of the specific persons. In any case, specific experts should be defined in accordance with the principles of publicity, transparency, equality and non-discrimination - for example, if the selection rules laid down in the PPL are not applied, compliance with the basic principles can be guaranteed by publishing an invitation on the Beneficiary's site, notification to a wide range of potential candidates, collection of CVs of

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experts and selection by a special committee or decision of a competent authority of the Beneficiary.

#### ***4.3 Taking measures to avoid a potential conflict of interest***

In the implementation of the project, the Beneficiary undertakes to take all necessary measures to avoid a conflict of interest, as well as to immediately notify the PO of a circumstance that causes or is likely to cause such a conflict. There is a conflict of interest where the impartial and objective performance of the functions of the Contract by any person is compromised for reasons related to family, emotional life, political or national affiliation, economic interests or other common interests it has with another person involved in the implementation of the project.

## **II. SELECTION OF CONTRACTORS AND AWARD OF PUBLIC PROCUREMENT**

### **1. Basic situations and preparation**

The implementation of projects financed under the „Local Development, Poverty Reduction and Enhanced Inclusion of Vulnerable Groups“ Programme should be organized according to the Bulgarian legislation in the field of public procurement:

- Public Procurement Law (PPL) and RIPPL for beneficiaries that are contracting entities or
- Decree of the Council of Ministers No 118 of 20 May 2014 on the terms and conditions for the designation of a contractor by grant recipients of the EEA Financial Mechanism, the Norwegian Financial Mechanism, the Asylum, Migration and Integration Fund and the Internal Security Fund (Title am. and suppl. - SG, no. 50 of 2015, in force from 03.07.2015, am. - SG, no. 52 of 2016, in force as of 08.07.2016) for beneficiaries who are not contracting authorities within the meaning of the PPL.

Public contracts are awarded in accordance with the principles of free movement of goods, freedom of establishment and freedom to provide services and mutual recognition, and with the principles underlying them:

1. equality and non-discrimination;
2. free competition;
3. proportionality;
4. publicity and transparency.

In awarding public procurement contracts, contracting entities may not restrict competition by including conditions or requirements that give an undue advantage or unjustifiably restrict the involvement of economic operators in public procurement and which are inconsistent with the subject, value, complexity, quantity or volume of public procurement order.

**Nota Bene!**

PO controls whether the implementation of the projects is in compliance with the statutory requirements for public procurement and for this purpose performs follow-up control of these orders. In case of need, the PO may require at each stage of the project implementation to be provided with a copy of all documentation related to a particular procurement.

The preparation and execution of public procurement in accordance with the applicable legislation is the responsibility of the beneficiary itself. The PO has no obligation to carry out ex-ante control of the external procurement documentation prepared by the Beneficiary. Within 30 days after the entry into force of the project financing contract, the Beneficiary is obliged to update (if necessary) the external assignment plan, completed in UMIS 2020. If necessary, the plan should also be updated during the project implementation process.

**2. Types of PPL procedures carried out by public contracting authorities**

1. Open procedure
2. Restricted procedure
3. Competitive negotiated procedure
4. Competitive dialogue
5. Innovation partnership
6. Negotiation without prior notice
7. Design contest
8. Public competition
9. Direct negotiation
10. Collection of quotations by bids/invitations to certain persons
11. Direct assignment

The Beneficiary shall apply the procedures specified in items 1 to 7 for the award of public procurement under PPL, which have a value excluding VAT equal to or greater than:

- construction – BGN 10,000,000
- supplies and services - BGN 280,000
- services under Attachment 2 - BGN 1,000,000

At value thresholds under Art. 20, paragraph 1 of the PPL, the contracting authorities also publish information in the Official Journal of the EU.

Value thresholds for public competition and direct negotiation:

- construction - from BGN 270,000 to BGN 10,000,000
- supplies and services (including services under Annex 2 of the PPL) - from BGN 70,000 to the corresponding threshold under paragraph 1 of Art. 20 of the PPL, depending on the type of the contracting entity and the subject of the procurement.

Contracting entities apply the procedure under Chapter 26 of the PPL to award by offering an offer or invitation to certain persons when the procurement has estimated value:

- construction - from BGN 50,000 to BGN 270,000;
- in the case of supplies and services, except for the services under Appendix 2 of the PPL - from BGN 30,000 to BGN 70,000.

Value thresholds for direct award:

- construction - BGN 50,000
- services under Appendix 2 of the Public Procurement Law - BGN 70,000
- supplies and services - BGN 30,000

Value threshold for a design contest - value greater than or equal to 70,000 BGN.

Contracting entities may also conclude framework agreements on the basis of the above mentioned procedures provided for in the Law on Public Procurement and the conditions for their implementation. Contracting authorities have the right to award a specific contract under a procedure applicable to higher values, in which case they are required to apply all the rules applicable to the order they have chosen.

**IMPORTANT!**

The PO recommends to be used the procedures public procurement or open procedure for orders with high estimates.

Public contracting entities adopt internal rules for managing the procurement cycle when they have an annual budget, including funds from different European funds and programmes equal to or greater than BGN 5 million. Contracting entities are required to maintain a buyer profile through which publicity is provided to:

- 1) information related to market consultations;
- 2) all decisions, notices and invitations related to the opening, award, performance and termination of public procurement;
- 3) procurement documents, except for cases of Art. 32, para. 3 and 4 of the PPA;
- 4) the clarifications provided by contracting authorities in relation to public procurement;
- 5) protocols and final reports of committees for conducting procedures;
- 6) public procurement contracts and framework agreements, including annexes thereto;
- 7) subcontracting contracts;
- 8) additional agreements on amendments to public procurement contracts and framework agreements;
- 9) calls for tenders and invitations to certain persons, as well as information about the assignment under this point;
- 10) information in appeal proceedings;

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11) the opinions of the Public Procurement Agency in relation to the ex-ante control exercised by it.

The documents for each from the public procurements are separated into an electronic file. When publish the abovementioned documents, the information in respect of which the parties have legitimately referred confidentiality regarding the existence of business secrets, the unique civilian number or the personal number of a foreigner and the signatures of the individuals, as well as other information which is protected by law must be delete. At the place of the deleted information, the grounds of deletion shall be indicated.

The contracting authorities create and maintain a dossier for each procurement order to ensure documentary traceability (audit trail) of all their actions and decisions, as well as the actions of procurement commissions, whether or not orders are awarded by electronic means. The dossier shall contain all decisions, notices, documentation and other supporting documents, explanations, invitations, minutes, final reports of the Commission, bids or requests to participate, evidence of the actions taken under Art. 44, paragraphs 3 - 5 of the PPL, description of the reasons for using other means of filing documents other than the electronic ones in the electronic filing and, in the cases of ex-ante control, the opinions of the Public Procurement Agency and the reasons of the contracting authority for the unacceptable recommendations. The dossier contains the contract or framework agreement, as well as all documents related to the implementation and its reporting.

Besides the abovementioned documents, the public procurement dossier also includes:

1. a report on the results of the actions under Art. 21, para. 2 of the Public Procurement Law;
2. the order for the appointment of the commission for pre-selection of candidates and participants, examination and evaluation of tenders or negotiation and dialogue, including all orders amending or supplementing its members;
3. reference or extract from the register of the applications for participation and / or tenders received, where applicable;
4. the minutes under Art. 48, para. 6 of the Public Procurement Law;
5. the exchange of information between the contracting authority and other persons or bodies in connection with the preparation and conduct of the procedure and the performance of the contract;
6. information on the appeal of the procurement, including the complaint, the opinions, decisions and determinations of the authorities responsible for the appeal;
7. the documents submitted by the contractor designated before the conclusion of the contract;
8. a document certifying the return of the samples, where applicable;

9. the unique numbers with which the documents were registered in the PPA for enforcement, where applicable;

10. information on the movement of documents in the file.

The information in the procurement dossier shall be organized in such a way as to enable the chronological traceability of all actions of the responsible officials in relation to the preparation, conduct, completion and reporting of the performance of the procurement. The contracting entity shall designate one or more officials responsible for the contents of the dossier and document the movement of the documents contained therein. The contracting entity shall ensure the conditions and shall be responsible for the storage of the public procurement dossier within the terms of art. 122 PPL.

**IMPORTANT!**

No division of a public contract is permitted in order to apply for a lower value order. It is not considered a division the assignment within twelve months of two or more orders:

- 1) with object execution of construction or design and execution of construction;
- 2) with an identical or similar object which was not known to the contracting authority at the time when the previous contract for such an object was launched.

In the event of financial irregularities that are linked to the award of the contract following a detailed examination and assessment of the circumstances, the PO shall have the right to set **financial corrections**.

When determining the amount of financial corrections, account shall be taken of the nature and gravity of the infringement and its financial impact on the program budget. When defining the amount of financial corrections, the PO uses as a reference the Guidelines for determining the financial corrections to be made by the European Commission, in relation to the expenditure, financed by the EU under the principle of shared management for non-compliance with the procurement rules approved by Decision C (2013) 9527 of 19.12.2013, taking into account the specificities of the EEA FM Regulation 2014-2021. For all outstanding cases of irregularities the PO also applies the Ordinance indicating the irregularities justifying financial corrections, the percentage indicators for determining the amount of the financial corrections under the Law for the Management of the Funds of the European Structural and Investment Funds (LMFESIF), (Annex 2), according to the signed Memorandum of Understanding on FM of the EEA 2014-2021, the Ratification Act of the Memorandum of Understanding, the Programme Agreement for the Implementation of the „Local Development, Poverty Reduction and Enhanced Inclusion of Vulnerable Groups“ Programme, signed between the NCU and the FMC, the Agreement for the Implementation of the „Local Development, Poverty Reduction and Enhanced Inclusion of Vulnerable Groups“ Programme signed between the NCU and MES and the specifics of the Regulation.

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### **3. Designation of contractors by beneficiaries who are not contracting authorities within the meaning of the PPL**

The designation of contractors by beneficiaries that are not contracting authorities under the PPL is carried out in accordance **with Decree № 118/2014** on the terms and procedure for the designation of a contractor by grant recipients of the European Economic Area Financial Mechanism, Norwegian Financial Mechanism, „Asylum, Migration and Integration“ Fund and „Internal Security“ Fund (title am. and suppl. - SG № 50 of 2015, in force from 03.07.2015, am. - SG № 52 of 2016, in force as of 08.07.2016, am - SG № 107, in force as of 28.12.2018). Beneficiaries who are not contracting authorities under the PPL designate a contractor by choosing a public offer and choosing without conducting a procedure in compliance with the principles of free and fair competition, equality and non-discrimination, proportionality, publicity and transparency.

Choosing a public offer is a procedure where all interested parties have the right to bid. Choosing a public offer is made when:

1. the estimated value for construction, incl. the co-financing by the Beneficiary, excluding value-added tax, is equal to or higher than BGN 50,000;
2. the estimated value for supplies or services, incl. the co-financing by the Beneficiary, excluding value-added tax, is equal to or higher than BGN 30,000.

Beneficiaries assign directly, without conducting a procedure for defining a contractor, when the estimated value for construction, supplies and services, incl. the co-financing by the Beneficiary, excluding value-added tax, is lower than the above mentioned values under items 1 and 2.

In the above cases, when defining a contractor for supplies or services, the beneficiaries can prove the cost only with primary payment documents without the need for a written contract. No division of the subject of the order is permitted in order to circumvent the implementation of the procedure Public Offer Selection.

In the case of a Public Offer Selection, the Beneficiary approves an ad containing at least the following information:

1. Beneficiary data - name, telephone, fax, correspondence address and contact person;
2. subject to the contractor's award procedure;
3. description of the subject matter of the procedure and, where applicable, quantity and volume;
4. the requirements for performance of the service, delivery or construction;
5. the technical specifications, if any;
6. candidates' requirements - if applicable;
7. bid requirements;
8. draft contract;
9. the award criterion under Art. 14, paragraph 1 of Decree of the Council of Ministers 118/2014 and when the choice is made according to the criterion "economically most advantageous

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tender" - the indicators, their relative weight and the methodology for determining the complex evaluation of the offer;

10. place, date and time by which tenders may be submitted.

Beneficiaries who select a contractor through the "Public Offer Selection" under Decree 118/2014 shall be obliged - in accordance with Art. 11 (2) of the Decree - to provide the Programme Operator with the announcement of the procedure to the Programme Operator for publication on the EEA FM/NFM website for Bulgaria: <https://www.eeagrants.bg/pokani/proczeduri-po-pms-118/2014>. At the same time the Beneficiary also publishes the announcement on its website, if available. The Beneficiary may also publish a notice in the national daily newspapers as well as send it to persons selected by him/her, without changing the terms and conditions set out in the published notice.

The time limit for public access to the advert may not be shorter than 7 days, and the time limit should be in accordance with the complexity of the preparation of the offer by the candidates.

If the initial conditions are changed, the Beneficiary is obliged to re-apply the order for bids.

Beneficiaries may not include in the notice conditions that unduly hinder the participation of individuals in the procedure.

Beneficiaries may not include in the advertisement information referring to a trademark, patent, type or specific origin or production which would result in the benefit or elimination of certain persons or certain products.

In cases where, given the specificity of the subject, it is objectively impossible to comply with those conditions, such indication shall be allowed, with the words 'or equivalent' added.

When conducting a procedure with public announcement, the Beneficiary applies one of the following bid evaluation criteria:

1. lowest bid price;
2. the most economically advantageous offer.

It is not permissible to divide the object of the award in order to circumvent the application of the procedure for the selection of a contractor with a public call.

Interested parties may request a written notice from the Beneficiary within the „Public Offer Selection“ within 4 days before the expiry of the deadline for submission of tenders.

The clarifications are published in accordance with Art. 11, paragraph 2 of Council of Ministers Decree (CMD) № 118/2014 within 3 days from the date in which the request will be received. The published explanations under paragraph 1 of Art. 16 of CMD № 118/2014 become an integral part of the documentation of the „Public Offer Selection“.

Within 3 days of the date of receipt of the request, the explanations of the invitation are published on the Beneficiary's website (if any) and provided to the Programme Operator for publication on its respective website.

The tender for the selection of a contractor under a project financed under the Financial Mechanism of the European Economic Area shall be submitted in a sealed opaque envelope and a receipt / delivery report shall be issued upon acceptance by the bearer.

The bidder in the procedure has the right to submit only one offer. A person who has given consent and is a subcontractor in the bid of another candidate can not submit a standalone bid.

The Beneficiary is obliged to notify the Programme Operator for the date, time and place of opening of tenders at least 3 days before the specified date.

For contractors, no persons can be identified for whom there are circumstances for disqualification from participation in a public procurement procedure under the Public Procurement Law. The designation of a contractor shall be carried out in compliance with the requirements for efficiency, effectiveness and inexpensiveness of the spending of the funds of the EEA FM and the beneficiaries shall conclude a contract with the contractor submitting the "most economically advantageous tender".

The procedure for determining a contractor shall be terminated upon the occurrence of any of the listed circumstances in Art. 19, para. 1 of Decree of the Council of Ministers № 118/2014.

The Beneficiary is obliged within 3 days from the termination of the procedure to notify the applicants and the Programme operator.

"The most economically advantageous tender" is the one that best meets the pre-announced indicators and their weight directly related to the subject of the contractor's quality, price, technical, aesthetic and functional characteristics, features related to environmental protection, operating costs, warranty service and technical assistance, execution time, and others.

### **III. AMENDMENTS AND CHANGES TO THE CONTRACT AND THE PROJECT**

#### **1. Basic principles**

The Beneficiary is required to complete the project in accordance with the description contained in the Application Form (Annex to the Contract) and with a view to fulfilling the objectives set out therein. Changes under the Agreement may be initiated either by the Head of PO or by the Beneficiary in any of the following cases:

1. Change in financial parameters of the total project cost, co-financing amount, indirect cost amount and change in percentage ratios;
2. Change in the project partner;
3. Change in the duration of the Contract;
4. Change in legislation, force majeure, natural hazard out of human control, etc., which may lead to the negligence of all or part of the Contract.

All requests for changes shall be considered after submission by the Beneficiary of a written reasoned request and detailed justification of the requested change.

Any amendments and supplements to the text of the contract, incl. of the annexes thereto shall be made by mutual agreement of the parties in writing. For all cases listed above, an Additional Agreement to the Contract is signed.

The resulting Additional Agreement may not have the purpose or effect of making amendments to the contract that would constitute a breach of the principle of equal treatment of applicants and violate the competitive conditions set out in the Guidelines for Applicants and the applicable regulatory framework for the relevant project selection procedure.

The Beneficiary shall provide the relevant justification and documentation on the changes, at least 30 days before the date on which the amendment enters into force.

**IMPORTANT!**

UMIS 2020 treats the change of contract, dealing with the following terms:

"Amendment" - modification of the contract by the conclusion of an Additional Agreement;

"Change" - modification of the contract without Additional Agreement.

**2. Inadmissible changes**

- a) Changes that call into question the achievement of the main purpose and the planned results of the project;
- b) Amendments that would violate the principle of equality of candidates and violate the competitive conditions set out in the Guidelines for Applicants and the applicable regulatory framework for the relevant project selection procedure.

**3. Changes to the contract/project that are made by a notice from the Beneficiary**

- a) Change of Beneficiary's bank account/sub-account and / or Beneficiary's bank identification form;
- b) Change of Beneficiary's legal representative, address and contact details;
- c) Administrative information and errors - technical and/or spelling mistakes made after the conclusion of the Agreement.
- d) Activities Implementation plan - when the implementation plan is changed in cases where the sequence of activities, the time limit and the duration of the project implementation are not changed. The Beneficiary should submit an updated Project Implementation Plan within 30 days after entry into force of the Contract.

**Nota Bene!**

It is necessary for the Beneficiary to notify the PO of the necessary changes and to certify them with the necessary documents no later than 5 days after the occurrence of a change of circumstances.

**4. Change of the project for which is required approval by PO**

*1) Changing a project team member by presenting a CV of the new member of the team*

The Beneficiary prepares and sends to the PO an application for the requested change, necessarily justifying the reasons for the change. In order for the requested change to be accepted, the Beneficiary must provide a candidate with similar or higher qualifications and experience, and must apply CV to the newly proposed candidate for a team member according to the template in the application package.

It is necessary to provide a detailed and comprehensive justification for the requested change by the Beneficiary. The Beneficiary is not allowed to apply the requested change to the Organization and Management Team before receiving official confirmation from the PO. If the beneficiary applies the requested change prior to the approval decision, the funds paid will not be verified until the date on which the SO has notified its decision to the Beneficiary.

*2) Change in the project implementation plan when changing the planned term and duration of the implementation of particular activities from the project or the duration of the project itself*

It is necessary for the Beneficiary to notify the PO of the necessary changes and to certify them with the required documents (updated implementation plan, justification, etc.) at least 30 days before the presumed date of the change.

*3) Changes in budget*

In cases where the change in the budget does not affect the main purpose of the project and this change will not prevent the achievement of the planned results, the Beneficiary must submit a request for the budget amendment to the PO with appropriate justification at least 14 days before the requested changes take effect. Any changes in unit values in the budget and its annexes which do not change the total value of the budget item and which are justified by the selection of a contractor under the procedure of the PPL (including by the order of Chapter 26) shall be made by written notification from the Beneficiary.

*4) Changes to set indicators.*

In all the cases listed, the Beneficiary shall provide the relevant justification and documentation on the changes not later than 15 days before the date on which the amendment is to take effect.

**IMPORTANT!**

**PO may not accept a requested/made change if:**

- there is no written notification of the request/execution;
- the need to do so is not well founded;
- results in a significant change in the project objectives and results.

PO shall notify the Beneficiary in writing within 10 days of the date of receipt of the request for its decision. Changes are introduced by the PO in UMIS 2020.

**5. Amendment of the contract by concluding an additional agreement:**

In all cases, which are not described in paragraphs 1-4, an Additional Agreement is required. When requesting an amendment to the contract through an Additional Agreement, the Beneficiary sends to the PO a reasoned application (in free text) and supporting documents. The reasoned application should be signed by the signatory of the Financing Agreement.

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An Additional Agreement to the contract is mandatory in the following cases:

1. Change in the term/duration of execution of the contract

In these cases, the Beneficiary prepares and sends to the PO a request for the requested change of the deadline/the duration for the implementation of the project. In the application Beneficiary justifies the reasons for the requested change, indicates precisely and clearly the new term/duration of the project (in months) by applying an updated implementation plan, which should be comparable to the changed time/duration of the project **and does not refer to a past period of time**.

2. Change in project total cost, co-financing amount, indirect cost amount and/or change in percentage ratios

The Beneficiary initiates the procedure by submitting a request accompanied by a detailed justification, including a description of the reasons for the requested change, the expected impact on project implementation at least one month before the date on which the requested change is due to take effect. The PO may agree to deal with a request submitted after that period only if there are objective and well-founded circumstances. PO declare its decision on the request within 10 days of the date of its receipt.

In these cases, the Beneficiary prepares and sends to the PO:

- An application for the requested change in the cost of the project necessarily justifying the reasons for the changes of each of the changed types of costs and how these changes will affect the relevant activities set out in the Contract. It is imperative to indicate the link between the activities carried out and the requested changes in the budget;
- A new form of the budget including the requested changes (annexe to the Contract);
- Comparative budget table of the old and new budget.

3. Change of the organization status (merger/transform)

In these cases, the Beneficiary prepares and sends to the PO a change in the status of the organization and applies the following documents:

- Scanned document proving the change;
  - The new data of the organization;
  - Declaration of Irregularities (annexe to the Contract) of the new person formally representing the Beneficiary - original;
  - Partnership Agreement (annexe to the Contract) - original. The agreement should be signed by the Beneficiary and all project partners.

4. Change of Project Partner

The Beneficiary prepares and sends to the PO an application for change of the Partner, stating the reasons for the requested change and enclosing the following documents:

- The new data of the partner organization;
- Partnership Agreement (annexe to the Contract) - original. The agreement should be signed by the Beneficiary and all project partners.

**Nota Bene!**

When changing applicable national legislation, the parties undertake to amend the terms of the contract in accordance with that change.

The procedure for amending the contract includes verification of the submitted request, assessment of the merits of the request or the existence of obstacles to the conclusion of the Supplementary Agreement. Upon conclusion of the Supplementary Agreement, the PO shall make the necessary changes in UMIS 2020.

**IMPORTANT!**

Any amendment to the Contracts, approved by the conclusion of an Additional Agreement, shall enter into force on the date of signing by both sides and its exiting into the MES registry system.

#### **IV. WITHDRAWAL OF PAYMENTS UNDER CONCLUDED FINANCING CONTRACT**

PO shall make a decision on the temporary suspension of payments to beneficiaries in all cases of circumstances described in Art. 13.1 of the Regulation, similar to the projects:

- 1) Verified/reliable information shows that the progress of the project is not in line with the Contract;
- 2) Access to requested project documents, sites and activities subject to the funding required under Chapter 11 of the Regulation and the Contract is not granted or limited;
- 3) The financial management of the project is not consistent with generally accepted accounting principles;
- 4) The PO has information on alleged or actual cases of irregularities that have not been reported by the Beneficiary and no measures have been taken to eliminate them and minimize losses;
- 5) Implementation of the project is considered to be a violation of national or European Union law.

The Programme Operator shall be entitled to suspend payments in cases of irregularities detected for which no measures have been taken to remedy them within the specified period.

The Beneficiary may at any time produce documents or other evidence and ask the PO to reconsider its decision to suspend payments.

#### **V. TERMINATION OF THE PROJECT FINANCE CONTRACT**

1. The contract shall be terminated in case the Beneficiary is declared bankrupt.
2. The PO shall have the right to terminate the Agreement unilaterally if, within a time limit specified by the Beneficiary, the Beneficiary has not taken measures to remove the circumstances that led to the suspension of payments under the terms of the Chapter "Suspension of Payments" of the Contract.

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- All funds received in advance under the project will be refunded by the Beneficiary to the PO within one month of the decision of the PO to terminate the project.

- In certain cases, the Beneficiary must, by a decision of the PO, reimburse the imprest taken, less the projected eligible costs of the project, as reflected in UMIS 2020.

3. PO may terminate the Contract if the Programme Agreement for Financing the “Local Development, Poverty Reduction and Enhanced Inclusion of Vulnerable Groups” Programme is terminated with the Financial Mechanism Committee or the Implementation Agreement for the “Local Development, Poverty Reduction and Enhanced Inclusion of Vulnerable Groups” Programme between the National Coordination Unit and the Ministry of Education and Science.

4. PO may terminate the Contract also in the cases where:

- The Beneficiary has been convicted of fraud, corruption, involvement in criminal organizations or any wrongful act that infringes the financial interests of the European Community or the donor countries;

- The Beneficiary has declared untrue or incomplete data in order to obtain funding for the subject matter of the Contract or has submitted reports that do not correspond to actual performance;

- The Beneficiary changes its legal form or is transformed unless it has previously notified the PO and the latter has given its written consent to continue its contractual relationship with the new or transformed legal entity.

5. The Project Implementation Contract may be terminated by a joint decision between the PO and the Beneficiary as a result of circumstances that make it impossible to further perform the activities and achieve the objectives of the project.

## VI. MONITORING OF IMPLEMENTATION OF PROJECTS

The monitoring of the project's activities and results is a systematic gathering of information and monitoring of the technical and financial implementation in order to verify the achieved results and objectives of the project included in the Contract.

The PO is required to monitor, control, and systematically collect information on physical and financial progress in the implementation of funding contracts. Verification of the activities and costs incurred by the beneficiaries is based on both the analysis and verification of the documents received by the Beneficiary as well as the results of the on-the-spot checks carried out by the PO.

Monitoring visits are carried out at the Beneficiary's office or at the final recipients, but can also be carried out at the site of the project activities (place of events, place of delivery, etc.).

PO shall carry out monitoring through the **following tools**:

- Periodic progress reports;

- Performing on-the-spot checks including verifying the accuracy of documents, ensuring compliance with the procedures as well as the effective performance of the activities under the

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contracts signed, verifying the delivered services / equipment / construction activities and the intended use of the services provided / equipment and constructed / reconstructed buildings and / or premises;

- Evaluate the administrative capacity of the beneficiaries and take appropriate measures if necessary;
- Independent monitoring and project level assessment;
- Evaluation of the results achieved within the defined indicators;
- Regular coordination meetings (if necessary);
- Analysis and assessment of the risk of delay or difficulties in the implementation of the project or its key components.

On-site monitoring by the PO is intended to **verify**:

- Checking the real, physical existence of the project;
- Project activities are carried out in accordance with the description and deadlines agreed upon by the contract (the plan for the implementation of the activities is respected, there is a correspondence between realized and planned activities, there is a correlation between the realized activities and the achieved results and objectives of the project);
- Are the procedures and activities followed and whether they are being implemented effectively under the signed contracts?
- The conformity of the delivered goods/services with the project contract, as well as their use as intended;
- The availability of original cost-justifying documents (including when the same beneficiary implements more than one project or receives funding from other donors);
- Correctness and completeness of the information provided by the Beneficiary in the Project Accounts regarding the physical and financial execution;
- Compliance with information and publicity requirements.

### **1. Checks during project execution**

The PO identifies and assesses the relevant risks endangering the achievement of the expected results of the projects. To this end, the PO uses the risks originally defined in the project proposals, as well as the currently discovered and reported risks of the PO during the verification or prior monitoring process.

The monitoring may have a different scope:

- full beneficiary verification;
- verification of technical and financial implementation;
- checking delivered equipment
- monitoring activity;
- partner checking;
- meeting with the target groups;
- tracking the implementation of recommendations from previous inspections.

The PO has the obligation to notify the Beneficiary at least two weeks in advance of the date of the planned monitoring visit. Partners, target groups or other stakeholders may take part, if necessary, to cover all relevant aspects of the situation. The responsible experts, who carried out the check, shall complete the verification report. Within 14 days after the monitoring visit, PO sends a copy of the report to the Beneficiary for comments and/or additional information. The Beneficiary has 5 days to return the report and/or additional information. PO is acquainted with the attached documents and/or comments prepare and send a final report to be signed by a representative of the Beneficiary. Where gaps are detected, the experts make recommendations for corrective actions on the part of the Beneficiary. The findings and related corrective action recommendations (if any) in the monitoring report are tracked upon submission of the next report unless there is an explicit requirement for immediate action by the Beneficiary to remedy the breach.

**IMPORTANT!**

PO can also perform unscheduled checks!

Unscheduled checks can be made during the entire project implementation period. The checks depend on the risk assessment of the projects and the existence of indications of possible problems. They are aimed at a detailed analysis of the situation and taking appropriate measures.

## **2. Sustainability of the results**

- The Beneficiary must ensure that the following conditions are met: not to change the ownership and purpose of the buildings and equipment subject of financing for a period of at least 5 years after approval of the final project report and within that period they will be used for the purposes of the project;
- During implementation and for a period of at least 5 years after approval of the final report, the project should be insured in a licensed in Bulgaria company, the buildings and equipment subject of financing against the usual insurance risks (such as theft, fire, etc.);
- to provide sufficient resources to maintain the buildings and equipment for a period of at least 5 years after approval of the final project report.

In the event of non-observance of any of these circumstances by the verifiers, the Beneficiaries shall recover the amounts unduly paid in proportion to the period for which the requirements have not been met and the sustainability has not been met.

## **3. Working meetings with representatives of the Beneficiary**

At the initiative of the PO or at the request of the Beneficiary, the PO may organize periodic meetings to report progress on the project. The meeting is planned for a minimum of 10 days in advance and is chaired by the Head of the PO or a designated PO representative. Periodic meetings for the progress of the project are convened in the following circumstances:

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- opportunity to discuss and solve emerging problems and establish progress;
  - availability of unspent funds for the project;
  - to identify poor performance or to complete the project implementation phase.

At the regular meetings, the Beneficiary submits a report on the implementation of the project to date and the activities undertaken to implement the decisions of a previous meeting, if applicable. The meetings end with a protocol with reflected decisions, action measures, deadlines and responsible persons for their implementation.

#### **4. Monitoring by the National Coordination Unit**

The NCU has the right to monitor the projects funded under the EEA FM 2014-2021. On-the-spot checks include a review of the relevant documentation; a review of the delivery and installation of the equipment, construction/reconstruction activities, other evidence of performance of the activities according to their specifics. The NCU informs the PO and the Beneficiary concerned of the upcoming inspection not less than 2 weeks before the check.

The NCU has the right to carry out "on-the-spot" checks without prior notice.

Within 10 days after the monitoring visit, the NCU prepares a report and submits it to the PO. The report shall contain findings and recommendations for corrective action, if applicable. The NCU controls the implementation of the corrective actions.

#### **IMPORTANT!**

The Beneficiary is subject to all types of controls described by the PO, the NCU, the AEUF EA, the CFM, the EFTA Audit Board (EFTA AB) and the external audit firms employed by CFM, FMO, PO and others.

### **VII. REPORTING EXPENDITURE AND RESULTS FROM BENEFICIARIES AND VERIFICATION BY THE PO**

Reporting is an essential part of project implementation. Reports are the source of information needed to monitor and control the progress of the project, as well as the extent to which its objectives and indicators are met. The project manager is responsible for completing these reports, although all members of the organization and management team can contribute to their preparation.

#### **1. Time limits for reporting the costs incurred**

Beneficiaries shall report their expenditures to the PO with at least two mandatory reports in the year, respecting the following deadlines:

1. For beneficiaries funded through calls for proposals for Early Education and Care, Youth Centres Establishing and Integrated Projects Scheme twice a year:
  - 1.1. For expenditures realized between 1 November and 30 April, the deadline for submitting a report to the PO is 15 May;

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- 1.2. For expenditure realized between 1 May and 31 October, the deadline for submitting a report to the PO is 15 November.
  2. Restricted Call for project proposals “Youth centers: a powerful factor for local development“ with eligible beneficiaries - Stara Zagora, Plovdiv, Vratsa and Dobrich, twice a year:
    - 2.1. For expenditures realized between 1 January and 30 June, the deadline for submitting a report to the PO is 15 July;
    - 2.2. For expenditures realized between 1 July and 31 December, the deadline for submitting a report to the PO is 15 January.
  3. For beneficiaries funded through a small job creation scheme three times a year:
    - 3.1. For expenditures realized between 1 January and 30 April, the deadline for submitting a report to the PO is 15 May;
    - 3.2. For expenditure realized between 1 May and 31 August, the deadline for submitting a report to the PO is 15 September.
    - 3.3. For expenditures realized between 1 September and 31 December, the deadline for submitting a report to the PO is 15 January.
  4. Predefined projects "Rehabilitation Center for Children with Oncohematological Diseases", „Ideal, technical and working project for building a National Multi-profile Children's Hospital“ - twice a year:
    - 4.1. For expenditures realized between 1 January and 30 June, the deadline for submitting a report to the PO is 15 July;
    - 4.2. For expenditures realized between 1 July and 31 December, the deadline for submitting a report to the PO is January 15;
  5. Predefined projects with Project Executives or Project Partners - international organizations or organizations from the donor countries "Development by Activating Local Potential (GALOP)", "INCLUDE - Building Capacity for Inclusion in Bulgaria", “Novel Approaches to Generating Data on Hard-to-reach Populations at Risk of Violation of their Rights” and “Innovative Community Care Models in Favour of People with Chronic Diseases and Permanent Disabilities” - twice a year:
    - 5.1. For expenditures realized between 1 November and 30 April, the deadline for submitting a report to the PO is 30 June;
    - 5.2. For expenditure realized between 1 May and 31 October, the deadline for submitting a report to the PO is 31 December.

The reporting is done through the Project Management and Reporting Module of the UMIS 2020: the **E-Project Management** module is available at: <https://eumis2020.government.bg/Report>

Project management and reporting is done following the procedures outlined in the User Guide for the Project Management Module - the current version can be downloaded from the "Help" section of the UMIS 2020 at: <https://eumis2020.government.bg/Report/s/Home/Manual>

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The reporting is done electronically in the UMIS 2020 by the project manager or a person authorized by him/her. In reporting, the Beneficiary shall provide the following information:

- a technical report on the implementation of the project activities;
- financial report;
- report on achieved indicators;
- request for funds transfer.

*Documents that beneficiaries should apply to each Interim Project Statement:*

1. All the expenditure proofing documents, relating to the relevant reporting period;
2. The technical documentation proving the activities performed;
3. Evidence of achievements and indicators;
4. Analytical accounting of project costs (payroll, analytical and chronological statements), VAT return, together with a purchase log for each of the months falling within the reporting period for proof of non-value added tax use;
5. Bank identification of the beneficiary upon change, etc.

Copies of the original financial and accounting documents signed by the project manager, stating that the cost has been incurred on the project concerned, are uploaded in UMIS 2020. The project report should be completed according to the activities carried out, supported by the financial and accounting documents and the necessary technical evidence of the activity carried out. The costs included in the report should comply with the basic eligibility principles, be invoiced, paid and have actual delivery, service or construction to the final date of eligibility for the reporting period concerned.

Beneficiaries are required to keep separate cost accounting for the project, allowing cost tracking to ensure an adequate audit trail. In the event that such accountability cannot be ensured, the Beneficiary is required to maintain such analytical information that will provide the same information in order for project costs to be separable, identifiable, easily identifiable and tracked. The selected accounting for the project should allow the collection of the necessary data for financial management, monitoring, cost verification, audit and evaluation.

**IMPORTANT!**

Costs that are not submitted for verification in two consecutive periods are considered **ineligible**. For the purposes of this requirement, two consecutive periods are: the period in which the expenses fall for a report and the next/second period. For example: if an expense incurred in the January to June period is not included in the statement for that period, the last possible statement in which the expense will be considered eligible is the statement for the period July to December of the same year.

**IMPORTANT!**

The exchange rate to be used for the conversion of project costs financed by the EEA FM 2014-2021 for the purpose of accounting to the PO is 1 EUR per 1,9558 BGN. When reporting is prepared, rounding of costs by activities to a whole euro is used.

**2. Implementation of UMIS 2020 procedures for contractor selection and contracts and maintaining an up-to-date External assignment plan (EAP)**

**2.1. Contractor selection procedures and contracts**

Reporting of the project contains the completion of the data on the procedures for the selection of the contractor and the contracts concluded with contractors. The concrete steps for completing the data are described in the User's Guide for the E-Project Management Module.

The data of **all external persons** involved in the implementation of the project **who will issue costing documents** or who are participants in a trust/consortium of project contractors are entered. Upon successful completion, the system retains the data, and the status changes to "Current" and becomes visible to the PO, i.e. **it is not necessary to send additional information to the PO for the concluded contracts (procedures carried out).**

**IMPORTANT!**

If a legal person is not entered in this section, later on when filling in the information about the procedures and the information in the "Reporting documents", this legal person will not be able to join the relevant procedure or expense!

Beneficiaries are obliged to upload each dossier for public procedures under PPL and CM Decree № 118/2014. for the selection of contractor and respective contracts entered into the UMIS 2020 Module "Contracts", section "Contractor selection procedures and contracts".

The Beneficiary should send a notification via Module "Correspondence" of UMIS 2020 to the PO for a uploaded administrative dossier.

Within one month of entering into an outsourcing contract, the Beneficiary submits through the UMIS all the documentation related to the procedure, including documents proving that the division of the subject of the orders and all other documents of the public procurement, i.e. public procurement decision, announcement, evaluation methodology, technical specifications, register of incoming offers, tenders of all candidates, technical and price proposal, order for commission appointment, minutes of commission work, signed contract in one with annexes, integral part from it and others.

**2.2. External assignment plan**

Within one month of signing a project implementation contract, the Beneficiary has updated in UMIS 2020 External Assignment Plan (EAP). PO review the plan and, if necessary, provides guidance on

how to remedy existing gaps. If the beneficiary does not agree with the PO's instructions, it should provide a justification for the reasons.

Failure to comply with the PO's Guidelines by the Beneficiary may lead to non-verification of the cost of the project.

The Beneficiary should notify the PO of any change of the EAP within 5 business days after the change occurrence.

The PO does not carry out ex-ante control of the Beneficiary's documents for conducting public procurement.

### 3. Creation of a batch of reporting documents

To create a batch of reporting documents, a user with the rights of a Project Leader has to create it from the Contract dossier. The procedures detailed in the User Guide for E-Project Management Module are followed for completing the data in the relevant reporting documents. All input data is retained as a draft, can be edited multiple times, all members of the management team who have been given specific rights by the project manager can work on the report. The system automatically loads part of the data by retrieving information from the contract dossier.

#### **Nota Bene!**

When the project Beneficiary/lead partner is a Bulgarian organization, all technical reports are prepared in Bulgarian. Primary responsibility for their preparation lies with the project management team. Beneficiaries are responsible for informing the partners of the information included in the reports. The reports must contain sufficient information on all aspects of implementation for the reporting period. The report summarizes and describes the activities carried out during the past period and the costs for the next reporting period are stated.

#### 3.1. Interim Technical Reports / Interim Technical Statements

Interim technical reports/statements must contain full information on all aspects of project implementation for **the reporting periods, as described above:**

- description and evaluation of the implementation of the project activities;
- implementation of project indicators;
- relations with partners and description of other forms of cooperation;
- information and publicity measures.

In the relevant section of UMIS 2020, the data for the members of the project team is entered. Information can be entered in two ways. One option is to add, by means of the "Add" button, a new row containing information about the activities performed by each member of the team for each date. The other option is to load a pre-filled table of information about all the activities performed by all team members using the "Load from Excel" button. It is necessary to remove the current format of the table from the technical report using the corresponding button in UMIS 2020.

It is recommended that each member of the project team report their work in a separate file after downloading the current Excel template. After the reported work for a certain period is accepted by the project manager, the files are loaded into the UMIS 2020. Acceptance of the reported work should have an audit trail - for example, this may be reflected in the records of management meetings or in the activity report, or the monthly reports must be printed and accepted with a signature by the manager or the employer.

Interim technical reports/statements should describe the implementation of the activities and indicators only for the reporting period for which they were submitted.

The programme has been developed in line with the results-based management and in order to achieve predefined indicators which marked the development regarding to **specific indicators (output indicators)**, as well as quantitative **impact assessment (outcomes indicators)**.

- Outputs are what is created at the end of the process. They reflect on the activities and the produced final results.

- Outcomes represent the level of achievement, effectiveness and impact of interventions.

Both types of results are measured by indicators included in the Results Framework (<https://www.eeagrants.bg/programi/mestno-razvitie/dokumenti/normativni-dokumenti>), Annex I of the Programme Agreement.

In order to measure the implementation of the Programme are set out **Key Indicators (Core Indicators)** which are also available, and to which all projects in a given programme area also contribute.

The measures, baseline and target values of the relevant indicators (key and specific) are defined at the beginning of the programming process and in the preparation of the Application Guidelines, and also they become an integral part of the project implementation framework. Project proposals necessarily include the beneficiary's intentions to cover the set values. The reporting of project implementation indicators in quantitative terms shall be carried out by the beneficiaries in UMIS 2020 in the pre-established reporting periods for each request for payment / reimbursement.

Regarding accounting for the contribution to **Key Indicators**, it is necessary to comply with the requirements described in Core Indicators Guidance 2014-2021 (<https://eeagrants.org/Media/Files/Core-Indicators-Guidance-14-21>) setting the definition of the indicator, sources and methods of collecting data. Because of the sensitivity of some of the data collected to end-users of interventions, the Financial Mechanism Office has developed a methodology for encoding individual information.

It is possible that part or all of the applications with evidence for which there is a limit in UMIS 2020 (e.g. a larger file of the allowed file, etc.) should be presented on an external medium - in this case the **name of the files on the external medium is obligatory and should follow the name** when directly loading the files in UMIS 2020.

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The numbering, name and sequence of activities reported must correspond to the numbering, name and sequence of activities according to the Application Form - Annex to the Contract.

### **3.2. Interim Financial Reporting**

The Interim Financial Report (IFR) includes all project costs for the reporting period and is compiled by filling in the relevant current forms in the UMIS 2020.

Presented scanned originals or certified copies of the bill of costs shall be submitted to the financial statement with the "Inventory of the supporting documents".

#### *1. Inventory of costing documents*

The inventory is part of the Financial Statements. In the relevant section of the financial statements, data are entered for all the expenditure proofing documents, relevant to the given reporting period. The inventory should include information on the name of the supplier or contractor, the number and type of bill of lading, the amount paid, reported to the relevant budget item of the project. Every expenditure proofing document (EPD) should be added to the financial statement and described. After adding the EPD using the "Add" button from the drop-down menu, the type of the given EPD is selected, the data is filled in, and the radio button indicates whether the publisher is a Beneficiary, Partner or Contractor. If a Partner/Contractor is mentioned, they should also be indicated by a drop-down menu, and the Contractor should also indicate the relevant contract that has been entered into with him/her. If the required contract is missing from the drop-down menu, it means that the contract is not entered in the contractor selection section, or the status of the corresponding version is not "Active".

It is imperative to attach a document to each EPD - original costing and other related documents, which are subject to the accounting activity of the project. When using E-accounting, the originals of the invoices should be scanned. If copies of invoices are applied, they must be duly authorized by the Beneficiary (with stamp, signature and inscription "True to the original").

The values should correspond to the enclosed documents and in the case of filling in the data in UMIS 2020, they shall be entered in leva to two decimal places and in case of filling in the data in electronic format (Excel) shall be entered in leva and euro. Charges by types of costs in the Description must necessarily correspond to the values indicated in the relevant types of expenditure in the financial statements.

The cost claims must be arranged in a sequence following the structure of the specific project budget. The information in this section can also be completed by loading a pre-filled Excel table (using the "Load from Excel" button) containing all the information for all EPDs. It is necessary to remove the current format of the table from the financial report using the corresponding button.

#### *2. Interim Financial Reports (IFR) include:*

- a statement of the actual costs incurred during the reporting period;
- an inventory of the expense proofing documents - in the reporting form of the UMIS 2020 and in electronic format (Excel);

- request for advance funds for a subsequent reporting period, including indicative estimated cost amounts broken down by type of expenditure; and
- information on achieved indicators.

**IMPORTANT!**

In case part of the costs is incurred by a project partner, the Beneficiary should summarize all the costs and submit a general financial statement for the implementation of the project.

### **3.3. Final report**

The actual costs incurred in the last reporting period are reported in the final statement of the project. It is acceptable for the final statement to take into account expenditure from the previous (penultimate) accounting period.

The Beneficiary prepares and submits a final report on the project within one month after the end of the last reporting period. The report, in addition to the documents proving the costs incurred, must contain at least the following:

- 1) The final balance of the project, analysis of the total realized costs of the project, together with summarized accounting records (turnover reports, general ledger, extract from the accounting system for acquired assets, etc.);
- 2) Evidence and analysis of the objectives and indicators of the project against the initial ones; and
- 3) Evidence to ensure sustainability - a commitment to funding, sustainability fund, insurance, and declarations.

Once the batch of reporting documents is submitted, it will be reviewed by the PO and may be:

- ✓ returned for corrections;
- ✓ rejected;
- ✓ accepted.

If, after the check, the reporting documents package is accepted by the PO, in the "Reporting documents" section the status of the package will change to "Accepted". If after verification, the PO finds inaccuracies, he can return instructions for correcting a document from the package to the beneficiary. In this case, the status of the package will be marked "In Review" as the beneficiary can review the PO request for correction, correct the document, and resubmit the package.

Within one month after approval of the final report on the project, the PO shall order the payment of the funds retained under the project.

### **4. Documents for reporting the costs incurred**

For each activity carried out, the Beneficiary shall attach to the interim or final report evidence documentation, as follows:

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***Documentation for conferences, seminars, lectures, discussions, forums, exercises, clubs, circles, pieces of training, courses, working visits, etc.***

- copies of attendance lists of participants from the target groups containing the contract number, name of the Beneficiary, project name, place and date of participation, full name of the participant, contact phone number, contact e-mail, a signature of the participant;
- image/video of the activities reported, which clearly show compliance with the information and publicity requirements;
- copies of presentations, materials, lectures, reports, etc., used in the framework of the activity, with the EEA FM logo 2014-2021;
- a copy of the materials package for the participants;
- a copy of the agenda/program of the event;
- copies of the curriculum, syllabi, schedules, activity protocols, and a summary of the feedback forms;
- a copy of the activity report (training) and a summary of the questionnaire (if applicable);
- protocols;
- certificates;
- copies of information and publicity material - posters, brochures, leaflets, media publications, etc.;
- copies of external contracts together with their offer, transceivers with contractors - if applicable;
- copies of lecturers' reports;
- documents for conducted trips of students according to Ordinance No. 2 of 24.04.1997 on organizing and conducting of children's and school recreation and tourism.

***Documentation when purchasing materials and consumables:***

- requests for purchase of materials and consumables signed by the project manager;
- a copy of the delivery contract with an attached bid (if applicable);
- a copy of the acceptance/transmission protocol (a protocol is not necessary only if the supplied materials and consumables are described in detail in the invoice).

***Documentation when buying furniture and equipment:***

- requests for purchase of furniture and equipment signed by the project manager;
- copy of the delivery contract with a technical description of the equipment, model, type, number, etc. (if applicable);
- a copy of the take-over protocol with described models and serial numbers of the furnishings and equipment (if applicable);
- copy of warranty cards;
- pictures of the equipment with stickers for visualization in accordance with the Design and Communication Manual.

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***Documentation for the employment of persons under an employment/service relationship:***

- a copy of the employment contract/order expressly stating that the payment will be made at the expense of the project;
- a job description describing specific obligations directly related to the project implementation or management activities;
- documents proving that the defined remuneration is in accordance with the applicable legislation;
- selection papers proving that the choice is made in compliance with the principles of transparency, equality and non-discrimination - if a person who is not an employee of the Beneficiary or who has not been evaluated when submitting the project proposal is hired;
- reports of the employee describing the work performed and the hours worked;
- payment bills, bank statements or payment orders;
- a copy of the materials developed by the employee - if applicable.

***Documentation for missions***

- copies of invitations to participate in the event;
- agenda of the event;
- a mission statement stating explicitly that the payment will be made at the expense of the project;
- road book/waybill (when travelling by a service car);
- tickets and boarding passes;
- overnights invoices;
- documents relating to the sums paid to the sent person;
- approved report/account on the work done.

***Outsourcing documentation (legal and natural persons):***

- a copy of the expert assignment;
- selection documents demonstrating that the choice has been made in compliance with the principles of transparency, equality and non-discrimination;
- copy of the contract with the external contractor;
- a copy of the service report;
- a copy of the materials developed by the external contractor;
- a copy of the contractor's acceptance report or a signed acceptance/ delivery report.

***Documentation for the execution of construction and assembly works***

- a copy of the contract for the construction works with the relevant bill of quantities (BQ);
- replacement tables (if applicable);
- a copy of the acceptance and transmission protocol;
- copies of invoices, invoice inventories (if applicable);
- documentation according to the legal and by-laws;

- 
- photos of the room before and after the construction works.

### ***Information and publicity***

- Contracts with contractors (if applicable);
- Copies of publications;
- Copies of promotional materials (brochures, leaflets, stickers, posters, flyers);  
Photo material of advertising signs and advertising boards;
- An electronic version of the promotional materials, broadcasts, audio and video recordings (if applicable);
- Evidences of websites and other electronic publications;
- Evidence of press conferences and public events (attendance lists, photos, etc.)

### **IMPORTANT!**

**By signing in the attendance lists**, the participant confirms that he / she is familiar with the policy of the Beneficiary and the PO for the protection of personal data and agrees that the Beneficiary and the PO will store and process his or her personal data for the purposes of the event and the reporting of the project, and that it is aware of the consequences of the refusal to grant them and the right of access and the correction of the data collected.

The attendance lists include all participants in the reported activity. Any **adult** who has **reached the age of majority** is signed against his/her name. Minors who have taken part in the activity do not sign a signature (their presence is certified by the signature of the accompanying person, e.g. the kindergarten teacher is signed on the list of children attending an event). An attendance list is compiled for each day of the event if it lasts for 2 or more days.

### **IMPORTANT!**

The documents listed above do not exhaust all the possible documents that the Beneficiary can apply depending on the specifics of the project being implemented and the activities set out therein. Contracts for the selection of a contractor who have already been submitted to UMIS 2020 for ex-post control by the PO need not be re-presented.

All publications and products funded under the project should meet the requirements set out in the Design and Communication Handbook (<https://www.eeagrants.bg/programi/mestno-razvitie/dokumenti/narchniczi>).

Expenditure shall be supported by appropriate supporting documents to enable transparent tracking of the payment and provide an adequate audit trail. Eligible costs are accounted for by the supporting documents provided by the Accountancy Act and the instructions of the Ministry of Finance.

**Nota Bene!**

PO performs a full administrative check of the documents submitted by the Beneficiary in accordance with the payments made.

For all costs actually incurred, the beneficiaries must provide the relevant supporting documents or other documents of equivalent probative value. Payment orders for paid social security contributions at the expense of the employer, personal income tax, bank statements, etc. should also be submitted to them, together with other documents proving the payment made.

The documents for the reported costs are copies of the original invoices or documents of equivalent probative value, certified by the Beneficiary "True to the original", signature and stamp. In the case of electronic reporting, the originals of the documents must be scanned.

In order to avoid double funding, the accounting documents should contain the text "Cost is on Project X" and only the project index/registration number in UMIS 2020, subject to the requirements of the Accountancy Act, may be written, and this may be marked on the back of the document. If the text fails to be written on the front of the document, the project manager should coordinate the expenditure and put the relevant text in compliance with the requirements of the Accountancy Law for non-violation of the document's integrity.

Costs incurred by a project partner whose principal location is in a donor country or an international organization or agency may be a report by an independent and certified auditor certifying that the reported costs have been incurred in accordance with the Regulation, the accounting practices of the country in which the project partner is registered. Another way of proving the costs is through a report by a qualified and independent expert entitled to exercise budgetary and financial control over the organization that is not part of the team preparing the financial statements certifying that the reported costs have been incurred in accordance with the Regulation, and the applicable accounting practices of the State.

In relation to the costs incurred in public procurement, the beneficiaries are required to submit to the PO all the documents for the public procurement, including the public procurement contract, notice, evaluation methodology, technical specifications, register of incoming offers, tenders of all candidates, technical and price proposal, an order for the appointment of a commission for examination of the offers and the declarations under Art. 103, paragraph 2 of the Law on Public Procurement, minutes of the commission's work - signed by its members, notifications to all candidates on the results of the evaluation committee's work and the issuance of a decision or another act for the selection of a contractor, signed contract in one with annexes, an integral part of it. When the Beneficiary first enters into a request for payment of contract costs resulting from public procurement procedures, the PO shall verify the procedures carried out. The documentation should be entered into the UMIS 2020 within 30 days of the completion of the procedure.

**IMPORTANT!**

The proof of indirect costs, calculated on a flat rate basis under Art. 8.5.1 (b), (c) and (d) of the Regulation, don't need supporting documents.

Expenditure on a "flat rate" basis or calculated using the "flat rate unit cost" method is demonstrated by reference to covered/applicable units.

The eligibility requirements for the partner's costs must be described in the partnership agreement.

## **5. Verification and verification "on site"**

Verification is essential in the overall process of ensuring legality and regularity of costs at a project level. The verification of PO covers the administrative, financial, technical and physical aspects of the projects.

According to Art. 5.6 of the Regulation, PO performs two types of checks on the costs incurred by the beneficiaries: administrative check (verification) and „on-the-spot“ check.

The purpose of „on-the-spot“ verification and checks is to verify the credibility, consistency and accuracy of all cost accounting documents for the project to ensure their legality and their need to achieve the project's objectives. PO performs verification of actual performance (construction activities, supply of goods or provision of services) as well as control of contracts, including on public contracts. PO shall verify the achievement of the objectives and indicators of the projects.

### **5.1. Verification process by PO**

The inspections are carried out in the Unified Management Information System of EU Funds in Bulgaria - UMIS 2020.

The verification process includes verification of all project costs and aims to verify that they are implemented in compliance with all the eligibility principles and comply with the applicable legislation and the Regulation.

### **5.2. On-the-spot checks carried out by PO**

The on-site verification is intended to verify the quality of the project implementation and the achievement of the project at the time of the verification.

Administrative checks should be comprehensive and detailed, but there are some elements regarding the legality and regularity of costs that cannot be verified by an administrative check and an on-the-spot check should be made. On-the-spot checks are designed to ensure that:

- The project is real;

- Deliveries of the product, service or works are in full compliance with the project financing contract;
- Physical progress of performance;
- Compliance with information and publicity rules;
- Original supporting documents are available (especially when the same Beneficiary implements more than one project at the same time or receives funding from other donors);
- The information on the physical and financial implementation of the project is accurate.

On-the-spot checks are planned in advance to ensure that they are effective. Beneficiaries' commitments to provide access to the reporting documentation are regulated in the project implementation contract.

The PO has the right to perform on-the-spot extra checks during the performance of the activities without notice (e.g. at risk of fraud, forgery of documents, etc.).

## **6. Eligibility of costs. Conditions for eligibility of costs**

To be eligible, costs must meet the following conditions:

- They occurred between the first and last eligibility dates for a project under the financing agreement;
- They are related to the subject of the grant agreement and are specified in the project budget;
- The costs are proportionate and necessary for the implementation of the project;
- The costs are related to the main purpose of the project and the achievement of the expected results, in a manner consistent with the principles of economy, efficiency and effectiveness;
- Costs are identifiable and verifiable through available primary accounting records, accounted for by the beneficiary and/or the project partner, and are consistent with the applicable accounting standards of the country in which the beneficiary and/or the partner are registered;
- The costs correspond to the requirements of the applicable tax, insurance and labour legislation.

### **Nota Bene!**

The final date for eligibility of expenditure is 30 April 2024, except when another end date is specified in the project implementation contract.

Costs incurred by the Beneficiary shall be deemed to be expenses supported by an invoice, a payment order/bank statement and a document certifying the actual performance of a supply, service or construction/assembly activity. Exceptionally, costs for which an invoice has been issued in the last month of eligibility will also be deemed to have been made within the eligibility period if they are paid within 30 days of the final date of eligibility of project costs. Indirect costs and depreciation costs are deemed to have been incurred at the time of their accounting by the Beneficiary and/or the project partner.

When purchasing equipment under Art. 8.3, letters "b" - "c" of the Regulation required for the implementation of the project, eligible costs shall be the accrued depreciation for the period of eligibility of project costs or, in particular cases, the value of the actual depreciation of the asset. Under

certain conditions, the entire value of purchased equipment may also be recognized (these conditions are detailed in point 6.1. of this Guidelines, "Specific requirements for direct costs" section).

Regarding the projects implemented by Beneficiaries-budget organizations, the amortization charge is regulated by the Instruction of the Minister of Finance, VAT 5/30.09.2016, which defines the conceptual model for the application of the national accounting standard (AS 4 Accounting of Depreciation).

The Beneficiary's accounting principles and audit procedures must be organized to allow for an analytical accounting of the financing received and the project costs and easy access to primary accounting documents.

## **6.1 Types of eligible costs**

### **6.1.1. Eligible direct costs**

According to Art. 8.3.1 of the Regulation, eligible direct costs for a given project are the costs incurred by the Beneficiary and/or the project partner, accounted for in accordance with the usual accounting principles and internal rules of the organization, as costs directly related to the implementation of the project, which can be directly accounted for. In particular, the following direct costs shall be considered admissible provided that they satisfy the general principles of eligibility of expenditure under Art. 8.2 of the Regulation, namely:

Expenditure of the project **management** team - salaries for the project team, administrative expenses, expenses for stationery and consumables necessary to meet the needs of the team, missions in the country and abroad for the purposes of project management.

#### **Nota Bene!**

Organizational and management costs must not exceed the percentage of the total eligible costs of the project, set by the relevant procedure in the Application Guidelines.

- Expenditure for the staff involved in the implementation of the project, consisting of gross salaries and corresponding social contributions at the expense of the employer, as well as other additional costs, part of the remuneration, in accordance with the project budget and the beneficiary's usual remuneration policy.

According to the letter No 0103-236/25.04.2019 of the NFP (CCU directorate of the CMA) with the purpose of adopting a common approach on behalf of the PO during verification of the costs for salaries, eligible expenditures according to Art. 8.3.1. of the Regulation on the implementation of the EEA FM and NFM 2014 – 2021 are the costs for the staff assigned to the project, which consist of the gross salaries and the respective mandatory social insurance contributions, as well as other statutory costs, part of the remuneration, provided that they are in accordance with the usual accounting principles and internal rules of the beneficiary and the partner with regard to the remunerations. The respective costs for salaries are eligible, as much as they are linked to the costs for activities which the respective public institution would not commit if the project was not implemented.

Only costs for **hours actually worked** for the respective project are eligible, which are accounted for by means of **hourly reports or other suitable system for working time** accounting and their validity and dependability are supported by evidences respectively. In case the employee is working completely on the respective project on a **full-time** basis, in the respective contract or letter of appointment should be clearly indicated the title of the **respective project**, and in such case submission of hourly reports shall not be required.

Performing work **outside normal working hours** under official or employment relationship in the form of overtime work should be applied by exception only in case it is required for the implementation of the project, has a specified time period and complies with the usual accounting principles and internal rules of the beneficiary and with all conditions deriving from the national legislation.

When determining the eligible expenditure, the stipulations of the Ordinance on state officer administration salaries, in particular Art.5, para 2 and para 3, Art. 19, p. 6, Art. 25, para 7 and para 8 and Art.25a of the Ordinance, should be taken into consideration. It is explicitly stipulated in Art. 25a, that in order to determine the additional remuneration, the **hourly basis**, the person receives for fulfilling his/her **job specification** duties is taken into consideration.

With regard to the employment relationship the stipulation of Art. 113 of the Labour Code should be taken into consideration in accordance with which the maximum working time duration under employment contract for overtime work together with the working time duration under the basic employment relationship may not exceed 48 hours per week (i.e. in case of full-time work the admissible over-time work is 8 hours per week or up to 32 hours per month). In case of **explicitly stated written agreement** the workers and employees may work longer than 48 hours per week too, without distorting the continuous minimum daily rest (12 hours) and the weekly rest (48 hours), i.e. overtime work at the rate of up to 80 hours per month may be performed too.

- Travel, subsistence and accommodation costs of staff involved in the project. In certain cases, the PO may approve the use of a lump sum for mission expenses, respecting the principle of proportionality. The planned funds should be set in accordance with the Ordinance on the missions in the country and the Ordinance on official missions and specializations abroad as well as in choosing the most economical route and vehicle.

According to the Interpretation No. 2-1347 of 25.05.2009 of the NRA, in cases where the Contracting Authority pays an individual for mission expenses, they represent an element of the remuneration of the contract, the Contracting Authority should also include that cost or provide for a text to be agreed at the expense of the mission. Therefore, in the case of a civil servant being seconded, the costs of the secondment are only admissible if they are expressly mentioned in the contract. In the absence of such an arrangement, the presumption that the nature of the civil contract (giving the result of an activity -

a product or a service) involves the inclusion of all costs, including the cost of the posting, i.e. the cost of the posting, is included in the cost of the service, the mission expenses are not subject to a separate payment.

- Equipment and furniture costs - including the cost of purchasing equipment and furnishings directly related to the implementation of project activities that are necessary to achieve the objectives set, as well as detailed motivation in the project proposal.

### **IMPORTANT!**

The total cost of construction and repair costs and equipment costs must not exceed the percentage of total project eligible costs specified in the Application Guidelines.

- Expenses for the purchase of land and real estates under the terms set out in Art. 8.6 of the Regulation, including expenses for construction and work activities, costs for state and/or municipal fees and the necessary oversight of them;
- Expenditure on materials and consumables, provided they are relevant and necessary for the implementation of the project;
- Expenditure on outsourcing contracts related to project activities awarded in accordance with applicable public procurement legislation and the Regulation. Expenditure on outsourcing is subject to national public procurement legislation;
- Expenditure directly arising from specific requirements imposed by the financing contract for each project, including, but not limited to, expenditure on information and publicity, audit, etc.

### **Specific requirements for direct costs**

*When financing the construction works:*

- The Beneficiary undertakes not to change the ownership and purpose of the buildings - subject to funding for a period of at least 5 years after approval of the final report of the project and within this period they will be used for the purposes of the project;
- The Beneficiary undertakes to insure, in an insurance company licensed in Bulgaria, the buildings subject to financing against the usual insurance risks (such as theft, fire, etc.) both during the project implementation and for a period of at least 5 years after approval of the final project report);
- The Beneficiary undertakes to provide sufficient resource for the maintenance of buildings for a period of at least 5 years after approval of the final project report.

*When financing the **entire value of purchased equipment**:*

- The Beneficiary undertakes not to change the ownership and the purpose of the acquired equipment/asset for a period of at least 5 years after approval of the final report of the project and within that period it will be used for the purposes of the project;

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- The Beneficiary undertakes to insure, in an insurance company licensed in Bulgaria, the equipment/asset acquired against the usual insurance risks (such as theft, fire, etc.) both during the implementation of the project and for a period of at least 5 years after approval of the final report project (Article 8.3.2, b of the Regulation);
  - The Beneficiary undertakes to provide sufficient resource to support the acquired equipment/asset for a period of at least 5 years after approval of the final project report.

The specific requirements for the performance of the above obligations are described in the Contract. PO can release beneficiaries from specific sustainability requirements if, after an analysis of the available information, the PO consider that the continued use of the asset is economically unprofitable.

### ***6.1.2. Eligible indirect costs***

According to Art. 8.5 of the Regulation eligible indirect costs are costs that cannot be identified by the Beneficiary and/or the project partner as directly related to the project but can be identified and justified through its accounting system as being directly related to the eligible direct costs of the project. They cannot include eligible direct costs. The amount of the indirect costs of the project should be defined as a fair share of the total indirect costs of the Beneficiary or partner. Indirect costs can be calculated on the basis of one of the following methods:

- on the basis of the actual indirect costs of these beneficiaries and partners who have analytical accounting, which allows for concrete identification of indirect costs;
- a flat rate of up to 25% of the total amount of eligible direct costs, excluding direct eligible external costs and the cost of resources made available by third parties that are not used on the sites of the Beneficiary or partner. In applying this method, the calculation of the rate shall be based on an honest, fair and verifiable methodology or a method that is customary in the case of state funding of schemes for similar projects and beneficiaries;
- a flat rate of up to 15% of the eligible direct personnel costs without requiring the PO to draw up a method for determining the applicable rate;
- a flat rate percentage of eligible direct costs calculated on the basis of existing methods and coefficients applicable in EU practice for the same or similar projects and beneficiaries;
- in the event that the Beneficiary or the project partner is an international organization or agency, indirect costs may be determined in accordance with the rules on indirect costs applied in these organizations in accordance with specific provisions of the Programme Agreement.

The method of calculating indirect costs and their maximum value should be described in the Contract. The method for calculating indirect costs of the project partner should be specified in the partnership agreement.

## **7. Ineligible costs**

- interest on loans, debt service charges and penalties for late payments;
- fees for financial transactions and other purely financial costs;

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- reserves for losses or potential future liabilities;
  - currency exchange losses;
  - refundable VAT;
  - costs covered by other sources;
  - fines, penalties and litigation costs, except where an appeal is necessary and an integral part of the achievement of the project's objectives;
  - excessive or reckless expenditures;
  - costs incurred as a result of a change in the project proposal that has not been reported and approved by the PO or has been reported inappropriately.

### **8. Eligible costs under the Bilateral Relations Fund**

Under the Memorandum of Understanding signed between the donor countries and the Republic of Bulgaria, the Programme budget has a dedicated bilateral development fund amounting to EUR 100,000 for each of the programmes financed under the EEA FM 2014 - 2021, with the possibility of additional resource allocated after a decision of the Joint Committee on the Bilateral Relations Fund (JCBRF) at national level.

Fund resources are earmarked to find partners and develop partnerships before signing the project implementation contracts.

According to Art. 8.8 of the Regulation eligible actions for financing under the Bilateral Relations Fund are:

- Activities aimed at strengthening bilateral relations between donor states and the recipient country;
- Seeking partners to implement donor partner projects before or during the preparation of the project proposal, the development of such partnerships and the development of a project proposal;
- Networking, exchange of experience and knowledge, technology, know-how and good practices between organizations in beneficiary countries, donor countries and international organizations;
- Activities aimed at enhancing bilateral cooperation, exchange of experience and best practices between the Programme Operator and similar organizations in Beneficiary and donor countries as well as international organizations, with at least one of the participants being from the donor countries;
- In certain cases, the PO may approve the use of a "total amount" for mission expenses (travel, subsistence and accommodation), respecting the principle of proportionality;
- Eligible costs under the Bilateral Relations Fund are travel, accommodation, meals, daily rent, hiring of halls, translation and other costs necessary to secure meetings between potential/future partners.

## 9. Specific conditions when buying property and land

Expenses for the purchase of land and real estates under the terms set out in Art. 8.6 of the Regulation are eligible provided they comply with national legislation and the following requirements:

- There must be a direct link between the purchase of land/real estate and the objectives of the project;
- The purchase of real estate and/or land must not exceed 10% of the total eligible costs of the project;
- There should be an assessment report by an independent qualified assessor or a legally established institution confirming that the purchase price does not exceed the market value and the property is free of burden. In case of a real estate purchase, the report must confirm that the building meets the national requirements (or that, as a result of the project implementation, it will be able to meet these requirements).
- The property or land will be used for the purposes of the project and for a specified period specified in the project implementation contract. Ownership must be transferred to the Beneficiary and the property or land cannot be sold, leased or mortgaged for a period of at least 5 years from the end of the project or longer if explicitly stated in the contract (the FMC may remove this limitation, should this lead to an unjustified burden on the Beneficiary).
- The property or land may only be used for the purposes of the project. Buildings may be used in the provision of services by public authorities if such services are directly related to the purpose of the project;
- The purchase of real estate and/or land must be included in the original project proposal and its budget (respectively in the contract for its implementation) and not in subsequent amendments and additions.

Under the term "property" is meant a building (built or under construction) as well as the relevant property rights on the land on which it is built.

The property requirements and restrictions on sale, rental and mortgage described above also apply to buildings built, repaired and renovated with the financial support of the EEA FM 2014-2021.

Mortgage restrictions do not apply when the mortgage is set up in favour of a PO or NCU in order to ensure fulfilment of the other conditions in the relevant requirement (Article 8.6.1 (d) of the Regulation).

The value of the property or land already owned - directly or indirectly - by the Beneficiary or the project partner (s) is ineligible for funding. Purchase of land or property is also inadmissible when it is done for speculative purposes, or when funds from the national budget or from other external donors (i.e. double funding) are received for it.

## 10. Simplified costs/Standardized scale of unit costs

If the Application Guidelines provide for an opportunity for the project to use simplified costs, this can be done using a standardized scale of unit costs. In this case, the amount should be defined in one of the following ways:

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- Under the rules for the application of similar scales of unit costs applicable in European Union practice to such projects and organizations;
  - In accordance with the rules for the application of similar scales of unit costs applicable to similar projects, funded entirely by means of a beneficiary country, in which the Beneficiary or partner is registered, or operated, or funded by a donor country, in which the project partner is registered and operates.

The use of standardized scales for unit costs, their values and how they are to be applied should be described in the partnership agreement and in the project financing contract.

### 11. VAT treatment

Treatment of Value Added Tax follows the Treasury Department's instructions given in DNF-5/28.07.2014 for the treatment of value added tax as eligible expenditure for the implementation of projects under the Operational Programmes co-financed by the European Regional Development Fund, The European Social Fund, the Cohesion Fund of the European Union and the European Maritime and Fisheries Fund for the financial framework 2014-2020.

Beneficiaries are responsible for administering the VAT Estimation process as an eligible expenditure under the EEA FM, „Local Development, Poverty Reduction and Enhanced Inclusion of Vulnerable Groups“ Programme, in respect of payments made for furnishings and equipment and services received, and Construction and assembly works under the contracts. The beneficiaries are required to follow the instructions of the Minister of Finance for the determination of the VAT as refundable, for the payment claims, for the documentary accounts, as well as for all other obligations. Ineligible costs for recoverable VAT will not be considered as own co-financing by the Beneficiary.

Beneficiaries determine value-added tax as **recoverable** within the meaning of § 1 (1) of the Supplementary Provision of Decree No 189 of the Council of Ministers of 28.07.2016 (respectively **ineligible expenditure** for financing by the EEA FM) subject to the following conditions:

The Beneficiary is a registered person under the VAT Act, except when the person is registered under Article 97a, Art. 99 and Art. 100, paragraph 2 of the VAT Act (registration for the provision of services and registration for intra-Community acquisitions) and the supplier of the goods and/or services required for the implementation of the EEA FM project is registered person under the VAT Act.

In respect of supplies of goods and/or services where:

- the supplies of the goods and/or services are used for the purposes of the taxable supplies effected by the beneficiaries under the preceding point, for which, according to Art. 69 of the VAT Act, the person has the right to deduct the tax credit, or
- the beneficiaries under the preceding paragraph are entitled to deduct a partial tax credit in respect of the tax on supplies of goods and/or services financed under the EEA FM which are used both for supplies for which the person is entitled to deduct the tax credit, as well as for supplies or activities for which there is no such right. The tax for the supply of goods and/or

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services in respect of which the registered person is entitled to a partial tax credit under Article 73 of the VAT Act shall be considered a refundable VAT up to the amount of the partial tax credit.

Beneficiaries attribute value added tax as **non-recoverable** (respectively **eligible cost** for financing by the EEA FM) when:

- The Beneficiary is not registered under the VAT Act;
- The Beneficiary is registered under Art. 97a, Art. 99 and Art. 100, paragraph 2 under the VAT Act (registration for delivery of services and registration for intra-Community acquisitions);

The Beneficiary is a registered person under the VAT Act on a basis other than that mentioned in the previous point and the supply of goods and services financed by the EEA FM is intended for:

- the provision of exempt supplies of goods and/or services under Chapter IV of the VAT Act, or
- free supplies of goods and/or services;
- activities other than those explicitly listed in Art. 3, paragraph 5, item 1 and item 2 of the VAT Act.

The Beneficiary is a registered person under the VAT Act and the right to deduct tax credit for the received supplies of goods and/or services financed under the EEA FM is not available on the basis of Art. 70, paragraph 1, item 4, 5 of the same law.

Beneficiaries are required to keep detailed accounting records that are sufficient to identify and track refundable and non-recoverable value added tax under a specific grant contract.

When submitting the first interim or final payment request to the PO, the beneficiaries should declare their status as a registered or non-registered person under the VAT Act. Beneficiaries are obliged, when changing their VAT status with the payment request submitted after the change, to submit a new Statement of Change of Circumstances. For the non-recoverable value added tax included in the request (eligible expenditure under the EEA FM), the Beneficiaries submit to the PO a certified true copy of the Purchase Log for the relevant tax periods under Art. 72, paragraph 1 of the VAT Act, from which it is evident that they did not have a tax credit.

Beneficiaries should maintain and provide information on the amount of non-recoverable value added tax that is included as an eligible project cost.

## 12. Request for prepayment of funds

### *12.1 Request for prepayment of funds*

The necessary documents to be filled in for the advance transfer of funds are the following:

- Completed Request for Pre-Payment in UMIS 2020;
- Financial identification form specified in the Request for Prepayment, certified by the respective bank and signed by the representative of the Beneficiary in a form - original. It is presented once with the first request and then only when there is a change;

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PO may request correction of the documents submitted if necessary.

### *12.2 Request for interim or final payment*

#### **IMPORTANT!**

The data in the request for an interim advance payment or final payment shall be entered after the financial and technical report has been completed.

The Beneficiary shall submit the following documents:

- Completed Application for Interim Payment or Final Payment Request in UMIS 2020;
- Financial Identification Form - if such a document is presented at an earlier stage and there is no change, it will not be presented in this case;
- Interim/Final Report entered into the UMIS 2020;
- Statement of VAT status - if such a document is presented at a previous stage and there is no change, it is not represented;
- Reference for purchased tangible fixed assets and fixed intangible assets - only on final payment - original;
- Turnover, general ledger, analytical payroll - copy;
- Payment documents (fiscal bonds, payment orders/ bank statements, cash receipts, etc.) proving the payments made;
- A copy of the Purchase Log according to Instructions NF-5/ 28.07.2014. (if applicable).

#### **Nota Bene!**

PO may request correction of the documents submitted if necessary!

If the Beneficiary generates revenue from the project activities as a consequence of the funding provided and within the project implementation period, this revenue should be declared in the project financial reports and deducted from the requested payment.

There is no need to reduce the eligible amount of funding if the Beneficiary provides sufficient evidence that the following requirements are met:

- The expected revenues do not exceed the maintenance costs and are used in accordance with the requirement: Economic benefits are used in a way that supports project objective;
- Revenues generated within the approved project will be used / reinvested by the Beneficiary only for the sustainability of the objectives and results achieved by the project.

### **13. Audit**

Project costs are subject to audit under Bulgarian law. The project audit obligation is described in the application guidelines for the relevant call and is included in the project implementation contracts.

A regular audit by an external auditor is subject to:

1. Predefined project 1 "GALOP - Growth through the activation of local potential". The contractor is the National Association of Municipalities in the Republic of Bulgaria;
2. Predefined project 2 "Innovative Community Care Models in Favour of People with Chronic Diseases and Permanent Disabilities". The contractor is the Bulgarian Red Cross;
3. Redefined project 3 "Recovery Centre for Children with Oncohematological Diseases". The contractor is the Municipality of Kostinbrod;
4. Predefined project 4 „Ideal, technical and working project for building a National Multi-profile Children's Hospital“. The contractor is the Ministry of Health;
5. Predefined project 5 "INCLUDE - building capacity for inclusion in Bulgaria". The contractor is the Council of Europe;
6. Predefined project 6 "New approaches to generating data for hard-to-reach populations at risk of breaching their rights". The National Statistical Institute is the contractor.

In the listed projects, the external auditor is hired by the Beneficiary.

An audit by an external auditor is also subject to all projects worth over € 500,000 funded through project selection schemes. In such cases, the external auditor is also hired by the Beneficiary.

The PO has the right to request an additional audit (respectively an external auditor) for each project (including a project below € 500,000) that is designated as high risk.

## **VIII. ACCOUNTING, RIGHT OF ACCESS AND STORAGE OF DOCUMENTATION**

The Beneficiary must maintain accurate and regular documentation and accounting records covering project implementation using an appropriate electronic documentation system and double-entry bookkeeping. These systems may be an integral part of the beneficiary's current accounting system or an addition to that system so as to provide separate accounting analysis only for the project activities. This system should be implemented in accordance with national law. The accounts and costs associated with the project must be clearly identified and verified. Project accounting should allow the collection of the necessary data for financial management, monitoring, auditing, evaluation and verification, and its data must be available by the expiry of the storage periods of the documentation.

The Beneficiary must provide to the PO a statement of the accounting system showing the analytical accounting made for the costs of the project based on the Financing Agreement. Where such a reference to the accounting software is not possible, the beneficiary shall describe the analytical levels for all accounts used. The Beneficiary is obliged to allow the PO, the NCU, the AEUF EA, the CFM, the EFTA Audit Board and the external audit firms to verify the project implementation and to carry out a full audit, through its documentation or „on-the-spot“ checks (if necessary), on the basis of the supporting documents attached to the accounts, the accounting records and other documents relating

to the financing of the project. To this end, the Beneficiary should provide access to the sites where the project is implemented, including access to its IT systems, to the officials or representatives of the PO, the NCU, the AEUF EA, the FMC, the EFTA Audit Board and external audit firms, as well and to all documents and databases related to the financial and technical management of the project, as well as to do everything necessary to facilitate their work. The access granted to control officers must be confidential vis-à-vis third parties without prejudice to their public-law obligations. Documents must be kept in an accessible location and filed in a way that facilitates verification, and the Beneficiary should notify the PO of their exact location.

The Beneficiary shall ensure that the rights of the employees to carry out audits, inspections and surveys shall be exercised on an equal basis under the same conditions and in accordance with the same rules and with respect to its partners and subcontractors.

All documents on costs and audits necessary for adequate tracking of documents shall be kept in accordance with the requirements of the Regulation.

**IMPORTANT!**

For all outstanding cases of irregularities the PO also applies the Ordinance indicating the irregularities justifying financial corrections, the percentage indicators for determining the amount of the financial corrections under the Law for the Management of the Funds of the European Structural and Investment Funds (LMFESIF), (Annex 2), according to the signed Memorandum of Understanding on the Implementation of the EEA FM 2014-2021, the Ratification Act of the Memorandum of Understanding, the Programme Agreement for the Implementation of the „Local Development, Poverty Reduction and Enhanced Inclusion of Vulnerable Groups“ Programme, signed between the NFP and the FMC, the „Local Development, Poverty Reduction and Enhanced Inclusion of Vulnerable Groups“ Programme Implementation Agreement signed between the NFP and MES and the specifics of the Regulation.

**IX. PAYMENTS**

PO shall make the payments as provided for in the financing agreement. An advance payment is made at the rate indicated in the respective Guidelines for Applicants. The first advance payment is made within one month of signing the financing agreement.

Subsequent payments are paid up to one month after the approval of interim project reports. The PO has the right to refuse payment to the beneficiary if there is a doubt that the proposed costs significantly outweigh the usual ones. PO has the right to make extraordinary payments in unforeseen circumstances. The final payment shall be made within one month of approval of the final report.

The amount of the final payment is calculated by deducting the advance and the interim payments from the verified total eligible costs of the project.

Payments to beneficiaries are made in Bulgarian leva. In case of necessity to make payments in foreign currency, the provisions of item 55 of the Instruction of the Minister of Finance, VAT No. 12/2014 shall be observed.

PO will make payments after verifying the reports submitted with the request for funds transfer.

According to Chapter 9, Art. 9.6 of the Regulation, the PO shall require the Beneficiary, in addition to the actual costs incurred, to provide, for each interim report, an estimate of expenditure covering the funds needed to secure the payments for the project for the next reporting period. The maximum amount of advance/interim payments may not exceed 90% of the total eligible costs of the projects and 20% in the case of the small grant scheme.

Detained funds will be released after verification of the final project report and after the assurance by the PO that the Beneficiary has fulfilled all general and specific project requirements.

The final payment covers the total eligible project eligible costs, taking into account all received advance and/or interim payments to the Beneficiary; all co-financed by sources other than the EEA FM, along with the applicable national co-financing; as well as any funds reimbursed by the Beneficiary to the PO.

<b>Beneficiary</b>	<b>Advance payment</b>	<b>First payment</b>	<b>Second payment</b>	<b>Third payment</b>	<b>Final payment / Recovery</b>
Municipalities, national and local authorities, NGO	20 %	25 %	25 %	20 %	10 %
International organizations	40 %	25 %	15 %	10 %	10 %
Organizations funded through the small grant scheme	20 %	-	-	-	80 %

Amounts paid by PO are transferred to the corresponding bank account of the project Beneficiary indicated in the financial identification form.

In order to make payments to the beneficiaries, the PO follows the order established by the Council of Ministers Decree No. 592/21.08.2018 on the payments of budget spending units under contracts. For this purpose, before a payment is made to a Beneficiary, the PO requires an electronic confirmation by the National Revenue Agency (NRA) and the Customs Agency for the lack of obligations under paragraphs 1 and 2 of the Decision.

Within 3 working days of making a payment to the Beneficiary, a responsible officer introduces the payment to the UMIS 2020.

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## X. REIMBURSEMENT OF BENEFITS BY THE BENEFICIARY

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### **IMPORTANT!**

The Beneficiary bears full financial responsibility for managing the funds under the Project Implementation Contract. He is required to manage the funds received in compliance with European and national financial management legislation.

Where funds are recovered due to unverified or non-certified expenditure by the relevant control or audit authority, these funds shall be payable by the beneficiary in full at the time of their establishment. In the case of undue payments under a contract, due to technical errors in the amount paid or bank details of the beneficiary, the beneficiary shall immediately take the necessary action to recover the wrongly received amount.

Refunds under contracts can be deducted from any subsequent request for an advance/interim or final payment.

In cases where, due to uncertified costs, unfulfilled activities or termination of the contract, the amount of the advance paid is greater than the reported and verified costs or the entire amount paid is due, the PO shall send to the Beneficiary a refund request. The Beneficiary shall reimburse the funds within 14 days of receipt of the request for reimbursement if another term is not explicitly indicated.

Amounts eligible for a refund from the beneficiary may be deducted from any sums owed to the PO by the Beneficiary. The PO requires a voluntary reimbursement of the amounts due by the beneficiary through a notification. The notification to the beneficiary shall indicate the amount of the amounts due, the time limit for their recovery, which may not be longer than 14 days, details of the bank account in which the amounts are to be recovered, possible sanctions if the recovery claim the amounts due are not executed within the specified time limit and the order by which the beneficiary informs the PO of the reimbursement made.

In the event that the Beneficiary fails to return the requested amounts within the specified time limit, the PO shall undertake actions for their collection in accordance with Art. 3, paragraph 1, item 3 of the NRA Act or by court order and is entitled to a late payment in the amount of the statutory interest for the overdue period, plus the amount of the interest due from the payment date by the PO on the bank account of the Beneficiary indicated in the financial identification.

### **Nota Bene!**

Bank fees related to the return of outstanding amounts to the PO are entirely at the expense of the Beneficiary.

Cases in which the Beneficiary fails to meet the reimbursement deadline will be treated as "irregularities".

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## **XI. IRREGULARITIES IN THE IMPLEMENTATION OF THE PROJECT**

**"Irregularity"** is any violation of:

1. the legal framework of the EEA FM 2014 - 2021 referred to in Article 1.5 of the Regulation on the implementation of the EEA FM 2014-2021;
2. the provisions of European Union law; or
3. the provisions of national law,

which concerns any stage in the implementation of the EEA FM 2014-2021, in particular, but not limited to, the implementation and/or budget of any programme, project or other activities funded by the EEA FM 2014-2021.

Irregularities may arise in the case of breaches of tender procedures and in the implementation of the terms of the contracts concluded under the projects.

Upon signing the Agreement, the Beneficiary certifies with a Declaration that he is aware of the definition of irregularity and fraud and how to report them.

An irregularity report is any information received about an irregularity (including information from an anonymous source). This information must indicate the specific project, the funding programme, the administrative unit and the description of the irregularity. The signal can be made by official correspondence, by electronic message, by telephone or by any other possible form of communication. On the Programme page of the Unified Information Portal for the EEA FM and the NFM, there is a "Irregularities" button that can provide information in cases of suspicion of an irregularity or an irregularity detected, while keeping the confidentiality of the information. Such an opportunity is available on the website of the Ministry of Education and Science.

In the framework of inspections of irregularities or fraud alerts, in case of objective necessity, the Head of the PO can take precautionary and corrective measures, consisting of:

- Suspension of payments to the amounts affected by the suspicion of irregularity on the basis of the provisions in the relevant Articles of the Contracts;
- Suspension of approval of the activities/costs affected by the suspicion of irregularity included in interim or final accounts, which constitute grounds for payment to the Beneficiary, based on the provisions of the relevant Articles of the General Conditions of the Contracts;
- Sending a written proposal to the beneficiary to suspend the project in whole or in part on the basis of the general conditions by concluding an additional agreement due to the occurrence of extraordinary circumstances following the verification of the irregularity signal. In this case, the proposal by the head of the PO obligatory specifies the time limit for proposing to suspend the implementation of the project. In the above cases, the irregularity officer (s) shall prepare a letter of notification to the beneficiary on the action taken by the PO.

The Programme operator may perform „on-the-spot“ checks (including unannounced inspections) to verify the facts and circumstances surrounding the subject of the alert. When an „on-the-spot“ check is

carried out on an irregularity signal, an „on-the-spot“ check-up is signed, which is signed by the officials involved in the inspection as well as by the representative of the Beneficiary. In the record shall be recorded the facts and circumstances established on the spot, subject to the suspicion of irregularity. The protocol applies to the signal file.

An irregularity check should end within 3 months from the date of receipt. For factual and legal complexity, the Head of the PO may only extend the verification period by up to 3 months.

If irregularities leading to financial corrections are identified, the PO will take corrective action on a voluntary and/or compulsory recovery of the funds.

The order for recovery of the misused funds (irregularity detected, financial correction imposed, as well as other grounds specified in the contract/order for financing) is detailed in Ordinance H-3 dated 22.05.2018, issued by the Minister of Finance (SG No. 44 of 29.05.2018) laying down the rules for payments, verification and certification of expenditures, recovery and write-off of irregular expenditures and accounting for the accounting year of Operational programmes and programmes for European territorial cooperation.

## **1. Subsequent actions by the PO**

### ***1.1 Refund of amounts due***

Procedures for reimbursement and write-off of irregular expenditures are detailed in Ordinance No. H-3 of 22.05.2018 laying down the rules for payments, verification and certification of costs, reimbursement and a write-off of irregular expenditures and for accounting, and the deadlines and rules for the closure of the accounting year under the operational programs and the European Territorial Cooperation programs.

In the event that the Beneficiary/Contractor has been unjustifiably paid, overpaid, confirmed/accepted ineligible costs, misappropriated or misused funds, the PO is obliged to request their return within 14 days of their establishment. The notification must contain at least the following information:

- amount of the due amount;
- grounds for recovery;
- a period for its reimbursement, which may not be longer than 14 days;
- the relevant bank accounts to be reimbursed;
- the sanctions provided for in case of refusal to return the due within the prescribed period, including forcible collection;
- the order in which the PO should be notified by the Beneficiary.

The PO shall take all necessary measures to conduct administrative or judicial proceedings in accordance with the contracts concluded for the purpose of recovering amounts wrongly paid.

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### ***1.2 Compulsory order for recovery of claims arising from irregularities***

Within 10 days of the expiration of the voluntary reimbursement period, the PO shall prepare and collect documents for the purpose of enforcing the receivables in the cases where the Contractor/Beneficiary refuses to recover funds due within the statutory or agreed time limit. Responsible body for procedural actions is the National Revenue Agency (NRA).

#### **IMPORTANT!**

If irregularities leading to financial corrections are identified, the PO will take corrective action on a voluntary and/or compulsory recovery of the funds.

## **XII. INFORMATION AND PUBLICITY**

Informing the general public about the funding provided by the EEA FM 2014-2021 through the “Local Development, Poverty Reduction and Enhanced Inclusion of Vulnerable Groups” Programme, including national co-financing, is the responsibility of each Beneficiary who has signed a Financing Agreement under the “Local Development, Poverty Reduction and Enhanced Inclusion of Vulnerable Groups” Programme. Beneficiaries' obligations regarding information and publicity requirements are detailed in Annex III - Information and Publicity of the Regulation.

All the information and information materials created by the beneficiaries must be in line with the EEA FM 2014-2021 Communication and Design Handbook

([https://www.eeagrants.bg/assets/resourcedocuments/1671/EEA%20Grants\\_Communication%20manual.pdf](https://www.eeagrants.bg/assets/resourcedocuments/1671/EEA%20Grants_Communication%20manual.pdf)). The manual sets out detailed technical requirements for the use of the logo, billboards, plates, posters, publications, websites and audiovisual material.

Any information (printed, distributed on the Internet or through audiovisual material) provided by the Beneficiary must contain the following:

- the logo of the EEA FM 2014 – 2021 (which can be downloaded - in different formats - from the programme's website at: <https://www.eeagrants.com/dokumenti/drugi>);
- title of the project.

**The Beneficiary shall inform the PO at least two weeks in advance of planned public events on the project.**

The Beneficiary agrees that project implementation data will be used in information systems and archives for the purpose of administering the EEA FM 2014-2021.

### **1. Preparation of Communication Plan**

The communication plan shall contain at least the following:

- goals and target groups, including stakeholders at a regional and/or local level;

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- strategy and measures for information and publicity, including activities, communication tools and a timetable for their implementation;
  - at least three information activities with information on the progress, results and achievements of the project, such as seminars or conferences with stakeholders, a press conference or event, including launching new project activities or completing the already started. For projects with a grant of less than € 500,000, are foreseen 2/two/ information events;
  - taking measures to disseminate project information and its funding on the Internet or through the development of an Internet site or through a dedicated website on an existing Internet site;
    - all beneficiaries must regularly update the information on the Internet in Bulgarian and English;
    - all projects that receive a minimum of € 150,000 from the EEA FM 2014-2021 and/or have a partner from a donor country must develop a website on which they regularly upload information about the project's progress in Bulgarian and English;
  - the information on the Internet should include data on the project, its progress, achievements and results, cooperation with donor countries, photographs, contact information and clear statement of contributions from the EEA FM 2012-2021 and the donor countries;
  - information on the administrative structures and persons responsible for the implementation of the information and publicity measures, including a contact person;
  - indicators for the evaluation of information and publicity measures.

## **2. Implementing a Communication Plan**

The Beneficiary must ensure that information and publicity measures are implemented in accordance with the approved Communication Plan and reach the general public, the media and stakeholders at regional and local level.

The organizers of information events (conferences, seminars, fairs, exhibitions, etc.) in connection with the implementation of the EEA FM 2014-2021 commit themselves to make explicit and visible the support of the EEA FM 2014-2021 and the donor countries.

When implementing projects for which the total funding exceeds EUR 50,000 and the activity is related to a physical site, infrastructure or construction and repair activities, the beneficiaries must place a billboard at the site of each project activity in accordance with the Design and Communication Handbook.

The Beneficiary must replace the billboard with an identifiable notice board of the appropriate size and in accordance with the Design and Communication Handbook no later than six months after the end of the project.

Beneficiaries must ensure that everyone involved in the project implementation has been informed of the financing of the relevant project and the EEA FM 2014 - 2021.

## **3. Design and visualizations**

All information and publicity materials relating to the beneficiaries' EEA FM 2014-2021 must be in line with the requirements of the Design and Communication Handbook. It sets out the precise technical

requirements for the use of the EEA FM logo 2014-2021 on billboards, plates, posters, publications, websites and audiovisual material.

### XIII. PROTECTION OF PERSONAL DATA

Under the Financing Agreement, it is the duty of the parties to maintain the confidentiality of all data related to its implementation and reporting in accordance with the provisions of Regulation (EU) 2016/679 of 27 April 2016 of the European Parliament and of the Council (hereinafter only the General Regulation). In execution of the concluded with a PO contract, the Beneficiary is:

1. Personal Data Administrator (e.g. in his/her capacity as an employer with regard to the data necessary for the settlement of the employment relationship, the contractor under procurement contracts for the selection of contractors/subcontractors, the service provider, etc.);
2. Data processing, except when acting as an administrator and collecting data on behalf of a PO in accordance with instructions given by it (in processing data related to e.g. the characteristics of the target group's representatives such as gender, ethnicity, social status, etc.).

Anywhere in this document, all actions specified in the definition under Art. 4 (2) of the General Regulation: "**processing**" means any operation or set of operations performed with personal data or a set of personal data by automatic or other means such as collecting, recording, organizing, structuring, storing, adapting or modifying, retrieving, consulting, using, disclosing by transmission, distribution, or other means by which data becomes available, arranged or combined, restricted, deleted or destroyed. The processing of the data is subject to the principles laid down in Art. (5) of the General Regulation. For this purpose, the processor must:

- to collect the data in a lawful, conscientious and transparent manner;
- to collect the data in accordance with the objectives of the contract and to report on the implementation of the project in the framework of the relevant funding procedure. A kind of processing, that is incompatible with these purposes is unacceptable;
- to collect data limited to the minimum necessary data according to the scope of participation of the representatives of the target groups or of its contractors and subcontractors;
- to keep the data up-to-date and to take all reasonable steps to ensure timely erasure or correction of inaccurate personal data, taking into account the purposes and timing for which they are processed and stored;
- to store the data in a form that allows the data subject to be identified for a period no longer than is necessary for the purposes of the contract. The period for storing the data is specified in the Contract;
- to ensure an adequate level of security of personal data when stored, including protection against unauthorized or unlawful processing and against accidental loss, destruction or damage, by applying appropriate technical or organizational measures, by taking appropriate security measures in accordance with Art. 32 of the General Regulation. For this purpose, the beneficiary shall adopt company rules according to the definition under Art. 4 (20) of the

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Regulation. A Code of Conduct, Certification Mechanisms, etc., which ensure the above obligations in an adequate manner, are adopted.

Personal data shall be processed by the Beneficiary under the Contract concluded with the PO, in the Unified Management Information System of the European Union Structural Instruments in Bulgaria (UMIS 2020) maintained by the Central Coordination Unit for the storage period. The term for safekeeping is five years from the date of approval of the final report by the PO. The term is determined on the basis of Art. 8.14. (1) and (2) of the Regulation. The retention period is extended until the finalization of audits, objections or court proceedings on the implementation of the project.

The Beneficiary may include another processor only for the purposes and within the scope of the specific contract, or designate persons to process the personal data (e.g. a contractor under a contract for the fulfilment of which data collection is required), providing in its contracts with their respective limitations for the processing period; about character and goals; the type of data; entities whose data are processed, that they have undertaken a confidentiality commitment or are legally bound to respect confidentiality, as well as ensuring the rights of data subjects under the terms of Art. 27 and Art. Article 28 (paragraph 4) of the General Regulation; to provide for sufficient guarantees to be given to implementing appropriate technical and organizational measures so that the processing complies with the requirements of the Data Protection Regulation. The Beneficiary is required to inform the PO about these persons as well as their change or inclusion of new persons as well as how he has ensured that the processing process is in accordance with the instructions given by the PO in this Guidelines. For processing beyond the specified range, the PO is not responsible. By virtue of the concluded Contract, the Beneficiary guarantees that the above rules on the processing of personal data and its partners (if any) are respected. Therefore, all partner organizations are also processing personal data, as well as administrators, where applicable. The Beneficiary is not entitled to provide personal data to a third country or international organization unless it is required to do so under Union law or the law of a Member State that applies to the data processor. In this case, the processor shall inform the PO of this requirement prior to processing, unless that law prohibits such disclosure on important grounds of public interest. The beneficiary shall support, through appropriate technical and organizational measures, the fulfilment of the PO's duty to exercise rights under the General Regulation by the data subjects. The Beneficiary is obliged to assist the PO in fulfilling the obligations under Articles 32 to 36 of the General Regulation according to the type and volume of data processed.

The Beneficiary provides access to data to the National Audit Office as well as to national control, certification and audit authorities for the exercise of their authority. Where applicable, the Beneficiary deletes or returns to the PO all personal data after termination of processing services and deletes existing copies without prejudice to the terms and conditions for their storage. In the case of verification and request for access outside of the control, the Beneficiary shall notify the PO. For the performance and reporting of the Contract, the following categories of personal data are processed:

- ✓ Physical data: three names, contact phone number, PIN, ID card number and date of issue, address, including e-mail address, birthplace, gender, origin;
- ✓ Health condition;

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- ✓ Economic Identity: place of work or lack thereof;
  - ✓ Social Identity: diploma, further qualification papers.
  - ✓ Social status.

The Beneficiary ensures that the rights of data subjects are respected at:

- ✓ Awareness;
- ✓ Access to their own personal data;
- ✓ Correction (if data is inaccurate)
- ✓ Deleting personal data (the right to be forgotten);
- ✓ Restricting the processing of personal data by the processor and/or administrator in applicable cases;
- ✓ Portability of personal data;
- ✓ Opposition to the processing of his or her personal data;
- ✓ The data subject is also entitled not to be the subject of a decision based solely on automated processing, involving profiling, that produces legal consequences for the data subject or similarly affects him or her significantly;
- ✓ Entitlement to judicial or administrative redress if the rights of the data subject have been violated.

#### **XIV. REQUIREMENTS CONCERNING THE CONTENT OF THE PROJECT DOSSIER, STORED BY THE BENEFICIARY**

The project documentation generally consists of the technical and financial implementation and the procurement/designation of contractors. Supporting documents are classified as follows:

- ✓ For technical and financial implementation - chronologically by activities as described in the project proposal;
- ✓ For PPL documentation - for each assignment under the Outstanding Assignment Plan (if applicable).

For each project, the Beneficiary shall prepare a dossier (bearing the label of the contract number, the name of the project, the name of the Beneficiary and the place of performance), which shall contain all documentation related to the project as follows:

- Label
- Inventory of documents;
- A contract with all its apps;
- Requests for Amendments and Additional Agreements to the Contract, as well as Amendments to the Agreement without an Additional Agreement - if applicable;
- Information on all publicity measures taken;
- Monitoring reports from on-the-spot checks from the PO;
- Audit reports;
- Reports of detected irregularities - if applicable;

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- Other correspondence - if applicable.

An integral part of the project dossier is all the submitted project reports together with the originals of the supporting documentation to them:

- Interim and final reports;
- Requests for interim payments/transfer requests and related appendices - technical report/report together with the originals of the supporting documentation; a financial statement together with the originals of the supporting documents and other supporting documents; the original procurement documentation under the PPL;
- Requests for advance and final payment and relevant appendices thereto.

All project documentation is stored either in the form of originals or in certified true-to-original versions of commonly accepted data carriers. Storage is done in accordance with the requirements of the Accountancy Act. The Beneficiary is required to keep all the documents relating to the implementation of the project for a period of five years from the date of approval of the final project report.

**IMPORTANT!**

The Beneficiary is required to implement the project in accordance with the current version of the Guidelines.

Any changes to this Guidelines and its annexes will be published on the Unified Information Portal for EEA FM and NFM for Bulgaria on the sub-page of the “Local Development, Poverty Reduction and Enhanced Inclusion of Vulnerable Groups” Programme (<https://www.eeagrants.bg/programi/mestno-razvitie/dokumenti/narchniczi>).