*Appendix G*

**EUROPEAN ECONOMIC AREA FINANCIAL MECHANISM 2014-2021**

**MINISTRY OF ENERGY**

**RENEWABLE ENERGY, ENERGY EFFICIENCY, ENERGY SECURITY PROGRAMME**

**Call for Project Proposals**

**NUMBER: …………………..**

**Procedure "Rehabilitation and Modernization of Municipal Infrastructure - Systems for Exterior Artificial Lighting of Municipalities"**

**GENERAL TERMS AND CONDITIONS**

**TO GRANT CONTRACT**

1. **LEGAL FRAMEWORK FOR PROVISION OF**

**THE GRANT FINANCIAL AID**

**Art. 1.** In implementing the Project and its obligations under the Grant Contract and these General Terms and Conditions, the Beneficiary is bound by the rules of the applicable legal framework, including:

1. The Programme Documents for the EEA Financial Mechanism 2014-2021 and the Renewable Energy, Energy Efficiency and Energy Security Programme, signed on 21 June 2018, as follows:
2. Agreement between the European Union and Iceland, the Principality of Liechtenstein and the Kingdom of Norway on the EEA Grants 2014-2021;
3. Protocol 38B to the Agreement on the Financial Mechanism of the European Economic Area 2014-2021 to the Agreement between the European Union, Iceland, the Principality of Liechtenstein and the Kingdom of Norway on the Financial Mechanism of the EEA 2014-2021;
4. Regulation on the implementation of the EEA Grants 2014-2021 (the “Regulation”);
5. Memorandum of Understanding on the implementation of the EEA Grants 2014-2021 between the Republic of Bulgaria and Iceland, the Principality of Liechtenstein and the Kingdom of Norway, signed on 9 December 2016, ratified by a law adopted by the 43rd National Assembly on 13 January 2017 (promulgated, SG No. 8/2017);
6. The Programme Agreement between the Financial Mechanism Committee and the National Focal Point of the Republic of Bulgaria on the Financing of the Renewable Energy, Energy Efficiency and Energy Security Programme signed on 21 June 2018
7. The Programme Implementation agreement of the Renewable Energy, Energy Efficiency and Energy Security Programme between the National Focal Point and the Ministry of Energy, signed on 27 July 2018;
8. The Agreement on the Implementation of the Bilateral Relations Fund signed on 29.09.2017 and the Bilateral Relations Manual, EEA Grants and Norwegian Financial Mechanism 2014-2021 of the FM Committee;
9. All guidelines (rules, instructions, etc.) adopted by the FM Committee in accordance with the Regulation;
10. The additional information submitted by the PO and approved by FM Committee as part of the Programme Agreement;
11. European Union law in the applicable scope, including but not limited to:

a) State aid law - Regulations, Decisions, Guidelines, etc.;

b) Guidelines for the determination of financial corrections to be made by the European Commission against the costs financed by the EU under the principle of shared management for non-compliance with the procurement rules approved by Decision C (2019) 3452 of 14.05.2019;

1. The national legislation and regulations in the Republic of Bulgaria in the field of contractual relations, administrative law and procedure, ownership, settlement of civil disputes, public procurement, state aid, taxation, accounting and other applicable areas, including but not limited to:

a) Act on the Ratification 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;

b) The Value Added Tax Act and the Regulations for Application of the Value Added Tax Act;

c) The State Aid Act and the Regulations for Application of the State Aid Act;

d) The Administrative Procedure Code;

e) The Public Procurement Act and Regulations for Application of the Public Procurement Act;

f) The Public Finance Act, the Financial Management and Control in the Public Sector Act, and the Public Sector Internal Audit Act where the Beneficiary applies these acts;

g) Accountancy Act;

h) Ordinance laying down the conditions, procedures and mechanism for functioning of the unified information system for management and monitoring of resources from the European structural and investment funds (UMIS) and for conducting proceedings before the managing authorities through UMIS;

i) The Ordinance on the salaries of the employees in the state administration;

k) Ordinance on the business trips in the country;

l) Ordinance on business trips and specializations abroad;

1. Other applicable national rules, including but not limited to:

a) National accounting standards applicable to budget organizations;

b) Chart of accounts of budget organizations where the Beneficiary is a budget organization;

c) Instructions of the Ministry of Finance № 91-00-137 of 24.03.2014 on the treatment of value added tax.

**Art. 2.** For matters not covered by the Grant Contract (the Agreement or the Grant Contract), in these General Terms and Conditions and the acts under Art. 1, the Beneficiaries shall apply the rules included in the Beneficiary’s Guide.

**Art. 3. (1)** No State aid is granted to the Beneficiary under this procedure.

**(2)** To the Partner the applicable regime is "no aid" or the regime established by Commission Regulation (EU) No 1407/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid (OJ L 352 of 24.12.2013).

**(3)** In case of change in the specified Regulation, the Programme Operator will apply the requirements applicable at the time of signing the Grant Contract with the Beneficiary.

**(4)** As stated in the regulation under para. 2 the maximum admissible amount of any de minimis aid received by a single undertaking Partner shall not exceed EUR 200,000 or BGN 391,166 over any period of three fiscal years irrespective of the form of the aid or its source.

1. **RIGHTS AND DUTIES OF THE BENEFICIARY**

**Art. 4.** **(1)** The Beneficiary shall execute the Project as defined in the concluded Grant Contract in order to implement the objectives, activities and results set out therein.

**(2)** The Beneficiary shall implement the Project in compliance with the Grant Contract and these General Terms and Conditions as part of it, with due care, in compliance with the requirements to efficiency, transparency and diligence, in accordance with the best practices in the relevant field and the principles of sound financial management.

**(3)** Changes to the Project are possible as an exception and only if they are made under the terms and conditions of section III.

**Art. 5.** The Beneficiary undertakes to mobilize all of its financial, human and material resources necessary for the overall and accurate implementation of the Project.

**Art. 6. (1)** The Beneficiary shall use the received funding only to cover the costs of implementing the Project in accordance with the approved budget and the provisions of the Grant Contract and these General Terms and Conditions as part of it.

**(2)** The Beneficiary shall not use the funds provided under the Project to:

1. achieve political goals;

2. generate profit;

3. benefit parties related to the Beneficiary.

**(3)** The Beneficiary accepts that the grant may under no circumstances generate profits to the Beneficiary and must be limited to the amount required to reimburse the Project costs after deducting the revenue generated in the course of the implementation of the Project. Profit is understood to be the excess of revenue over project costs under the specific project at the time of submission of the final payment request. Deductions can also be made on declared and proven revenues in interim payments.

**(4)** The Beneficiary shall notify the Programme Operator about the generation of revenue related to the received funding.

**(5)** Where this is provided for in the Grant Contract, the Beneficiary shall provide own contribution to the Project from its own funds or from borrowed funds in accordance with the agreed percentage.

**Art. 7. (1)** The Beneficiary shall be directly responsible for the management and implementation of the Project activities and shall not act as an intermediary.

**(2)** The Beneficiary carries out the Project activities alone or jointly with one or more Partners if these are specified in the approved Project Proposal and the Grant Contract.

**(3)** The Partners participate in the implementation of the Project and their costs are eligible under the same conditions as the Beneficiary’s costs, unless specified otherwise in the Grant Contract and these General Terms and Conditions as part of it.

**Art. 8.** **(1)** The Beneficiary may assign to third parties the performance of some Project activities if their nature so requires and their assignment is envisaged in the approved Project.

**(2)** The scope of the activities awarded may not exceed the funds allocated and approved in the budget of the Project.

**(3)** Activities that are not foreseen and approved for award within the project proposal and budget of the Project but occur during the implementation of the Project shall be awarded at the Beneficiary's cost.

**(4)**  In selecting the contractor(s) of the Project, the Beneficiary shall apply the effective national legislation, more specifically the Public Procurement Act (PPA) and the Implementing Regulations of the Public Procurement Act (PPPP).

**(5)** In the cases where the relevant regulatory act under paragraph 4 is inapplicable given the value of construction, goods or services, when selecting a contractor the Beneficiary shall ensure compliance with the best economic practices, a level playing field and fair competition among potential suppliers, accountability and optimal use of the funds under the Renewable Energy, Energy Efficiency, Energy Security Programme (Programme).

**(6)** Within 1 month after signing the Grant Contract, the Beneficiary shall send through UMIS 2020 an updated outsourcing plan (OSP) under the Project to the Programme Operator.

**(7)** The Programme Operator reviews the OSP and notifies the Beneficiary within 10 working days of receiving the OSP that it approves the plan or makes recommendations for its correction.

**(8)** The Beneficiary shall notify the Programme Operator of any changes in the outsourcing plan within 5 business days of the change.

**(9)** The Programme Operator performs ex-post controls on the procedures for selecting contractors under the Project. Within one month after a contract has been concluded with a contractor under the provisions of the PPA, the Beneficiary shall send to the Programme Operator a copy of the whole documentation related to the selection of a contractor for the purpose of ex-post control.

**Art. 9.** **(1)** The Beneficiary and the Programme Operator are the only parties to the Grant Contract, referred to in these General Terms and Conditions as “Parties”. The Programme Operator does not have contractual relationships with the Beneficiary Partners or Contractors. The Beneficiary is solely responsible to the Programme Operator for the implementation of the Project and the Grant Contract

**(2)** The rights and obligations of the Beneficiary under the contract may not be transferred to a third party.

**(3)** The Beneficiary assumes all liability to third parties, including liability for damages caused by such persons in the course of implementation of the Project or as a consequence thereof.

**(4)** The Programme Operator, the National Focal Point (NFP) and the Financial Mechanism Office (FMO) shall not be held responsible for any damages caused by the Beneficiary’s staff or property in the course of implementation of the Project or as a consequence thereof. The Beneficiary may not request changes to the Project’s budget or other types of payments to compensate such damages.

**(5)** The Programme Operator, the NFP and the FMO shall not be liable for any claims or complaints arising out of breach of statutory requirements by the Beneficiary, its employees or persons subordinated to its employees or as a result of violation of the rights of third parties.

**Art. 10.** The Beneficiary shall respect the principles of equality and non-discrimination in the course of implementation of the Project.

**Art. 11.** **(1)** The Beneficiary undertakes to prevent double financing of Project activities, including from other EU financial instruments or other donor programmes.

**(2)** In case of double financing of an activity, the Beneficiary shall immediately notify the Programme Operator and shall not be entitled to submit a request and receive payment for this activity.

**Art. 12.** **(1)** The Beneficiary shall take all necessary measures to avoid a conflict of interest and to immediately notify the Programme Operator of the existence of circumstances that cause or may cause such a conflict.

**(2)** A conflict of interest within the meaning of these General Terms and Conditions exists in the cases under Article 61 (3) of Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012 (OJ L 193/1 of 30 July 2018) - where the impartial and objective exercise of the rights and duties under the Contract by the Beneficiary or its employee involved in the Project is compromised for reasons involving family, emotional life, political or national affinity, economic interest or any other direct or indirect personal interest.

**(3)** The Beneficiary's representatives are not entitled to negotiate with themselves and with spouses and relatives in direct line without limitation of assignment, acceptance of execution and approval of payments for activities.

**(4)** The Beneficiary shall ensure that the obligation under paragraph 3 will be implemented by its Partners.

**Art. 13.** **(1)** The Beneficiary shall comply with the requirements for protection of personal data in accordance with the provisions of national and European Union law.

**(2)** The Beneficiary shall ensure that the obligation under para. 1 will be performed by its Partners and by the contractors to whom it has assigned the implementation of Project activities.

**Art. 14.** **(1)** The Beneficiary shall keep the confidentiality of all confidential documents, information or other materials.

**(2)** The Beneficiary shall ensure that the obligation under para. 1 will be performed by its Partners and by the contractors to whom it has assigned the implementation of Project activities.

**Art. 15.** Right of ownership, including intellectual property rights, on the results of the Project, the reports and other documents related to it, as well as on the acquired assets, if any, arise for the Beneficiary.

**Art. 16.** Where the entire cost of purchased equipment is eligible under the Project in accordance with Art. 8.3.1, letter “b” of the Regulation and/or expenses for the purchase, construction, reconstruction or overhaul of a building have been incurred under the Project the Beneficiary shall:

1. insure such equipment and/or building against theft, intentional acts of third parties, fire and other natural disasters and other relevant risks for the duration of the Project implementation and for at least 5 years after completion of the Project;

2. allocate adequate resources for the maintenance of the equipment and/or the building for at least 5 years after the completion of the Project.

**Art. 17.** **(1)** The Beneficiary shall keep the Project documentation for the duration of the Project and for a period of 3 years after the FMO has approved the Final Programme Report and in the case of de minimis aid or state aid – for at least 10 years from the provision of the grant and not less than the specific term stipulated for certain documents under the Bulgarian legislation. Where administrative, pretrial or legal proceedings have been initiated in relation to the implementation of the Project, the Beneficiary shall, in addition to the obligation under the preceding sentence, keep the documentation for at least 1 year after the date of the completion of the proceedings.

**(2)** Documents must be kept in an accessible location and arranged in a way that facilitates inspections and the Beneficiary must notify upon request the verification body of their exact location.

**(3)** The Beneficiary shall ensure that the obligations under paragraphs 1 and 2 for the storage of the relevant documentation shall be performed by its Partners and by the contractors to whom it has assigned the execution of Project activities.

**Art. 18.** **(1)** The Beneficiary shall provide to the Programme Operator, the Certifying Authority, the NCU, the FMO, the National Audit Authorities and the donor country auditing authorities right to access to and unobstructed use of, in accordance with the scope of the verification, any information related to the Project, irrespective of its material medium, as set out in the Grant Contract.

**(2)** The Beneficiary shall ensure that the obligation under para. 2 will be performed by its Partners and by the contractors to whom it has assigned the implementation of Project activities.

**Art. 19.** **(1)** The Beneficiary shall comply with the measures foreseen in the Information and Publicity Plan included in the approved project proposal.

**(2)** All information and publicity materials relating to the EEA Grants should be in line with the Communication and Design Handbook. The handbook contains detailed technical requirements relating to the use of logos as well as billboards, plates, posters, publications, websites and audiovisual materials.

**(3)** The Beneficiary has no right to make statements on behalf of the FMO, the donor countries or the Programme Operator. In its publications, the Beneficiary shall take appropriate measures to ensure that its statements are not perceived as made on behalf of these entities. Each publication of the Beneficiary, in whatever form and through whatever means of communication, including the Internet, must contain the following statement: “This document was created with the financial support of the Renewable Energy, Energy Efficiency, Energy security Programme under the Financial Mechanism of the European Economic Area (EEA Grants). The entire responsibility for the content of the document lies with .......................... [*name of Beneficiary*] and under no circumstances can it be assumed, that this document reflects the official opinion of the FMO, the donor countries and the Programme Operator of the Renewable Energy, Energy Efficiency and Energy Security Programme”.

**(4)** In cases where the Project provides for repairs and reconstruction activities, the Beneficiary is to provide signs indicating the grant received under the EEA Grants, both during their implementation and after their completion.

**Art. 20.** The Beneficiary, with the fact of signing the Contract, authorizes the Programme Operator, the national audit authorities, the FMO and the external auditors with the right to publish its name and address, the purpose of the grant, the maximum amount of the grant and the share of the grant in the eligible costs of the Project.

**Art. 21.** In case the European Commission has taken a decision to recover unlawfully granted state aid or de minimis aid, the Beneficiary shall repay such aid together with the interest accrued for the period from the date on which the unlawful aid was provided to the recipient until the date of its recovery.

1. **CHANGES TO THE PROJECT. CHANGES TO THE CONTRACT**

**Art. 22.** **(1)** Changes (amendments and/or additions) to the Grant Contract, including its annexes, may only be made with the mutual consent of the Programme Operator and the Beneficiary.

**(2)** Changes can be initiated by the Programme Operator and the Beneficiary.

**(3)** The whole correspondence related to the suggesting and making changes to the Grant Contract shall pass through UMIS 2020.

**Art. 23.** **(1)** Changes to the Project or to the Grant Contract may not modify the conditions under which the Project was submitted for approval. They may not result in a breach of the competitive conditions existing at the time of the approval of the Project, of the principle of equality and may not affect the main purpose of the Project.

**(2)** Changes to the Grant Contract leading to any of the following shall be inadmissible:

1. increasing the amount of the agreed grant financial aid;

2. increase of the agreed percentage of the grant financial aid;

3. an increase of the funds in Section I "Staff costs";

4. overspending in budget items for which there is a fixed percentage (if applicable);

5. changes in the expected results in a negative aspect;

6. extension of the project implementation period after 30 April 2024.

**(3)** No changes can be made to the Grant Contract that result from poor performance or would lead to non-performance of the Grant Contract.

**Art. 24.** Outside the cases under Art. 23 changes to the Project can be made at the request of the Beneficiary and with the agreement of the Programme Operator.

**Art. 25. (1)** If the change to the Contract is requested by the Beneficiary, the latter must submit a written request to the Programme Operator sent via UMIS 2020.

**(2)** The request should be submitted no later than two months before the date for completion of the Project provided for in the Grant Contract, unless there are special circumstances for non-compliance with this term duly substantiated by the Beneficiary and accepted by the Programme Operator.

**(3)** Every request shall be accompanied by information and evidence substantiating its necessity and justification.

**(4)** Where the proposed changes to the Project or the Contract affect a Project Partner, the Beneficiary shall attach to the request for changes a document showing that the Partner concerned has been informed in advance of the proposed change.

**Art. 26.** Changes to the Grant Contract, including the annexes thereto, may be made by notification, approval or an additional agreement.

**Art. 27. (1)** The Grant Contract shall be considered to be changed as of the date on which the Programme Operator received a notification from the Beneficiary in the following cases:

1. Change of the person representing the Beneficiary;
2. Change of the address, respectively the registered office and/or head office address of the Beneficiary, and of the contact details;
3. Change in the name of the Beneficiary or the Partner;
4. Changes to the budget due to transfers between budget items within one budget line.

**(2)** In the cases under para. 1, point 4 the Beneficiary shall attach to the notification appropriate justification and documentation.

**Art. 28.** **(1)** Changes to the Grant Contract, including its annexes, shall be made after approval in the following cases:

1. Replacement of a Project Team member who was subject to evaluation at the application stage;
2. Changes to the Project Action Plan;
3. Changes to the budget due to transfers between budget items where the change is up to 10 % of the agreed amount of the smaller budget item that will be changed;

**(2)** The Programme Operator may refuse to approve a proposal made by the Beneficiary for changes if the proposal is not substantiated, the necessary documents are not attached or the implementation of the main activities, the purpose and indicators of the Project is called into question.

**(3)** Within 10 working days from the date of receipt of the request, the Programme Operator shall notify the Beneficiary whether the requested change is approved.

**(4)** When the Programme Operator approves the request, the Programme Operator enters the changes in UMIS 2020.

**(5)** The change shall take effect from the date of approval by the PO.

**Art. 29.** **(1)** For any change beyond those specified in Art. 27 and 28, an additional agreement to the Grant Contract is concluded.

**(2)** Where the change is initiated by the Beneficiary, the Beneficiary shall send a request, accompanied by justification and documentation (if applicable) regarding the changes, no later than 20 days before the date on which the change is requested to take effect. The justification should include the expected impact on the implementation of the Project. The Programme Operator may accept to consider a request submitted after that deadline only if there are objective, duly justified circumstances.

**(3)** The Programme Operator shall issue a decision on the request within 10 working days from the date of its receipt.

**(4)** If necessary, the Programme Operator may request the Beneficiary to provide additional information or documents regarding the requested change.

**(5)** Following a favorable opinion on the change request, the Programme Operator and the Beneficiary shall sign an additional agreement to the Grant Contract.

**(6)** The concluded additional agreements are entered into UMIS 2020 by the Programme Operator.

# ELIGIBLE COSTS. JUSTIFICATION OF COSTS

**Art. 30.** To be eligible, the costs of implementing a Project must meet the following requirements simultaneously:

1. To be actually incurred by the Beneficiary or its Partner(s) during the implementation of the Project within the agreed duration of the Project;

2. To have occurred between the first and last eligibility date of Project expenditure according to the Grant Contract;

3. To be directly related to the subject matter of the Grant Contract and to match the approved budget of the Project or the budget allocation for the particular Partner;

4. To be necessary and proportionate to the implementation of the activities eligible under the Project, and the reporting of the performed activities to be supported by documents;

5. To be incurred solely and only to achieve the objectives and expected results of the implementation of the Project in a manner consistent with the principles of economy, efficiency and effectiveness;

6. To be certified with the necessary supporting documents (invoices, contracts or other accounting documents), documents for payments made in accordance with the Bulgarian legislation, as well as documents proving the execution of construction and repair works, receipt of goods and services;

7. To be reflected in the accounts and records of the Beneficiary or its Partner(s) in accordance with the Accountancy Act and the applicable accounting standards and principles;

8. To meet the requirements of tax and social security legislation;

9. The accounting and internal control systems of the Beneficiary and its Partners must allow direct identification and verification of the declared revenue and costs under the Project. The revenue and costs under the Project must be accounted for separately and allow traceability of all business operations under the Project and preparation of standalone reports only for the purposes of the Project.

**Art. 31.** **(1)** The expenditure is considered to have occurred when it has been invoiced, paid, and its subject matter has been executed.

**(2)** By way of exception, expenditure invoiced in the last month of eligibility is also deemed to have been incurred within the eligibility period if paid within 30 days after the Project cost eligibility deadline.

**Art. 32.** The Beneficiary’s accounting principles and procedures must be organized so as to allow for analytical accounting for the funding received and the expenditure under the Project as well as easy access to primary accounting documents.

**Art. 33.** **(1)** Indirect costs and, where applicable, depreciation costs shall be deemed to have been incurred at the time of their accounting for by the Beneficiary and/or the Partner.

**(2)** When calculating depreciation the Beneficiarу (budget organization) must observe the Instruction of the Minister of Finance on VAT No. 5/30.09.2016, which defines the conceptual model for the application of the national accounting standard (Accounting Standard 4 Depreciation accounting).

**Art. 34.** **(1)** Eligible direct costs under the Project are the costs incurred by the Beneficiary and/or the Project Partner and 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 may be directly accounted for under the Project.

**(2)** Where they satisfy the general principles of eligibility of costs under Art. 30 the following direct costs are considered eligible:

1. Expenditure for staff working on the Project, consisting of actual salaries, social security contributions and other statutory costs included in the remuneration if this is consistent with the Beneficiary’s or Partner’s usual salary policy, respectively. Personnel remuneration expenditure is eligible as far as it is related to the performance of activities that the Beneficiary would not perform if the Project concerned was not implemented. The applicable Bulgarian legislation is applied to a Beneficiary and a Partner with registered address or head office in Bulgaria;
2. Expenditure under outsourcing contracts related to the activities of the Project awarded in accordance with the applicable public procurement legislation and the Regulation.

**(3)** The Beneficiary ensures that the eligibility requirements for the Partner’s costs are included in the Partnership Agreement.

**Art. 35.** **(1)** Eligible indirect (overheads) costs are costs that can not be identified by the Beneficiary and/or the Partner as directly related to the Project but can be identified and justified through their accounting system as being directly related to the eligible direct costs of the Project. They cannot include eligible direct costs. The amount of indirect costs of the Project is to be determined as a fair share of the total overheads of the Beneficiary or the Partner

**(2)** The Beneficiary and Project Partners may identify their indirect (overheads) costs according to one of the following methods:

1. based on actual indirect costs for those Beneficiaries and Project Partners that have an analytical accounting system to identify their indirect costs as indicated above;
2. a flat rate of up to 25% of total direct eligible costs, excluding direct eligible costs for subcontracting and the costs of resources made available by third parties which are not used on the premises of the Beneficiary or Project Partner;
3. a flat rate of up to 15% of direct eligible staff costs without there being a requirement for the Programme Operator to perform a calculation to determine the applicable rate; or
4. a flat rate applied to direct eligible costs based on existing methods and corresponding rates applicable in European Union policies for similar types of project and beneficiary.

**(3)** The method of calculating the indirect costs and their maximum amount for the Beneficiary and Project Partner/s under the Project is determined in the Grant contract.

**Art. 36.** Ineligible costs under a Project are:

1. interest on loans, debt service charges and penalties for late payments;
2. fees for financial transactions and other purely financial costs;
3. reserves for losses or potential future liabilities;
4. currency exchange losses;
5. VAT subject to repayment;
6. costs covered by other sources;
7. fines, penalties and litigation costs, except where an appeal is a necessary and integral part of achieving the objectives of the Project;
8. excessive or reckless spending;
9. costs that do not meet the general eligibility criteria;
10. any costs not covered by the eligible activities, including costs not described in the Application Form, or if it is not possible to assess for which activity the report it is presented.

**Art. 37. (1)** The costs incurred by the Beneficiary and the Partner need to be supported by invoices and/or other primary accounting documents and:

1. for employment contracts – a contract, job description, performed work report and time worked report, payroll, payment order, bank statement/ cash book;
2. for civil contracts – a contract, performed work report and time worked report, account for paid amounts, work acceptance report, payment order, bank statement/cash book, invoice if self-employed person;
3. for business trips in the country and/or abroad - a business trip order by the manager of the Beneficiary which explicitly states that the costs are at the expense of the project, an invitation to participate in an event (if applicable), agenda of the event, overnight stay invoices, vehicle ownership documents, fuel consumption according to the manufacturer’s documents, fuel invoice, road book of the car, if travelling by a car of the entity, tickets for public transport, order for determining the expense limits for missions in the country, report of business trip report, boarding passes, flight tickets report, a document verifying the amounts paid to the seconded person, bank statement/cash book;
4. for conferences, seminars and other information events – a contract, invoice, handover report, payment document, bank statement/cash book, agenda of the event, lists of attendees, pictures from the event, presentations, materials, lectures used in the framework of the activity, a package of materials for the participants, publicity (posters, brochures, leaflets, press releases or invitations), questionnaires, etc.;
5. for supply – a contract, invoice, handover report, payment document, bank statement/cash book, warranties, photo materials showing that visual stickers are placed, inventory list;
6. for service – a contract, invoice, handover report, payment document, bank statement/cash book, copies of publications, copies of promotional materials, etc.;
7. for construction works – a contract with the relevant bill of quantities, invoice, payment document, bank statement, reports according to the Spatial Planning Act, declaration for waste disposal, order book, supervision contracts and reports, reports on investment control and others, photos before and after the construction and installation works;
8. for non-recoverable value added tax - statements-declarations under the Value Added Tax Act (VAT Act) submitted to the National Revenue Agency (NRA) for the respective tax periods under Art. 72, para. 1 of the VAT Act, showing that no tax credit has been used for the expenses related to the implementation of the Project, and a certified copy of the purchase log;

**(2)** For the proof of indirect costs calculated under Art. 35, para. 2, item 2, 3 and 4 there is no need for supporting documents.

**(3)** The requirements for proving the costs incurred by the Partner must be described in the Partnership Agreement.

**(4)** For costs incurred by a Partner from a country other than the Republic of Bulgaria the following can be provided:

1. A report by an independent auditor qualified to carry out statutory audits of accounting documents, certifying that the claimed costs are incurred in accordance with this Regulation, the national law and relevant national accounting practices, or

2. A report issued by a competent and independent public officer recognised by the relevant national authorities as having a budget and financial control capacity over the entity incurring the costs and who has not been involved in the preparation of the financial statements, certifying that the claimed costs are incurred in accordance with the Regulation, the relevant law and national accounting practices..

# REPORTING BY THE BENEFICIARY

**Art. 38.** **(1)** The Beneficiary shall comply with the requirements of transparency, accountability and good governance.

**(2)** The Beneficiary shall meet the following reporting requirements:

**1.** Use an appropriate electronic records and accounting system for the contract to maintain adequate accounting analytics, including on economic and non-economic activities (if applicable) for all transactions related to the Project, and to allow the generation of individual accounts for the particular Project;

**2.** The accounting system may be standalone for the purposes of the Project or an integral part of the Beneficiary’s current accounting system but maintain adequate analytical accounting information that is sufficient to identify and track all revenue and expenditure under the Project and enable the generation and production of separate reports on the Project, and the costs of the Project must be separable, distinguishable, easily identifiable and tracked;

**3.** Ensure the functioning of an adequate internal control system to track the entire process of implementation of the contract from the approval of the Project, the acceptance, incurring of the eligible costs, financial management, monitoring, cost verification, audit and evaluation related to the implementation of the Project;

**4.** Keep accurate, true and regular documentation and accountability and to provide, on the basis of its documentation and accounting system, the necessary accounting records in accordance with the Accountancy Act (extracts from the general ledger, trial balance, payroll and other accounting information);

**5.** Perform current chronological, bilateral and analytical accounting of all revenues and expenses under the Project in accordance with the Accountancy Act, the applicable accounting standards, its accounting policy and these General Terms and Conditions.

**(3)** The accounting must enable the generation of accounting reports on the revenues under the Project, including the interest to the bank account provided for the purposes of the Project, and the revenues from economic activities, as well as the collection of the necessary data for financial management, monitoring, verification of costs, audit and evaluation.

**(4)** The Beneficiary ensures that its Partners apply the same or analogous requirements to the above for managing the Project accounts.

**Art. 39. (1)** The Beneficiary shall report fully to the Programme Operator on a regular basis on the implementation of the Project through the Unified Management Information System (UMIS 2020), as follows:

1. Interim reports under the Project with the following deadlines:
   1. until 10 May for the activities performed between 1 January and 30 April;
   2. until September 10 for the activities performed between 1 May and 31 August;
   3. until January 10 for the activities performed between 1 September and 31 December of the previous year.
2. The final report under the Project shall be submitted within 2 months after the completion of the Project in accordance with the deadline set in the Grant Contract.

**(2)** The interim report must contain full information on the implementation of the Project during the reporting period.

**(3)** The interim report includes:

1. Interim financial statements:
   1. Part A – a statement of the costs actually incurred and paid by the Beneficiary;
   2. Part B – estimates that are calculated on the basis of the necessary planned funds for the next period, reduced by the unused balance from previous periods.
2. Interim Technical Report - Part C - information on the activities carried out during the reporting period and the progress in achieving the results and indicators of the Project.

**(4)** The final report (final technical report and final financial statement) must contain full information on all aspects of Project implementation.

**(5)** The final technical report must contain:

1. Evidence and analysis of the achieved objectives and indicators of the Project compared to what was planned;
2. Evidence that sustainability has been ensured.

**(6)** The final financial statement must contain:

1. expenditure incurred in the last reporting period;
2. final balance under the Project, analysis of the total realized expenses of the Project, together with summarized accounting records (trial balance, general ledger, extract from the accounting system for acquired assets, etc.).

**(7)** The reports and statements are prepared in accordance with the models provided by the Programme Operator.

**Art. 40.** **(1)** The costs under the Project shall be reported in UMIS 2020.

**(2)** The costs shall be reported by the Project manager or a person authorized by the Project manager.

**Art. 41. (1)** The interim and final reports in all their parts shall be prepared in Bulgarian and English.

**(2)** The supporting documents provided by foreign Partners may be in English accompanied by a translation into Bulgarian language.

**Art. 42. (1)** When the Beneficiary and/or the Partner incurred expenses under the Project during the respective reporting period, the Beneficiary may submit a payment request and shall do so by submitting alongside a technical report and a financial statement.

**(2)** In the cases under para. 1 the Beneficiary shall also provide certified and scanned copies of:

1. the technical documentation proving that the activities were carried out;
2. evidence of achieved results and indicators;
3. original financial accounting documents;
4. all supporting documents relevant to the respective reporting period;
5. the analytical accounting of the costs under the Project (trial balance, analytical and chronological statements), VAT return, purchase log for each of the months falling under the reporting period;
6. financial identification of the Beneficiary;
7. other documents referred to in the Beneficiary’s Guide.

**(3)** The accounting documents should contain the text “The costs are incurred under Project ...............” and only the registration number of the Project may be written, subject to the requirements of the Accountancy Act. If the text cannot be written on the front of the document, the Project Manager shall coordinate the expenditure and put the relevant text in compliance with the requirements of the Accountancy Law to avoid violation of the document’s integrity.

**(4)** An audit report, prepared by an external auditor, shall be attached to the final report.

# VERIFICATION, MONITORING AND AUDIT

**Art. 43.** The Programme Operator implements procedures to verify the implementation of the Project and the costs incurred by the Beneficiary which are:

1. administrative checks of the technical reports and the financial statements;
2. on-the-spot check.

**Art. 44.** **(1)** Costs shall be verified if there are costs incurred under the Project and after an interim technical report and interim financial statement according to the above rules have been submitted.

**(2)** The costs of the final payment are verified after a payment request, a final technical report and a final financial statement have been submitted.

**(3)** The Programme Operator verifies costs of staff only when the costs of other activities demonstrating the progress of the Project implementation have been reported in the interim report in which the costs are included or in a previous interim report.

**(4)** Where in the process of verification, the Programme Operator requests clarifications, corrections and/or additional information regarding the submitted documents, the Beneficiary shall provide the requested clarifications, corrections and/or additional information within the stipulated period, which may not be shorter than 5 days.

**(5)** The Programme Operator shall notify the Beneficiary in writing of the amount of the verified costs and/or the amount of non- verified costs. An explanation shall be provided for the non-verified of costs.

**Art. 45.** **(1)** The Programme Operator shall monitor the implementation of the Project by the Beneficiary and shall check the completeness and correctness of the documents, the compliance with the procedures as well as the effective implementation of the activities under the signed contracts, the delivered services/equipment/construction activities, as well as of the intended use of the provided services/equipment and the constructed/reconstructed buildings and/or premises.

**(2)** Monitoring may be carried out on site with the Beneficiary and / or the Partner and the site(s) where the Project activities are implemented.

**(3)** The Programme Operator shall perform monitoring using the following:

1. assessment of the results achieved within the defined indicators;
2. assessment of the Beneficiary’s administrative capacity and indication of corrective measures if necessary;
3. analysis and assessment of the risk of delay or difficulties in the implementation of the Project or its key components;
4. coordination meetings.

**Art. 46.** **(1)** The Programme Operator shall notify the Beneficiary at least 14 days prior to the start of a planned monitoring visit to enable the Beneficiary prepare and provide the whole necessary staff and documentation depending on the scope of the monitoring. Partners, target groups or other stakeholders may take part, if necessary, to cover all relevant aspects of the situation.

**(2)** The Programme Operator may carry out exceptional on-site inspections.

**(3)** Within 14 days after the completion of the monitoring visit, the Programme Operator shall send to the Beneficiary a copy of the prepared monitoring report and the Beneficiary shall have 5 days to comment on the report and/or to provide additional information. The Programme Operator shall be acquainted with the attached documents and/or make comments, prepare and send a final monitoring report. The findings and the related recommendations for corrective actions (if any) in the monitoring report shall be tracked when the next report is submitted unless there is an explicit requirement for immediate corrective action on the part of the Beneficiary.

**Art. 47.** **(1)** At the request of the Beneficiary or on its own initiative, the Programme Operator may organize meetings to discuss the implementation of the Project.

**(2)** The meeting is scheduled for at least 10 working days in advance and is chaired by the Programme Operator or a person designated by the Programme Operator.

**(3)** The meetings under para. 1 shall be called in the following circumstances:

1. need to discuss and resolve problems and establish progress;
2. availability of unspent funds under the Project;
3. detecting inadequate results or upon completion of the Project implementation phase.

**(4)** At the meetings, the Beneficiary presents for review the implementation of the Project to date and the activities undertaken to implement the decisions of a previous meeting, if applicable. The meetings are concluded with minutes with decisions, action measures, deadlines and persons responsible for their implementation.

**Art. 48.** **(1)** Monitoring of the Project is also carried out by the NCU, the FMO and the Certifying Authority.

**(2)** The National Focal Point has the right to monitor the Beneficiary’s Project, including through on-site inspections.

**(3)** The NFP shall inform the Programme Operator and the Beneficiary of the forthcoming inspection not less than 7 days prior to the inspection. The NFP may carry out on-site inspections without prior notice.

**(4)** Within 10 working days after the on-site inspection, the NFP prepares a report containing findings and recommendations for corrective actions, if applicable, and provides it to the Programme Operator. The Beneficiary and the Programme Operator take measures to implement the recommendations, if any. The NFP controls the implementation of the corrective actions.

**Art. 49.** The FM Committee may select external monitoring programmes. The FM Committee shall inform the NFP and the PO about each planned monitoring visit two weeks in advance.

**Art. 50.** **(1)** The Programme Operator shall monitor the executed Projects in order to establish the sustainability of the achieved results and the fulfilment of the requirements to the Beneficiaries after the completion of the Projects.

**(2)** The monitoring of the sustainability of a completed Project includes:

1. Inspection of the condition and maintenance of the site, including the availability of funds/resources allocated by the Beneficiary for the maintenance of the site subject to investments for the period of sustainability;
2. Verification of the use of the site for the intended purpose;
3. Check of the storage of the documentation;
4. Check of information and publicity measures.

**(3)** The Programme Operator shall apply Art. 46, para. 2 by monitoring of the implementation of the Projects.

**Art. 51.** An audit of the Project may be carried out by the Audit Authority under the Programme – Executive Agency “Audit of EU Funds”, the FM Committee and the EFTA Board of Auditors.

# PAYMENT

**Art. 52.** **(1)** Payments under the Grant Contract shall be made after the Beneficiary has submitted a request for payment.

**(2)** The Programme Operator shall make payments to the Beneficiary by bank transfers to the Beneficiary’s account stated in the financial identification submitted together with the corresponding payment request.

**(3)** Payments shall be made by the Programme Operator in case a limit amount is provided by the National Fund Directorate at the Ministry of Finance.

**(4)** The Programme Operator makes the payments in Bulgarian levs subject to a fixed exchange rate of 1 EUR = BGN 1,95583.

**Art. 53.** Prior to each payment the Programme Operator shall electronically send a notification to the National Revenue Agency and to the Customs Agency and shall make the payment after receiving the respective confirmations from the two agencies.

**Art. 54. (1)** The Beneficiary may apply for an advance payment immediately after the Grant Contract has been signed.

**(2)** The following shall be attached to the advance payment request:

1. a promissory note for the amount of the advance;

2. financial identification;

3. a declaration of de minimis aid and state aid.

**(3)** The advance payment under the Project is up to 30% of the amount of the grant referred to in the Grant Contract.

**(4)** The advance payment shall be made by the Programme Operator after the signature of the Grant Contract within 1 (one) month from the submission of the request for advance payment.

**Art. 55. (1)** The Beneficiary may request interim payments after the end of each reporting period.

**(2)** The request for interim payment shall be accompanied by documents required under the provisions of Section V.

**(3)** The interim payment shall be made by the Programme Operator within 10 (ten) working days after approval of the respective interim report.

**(4)** The amount of each interim payment is defined by deducting from the sum of the requested estimated funds and the costs verified so far under the Project all payments made by the Programme Operator.

**(5)** The total amount of the advance payment and the interim payments under the Project is up to 80% of the grant defined in the Grant Contract.

**Art. 56. (1)** The Beneficiary may submit a request for final payment within 2 months after the implementation of Project has finished in accordance within the deadline set in the Grant Con. The Programme Operator shall not make a final payment under a request submitted after the deadline and the costs remain at the expense of the Beneficiary.

**(2)** In the request for final payment the Beneficiary shall indicate the amount of the final payment after deduction of the received advance and interim payments.

**(3)** The request for final payment shall be accompanied by documents required under the provisions of Section V.

**(4)** The final payment shall be made by the Programme Operator within 10 (ten) working days after approval of the final report.

**(5)** The amount of the final payment shall be calculated by the Programme Operator after verification of the costs incurred during the last reporting period.

# IMPLEMENTATION OF THE PROJECT AND THE CONTRACT. NON-FULFILMENT OF THE CONTRACT. IRREGULARITIES

**Art. 57.** **(1)** The Beneficiary is required to execute the Project accurately, fully and within the deadline set in the Grant Contract.

**(2)** The Beneficiary shall immediately notify the Programme Operator of the occurrence of circumstances that may hinder or delay the implementation of the Project and the achievement of its objectives and planned outcomes.

**Art. 58. (1)** The parties are not liable for failure to fulfill their obligations under the Contract if it is due to the occurrence of an extraordinary circumstance.

**(2)** Exceptional circumstance is any unforeseeable event occurring after the conclusion of the contract which is not the result of action or omission by the parties (or their Partners, contractors, agents or employees), which prevents one of them from fulfilling their obligations under the Contract and can not be overcome with due care.

**(3)** The party affected by an extraordinary circumstance shall immediately notify the other party of the occurrence of an extraordinary circumstance, describe the nature, probable duration and foreseeable consequences thereof and take all necessary measures to minimize the possible harmful consequences.

**(4)** Defects of equipment or materials, delays in the delivery of equipment or materials, labour disputes, strikes or financial difficulties shall not be exceptional circumstances to which the parties may refer.

**Art. 59. (1)** The implementation of the Project ends with the completion of the activities provided for therein or with the expiry of the period for implementation of the Project under the Grant Contract, whichever is the earlier, and the submission of the final technical report and the final financial statement.

**(2)** The implementation of the Grant Contract ends with the fulfillment of all obligations of the parties thereto including those for which a deadline is to be met after the implementation of the Project has finished.

**Art. 60. (1)** Any failure to perform an obligation provided in the Grant Contract, these General Terms and Conditions or the legal framework applicable to the Project shall be deemed to be a breach of contract.

**(2)** The Programme Operator shall notify the Beneficiary of any detected breach and shall give the Beneficiary an opportunity to comment on it and to propose corrective measures.

**Art. 61. (1)** An irregularity is any breach under Article 12.2 (1) of the Regulation, namely an infringement of:

1. the legal framework of the EEA FM 2014-2021 referred to in Article 1.5 of the Regulation;
2. any provision of European Union law; or
3. any provision of the Beneficiary State’s national law,

which affects or prejudices any stage of implementation of the EEA FM 2014-2021 in the Beneficiary State, in particular, but not limited to, the implementation and / or budget of any program, project or other activities, financed through the EEA FM 2014-2021.

**(2)** An irregularity is considered to be any violation in conducting the procedure for selecting contractors under the Project, any unlawful payment to contractors under the Project, any unlawful reporting of Project activities that would result in the payment of unjustified costs and others.

**(3)** In cases of detected irregularities, the Programme Operator shall make substantiated proposals for financial corrections after detailed investigation and evaluation.

**(4)** In case the Programme Operator finds violations in the contractor’s procedure for selection of the Project contractors made by the Beneficiary under the Contract, the [COMMISSION DECISION of 14.5.2019 laying down the guidelines for determining financial corrections to be made to expenditure financed by the Union for non-compliance with the applicable rules on public procurement](http://www.bgregio.eu/media/files/vajni_saobshtenia/2019/GL_corrections_pp_irregularities_decision.pdf), and the Methodology for determining financial corrections in relation to infringements found in the award and execution of public procurement contracts and contracts for projects co-financed by the Structural Funds, the Cohesion Fund of the European Union, the European Agricultural Fund for Rural Development, the European Fisheries Fund and the funds under the General Programme “Solidarity and Management of Migration Flows” as adopted by Council of Ministers Decree No 57 of 2017 shall apply, taking into account the specificities of the EEA Grants Regulation 2014-2021.

**(5)** Financial corrections will be imposed after the Beneficiary has been given an opportunity to comment on a proposed adjustment.

**(6)** The Beneficiary shall immediately notify the Programme Operator of all suspected and/or actual cases of fraud and/or irregularities detected in connection with the implementation of the Project.

# SUSPENSION OF THE PROJECT. EARLIER TERMINATION OF THE CONTRACT

**Art. 62.** **(1)** The Beneficiary may temporarily suspend the execution of the Project in whole or in part if exceptional circumstances arise that make the implementation impossible under the agreed terms. The Beneficiary shall immediately notify the Programme Operator thereof, enclosing any evidence substantiating the merits of the suspension of implementation.

**(2)** The Programme Operator may request the Beneficiary to suspend the implementation of the Project in whole or in part if exceptional circumstances arise that make it too difficult or risky.

**Art. 63. (1)** In case the execution of the Project is suspended, the Beneficiary shall ensure that the execution period is abbreviated to the minimum and resume execution as soon as circumstances permit, as well as notify the Programme Operator immediately of these actions.

**(2)** In the event that the execution of the Project is suspended at the request of the Programme Operator, the Beneficiary must obtain from the Programme Operator a prior written approval to proceed with the implementation.

**(3)** The duration of the Project shall be extended by a period equal to the period during which its execution has been suspended without prejudice to the possibility to amend and supplement the Grant Contract in order to adapt the Project to the new conditions of implementation. The extension of the duration of the Project may not include a period beyond 30 April 2024.

**Art. 64. (1)** The Grant Contract may be terminated earlier with the mutual consent of the Programme Operator and the Beneficiary.

**(2)** The Programme Operator may unilaterally terminate the Grant Agreement without notice and without paying any compensation in any of the following cases where the Beneficiary:

**1.** unreasonably fails to fulfil any of its obligations and does not take action to make changes or fails to provide a satisfactory explanation within 5 working days after a written notice has been sent;

**2.** admit an irregularity in the conclusion and / or execution of the Project or the Contract within the meaning of these General Terms and Conditions where the results of such an irregularity cannot be corrected;

**3.** has been declared bankrupt or has been the subject of insolvency proceedings or is in liquidation proceedings;

**4.** has been convicted of fraud, corruption, involvement in criminal organizations or any other illegal activities detrimental to the financial interests of the European Union or the donor countries (Iceland, Liechtenstein and Norwayя);

**5.** has been proven to have declared untrue or incomplete data in order to obtain the grant aid subject to the Grant Contract or has submitted a statement or report that does not reflect the actual situation;

**6.** as a legal entity – transforms, or as a trader – transfers its business unless it has previously notified the Programme Operator and the latter has given its written consent to continue the contractual relationship with the new or transformed legal entity/trader.

**7.** on the basis of other grounds stated in the Grant Contract.

**(3)** The Programme Operator may unilaterally terminate the Grant Contract without notice and without paying any compensations also in case the Programme Agreement between the FM Committee and the National Focal point for financing the Programme and/or the Agreement between the NFP and the Programme Operator for the implementation of the Programme has been cancelled.

**Art. 65.** **(1)** In case of early termination of the Contract, the Beneficiary shall prepare a final report (a final technical report and a final financial statement).

**(2)** The Beneficiary shall be entitled to receive only such part of the grant that corresponds to the actually executed part of the Project that has been duly approved as such by the Programme Operator.

**(3)** No costs related to contracts between the Beneficiary and third parties that are to be executed after the earlier termination of the Contract shall be paid.

# SUSPENSION AND TERMINATION OF THE FINANCING. RECOVERY

**Art. 66.** If the Beneficiary fails to fulfil a contractual obligation, the Programme Operator may take preventive measures which consist in the suspension of payments without notice.

**Art. 67.** **(1)** If the Project has not been implemented or has been implemented inaccurately, incompletely or with delay, the Programme Operator may, with a duly reasoned decision, refuse to pay the grant and request repayment of the amounts paid or may reduce the grant initially foreseen in proportion to the actually executed part of the Project under these General Terms and Conditions and the Grant Contract.

**(2)** If the Beneficiary fails to fulfil a contractual obligation after completion of the Project, the Programme Operator may, with a duly reasoned decision, request repayment of amounts paid corresponding to the type and severity of the default and its effect on the achieved objectives and results of the implemented Project.

**(3)** The Beneficiary may submit a written objection to the Programme Operator against a decision of the Programme Operator under para. 1 or 2 within 15 working days of receiving the decision and shall attach thereto the evidence that the Beneficiary deems necessary.

**Art. 68.** The Programme Operator may suspend or terminate the Project funding when such a decision has been taken by the NFP or the FMO.

**Art. 69. (1)** The Beneficiary shall refund to the Programme Operator any unduly paid amounts, the amounts under detected irregularities where those are due to a default (an action or omission) on the part of the Beneficiary, as well as any unduly received amounts, including in the case of detected double financing of activities or costs or upon early termination, except in cases of early termination by mutual agreement, as well as the interest due on these amounts. The Beneficiary shall refund the amounts also in the cases under Art. 67, as well as when a decision has been taken by the FM Committee or the NFP.

**(2)** The amounts under para. 1 shall be refunded by the Beneficiary within the period of voluntary reimbursement – 14 days from receipt of an invitation for voluntary reimbursement sent by the Programme Operator to the bank account specified in the invitation.

**(3)** After the Beneficiary repays the amount due, the Programme Operator shall inform the NFP and the Certifying Authority in writing of the amount recovered.

**(4)** Where the Beneficiary fails to repay the requested amounts within the period of voluntary reimbursement under para. 2, the Programme Operator shall take action for their compulsory collection in accordance with the procedure provided in the Bulgarian legislation, and shall be entitled to compensation for delayed payment at the amount of the legal interest for delay for each delayed day.

**(5)** The Programme Operator may deduct the amounts to be refunded from the next payment to the Beneficiary and/or any amounts due to the Beneficiary by the Programme Operator.

**(6)** Where financial corrections are imposed on the Project, during or after the execution of the Project, based on recommendations by the Audit Authority and/or its findings, the Beneficiary shall repay the respective amount as specified by the Programme Operator within the term under para. 2.

**(7)** The bank charges related to the repayment of amounts due to the Programme Operator shall be borne entirely by the Beneficiary.

**Art. 70.** In case the European Commission has taken a decision for recovery of unlawfully granted state or de minimis aid, the Beneficiary shall repay the specified amount including the interest determined by the European Commission. [Any unrepaid aid shall be subject to forced collection in accordance with the Tax and Social Security Procedure Code](javascript:%20NavigateDocument('TSSPC_2005');).

# OTHER CONDITIONS

**Art. 71. (1)** The Parties shall make every effort to resolve disputes between them by mutual consent. Each Party shall respond to a written request by the other Party to settle a dispute by mutual consent within 5 working days of receiving such request. After this period expires or if the attempts to settle the dispute have not resolved it, each Party may notify the other within 5 working days of the date of the last written request between the parties that it considers that the procedure for voluntary settlement of the dispute has failed.

**(2)** Where a dispute cannot be settled by mutual agreement between the Parties, it may be referred by either of them for resolution to a competent Bulgarian court.

**(3)** The Bulgarian substantive and procedural law shall be applicable to the settlement of legal disputes.