

**GENERAL PROCEDURE MANUAL
FOR MANAGEMENT OF
STRUCTURAL FUNDS AND COHESION FUND IN BULGARIA**

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1. Preamble to the Manual

1.1. Purpose

The purpose of this Manual is to set out the defining principles, requirements and structures for the management of Structural and Cohesion Funds (Funds) in Bulgaria. These funds will be used to meet some of the objectives and priorities set out in the National Development Plan (NDP), which are identified in the National Strategic Reference Framework (NSRF). The NSRF is the basis for the programming of the Structural Instruments in Bulgaria.

This manual will assist the Bulgarian authorities to ensure the efficient and successful use of the funds according to the Council regulation (EC) No 1083/2006 laying down general provisions on the European Regional development Fund, the European social Fund and the Cohesion Fund; Regulation (EC) No 1080/2006 of the European parliament and the Council on the European Regional Development Fund; Regulation No 1081/2006 of the European parliament and the Council on the European Social Fund; and the Council regulation (EC) No 1084/2006 establishing a Cohesion Fund that can be found at the following website:

www.europa.eu.int/comm/regional_policy/index_en.htm

The manual gives instructions towards Central Coordination Unit (CCU), the Managing Authorities (MA), the Certifying Authority (CA), Audit Authority (AA) and Intermediate Bodies (IB) involved in the use of the Funds. It provides essential background information and guidance for all staff involved in this process.

This manual will serve as a general tool and source of information for raising public awareness and providing information about the use of EU Structural Instruments to the widest possible audience. This manual is made available to potential beneficiaries and is/after its finalisation/ accessible from the Ministry of Finance's website: www.eufunds.bg

This manual recognises the functional and operational independence of the managing and implementing institutions; therefore it provides overarching guidance that covers:

- Information and background knowledge that will enable people to understand the principles, requirements and procedures for implementing and managing Structural Instruments;
- Guiding principles, that all organisations responsible for implementing Structural Instruments should adhere to; and
- Examples and guidance notes on how specific issues/ procedures should be tackled.

This manual should be read in conjunction with the seven Operational Programmes (OP) and the NSRF, which provide technical information on programmes implementation.

1.2. Structure

This manual applies to the effective and efficient management and implementation of EU Structural Instruments in Bulgaria. These funds include the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the Cohesion Fund (CF).

The Manual Consists of the following chapters:

- Chapter 1 gives a brief overview of the Structural Instruments;
- Chapter 2 outlines the institutional system of the Funds operations;
- Chapter 3 describes the major principles underlying the management of the Funds;
- Chapter 4 deals with the Funds' management, separating programme and project level tasks regarding the Structural Funds. Among the programme level tasks are those in connection with the reports and information to be sent to the European Commission. These tasks should primarily incur by the appointed authorities. On the other hand project level tasks are linked with the beneficiaries, and are mainly carried out by intermediary organisations. While programme level tasks mainly arise annually or quarter yearly, project level tasks are generally continuous. The two levels are closely linked to each other;
- Finally, Chapter 5 contains a glossary and a list of relevant Regulations;
- Annexes (forms, samples) are to be found separately.

1.3. Version control

This manual is an evolving document, which will need to be updated as the MAs and IBs gain experience. This manual has been compiled on the basis of best practice from member States; as it evolves it will incorporate guidance on new policies and new practices. The responsibility for keeping this manual up to date rests with the CCU which is part of the Management of EU Funds Directorate (MEUFD) at the Ministry of Finance.

Amendments to the Manual are proposed by any institution involved in implementing the Structural Instruments that have been endorsed by the NSRF Monitoring Committee (MC).

1.4. Source material

The definitive source of guidance for the Structural Instruments is the Cohesion policy legislative package¹, which is augmented with the Cohesion Policy in Support of Growth and Jobs: Community Strategic Guidelines, 2007-2013, Cohesion Policy and cities: the urban contribution to growth and jobs in the regions..

Several EC websites give detailed information on the Structural Instruments, including information on emerging policies and practices; examples of these sites include:

- ERDF and CF (Directorate-General Regional Policy): http://ec.europa.eu/regional_policy/index_en.htm;
- European Social Fund (ESF) (Directorate-General Employment and Social Affairs): http://ec.europa.eu/employment_social/emplweb/esf/esf_success_en.cfm;
- Structural Instruments in Bulgaria: www.eufunds.bg.

¹ OJ L 210, 31.07.2006, p.1, 12, 25, 79; OJ L 239, 1.09.2006, p. 248

CHAPTER 1

INTRODUCTION TO THE STRUCTURAL FUNDS

This section contains background information about objectives, funds, financial allocations and how the funds are programmed.

1. The Objectives

The Treaty of Rome commits the European Community to strengthening its economic and social cohesion; the main tool to achieve this are the Structural Instruments. They are aimed at reducing disparities that have arisen particularly in countries and regions whose development is lagging behind, to the speeding-up of economic and social restructuring, and to the ageing of the population. Actions taken under the Structural Instruments shall incorporate, at national and regional level, the Community's priorities in favour of sustainable development by strengthening growth, competitiveness and employment, social inclusion, as well as protecting and improving the quality of the environment.

More growth and jobs for all regions and cities of the European Union – this message will be at the heart of Cohesion Policy and its instruments between 2007 and 2013. During that period, the greatest investment ever made by the EU through cohesion instruments will be worth EUR 347.41 billion euros (current prices) which is 35.7% of the total EU budget to support regional growth agendas and stimulate job creation. Cohesion Policy is expected to stimulate additional growth in the regions lagging behind in the order of 10 %, and more than 2.5 million new jobs will be created as a result.

Compared to the period 2000- 2006, the major policy changes are the following:

- Cohesion Policy is more clearly focused on the renewed Growth and Jobs Agenda, thus stimulating more ownership of the agenda at regional and local level;
- Cohesion Policy is modernised through a new architecture, including a more strategic approach;
- Cohesion Policy will operate in a simpler and more efficient way because, for example, the number of instruments will be reduced from six to three, a new “proportionality” principle will provide for less bureaucracy, the number of programming steps will be reduced from three to two, national eligibility rules apply instead of Community rules, and Member States and regions are asked for more responsibility and transparency of the funds' management.

Based on the Structural Funds regulations, which lay down common management rules, Community Strategic Guidelines on Cohesion provide for concentration on the objectives of the Union's Growth and Jobs Agenda. Against this background, Member States prepare National Strategic Reference Frameworks and national and regional Operational Programmes emphasising strategies and fields of intervention. They will be the final source for selecting and funding projects on the ground, a task carried out by national and regional authorities working together with Commission services on the strategic follow-up and issues such as major project selection, control and evaluation.

Certain spending targets have been agreed upon to pursue the objectives of the Growth and Jobs Agenda: in the case of the Convergence objective, the target is 60 %, and in the case of the Regional Competitiveness and Employment objective, the target is 75 % of the total available funding, which needs to be “earmarked” for interventions supporting, for example, research and innovation, the information society and sustainable development.

The first objective **Convergence** is aimed at speeding up the convergence of the least-developed Member States and regions by improving conditions for growth and employment through increasing and improving the quality of investment in physical and human capital, the development of innovation and of the knowledge society, the adaptability to economic and social changes, the protection and improvement of the environment as well as administrative efficiency. This is the Structural Instruments' main priority that will be financed from the ERDF, the ESF and the CF.

The EU targets regions by the Convergence objective where the per capita gross domestic product (GDP) measured in purchasing power parities is less than 75% of the Community average; this covers the whole of Bulgaria. Those Member States targeted by the "Convergence" objective with per capita gross national income (GNI) less than 90% of the Community average will also benefit from CF. The whole territory of Bulgaria will be eligible under this Objective.

Outside the Convergence regions, the **Regional competitiveness and employment** objective aims at strengthening regions' competitiveness and attractiveness as well as employment by a two-fold approach. First, development programmes will help regions to anticipate and promote economic change through innovation and the promotion of the knowledge society, entrepreneurship, the protection of the environment, and the improvement of their accessibility. Second, more and better jobs will be supported by adapting the workforce and by investing in human resources.

The **European territorial co-operation** objective will strengthen cross-border cooperation through joint local and regional initiatives, trans-national cooperation aiming at an integrated territorial development, and interregional cooperation and exchange of experience. The financing under this objective will be granted only from the ERDF and eligible NUTS III regions in Bulgaria will benefit from this. More specifically, for cross-border cooperation these are the border NUTS III regions, and for trans-national and inter-regional cooperation – all the regions in Bulgaria.

2. The Funds

This manual relates to the sound management and application of three funds: the ESF, the ERDF, and the CF, defined by the General Regulation and their respective Regulations (Annex III) defining the scope and the management modalities.

The ESF focuses on both the 'Convergence' and the 'Regional Competitiveness and Employment' objectives. It will be implemented in line with the European Employment Strategy and it will focus on four key areas: increasing adaptability of workers and enterprises, enhancing access to employment and participation in the labour market, reinforcing social inclusion by combating discrimination and facilitating access to the labour market for disadvantaged people, and promoting partnership for reform in the fields of employment and inclusion, strengthening institutional capacity and the efficiency of public administrations and public services at national, regional and local level and, where relevant, of the social partners and non-governmental organisations, with a view to reforms, better regulation and good governance especially in the economic, employment, education, social, environmental and judicial fields

The ERDF focuses on all three objectives. It will support programmes addressing regional development, economic change, enhanced competitiveness and territorial cooperation throughout the EU. Funding priorities include research, innovation, environmental protection and risk prevention, while infrastructure investment retains an important role, especially in the least developed regions.

The Cohesion Fund contributes to interventions in the field of the environment and trans-European transport networks. It applies to Member States with a Gross National Income (GNI) of less than 90% of the Community average which means it covers the new Member States as well as Greece and Portugal. Spain will be eligible to the Cohesion Fund on a transitional basis. In the new period, the CF will contribute alongside the ERDF to multi-annual investment programmes managed in a decentralised way, rather than being subject to individual project approval by the Commission.

Two other EU funds have been designed to address specific issues arising in the agriculture and rural development and the fishery sectors, namely: the European Agricultural Fund for Rural Development (EAFRD) and European Fisheries Fund (EFF), governed respectively by the Council Regulation (EC) No 1698/2005 on support for rural development by the EAFRD and the Council Regulation (EC) No 1198/2006 on the European Fisheries Fund.

During the programming process the CCU ensures coordination among the Funds, interventions of the EIB and of other existing financial instruments. Such coordination also covers the preparation of complex financial schemes and public private partnerships. This manual is not intended as a guide to these funds; the relevant MAs will develop specific manuals and guidelines.

3. Programming documents

Utilization of the resources of the Structural Funds is done according to the programming principle. This means that the support serves the realisation of a well grounded economic- and social development strategy.

The Bulgarian authorities will implement the Structural Instruments objectives through a framework of a multi-annual programming organised in several stages comprising the identification of the priorities, the financing, and a system of management and control

The policy framework for the future social and economic development of Bulgaria is set out in the NDP, which analyses the economic and social situation, and identifies a series of priorities for future development and investment. From this thorough analysis the government of the country has defined its vision by 2015 Bulgaria to become a dynamic, competitive and accessible EU country with high quality of life, income and social awareness.

The overall strategy for achieving this vision is based upon the achievement of two strategic medium-term goals developed in line with the Community Strategic Guidelines (CSG)²:

- Strengthen the competitiveness of the economy to achieve high and sustainable growth;
- Develop human capital to ensure higher employment, income and social integration.

Bulgaria undertakes an integrated approach to sustainable growth and development. Investments concentrate in the two factors of growth – physical and human capital. The rule of law and efficient judicial and administrative system are overarching basic preconditions for achieving expected Investments impact. There is a need to improve the overall business environment, as mentioned in the NSRF socio-economic analysis, as well as in the Commission's Monitoring Reports and in the Pre-accession Economic Programme. Simultaneously, the growth requires accompanying territorial policies to achieve both territorial cohesion and equal treatment of citizens irrespective of location.

To achieve the two overall medium term goals Bulgaria needs to focus on **four strategic priorities** – three thematic and one territorial in compliance with CSG (Annex 7):

² COM(2005) 299, published on 15 July 2005.

- Improving physical infrastructure;
- Increasing quality of human capital with a focus on employment;
- Fostering entrepreneurship, favourable business environment and good governance;
- Supporting balanced territorial development.

These three thematic and one territorial areas are supported by the Structural Instruments. The Structural Instruments support is organised into seven Operational Programmes (apart from Objective 3 programmes), and the two National Strategic Plans drawn from EAFRD and EFF, namely:

- Development of the Competitiveness of the Bulgarian Economy;
- Environment;
- Regional Development;
- Transport;
- Human Resources Development;
- Administrative capacity;
- Technical Assistance;
- National Strategic Plan for Rural Development and Rural Development Programme;
- National Strategic Plan for Fisheries and OP Fishery.

The OPs describe the scope and range of the various programmes and how they contribute to both Bulgaria's vision and objectives and the Community's goals. MAs will prepare their own manuals and guidance notes, and they will set up websites with the details of various types of actions and interventions contained in their programmes. Links to their websites are given in the Annex II.

The programmes' content is defined in the General Regulation (Art. 37 of Regulation No 1083/2006).

The OPs must contain a socio-economic analysis, SWOT analysis and justification of the priorities and their targets. They should also contain an indicative breakdown by category and financial tables for each year and priority axes of the programme, as well as complementary issues related to EAFRD and EFF where relevant.

The programmes should also define the implementing mechanisms, including all the bodies involved in management, payment, monitoring and evaluation systems, and the competent receiving and paying bodies. There should also be a description of the publicity and information elements, including how information is exchanged with the EC.

An indicative list of major projects (whose total cost exceeds €25 million in the case of the environment and €50 million in other fields) and aid schemes should be a part of the OPs, as well as those cities chosen as the focus for addressing sustainable urban development and other issues.

CHAPTER 2

INSTITUTIONAL STRUCTURE

1. Overview

The institutional framework for the management and control of the Funds is set out in Art 59 of Council Regulation (EC) No 1083/2006. It describes the roles and responsibilities of the following authorities:

- Managing Authorities of the Operational Programmes;
- Certifying Authority;
- Audit Authority.

In addition, Managing and Certifying Authorities can delegate their functions to Intermediate Bodies of the Operational Programmes. Their roles and responsibilities are defined in the Agreements between the IB(s) and the respective MA.

2. Monitoring Committees

The Monitoring Committee (MC) is the main co-ordinating and decision-making body of the OP. According to Article 65 of Regulation No 1083/2006, the Monitoring Committee shall satisfy itself as to the effectiveness and quality of the implementation of the programme.

Each OP shall be supervised by a separate Monitoring committee. In addition, a Monitoring Committee is established for the monitoring of the implementation of the NSRF. The Monitoring committees shall be established by a Council of Ministers' Decision.

Monitoring is a process for following of the progress on the implementation of the targets, activities and expenditure at the absorption of the EU funds within the NSRF and the OPs.

The monitoring shall be carried out on the basis of the information regarding physical and financial indicators, which have been set in each OP and in the NSRF. The monitoring indicators allow the Monitoring committees to measure the achieved progress in the implementation of the targets, the influence and the results during the utilization of the assistance and the progress on the financial plan.

The information for the purpose of monitoring shall be collected through the Management Information System and on the basis of regular monthly, quarterly, of six month and annual reports from the final beneficiaries to the IBs, from the IBs to the MA and from the MA to the Monitoring Committee and the EC, as well as the financial reports of the MAs to the CA.

2.1. Partnership

The Monitoring committees shall be established on the principle of partnership in order to ensure greater involvement and shared responsibility of all bodies involved in the process of EU Structural Instruments' application in Bulgaria. The Chairman of the Monitoring Committee shall issue an invitation to the social-economic partners, the planning regions, the local government organizations and the non-government sector, to nominate in coordinated manner their representatives in the Monitoring Committee according to the quota, which shall be given to them by a Council of Ministers' Decision. As per the selection of the relevant representatives, the interested organisations

and councils shall inform the Chairman of the Monitoring Committee of the corresponding OP via an official letter, signed by all organisations/councils.

The representatives of the partners shall speak on behalf of a wider community, of the organisations from the district that they represent. They shall provide a feedback between them and the organisations which have nominated them. The Trade unions, the Employers' organisations and the NGOs will appoint its representative in the respective NSRF/OP Monitoring Committees.

For the purpose of the Monitoring Committees and for securing the effective observance of the partnership principle, the following three groups of partners are distinguished:

- employers organisation and unions (including industrial and trade chambers, business and entrepreneurship associations);^[1]
- trade unions and other working alliances;^[2]
- civil society (including the nongovernmental sector (NGOs), academic communities, consumer associations, ecological and other thematic organisations)

2.2. Preparatory stage

The Monitoring Committees of the NSRF and OPs are established not later than 3 months from the date of notification to the member state of the decision approving the OP. Prior to the undertaking of the real functions for monitoring of the NSRF and OPs, according to the requirements of the EU's regulations, the Monitoring committees shall be prepared for the implementation of the monitoring tasks.

The functioning of the Monitoring Committees in the preparatory stage (shadow Monitoring committee) will:

- Allow its members to learn to work in partnership;
- Allow the partners to keep track of the development of the approval of the NSRF and OPs;
- Represent a forum where the matters related to the final drafting of the Programmes and regulation of their implementation could be discussed.

Tasks of the Monitoring Committees in the preparatory stage are:

- To adopt the Internal rules of Procedure and a Code of Conduct;
- To take a decision for establishment of subcommittees;
- To monitor the preparation of the criteria for project selection and giving advice;
- To monitor the progress in the strengthening of the capacity in the preparation for implementation of the NSRF and OPs.

^[1] Bulgarian Industrial Association (BIA), Bulgarian Industrial Capital Association, Bulgarian Chamber of Commerce and Industry (BCCI), Union of Private Economic Enterprise (UPEE), Bulgarian Union of Private Entrepreneurs "Vazrazhdane", Employers Association of Bulgaria (EABG)

^[2] Confederation of Independent Trade Unions in Bulgaria (CITUB), Confederation of Labour Podkrepa

2.3. Training

The CCU and the OP MAs shall organise training of the members of the Monitoring Committees in relation to their functions and tasks. Besides introductory training, the responsible institutions should be ready to provide training for any new members of the Monitoring Committees.

2.4. Real stage of the monitoring

It begins with the formal establishment of the Monitoring Committees.

2.4.1. Monitoring Committee of the National Strategic Reference Framework

2.4.1.1. Tasks of the Monitoring Committee of the National Strategic Reference Framework:

1. Review the progress in the achieving of the aims and priorities of the NSRF, based on the defined in the NSRF indicators;
2. Discuss and approve all amendments in the NSRF, which result from the suggestions by the MC members and from the review of the Community Strategic Guidelines on Cohesion in the middle of the period;
3. Examine and approve the annual reports and the final report on the NSRF;
4. Examine and approve information on annual basis, prepared by the OP MAs and submitted by the CCU director on the contribution of the OPs for the achievement of the priorities of the National Reform Programme for the purpose of its annual implementation report;
5. Examine and approve reports, prepared by the CCU on the contribution of the OPs for the achievement of the objectives of the EU Cohesion Policy; fulfilment of the tasks of the Funds; implementation of priorities detailed in the Community Strategic Guidelines on Cohesion and Integrated Guidelines for Growth and Jobs 2005-2008;
6. Examine and approve national awareness and publicity plan for the NSRF and the reports of its implementation;
7. Review the implementation of the goals of the NSRF and may require from the MA OPs information concerning the OPs' contribution toward accomplishment of the NSRF goals;
8. Receive information from the MA OPs regarding the conclusions and recommendations of the annual reports on the implementation of the OP;
9. Receive information from the MA OPs regarding the results, conclusions and recommendations of the OPs' evaluations;
10. Receive information regarding conclusions and recommendations from the annual reports on control of the Operational Programmes, prepared by the Audit authority, and information on high risk findings (if any), prepared by other internal and external controlling authorities, adopts a schedule for the corrective measures and approve the report on the implementation of the corrective measures;
11. Examine the reports of the Certifying authority on the financial management and the implementation of EU Structural Instruments assistance;

12. Keep up with for the actions undertaken in accordance with the horizontal policies: sustainable development (including environment), equality opportunities, competition (including state aid) and public procurement;
13. Examine the execution of the additionality principle;
14. Receive information from the CCU director about the application and utilization of the Management Information System;
15. Take decisions on complicated matters, related to the Structure funds assistance, after a proposal on behalf of the MC members;
16. May carry out additional tasks, resulting from the Internal Rules of Procedure connected with monitoring of the NSRF, assigned by the Council of Ministers;
17. Adopt Internal rules of procedure and Code of Conduct.

2.4.1.2. Members of the NSRF Monitoring Committee

The partnership principle shall be observed in the composition of the Monitoring Committee. There shall be provided representation of the different levels of management – central, regional and local; of the social-economic partners and the non-government sector.

The NSRF MC consists of a chairman, members and observers.

The Chairman of NSRF MC is the Minister of Finance.

The NSRF MC members are:

1. At central level:
 - Deputy Minister of finance responsible for the CCU;
 - Deputy Ministers responsible for the OP Managing Authorities, respectively of: regional development and public works; transport; environment and waters; economy and energy; social policy and labour; and state administration and administrative reform;
 - Deputy Minister of agriculture and forestry;
 - Deputy Minister of education and science;
 - Deputy Minister of healthcare;
 - Deputy Minister of culture;
 - Deputy Chairman of the National Statistical Institute;
 - the Executive director of the Agency for fishery and aqua culture under the supervision of the Minister of agriculture and forestry;
 - the Executive director of the Agency for Economic analysis and forecasting under the supervision of the Minister of finance,
 - the Director of the Central Coordination Unit;
 - the Director of the Certifying Authority;
 - the Director of Economic and social policy Directorate, Council of Ministers;
 - the Director of Strategic planning and management Directorate, Council of Ministers;

- the Director of Coordination of the EU and international financial institutions affairs Directorate, Council of Ministers
- 2. At regional and local level:
 - one representative of the National Association of Municipalities in the Republic of Bulgaria;
 - one representative from each of the Regional Development Council at the NUTS II level regions;
- 3. Of the social-economic partners: one representative from each of the nationally presented organisations of employers, workers and employees, acknowledged by the Council of Ministers based on the Labour Code.

As observers in the NSRF Monitoring Committee shall participate:

1. Representative of the EC;
2. Representative of European Investment Bank;
3. The Director of the Audit Authority;

At establishment of the MC of the NSRF the gender equality principle is observed.

The Minister of finance shall issue an order for the nominal members of the Monitoring Committee, in which shall be pointed the members and their alternates, who have the right to vote. The alternate members may participate in the meetings as observers and shall exercise their voting right only in the case of absence of the nominated member.

2.4.1.3. Rules for procedure of the NSRF Monitoring Committee

The NSRF MC shall adopt its own Internal Rules of Procedure and Code of Conduct after a proposal on behalf of the Director of the Central Coordination Unit. The Internal Rules of Procedure shall have the following structure:

1. Aims and tasks
2. Composition:
 - Members with voting rights
 - Observers
3. Secretariat
4. Meetings
 - Convocation of meetings
 - Place
 - Agenda
 - Documents
 - Minutes
5. Decision making
6. Subcommittees

7. Code of Conduct

8. Alteration in the Internal Rules of Procedure

As a general rule the decisions of the Monitoring Committee shall be made via consensus. The Internal Rules need to provide also a procedure for voting with majority with the purpose of making the necessary decisions for implementation of the National Strategic Reference Framework.

The Monitoring Committee shall meet at least twice per year, normally in the spring and autumn. If necessary, extraordinary meetings shall be convened. The spring meeting shall examine the progress throughout the previous year and the approval of the report on implementation. The autumn meeting shall examine the progress until June 30th of the current year. In case circumstances demand a decision to be made prior to the following meeting, the Monitoring Committee makes a decision via a written procedure.

The functions of the Secretariat of the NSRF Monitoring Committee shall be carried out by the CCU. It shall prepare the necessary documents for the Monitoring Committee and shall send them to the members together with the agenda for the meeting 10 working days before the date of the meeting.

2.4.1.4. Code of Conduct

The NSRF Monitoring Committee shall adopt its own Code of Conduct. The activity of the Monitoring Committee is in the name of a broad public interest. The Members of the Monitoring Committee shall be responsible for their actions and should base their work and behaviour on the principles of selflessness, impartiality, accountability, openness, honesty and objectivity.

Each member of the MC signs a Declaration for avoidance of conflict of interests.

2.4.1.5. Subcommittees

The NSRF MC establishes permanent and temporary subcommittees on specific and current matters. The possibility for the establishing of such subcommittees, their members, tasks and responsibilities should be envisaged and described in detail in the Internal Rules of Procedure of the NSRF MC.

The subcommittees shall follow the principle of partnership in the appointment of members. Participants may include some of the members of the Monitoring Committee as well as experts and representatives of the partners, who are experts on the specific theme/work of the subcommittee.

If, the Subcommittee has achieved consent on a certain matter, which requires making of a decision on behalf of the NSRF Monitoring Committee, then this decision may be made with no further debate by the Monitoring Committee. If agreement has not been reached by the subcommittee, the Monitoring Committee shall make a decision after additional debate and consultation.

The Subcommittee on strategic matters shall keep track and analyse the implementation of the aims of the National Strategic Reference Framework and the way the accomplishment of the aims of each Operational Programme contributes for the implementation of the goals of the Funds and the National Strategic Reference Framework. As a rule, it shall meet prior to the meetings of the NSRF Monitoring Committee. The Subcommittee shall present reports on matters of its competence to NSRF Monitoring Committee.

The Subcommittee on implementation shall keep track and analyse the information from the Management Information System. It shall meet every month and present reports on matters of its competence to the NSRF Monitoring Committee.

2.4.2. Operational Programmes' Monitoring Committees

2.4.2.1. Tasks of the OP Monitoring committee:

1. Consider the criteria suggested by the Director of the Managing Authority for project selection, which will be financed by the Structural funds and approves them within 3 months after the approving of the Operational Programme, but not later than one month after the possibility for receiving of financial assistance from the Structure funds on the particular Operational Programme. Within the programme period, it may adopt amendments of the approved criteria after the motivated proposal by the Director of the Managing Authority;
2. Review periodically the progress made towards achieving the specific targets and of the priorities of the Operational Programme on the basis of documents submitted by the Director of the Managing Authority;
3. Consider and approve the annual and final reports on implementation of the Operational Programme, brought in by the Managing Authority of the Operational Programme and give permission for their submission to the European Commission;
4. Assign to the Managing Authority the submission of the approved reports to the Central Coordination Unit;
5. Examine the information on the annual report for control of the implementation of the Operational Programme, as well as the comments of the Commission, in case there are such comments;
6. Propose to the Managing Authority any revision or examination of the Operational Programme likely to make possible the attainment of the Funds' objectives referred to in Article 3 or to improve its management, including its financial management;
7. Consider and approve any proposal to amend the content of the Commission decision on the contribution of the Funds;
8. Examine and approve the proposals for distribution of funds among the priorities of Operational Programme;
9. Approve the Publicity and Information Strategy for the relevant Operational Programme and a plan for its implementation; review the reports for the implementation of the strategy;
10. Approve the information from the Audit Authority for the annual reports for control of the Operational Programme, accept a schedule for the corrective measures and approve the report for the implementation of the corrective measures;
11. Keep up with the actions which are being undertaken in correspondence with the horizontal issues: sustainable development (including environment), equality opportunities, competition (including state aid) and public procurement;
12. Examine and approve the reports for the applying and using the OP Management Information System;

13. Take decisions on complicated matters, connected to the applying of the Structure funds assistance, after a proposal on behalf of the Directors of the Managing Authorities, the Certifying Authority and the Audit Authority;
14. Adopt Internal Rules of Procedure;
15. May carry out additional tasks, resulting from the Internal Rules of Procedure.

2.4.2.2. Members of the OP Monitoring Committee

The OP Monitoring Committees shall consist of a Chairman, members and observers.

Chairman of the corresponding Monitoring Committee of the Operational Programme shall be the deputy-minister of the ministry responsible for the structure of the Managing Authorities of the Operational Programme belongs.

The Monitoring Committees of every Operational Programmes shall include the following members:

1. At central level:
 - the Director of the Managing Authority of the relevant Operational Programme;
 - the Directors of the Managing Authorities of the other six Operational Programmes;
 - the Director of the structure within the Ministry of Agriculture and Forestry, responsible for the Plan for development of the agriculture and rural regions for the period 2007-2013;
 - the Director of the structure within the Agency for Fishery and Aqua Cultures, responsible for the Fishery Programme;
 - the Executive director of the Executive Agency for Economic Analysis and Forecasting under the supervision of the Minister of Finance;
 - the Director of the CCU;
 - the Director of the CA;
 - representative/s of the Intermediate Bodies (if any for the respective programme);
 - representative of the Economic and Social Policy Directorate at the Council of Ministers;
 - representative of the Strategic Planning and Management Directorate at the Council of Ministers;
 - representative of the Coordination of the EU and International Financial Institutions Affairs Directorate at the Council of Ministers;
 - representatives of ministries, state agencies, state commissions, executive agencies and other institutions related with the priorities of the respective Operational Programme.
2. At regional and local level:
 - one representative of the National Association of Municipalities in the Republic of Bulgaria;
 - one representative from each of the Regional Development Council at the NUTS II level regions;

3. Of the social-economic partners: one representative from each of the nationally presented organisations of employers, workers and employees, acknowledged by the Council of Ministers based on the Labour Code

As observers in the OP Monitoring Committee shall participate:

1. The director of the Audit Authority;
2. Representative of the EC;
3. Representative of the European Investment Bank or other financial institution (when receiving financial assistance from the European Investment Bank or other financial institution);
4. Experts on horizontal issues – one expert in the each of the following areas: sustainable development, equal opportunities, competition and public procurement;
5. Representatives of the NGOs.

The Minister under whose authority is the MA of the respective OP specifies the rules of procedure for nomination and representation of NGOs representatives in the work of the OP MC.

The number of the Members of OP Monitoring Committee must be limited to such allowing effective work during the meetings.

At establishment of the OP MCs the gender equality principle shall be observed.

The Minister under whose authority is the MA of the corresponding OP issues an order for the nominated members of the Monitoring Committee where the members and their alternates have been listed. The alternate members may participate in the meetings as observers and shall exercise their voting right only in the cases of absence of the nominated member.

2.4.2.3. Rules of procedure of the Monitoring Committee of the Operational Programme

The OP Monitoring Committee shall accept its own Internal Rules of Procedure and Code of Conduct after proposal of the Director of the Managing Authority of the relevant Operational Programme.

The Internal Rules of Procedure have the following structure:

1. Aims and tasks
2. Members
 - Members with voting rights
 - Observers
3. Chairman
4. Secretariat
5. Meetings
 - Convocation of meetings
 - Place of conduct
 - Agenda
 - Documents

- Minutes
- 6. Decision making
- 7. Subcommittees
- 8. Code of Conduct
- 9. Amendment of the Internal Rules of Procedure.

As a general rule the decisions in the Monitoring Committee shall be made via consensus. The Internal Rules must provide a procedure for voting with majority with the purpose of making the necessary decisions for the implementation of the Operational Programme, including the decisions for transferring of Funds.

The Monitoring Committee shall meet at least twice per year, ordinary in the spring and in the autumn. If necessary there may be convicted extraordinary meetings. The spring meeting shall ordinarily examine the progress throughout the previous year and the approval of the report on implementation. The autumn meeting shall examine the progress until June 30th of the current year. In case circumstances urge a decision to be made prior to the following meeting, the Monitoring Committee may make a decision via a written procedure.

The functions of the Secretariat of the OP Monitoring Committee shall be carried out by the Managing Authority of the relevant OP. It shall prepare the necessary documents for examining on behalf of the Monitoring Committee and shall send them to the members together with the agenda for the meeting 20 working days before the date of its conduct.

2.4.2.4. Code of Conduct

The OP Monitoring Committee shall adopt its own Code of Conduct. The activity of the Monitoring Committee is in the name of a broad public interest. The Members of the Monitoring Committee shall be responsible for their actions and should base their work and behaviour on the principles of selflessness, impartiality, accountability, openness, honesty and objectivity.

Each Member of MC signs Declaration for avoidance of conflict of interests.

2.4.2.5. Subcommittees

The OP Monitoring Committee may establish permanent and temporary Subcommittees on specific and current matters. The possibility for the establishing of such subcommittees, their members, tasks and responsibilities should be envisaged and described in detail in the Internal Rules of Procedure of the OP MC.

The subcommittees shall follow the principle of partnership at the appointing of members. As such there may participate some of the members of the Monitoring Committee as well as experts and representatives of the partners, who are experts on the specific theme/work of the subcommittee.

The membership of the subcommittee needs to guarantee the optimality of its work.

In case, the Subcommittee has reached agreement on a certain matter, which requires making of a decision on behalf of the OP Monitoring Committee, then this decision may be made with no further debate by the Monitoring Committee. In case, agreement has not been reached by the

subcommittee, the Monitoring Committee shall make a decision after additional debate and consultation.

3. Central Coordination Unit (CCU)

The CCU takes the lead in co-ordinating the operations of EU Structural Instruments; its main responsibilities as per Council of Ministers Decree No 94/25.04.2006 on the amendment of the Rules of Procedure of the Ministry of Finance are:

- Prepare the NSRF in cooperation with the Agency for Economic Analysis and Forecasts and negotiate the NSRF with the EC;
- Act as a focal point for contact with the EC;
- Ensure the application of key Structural Funds principles, including partnership and additionality;
- Provide the part of the annual National Reform Programme report concerning the contribution of the Funds towards its implementation;
- Nominate OP Liaison Officers to assist the OP MAs and monitor the OPs progress to the achievement of the NSRF objectives;
- Ensure co-ordination between the OPs and the EIB and other financial instruments;
- Prepare and submit reports to the EC as required by the Regulations;
- Develop and ensure the proper functioning of the Management Information System;
- Coordinate the preparation and after approval of the Council for coordination, control and implementation of infrastructure projects of national importance (CCCIIPNI), submit to the EC major projects (above 25 mln. euro for environment and above 50 mln. euro for others);
- Act as a secretariat of the NSRF MC;
- Participate in all OP MCs.

4. Managing Authorities of the Operational Programmes

A Council of Ministers Decree No 965/16.12.2005 confirmed the designated MAs and the respective IBs, which were established during the negotiations of chapter 21 “Regional policy and coordination of structural instruments”. A chart of the general organisational structure of the OPs management is enclosed in Annex IV. The CCU has given the MAs guidance based on the requirements of the General Regulation on how to prepare the OPs..

Subsequently, each MA is responsible for managing and implementing its OP in accordance with the principle of sound financial management. The main functions of the MA are outlined in Article 60 of the Regulation (EC) No 1083/2006, namely:

- Ensure that operations are selected for funding in accordance with the criteria applicable to the Operational Programme and that they comply with applicable Community and national rules for the whole of their implementation period;

- Verify that the co-financed products and services are delivered and the expenditure declared by the beneficiaries for operations has actually been incurred and complies with Community and national rules; verifications on-the-spot of individual operations may be carried out on a sample basis in accordance with the detailed rules to be adopted by the Commission in accordance with the procedure referred to in Article 103(3);
- Ensure that there is a system for recording and storing in computerised form accounting records for each operation under the Operational Programme and that the data on implementation necessary for financial management, monitoring, verifications, audits and evaluation are collected;
- Ensure that beneficiaries and other bodies involved in the implementation of operations maintain either a separate accounting system or an adequate accounting code for all transactions relating to the operation without prejudice to national accounting rules;
- Ensure that the evaluations of Operational Programmes referred to in Article 48(3) are carried out in accordance with Article 47;
- Set up procedures to ensure that all documents regarding expenditure and audits required to ensure an adequate audit trail are held in accordance with the requirements of Article 90;
- Ensure that the Certifying Authority receives all necessary information on the procedures and verifications carried out in relation to expenditure for the purpose of certification;
- Guide the work of the Monitoring Committee and provide it with the documents required to permit the quality of the implementation of the Operational Programme to be monitored in the light of its specific goals;
- Draw up and, after approval by the Monitoring Committee, submit to the Commission the annual and final reports on implementation;
- Ensure compliance with the information and publicity requirements laid down in Article 69 of Regulation (EC) No 1083/2006;
- Provide the Commission with information to allow it to appraise major projects.

The OP MA performs its tasks involving Intermediate Bodies, where appropriate.

The OP MA works in close co-operation with partner ministries that are responsible for areas covered by certain priorities and measures and are providing co-financing from the national budget.

The OP MA acts as a secretariat of its Monitoring Committee.

The following bodies are designated as OP MAs in Bulgaria:

- “Programming of Regional Development” General Directorate at the Ministry of Regional Development and Public Works as a Managing Authority of OP “Regional Development”;
- “European Funds for Competitiveness” Directorate at the Ministry of Economy and Energy as a Managing Authority of OP “Development of the Competitiveness of the Bulgarian Economy”;
- “European Funds, International Programmes and Projects” Directorate at the Ministry of Labour and Social Policy as a Managing Authority of OP “Human Resources Development”;

- “Coordination of Programmes and Projects” Directorate at the Ministry of Transport as a Managing Authority of OP “Transport”;
- “Cohesion Policy for Environment” Directorate at the Ministry of Environment and Water as a Managing Authority of OP “Environment”;
- “Management of Programmes and Projects” at the Ministry of State Administration and Administrative Reform as a Managing Authority of OP “Administrative Capacity”;
- “Management of EU Funds Directorate” at the Ministry of Finance as a Managing Authority of OP “Technical Assistance”.

5. Certifying Authority (CA)

According to Art.61 of Regulation (EC) No 1083/2006, the CA executes the following tasks:

- Drawing up and submitting to the Commission certified statements of expenditure and applications for payment under each Operational Programme;
- Certifying for each Operational Programme, that:
 - a. the statement of expenditure is accurate, results from a reliable accounting system and is based on verifiable supporting documents;
 - b. the expenditure declared complies with applicable Community and national rules and has been incurred in respect of operations selected for funding in accordance with the criteria applicable to the programme and complying with Community and national rules.
- Ensuring for the purposes of certification of expenditure under Operational Programmes that it has received adequate information from the Managing Authorities on the procedures and audits carried out in relation to expenditure declared;
- Taking account for certification purposes of the results of all audits carried out by or under the responsibility of the audit authority;
- Maintaining accounting records in computerised form of expenditure declared to the Commission;
- Keeping an account of amounts recoverable and of amounts withdrawn following cancellation of all or part of the contribution for an operation. Amounts recovered shall be repaid to the general budget of the European Union prior to the closure of the operational programme by deducting them from the next statement of expenditure.

In addition to the functions described above, the CA in Bulgaria participates in all MCs of the OPs and the NSRF Monitoring Committee

The CA certifies expenditure listed in the Applications for Payment submitted to the European Commission, provided that the Managing Authority and Intermediate Bodies which report to the MA and are responsible for Programme implementation have met the conditions laid down in the respective EU regulations.

The CA will also certify expenditure if Bulgaria makes a partial closure of Operational Programmes at periods determined by itself and relating to operations completed during the period up to 31 December of the previous year. An operation shall be deemed completed where the activities under

it have been actually carried out and for which all expenditure by the beneficiaries and the corresponding public contribution have been paid.

The CA is also responsible for ensuring that it has received adequate information from the MA on the procedures and verifications carried out in relation to expenditure included in statements of expenditure and for taking account, for the purposes of certification, of the results of all audits carried out by or under the responsibility of the Audit Authority and of other audits carried out by the internal audit or by external audit organization.

The CA maintains accounting records in computerised form of expenditure declared to the EC and keeps an account of amounts recoverable and of amounts withdrawn following cancellation of all or part of the contribution for an operation.

The CA is responsible for administrating the Irregularity procedure at national level and shall report all actual or suspected cases of fraud or irregularities concerning the Structural Instruments to the Commission, OLAF and AFCOS.

The CA is the contact point for the financial information exchanged between the Commission and the Republic of Bulgaria.

The tasks of the Certifying Authority are assigned to the National Fund Directorate at the Ministry of Finance.

6. Audit Authority

According to the Art. 62 of EU Regulation (EC) No 1083/2006, the AA shall perform audits on appropriate base aiming to ensure that the management and control systems of the Operational Programs function effectively.

Two types of audits shall be performed by the AA : systems audits and audits of operations.

The AA shall elaborate its own Procedure Manual.

From 2008 onwards the AA shall issue an annual control report and an audit opinion for the legality and regularity of the transactions, subject to audit (Article 62, d (i), (ii) of Regulation (EC) No 1083/2006).

The AA is authorised to issue where applicable a declaration for the partial closure of a program according to Article 88 of Regulation (EC) No 1083/2006) and a closure declaration (Article 62, d (iii) of Regulation (EC) No 1083/2006).

In order to perform its function, the AA shall be assured access to all documents of the operational programs and to the premises of the audited bodies (Article 22 Internal Audit in the Public Sector Act).

The Audit Authority shall be presenting to the Commission within twelve months of the approval of the OP an audit strategy covering the bodies, which will perform the audits.

Before the submission of the first interim application for payment or at the latest within twelve months of the approval of each Operational Programme, the CCU shall submit to the Commission a description of the systems covering the organisation and procedures of the Managing and Certifying Authorities and Intermediate Bodies and the AA and any other bodies carrying out audit under its responsibility.

The description shall be accompanied by report for assessment of the set up of the above mentioned systems and giving an opinion on their compliance with articles 58 to 62 of Regulation (EC) No 1083/2006. The first interim payment shall be made if the opinion in the report is without reservations and in the absence of observations by the Commission. If the opinion contains reservations, the report shall indicate the seriousness of the shortcomings and, where the shortcomings do not concern the whole programme, the priority axis or axes concerned. The Member State shall inform the Commission of the corrective measures to be taken and the timetable for their implementation and subsequently provide confirmation of the implementation of the measures and the withdrawal of the corresponding reservations. The report shall be deemed to be accepted, and the first interim payment shall be made, in the following circumstances:

- (a) within two months of the date of receipt of the report when the opinion is without reservations and in the absence of observations by the Commission;
- (b) if the opinion contains reservations, upon confirmation to the Commission that corrective measures concerning key elements of the systems have been implemented, and the corresponding reservations withdrawn, and in the absence of observations by the Commission within two months of the date of confirmation.

Where the reservations concern only a single priority axis, the first interim payment shall be made as regards the other priority axes of the Operational Programme for which there is no reservation.

The above-mentioned report and the opinion will be drawn up by the AA, which shall carry out its work taking account of internationally accepted audit standards.

The tasks of the AA are assigned to the Audit of EU Funds Directorate at the Ministry of Finance

7. Intermediate Bodies

The MAs could delegate some of their responsibilities to Intermediate Bodies (IBs) as defined in Article 2(6) of the Regulation (EC) No 1083/2006. When delegating tasks, however, the MA remains ultimately responsible. The contact points for each IB are given in Annex II. The range, scale and scope of the tasks to be delegated are described in “Formal administrative documents/agreements” to be concluded between the MAs and IBs.

The management and control systems of the IBs provide at minimum: adequate separation of functions and sound financial management; effective systems for ensuring that the functions are performed in a satisfactory manner; regular reporting (including cases of irregularities) to the MAs in order to ensure the expenditure is certifiable and the system at the level of IB is properly set up.

The Implementing Regulation³ lays down the role of IBs in the management and control of funds (Articles 12 and 13 of the Regulation), which will be further developed in the MA-IB Agreement.

8. Beneficiaries

The beneficiaries initiate or initiate and implement operations. In the context of aid schemes, under Article 87 of the Treaty, beneficiaries are public or private firms carrying out an individual project and receiving public aid. They also have the duty to inform about the products or services to be delivered under the project, the financing plan, the time-limit for execution, and the financial and

³ OJ, L 371, 27.12.2006, p.1; OJ, L 45, 15.02.2007, p.3

other information to be kept and communicated. These requirements are set out in detail in the contracts/ offer letters provided to beneficiaries when their projects have been approved.

9. Human Resources

9.1. Organisation development strategy (ODS)

The ODS is a supporting strategy to help the organisation become more effective, flexible, innovative and better able to adapt and deal with change. It is not the strategy for delivering the mission and mandate of the organisation.

The focus of an ODS is on improving the effectiveness of:

- Strategy development, action planning & review processes;
- Policies, structures, processes, systems, procedures and technologies;
- Role, clarity, knowledge, skills, attitudes of people;
- Groups and teams and how they work together;
- Inter-group/teams and how they work together;
- Working relationships with important stakeholders external to the organisation;
- The styles, approaches and methods of management;
- The organisational culture to ensure it supports the chosen direction of the organisation.

The ODS will enable the organisation to adapt, innovate, change and renew itself so that it can deliver its business strategy during times of significant change.

The CCU, OP MAs and IBs elaborate and implement Organisational Development Strategy.

The Strategy is developed for a 3 year period and shall be updated annually.

The CCU elaborates and presents to the OP MAs and IBs guidelines on the elaboration of the Organisational Development Strategy.

9.2. Human Resource Development

9.2.1. Strategy of Human Resource Development

Each institution responsible for management and implementation of Structural Instruments (CCU, OP MA, IBs, CA, AA) shall develop and update annually a Strategy for Human Resources Development. This strategy may be a part of the Organisational Development Strategy.

The main objective of HR Strategy includes development, implementation and management of appropriate policies and procedures which are to ensure the effective selection, deployment, assessment and development of each institution employees, so that the authority in question has qualified staff in place with skills and competencies necessary to achieve the overall goals and objectives.

The MAs, IBs and CA are responsible for implementing and maintaining human resources policy on the level of the single institution on a daily base, under the basic supervision of the respective head. These are responsible for updating the human resources development policy and strategy in

accordance to the needs resulting from the annual staff appraisal and changing the responsibilities of the Institution or the Ministry. The responsible head nominates a person(s) - HR assistant(s) responsible for co-ordination and technical tasks for implementing and maintaining the human resources development strategy.

9.2.1.1. Aim of the Human Resource Development Strategy

The goals of human resources activities are as follows:

- Establish a multidisciplinary working team with necessary expertise and skills in administrative, financial and technical management of projects under implementation;
- Set up an efficient and effective organisational structure and relevant management and control system to execute all delegated functions;
- Define clearly and assigning personal responsibilities for individual tasks referring to clear job descriptions;
- Ensure administrative and technical conditions for the staff in compliance with labour legislation;
- Guarantee the financing requirements of present and future staffing needs based on estimated workload;
- Identify cation of training needs of the staff and development and implementation of an annual training programme to maintain a professional staff;
- Perform personal performance appraisal to confirm the career growth;
- Introduce and implementing of necessary motivation tools to minimize turnover of the team.

9.2.1.2. Main Principles of Human Resource Management:

- Efficient and effective organizational structure;
- Clear job descriptions and performance and reporting requirements;
- Personal responsibility for individual tasks;
- Regular appraisal of the performance;
- Supervision by a line supervisor;
- Standardization of the performance;
- Regular internal communication;
- Fair and impartial participation in human resource development;
- Personnel development support.

9.2.1.3 Main activities in Strategy implementation

The human resources development strategy is at Directorate level implemented through specific activities and in a form of procedures.

Any procedure on human resource development strategy implementation contains introduction of steps to be undertaken, responsibility of their execution, checking and approval process and formulas. The strategy implementation consists of implementing the following activities and procedures:

- Staff planning;
- Staff recruitment;
- Staff selection;
- Staff appointment;
- Staff appraisal;
- Training needs analysis;
- Training plan development and endorsement;
- Selection of staff for training;
- Training delivery;
- Training evaluation;
- Staff leaving.

9.3. Human resources planning

The purpose of the human resource analysis and forecast is to provide an estimate of the human resources required within the institution to meet its mandate and prepare for the effective management of Structural Instruments.

A human resource forecast is an estimate of the resources that will be required to meet the estimated future workload of an organisation over a period of one to three years. Forecasting by its very nature is not a precise science, but can provide some very useful information to help in decision making about the required human resources in terms of number, skill set and when they are likely to be needed.

Human resource analysis and forecasting:

- Identifies the current human resource available by department/unit and key task;
- Estimates the likely increase in workload in terms of new projects, programmes, tasks, and other stakeholder demands;
- Estimates the increase in workload by department/unit and key task in terms of the number of people days required to carry out the work;
- Estimates the increase or decrease in the number of people required to meet this workload by department/unit and key task;
- Estimates the total resource required by department/unit and key task to carry out the estimated workload;
- Estimates the likely benefits that planned improvement projects/programmes may have of increasing the productivity of the departments and units. Only those projects/programmes with a high probability of succeeding should be considered. For these projects a

conservative estimate of the level of productivity improvement and when it is expected to be realised should be made;

- Makes adjustments for the estimated performance improvements to the resource over the time scale of the forecast.

9.4. Training and Development

9.4.1. Training needs

The human resources development is under the responsibility of the Director of the Institution and the respective Human Resource Directorate. The Director supervises the process of identifying the training needs, specifying the training program in detail and implementing it.

The aim of the training is to make employees in the Institution familiar with the principles and practice of the administrative work, as well as to further improve their knowledge and skills for the purpose of developing the capacity for management and implementation of Structural instruments.

The training of the staff should follow strategy formulated for training of the public administration employees:

- Strengthening for introduction and implementation of the *acquis communautaire*;
- Active participation in the process of change;
- Building a system for development of professional skills and qualifications;
- Transferring this strategy into the Institution routines, introducing goals, specific training subjects and training tools to achieve necessary professional expertise, professional skills for efficient and effective financial management and control of EU and national funds.

The human resources development system should harmonise training for professional development with training for career development.

The general training needs aim at creating professional skills and/or raising qualification of the employee in performing their tasks.

The specific training needs are defined on a basis of performance appraisal (achievement of agreed goals, level of execution of duties and demonstration of professional competence).

Training of the employees is a priority of human resources management and development policy, which is carried out through annual allocation of special training funds in the state budget, that should be up to 2% overall salaries.

9.4.2. Training needs analysis, training programme development and approval

ANNUAL TRAINING PLAN

In accordance to the Regulation on the Terms and Procedures for the Attestation of staff in the State Administration and based on the results of annual staff appraisal the respective Human Resource Directorate present and Annual Training Plan for the whole staff of the Ministry/Agency, including the Institution. The Annual Training Plan includes identification of priorities, from point of view of subject of training and participation of the staff.

The Key Staff Knowledge and Experience are presented in standard format. The Annual Training Plan of the Ministry/Agency for the year 200x cover participation of xx employees of the Directorate in yy training activities.

PARTICIPATION IN TRAINING

The Director of the institution in cooperation with the respective Human Resources Directorate decides about participation of staff in specific training events in accordance with the following principles and criteria:

TYPE OF TRAINING

According to the contents, training can be classified as follows:

- Mandatory training for new staff, organised by the Institute for Public Administration and European Integration /IPA EI/;
- Training related to carrying out the direct duties as per the job description;
- Training related to competencies for the respective position;
- Training related to promotion;

Each institution shall maintain a Training Record database for the purpose of evidence and conducting staff appraisal and training needs analysis processes.

CHAPTER 3

GENERAL PRINCIPLES

1. Overview

In this chapter, general principles covering the use and management of Structural Funds are grouped. The chapter is made up of four parts:

- Partnership and information and publicity to ensure the transparent and efficient use of the Funds;
- Conformity with Community policies, including the rules on competition, on the award of public contracts, on environmental protection and improvement and on the elimination of inequalities and the promotion of equality between men and women. There are separate subchapters in the manual on each of the Community policies;
- Financial management, control, monitoring and evaluation determine implementation of Structural Funds financed programmes and operations;
- Finally, technical assistance is allocated to each Structural Funds programme, financing the implementation of the above principles.

2. Partnership

The Bulgarian Authorities are strictly following the partnership principle in the preparation of the strategic documents (NDP, NSRF and OPs). The relevant social-economic partners such as nationally representative workers and employers associations, non-governmental organizations, consultative bodies, are participating in the NDP/NSRF and OP Working Groups and are being actively involved in the elaboration of the documents.

Regulation (EC) No 1083/2006 emphasises that partnership should be conducted in full compliance with the respective institutional, legal and financial powers of each partner. Specific guidance is available in Bulgaria in the form of an information document ("*Social-economic partnership in Bulgaria, Towards National Development Plan based on social-economic consensus and public awareness*") on social-economic consensus and public awareness released by the Ministry of Finance.

Article 11 of Regulation (EC) No 1083/2006 stipulates that the objectives of the Funds shall be pursued in the framework of close cooperation, (hereinafter referred to as partnership), between the Commission and each Member State. Each Member State shall organise, where appropriate and in accordance with current national rules and practices, a partnership with authorities and bodies such as:

- the competent regional, local, urban and other public authorities;
- the economic and social partners;
- any other appropriate body representing civil society, environmental partners, non-governmental organisations, and bodies responsible for promoting equality between men and women.

Each Member State shall designate the most representative partners at national, regional and local level and in the economic, social, environmental or other spheres (hereinafter referred to as partners), in accordance with national rules and practices, taking account of the need to promote

equality between men and women and sustainable development through the integration of environmental protection and improvement requirements.

The partnership shall be conducted in full compliance with the respective institutional, legal and financial powers of each partner category as defined above.

The partnership shall cover the preparation, implementation, monitoring and evaluation of operational programmes.

Member States shall involve, where appropriate, each of the relevant partners, and particularly the regions, in the different stages of programming within the time limit set for each stage.

Each year the Commission shall consult the organisations representing the economic and social partners at European level on assistance from the Funds.

2.1. Partnership between the institutions of the European Union and Bulgaria

The co-operation with regard to receiving the Structural Funds between the different institutions of the European Union and the different institutions of the Bulgarian public administration extends to the below listed four areas as follows:

Preparation:

- In relation to the preparation of the assistance, the main area of co-operation is the programming, the elaboration of the National Strategic Reference Framework and the Operational Programmes;
- One of the most important areas is the preparation of the Bulgarian institutional system receiving the Structural Funds.

Financing:

- Based on the principle of additionality, the European Union participates in the financing of the projects with different grant rates specific to each measure.

Monitoring:

- Beside the representatives of the involved parties of the Bulgarian government, social-economic partners and NGOs, the representatives of the European Commission also participate in both the NSRF Monitoring Committee and the OP Monitoring Committees;
- The European Commission will receive the annual implementation reports and the final implementation reports. Based on such reports the European Commission and the Managing Authorities review the implementation of the programmes on an annual basis.

Evaluation:

- The ex-ante evaluation is prepared on the basis of the methodological guidelines of the European Commission on receiving the Structural Funds;

- The ex-post evaluation is performed by an independent expert designated by the European Commission in co-operation with the member state.

2.2. Partnership between parties involved with different tasks and different level of the institutions of the Bulgarian public administration (including regional and local authorities)

The cooperation between the different institutions of the Bulgarian public administration in relation to receiving the Structural Funds extends to the above detailed four areas as follows:

Preparation:

- The coordination mechanism is a strategic system designed to reinforce the synergies among different policies and to maximize the impact of the social-economic development of the country. The system is given high-level leadership through the NDP/NSRF Coordination Council under the chair of the Minister of Finance. The Council consists of a deputy minister from each of the relevant Bulgarian ministries. The Council has established working groups, corresponding to the NSRF and the OPs; the CCU is represented on these groups. The groups submit reports and documentation to the Council. The scope of these reports, which the Council considers and adopts, includes:
 - The NDP and NSRF, including the social-economic analysis and objectives and priorities;
 - Revisions to the NDP and NSRF;
 - Draft Operational Programmes;
 - Measures to ensure that there is no duplication of actions financed by the OPs;
 - Decisions on difficult issues referred to it for advice.
- This coordination is given legal basis by the Council of Ministers' Decision No 965/16.12.2005 that defines the structures for the management of EU funds in Bulgaria. These structures comprise the Central Coordination Unit (CCU), Managing Authorities (MAs) for the OPs and their Intermediate Bodies (IBs), Certifying Authority, Audit Authority. The functions of the CCU are assigned to the Management of EU funds Directorate at the Ministry of Finance. A schematic diagram of the coordination structures is reproduced in Annex V.

Financing:

- The 7 Operational Programmes will be implemented with the co-financing of all relevant ministries;
- Besides the ministries, the regional and local partners will be involved in the respective co-financing of the projects.

Monitoring:

- The monitoring activity is performed in co-operation with the Managing Authorities and the other governmental and regional institutions;

- The Monitoring Committee is attended by all governmental and regional institutions affected by the programme.

Evaluation:

- The various sectoral and regional public administration units involved in the implementation of the programmes participate in the ex-ante, ex-post and especially in the ongoing evaluation.

2.3. Partnership with regard to the socio-economic partners

The co-operation between the different institutions of the Bulgarian public administration in relation to receiving the Structural Funds and the socio-economic partners extends to the above detailed four areas as follows:

Preparation:

- Representatives of the nationally represented socio-economic partners are members of the NSRF and OP Working groups;
- The involvement of the wider part of the socio-economic partners is ensured by the extensive social consultation of the National Development Plan/National Strategic Reference Framework, which includes participation in seminars, roundtables and workshops on the NSRF and OPs and giving written comments and proposals.

Monitoring:

- The socio-economic partners are involved in both the NSRF Monitoring Committee and the OP Monitoring Committees.

Evaluation

- The participants are informed of the evaluation of the programs in compliance with the transparency requirements.

2.4 Partnership with regard to the NGO sector.

The co-operation between the different institutions of the Bulgarian public administration in relation to receiving the Structural Funds and the NGOs extends to the above detailed four areas as follows:

Preparation:

- The involvement of the NGOs in the preparation of receiving the Structural Funds primarily means the extensive social consultation of the National Development Plan/National

Strategic Reference Framework. The process means the execution of the consultation obligation interpreted in compliance with the situation in Bulgaria.

Monitoring:

- The NGOs are involved in both the NSRF Monitoring Committee and the OP Monitoring Committees.

Evaluation

- The NGO participants are informed of the evaluation of the programs in compliance with the transparency requirements.

3. Information and publicity

3.1. EU information and publicity requirements

The twin objectives of information and publicity actions, applied to all measures under the Operational Programmes, are as follows:

- raise awareness of the availability of funds among potential beneficiaries as well as the economic and social partners, so that transparency of funding opportunities is ensured; and
- inform the general public upon the role Structural Funds play in and the support they provide for social and economic development.

Article 69 of Regulation (EC) No 1083/2006 obliges the member States to provide information on and publicise EU co-financed programmes and operations. The CCU for the NSRF and the MAs for the OPs shall be responsible for the publicity in accordance with the implementing rules of this regulation adopted by the Commission. The information shall be addressed to the European citizen and to the beneficiaries.

The Commission Regulation for the implementation of Regulation (EC) No 1083/2006 sets down the European Commission requirements on information and publicity.

Implementing publicity and information implies that a range of tasks is attached to the various institutions managing Structural Instruments as well as beneficiaries will have distinct obligations to fulfil.

Failure to comply with the publicity provisions of the regulations will lead to financial corrections.

Each MA has to draw up a Communication plan (CP), which covers Programmes financed by the ERDF and/or CF and/or ESF and highlights the value added of the Community assistance.

The communication plan shall include the following:

- aims and target groups;
- strategy and content of the information and publicity measures to be taken by the Member State or the managing authority, aimed at potential beneficiaries, beneficiaries and the public, having regard to the value added of Community assistance at national, regional and local level;
- indicative budget for implementation of the plan;

- administrative departments or bodies responsible for implementation of the information and publicity measures;
- indication of how the information and publicity measures are to be evaluated in terms of transparency, awareness of operational programmes and of the role played by the Community.

3.2. Role of the Monitoring Committees

The Monitoring Committee:

- adopts the Annual communication action plans, prepared and submitted by the CCU/MA;
- reviews, on a regular basis, to what extent information and publicity actions have contributed to the achievement of strategic objectives and provides for specific instructions, corrections whenever it is deemed necessary; and
- debates and approves the annual and final reports to be submitted to the Commission. These reports include a detailed description of the steps the Monitoring Committee and Managing Authority have taken to ensure the quality and effectiveness of the measures aiming at improving publicity for the assistance.

Transparency is an essential principle of the operation of the Monitoring Committee. Therefore,

- in order to ensure that there is adequate information about its work, wherever possible the Committee shall keep the media informed of the progress of the assistance packages for which it is responsible;
- the chairman of the MC with the support of the publicity and communication unit/officer can only speak on behalf of the MC, unless the MC has nominated an official speaker;
- appropriate arrangements shall also be made when important events are held in connection with the Monitoring Committee's meetings, such as high-level meetings or inaugural sessions. The Commission and its offices in the Member States shall be kept informed of these arrangements; and
- each Monitoring Committee informs the media about the advance of the projects for which it is responsible as often as it considers necessary. The minimum requirement is to provide information to the media about the decisions taken by the Monitoring Committee.

Role of the CCU and the OP Managing authorities

The CCU shall elaborate and keep up to date a national web site that presents the NSRF and Structural Instruments. The website shall provide links to the MAs websites, other relevant organisations and bodies, including the European Commission.

The CCU shall inform the NSRF Monitoring Committee of the following:

- communication plan and progress in implementing the communication plan;
- information and publicity measures carried out;
- examples of the products or information tools used;
- means of communication used.

The NSRF annual reports and the final report sent to the Commission shall include examples of information activities, the arrangements for the publication of the list of beneficiaries including the internet address and if there are major amendments to the communication plan. The report evaluating the results of implementation of the CP and the fulfillment of the information and publicity requirements shall be included in the 2010 mid-term report and in the final report.

Each OP MA is responsible for full compliance with information and publicity requirements across all measures within their Operational Programmes. Therefore, the OP MA develops and implements the communication plan referred to above.

Through this plan, the MA implements a broad range of publicity actions in close cooperation with the Intermediate Bodies, including:

- development and dissemination of publicity materials (e.g. brochures, newsletters, information notes, etc.) bringing attention of the public to the assistance offered and the role played by the relevant fund(s);
- organisation of briefings, information sessions, seminars and conferences both for media representatives, applicants and beneficiaries and ensuring that EU requirements are met on all occasions (e.g. the EU logo/flag is used);
- elaboration of web sites, including information about the relevant OP, the funding opportunities, call of proposals and the list of the respective OP beneficiaries, the name of the operation and the amount of the European and national funding. The publicity and communication unit/officer is responsible to update and supply the web site with news;
- usage of appropriate channels for circulating information in order to ensure transparency for the various potential partners and beneficiaries, particularly small and medium-sized businesses as well as non-governmental organisations.

The MA shall inform the OP Monitoring Committee of the following:

- communication plan and progress in implementing the communication plan;
- information and publicity measures carried out;
- means of communication used.

The managing authority shall provide the Monitoring Committee with examples of such measures.

The annual reports and the final report on implementation referred to in Article 67 of Regulation (EC) No 1083/2006 of an Operational Programme shall include the following:

- examples of information and publicity measures for the operational programme taken in implementing the communication plan;
- arrangements for the information and publicity measures regarding the list of beneficiaries, the names of the operations and the respective amount of public funding, including where applicable, the electronic address at which those data may be found;
- content of major amendments to the communication plan.

The annual implementation report for the year 2010 and the final implementation report shall contain a chapter evaluating the results of the information and publicity measures in terms of transparency, awareness of operational programmes and of the role played by the Community.

The means used for implementing, monitoring and evaluating the communication plan shall be proportional to the information and publicity needs identified in the communication plan.

Information measures for potential beneficiaries

The managing authority shall provide potential beneficiaries with clear and detailed information on at least the following:

- possibility of financing opportunities offered jointly by the Community and the Member State through the OP;
- conditions of eligibility to be met in order to qualify for financing under an operational programme;
- description of the procedures for examining applications for funding and of the time periods involved;
- criteria for selecting the operations to be financed;
- contacts at national, regional or local level who can provide information on the OPs.

The Managing Authority shall involve where appropriate in information and publicity measures, in accordance with national laws and practices, at least one or more of the following bodies:

- national, regional and local authorities;
- economic and social partners;
- non-governmental organisations;
- information centres on Europe and Commission representations in the Member States;
- educational and training institutions.

Responsibilities of the OP MAs related to information and publicity measures for the public

The MA shall ensure that the information and publicity measures are implemented in accordance with the communication plan aiming at the broadest possible media coverage using all suitable forms and methods of communication at the appropriate territorial level. The MA shall be responsible for organising at least the following information and publicity measures:

- major information activity publicizing the launch of the OP, even in the absence of the final version of the communication plan;
- at least one major information activity a year, as set out in the communication plan, presenting the achievements of the OP(s) including, where relevant, major projects;
- publication (electronically or otherwise) of the list of beneficiaries, the names of the operations and the amount of public funding allocated to the operations.

Participants in an operation of the ESF may not be named.

The joint work on information and publicity between MA and IB will:

- ensure that applications dossiers guarantee transparency, namely that they provide a clear outline of the administrative procedures to be followed, a description of the system for managing applications, information on the criteria used in selection procedures and on the mechanisms for evaluation and names of persons or contact points at national, regional or local level who can explain how the assistance packages operate and the criteria for eligibility. Additionally, these dossiers should also comprise all the references so that the applicant can understand what information and publicity requirements shall imply once the project is approved and what related costs are eligible;
- ensure that the listed of grants awarded as well as the results of evaluation reports, annual implementation reports are placed on the Internet;
- provide on-going support for intermediate bodies in implementing their own publicity actions;
- as part of the first and second level checks, investigate the meeting of information and publicity requirements by intermediate bodies and beneficiaries;
- evaluate information and publicity measures on a regular basis with a particular emphasis placed on whether the measures have proven to be effective in meeting geographical, sectoral or horizontal priorities;
- co-ordinates with the NSRF CCU on the implementation of information and publicity at programme level.

Publicity and communication unit/officer

Give an account on the identified information needs and the public interest, within the MAs have to be set up a unit/officer that will be responsible for planning, preparation, implementation, monitoring and evaluation of the CP, the Annual working plans for implementation of the CP and the communication campaigns and actions. The minimum requirements of the Commission is to appoint a person responsible for publicity and information on full time job, if there is no significant need of information dissemination and there is a small target audience.

One of the main tasks of these units/publicity and communication officer will be to implement the Communication Plan of the OPs. The tasks of these units include mainly: negotiating the Communication Plan with EC; managing and implementing the CP of the OPs; preparing reports for implementation of the information and publicity measures; preparing products or information on the publicity actions; disseminating the comprehensive information on the financing opportunities offered by joint assistance from the Community and national and other co-financing; updating the NSRF/OP web page, playing the role of the main contact point for potential beneficiaries.

Regular contact between the Publicity and Communications Unit/Officer and the media will be expected. Media relations activities shall include:

- Issuing press releases for newsworthy developments in the NSRF, Structural Instruments, new projects, call of proposals, etc.;
- Seeking radio and television opportunities;
- Preparing press packs;

- Preparing features in newspapers and magazines;
- Answering on media questions;
- Supporting the PR network;
- Supporting the MAs in their publicity-related activities;
- Organizing press-conferences, briefings and meetings for the CCU civil servants with the media;
- Supporting the PR Directorate in their relevant line Ministry by the preparation of information and interviews for the political cabinet.

3.5. Role of the Intermediate Bodies

Measure level publicity is the responsibility of the Intermediate Bodies. Each intermediate body must implement publicity action defined in the programme complement and additionally to ensure that:

- notification to beneficiaries (letter of grant) indicates that the grant is co-financed by the European Union and the Bulgarian state;
- information and publicity requirements are articulately addressed in grant contracts;
- beneficiaries can access the identity guide in order to obtain technical information on how they should meet publicity obligations as well as provide advice on technicalities whenever approached by beneficiaries with such a request;
- progress reports from beneficiaries are supplemented by photographs helping to ascertain the acknowledgement of benefits received from Structural Funds;
- on-the-spot checks include an inquiry into the meeting of information and publicity regulations, namely the textual or visual acknowledgement of the receipt of co-finance from Structural Funds;
- database is maintained allowing for publicising successful projects and disseminating best practice.

In view of the outstanding role Intermediate Bodies play in project appraisal and selection/operation of the selection board, transparency on terms of operations of these organisations is a must. Therefore, Intermediate Bodies shall ensure:

- the availability of information upon project assessment and selection, including the publishing of the names and positions of the members of the selection board;
- that applicants whose project proposal is rejected receive sufficient, factual information on why their project has not been selected as well as on the appeal process, if the latter is applicable;
- qualitative and quantitative information on progress in achieving targets under individual measures is made regularly known to the public;
- constant dialogue with applicants, beneficiaries and the general public throughout the implementation of the measure, with a particular emphasis on the operation of a dedicated website.

In case the OP MA has direct contact to beneficiaries, or only a smaller range of tasks are delegated to Intermediate Bodies, the OP MA has to carry out the above tasks.

3.6. Tasks of the beneficiaries

Project level publicity is the responsibility of the beneficiary and rules to be followed will be set out in the contracts granting EU funds to projects.

The beneficiary shall put up a permanent explanatory plaque that is visible and of significant size no later than six months after completion of the operation fulfilling the following conditions:

- the total public contribution to the operation exceeds EUR 500 000;
- the operation consists in the purchase of a physical object or the financing of infrastructures or construction operations.

The plaque shall state the type and name of the operation in addition to the information referred to in Article 9. That information shall take up at least 25% of the plaque.

The beneficiary shall, during the implementation of the operation, put up a billboard at the site of each operation fulfilling the following conditions:

- the total public contribution to the operation exceeds EUR 500 000;
- the operation consists in the financing of infrastructures or construction operations.

The information referred to in Article 9 shall take up at least 25% of the billboard.

When the operation is completed the billboard shall be replaced by the permanent explanatory plaque 6 months at the latest after the end of the works.

Where an operation receives funding under an Operational Programme co-financed by the ESF and, in appropriate cases, where an operation receives funding under the ERDF or the Cohesion Fund, the beneficiary shall ensure that those taking part in the operation have been informed of that funding.

The beneficiary shall provide clear notice to the effect that the operation being implemented has been selected under an Operational Programme co-financed by the ESF or, the ERDF or the Cohesion Fund.

Any document, including any attendance or other certificate, concerning such an operation shall include a statement to the effect that the Operational Programme was co-financed by the ESF or, where appropriate, the ERDF or the Cohesion Fund.

Procedures for complying with publicity rules are bound up with conditions laid down in application forms and grant offer letters/contracts, the production of Annual and Final Implementation reports, etc.

Further detailed procedures will need to be elaborated in the service level contracts between the MAs and IBs, as well as in the communication plan as well.

3.7. Non-compliance

As a general rule, when information and publicity arrangements by a beneficiary are found not to be adequate the intermediate body/MA where relevant shall immediately advise the beneficiary and at

the same time shall request that necessary steps are urgently taken. In case of further or intentional negligence of these obligations by the beneficiary, the intermediate body shall terminate the contract with the beneficiary and recover the grant that has already been released.

3.8. Rules on the technical means of information and publicity

All information and publicity measures aimed at beneficiaries, potential beneficiaries and the public shall include the following:

- The European emblem, in accordance with the graphic standards set out in Annex I of the Implementation regulation and reference to the European Union.
- The logo of the NSRF or the respective logo of OP, if any
- Reference to the Fund concerned:
 - for the ERDF: “European Regional Development Fund”;
 - for the Cohesion Fund: “Cohesion Fund”;
 - for the ESF: "European Social Fund”.

A statement chosen by the managing authority, highlighting the added value of the intervention of the Community, and preferably: “Investing in your future”

The official colors of the emblem of the European Union are Pantone Reflex blue for the background and Pantone Yellow 2C for the stars.

Following the determined principles, the emblem can be used in the following different methods:

Reproduction on color background



If possible the logo must be placed on a white background. Other colors should be avoided, especially these which do not complement the blue. If it is impossible to avoid color background, the rectangle must be bordered with a white edge, the width of which should be equal to one twenty fifth of the height of the rectangle.

Reproduction in white and blue



Reflex blue should be used for background of the stars.

Reproduction of documents in black and white



In this case the flag must be presented as black stars on a white background.

The emblems can be downloaded for use in .eps and .jpg format at Internet address:

http://europa.eu.int/comm/regional_policy/sources/graph/embleme_en.htm

a) Billboards

Billboards shall be erected on the sites of projects involved in part-financed infrastructure investments whose volume exceeds the amounts given above. Such billboards shall include a space reserved for the indication of the European Union's and the state's contribution. Billboards must be of a size which is appropriate to the scale of the operation. The section of the billboard reserved for the European Union's and the state's contribution must meet the following criteria:

- it shall bear the European and the NSRF logo and the text 'Project part-financed by the European Union and the Republic of Bulgaria';



- the emblems shall be presented in accordance with the current specifications and the identity guide;
- the lettering used to indicate the financial contribution of the European Union must be the same size as the lettering for the national indications;
- the Funds concerned;
- the section of the billboard reserved for the European Union's contribution shall take up at least 25% of the total area of the billboard;
- the NSRF logo and slogan shall be presented in accordance with the current specifications and the identity guide that has to be elaborated by the CCU;

- the size of the NSRF logo shall to be equal to the EU emblem.

Billboards shall be removed not later than six months after completion of the work and replaced by a commemorative plaque.

b) Commemorative plaques

Permanent commemorative plaques shall be placed at sites accessible to the general public (congress centres, airports, stations, etc.) which represent projects part-financed by the European Union and the state. In addition to the EU and NSRF emblems, such plaques must indicate the European Union's and the state's contribution and mention the Funds concerned.

In the case of physical investments in commercial business premises, commemorative plaques shall be installed for a period of one year.

c) Posters

In order to inform participants and the general public of the role played by the European Union and the state in the development of human resources, vocational training and employment, investment in firms and rural development, posters shall be displayed indicating the European Union's and the state's contribution and possibly the Funds concerned on the premises of bodies implementing or benefiting from measures covered by this contract.

d) Notification to beneficiaries

All notifications of aid to beneficiaries sent by the competent authorities shall mention the fact of part-financing by the European Union and the Republic of Bulgaria and states the amount or percentage of the assistance funded by the Community instrument concerned.

e) Information and communication material

Publications (such as booklets, leaflets and newsletters) about regional assistance part-financed by the EU and the state shall contain a clear indication on the title page of the European Union's and the state's participation and, where appropriate, that of the Funds concerned as well as the European and the national NSRF emblem. Publications shall include references to the body responsible for the information content and to the MA designated to implement the assistance package in question.

In the case of information made available by electronic means (websites, databases for potential beneficiaries) or as audio-visual material, the principles set out above shall apply by analogy. Websites concerning the Structural Funds should:

- mention the contribution of the European Union and, if appropriate, that of the Fund concerned at least on the home page;
- the European and the NSRF emblem;
- include a hyperlink to the other European Commission websites concerning the Structural Funds and the national NSRF and Structural Instruments website.

f) Information events

The organisers of information events such as conferences, seminars, fairs and exhibitions in connection with the implementation of operations covered by this contract shall make the European Union's contribution to these assistance packages explicit by displaying the European flag in meeting rooms and using the emblem on documents.

Voluntary publicity and information actions

If a competent authority or beneficiary decides to erect billboards or commemorative plaques, produce publications or undertake any other information measure regarding projects whose total volume is less described above, the Community contribution shall likewise be indicated.

4. State aids

4.1. Introduction

According to Article 87 of the EC Treaty, State aid rules apply to measures that satisfy all of the following criteria:

- involve a transfer of State resources;
- constitute an economic advantage that the undertaking would not have received in the normal course of business;
- are selective and thus affect the balance between certain firms and their competitors;
- have a potential effect on competition and trade between Member States.

Measures that satisfy all the above criteria are not compatible with the common market unless in exceptional and justified cases. MAs/IBs should ensure that such actions are properly notified and authorised by the Commission.

The MAs/IBs must deal with State aid issues in the following fields:

- notification of State aids;
- ensuring that all operations comply with the ceilings on the rate of aid set in the field of State aids;
- monitoring of State aids.

A Structural Instruments project involving the granting of State aid can only be approved if:

- the aid relates to one of the Commission's adopted regulations which has "exemption" status;
- the aid is granted under a notified or approved aid scheme;
- the aid granted under the Regulation (EC) No 69/2001 on the application of the Articles 87 and 88 of the EC Treaty to de-minimis aid rule, or;
- the project has been notified separately and authorised by the Commission as an individual aid.

4.2. Notification of State aids

4.2.1. General rules

Community supervision of State aid is based on a system of ex ante authorisation. Under this system, Member States are required to inform ("notify") the Commission of any plan to grant or alter State aid and they are not allowed to put such aid into effect before it has been authorised by the Commission.

In recent years, the Commission has started a process of modernisation and simplification of State aid procedures. To this end, the Council adopted Regulation (EC) No 994/1998, which enables the Commission to adopt so-called "*block exemption regulations*" for State aid. With these regulations, the Commission can declare certain categories of State aid compatible with the Treaty if they fulfil certain conditions, thus exempting them from the requirement of prior notification and Commission approval.

Regulation No 69/2001 codifies the application of the "*de minimis*" rule. The regulation clearly establishes that aid to an enterprise that is below the threshold of euro 100,000 over a period of three years and that respects certain conditions, is not considered State aid in the sense of Article 87(1) of the EC Treaty, since it is deemed not to affect trade or distort competition. Such aid does therefore not need to be notified.

Further regulations create exemptions for *aid to small and medium-sized enterprises*, *aid for research and development*, *aid for employment and training aid*. As a result, Member States are able to grant aid that meets the conditions laid down in these regulations without the need for giving prior notification to and securing the agreement of the Commission.

As a result of the modernisation process, a distinction needs to be made between two types of aid measures:

- **Aid measures that are exempted from the notification requirement**

Individual aid measures or aid schemes that satisfy all the conditions laid down in one of the block exemption regulations adopted by the Commission does not need to be notified to the Commission. In the case of aid measures, which satisfy all the conditions of the SME-aid or training aid regulation, the Member State is instead required to submit to the Commission a summary description of the aid measure within 20 working days following the implementation of the measure. Where the aid measure satisfies all the conditions laid down in the de minimis regulation, there is not even a requirement to submit such summary information.

- **Aid measures that are still subject to the notification requirement**

Council Regulation (EC) 659/1999 sets out the procedural rules to be followed in the area of State aid. Below, a brief overview will be given of the rules applying to a normal notification case:

Notification: It is the Member State concerned (central authorities) which must notify planned aid measures.

Request for additional information: If the notification is incomplete, the Commission will request further information. The Member State concerned is usually given 20 days to supply this information.

Examination and decision: Normally, the Commission has two months in which to examine the proposed aid. This examination will normally be concluded either by a “decision not to raise objections” or by a “decision to initiate Article 88(2) proceedings”.

There is a State aid table in each Operational Programme with measures that constitute State aid. In general, these measures should be notified before launching the programmes.

4.2.2. Notification of individual projects

Projects above certain ceiling and projects with certain features should be notified to the State Aid Monitoring Office or the European Commission even if they are funded under an authorised aid scheme. These ceilings and features are as follows:

- individual aid;
- large investment projects: projects with total costs above euro 100 million and grant above the ceiling for projects with total costs of euro 100 million;
- regional aid: selling real estate below market price estimated by independent expert, or without open auction;
- R+D aid: projects with total costs above euro 25 million, or grant above euro 5 million;
- SME aid: projects with total costs above euro 25 million and aid intensity above 50% of the maximum according to the regional map, or grant above euro 15 million;
- training aid: projects with grant above euro 1 million for an enterprise;
- employment aid: as defined in Regulation 2204/2002.

In these cases the application should be forwarded to the State Aid Monitoring Office (State Aid Department in the Ministry of Finance) as soon as possible, since approval by the State Aid Monitoring Office or the European Commission takes weeks.

4.3. Ensuring that all operations comply with the ceilings on the rate of aid set in the field of State aids

To ensure compliance with State aid rules, OP MAs and IBs will first need to identify the operations included in the programme that constitute State aid in the sense of Article 87(1) of the Treaty. It is important to keep in mind that the scope of State aid rules extends well beyond the traditional business support measures included in most programmes. In this context, it is important to keep in mind that State aid rules can also apply in the following areas:

- *Human resource measures:* Certain types of employment and training aid are caught by Article 87(1);

- *Infrastructure measures:* In most cases, the building of infrastructure by the public sector is a general measure and does not normally fall within the scope of State aid rules provided access to the infrastructure is guaranteed for all potential users on equal terms. Where the State finances infrastructure in partnership with the private sector ("Public-Private Partnerships", PPP), the project may entail consideration under State aid rules.

Since different exemptions are applied on the basis of different conditions, Structural Funds managers will also need to identify the exemption that State aids are based on (e.g. de minimis).

The MAs concerned has the responsibility to ensure that all operations are in conformity with State aid rules. More particularly, it will have to make sure that the contribution of the Funds to any individual operation always complies with the State aid ceilings.

4.4. Monitoring of State aids

The annual implementation reports by the managing authority should detail the steps taken to ensure that all operations comply with State aid rules.

The State Aid Monitoring Office (State Aid Department in the Ministry of Finance) prepares a special annual report on State aids. Managing authorities - as all authorities granting State aids - need to provide the Office with the information required.

5. Public procurement

5.1. Responsibilities of the beneficiaries

Beneficiaries need to comply with the act on public procurement and the regulations on its implementation.

Duties of the beneficiaries need to be articulately addressed in grant contracts, too.

5.2. Ensuring compliance

In the project progress reports, beneficiaries need to provide the managing authority / intermediate body with information on carrying out public procurement procedures (if required). Supporting documents need to be attached to the reports (only for the first report after carrying out the public procurement procedure), and kept in the project dossier.

Rules governing reporting and documentation form part of the grant contract.

In case of non-compliance, the related instructions of the act on public procurement should be followed.

As a general rule, when public procurement arrangements by a beneficiary are found not to be adequate the Intermediate Body shall immediately advise the beneficiary and at the same time shall request that necessary steps are urgently taken. In case of further or intentional negligence of these obligations by the beneficiary, the Intermediate Body shall terminate the contract with the beneficiary and recover the grant that has already been released.

6. Integration of environment protection and equal opportunities

The horizontal issues – environment protection and equal opportunities – are as important as priorities, but due to their complex characteristics they cannot be implemented as separate measures. It is not possible to separate funds for the implementation of such purposes in the financial tables. Therefore, horizontal issues have to be enforced in the whole programming process on one hand, and in each of the selected projects on the other hand.

The enforcement of the horizontal issues is necessary first of all in the following phases of the programming process:

- planning - the incorporation of the two horizontal issues in the NSRF and the OPs;
- definition of monitoring indicators – where the nature of the assistance permits, the statistics shall be broken down by sex;
- ex-ante evaluation;
- setting up the Monitoring Committee – participation of the organizations representing horizontal issues, balanced participation of women and men;
- tasks related to information and publicity;
- preparation of projects – in case of every project the integration of horizontal issues is needed, which is also supported by guidelines elaborated for this purpose;
- project selection – the integration of horizontal issues is part of the selection criteria in case of every measure; the projects have to be classified as positively affecting / neutral / negatively affecting the issues of environment protection and equal opportunities between men and women, and the minimum objective is to eliminate projects which have negative affect on horizontal issues;
- monitoring and audit of projects;
- preparation of annual and final implementation reports.

6.1. Environment protection

According to Article 17 of Regulation (EC) 1083/2006 the objectives of the Funds shall be pursued in the framework of sustainable development and the Community promotion of the goal of protecting and improving the environment as set.

Most business activities have „environmental costs” by the utilization of materials and energy, remittance of pollutants, changing the land utilisation. The prevalence of environment protection as horizontal objective is to ensure that projects which prevent or reduce environmental costs to the minimum should be granted subsidies. Also, the polluter pays principle should be enforced.

Environment protection is closely linked to the concept of sustainable development. The UN definition for the concept of sustainable development is as follows: „development that meets the needs of the present without compromising the ability of future generations to meet their own needs”. Sustainable development is based on three pillars: economic, social and environmental pillars, and all three together have to be considered with regard to the interaction between them in course of elaborating different development strategies and programs, and in case of certain measures and actions. This principle is also accepted by the European Union, and promoted with different measures.

The measures of the Operative Programmes fall in one of three main categories: productive sector development measures; infrastructure development measures; human development measures. The primary expectation of all the three categories is the enforcement of the interests of environment protection. This is evident in case of productive sector development and infrastructure development measures, while it is indirectly relevant in case of human development measures. See the aspects of environment protection in table below.

Criteria	Affect of the measures /project, areas to be analysed	Evaluation, remarks
Material management	saving materials, utilization of hazardous material utilization	The reduction of utilization of material and the minimizing hazardous materials is preferred. Preference of the application of local resources and utilization according to supplying ability. It is extremely important in case of enterprise development projects where the material requirement is significant and hazardous material is used. The application of exclusion criteria is recommended.
Energy management	Energy requirement, energy saving solutions, utilization of renewing energy sources, application of linked heat generation	Preference of low-energy solutions, and renewing energy utilization. Preference of the application of local resources and utilization according to supplying ability. It is extremely important in case of enterprise development projects where the material requirement is significant and hazardous material is used. The application of exclusion criteria is recommended.
Water management	Water removal, water saving, utilization of recycled water, prevention of water pollution, wastewater treatment, damages, hazard	Regional water supply – management situation has to be evaluated on the basis of water protection and water quality aspects.
Transportation, logistics, transportation, mobility requirements	Division of transportation requirement by means of traffic, development of public transportation; updating vehicle fleet	Reducing the transportation requirement, in case of personal transportation the preference of public transportation. It is especially important for infrastructure development and large industrial, commercial facilities.
Wastewater management	Preventing the generation of waste material, utilization of waste material, means of waste material treatment, means of neutralising waste material, Selecting the location of the	The volume and hazard degree of waste material returned in the nature has to be reduced. It is an outstanding aspect for both enterprise development and infrastructure development

	waste depot, transportation of waste material.	<p>projects</p> <p>The prevalence of waste material priority system has to be ensured (prevention, utilization and neutralising).</p>
Natural values	Protection and improvement of natural values; affected protection natural reserves	<p>Taking the ecological supply ability of the area into consideration.</p> <p>The minimum requirements of the biological diversity has to be ensured.</p> <p>Special attention has to be paid to the coherence of the natural habitats.</p> <p>It is extremely important in case of infrastructure development projects and green field investments.</p>
Land and landscape management, land utilisation, visual land utilization	Land utilization, values of landscapes, settlement design, urban design, desolate areas	<p>The maintenance of architectural, landscaping and cultural values has to be ensured.</p> <p>The land –preserving solutions have to be preferred in case of developments. Preference of brown field investments versus green field investments. It should be especially carefully evaluated in case of infrastructure related projects.</p>
Human aspects	Human health, risk of injury; Employment affect, Commuting, dangerous jobs	<p>It should be analysed whether environmental risk endanger life.</p> <p>The affect on the living conditions have to be evaluated.</p> <p>It is important for every type of projects.</p>
Environment consciousness	Training, education; Dispersing environmental information, providing access to environment related information, Informing the population, social participation; Environment protection SMEs.	<p>It should be promoted to increase awareness of the principles of sustainability, and ensure that they become moral norms of the society, and –at the same time – the involvement of the involved parties in the decision making should be ensured.</p> <p>It should be especially carefully evaluated in case of human resource development projects.</p> <p>In case of infrastructure development projects it is extremely important to inform the population.</p>

Promoting environment management and innovation	Environment mortgage systems Environment technologies, patents; Corporate environmental plan; BAT ⁴ , application of clean and cleaner production ⁵ ; Environmental consultation	It should be evaluated mainly in case of enterprise development projects and infrastructure development projects.
Emission pollutants	Pollution of air, water and soil, Noise, vibration, radiance, waste materials	The measure should take the current level of environmental load of natural elements (e.g. air, water, soil and under-soil) into consideration, with regard to possibly reduce and not increase the environmental load.
Products and services	Environmental characteristics of products (hazardous agent content, lifecycle, waste material general characteristics, packaging requirement)	Environment friendly products, preference of ecological labelled –products. It is especially important for industrial, agricultural enterprise development projects.
Changes of commercial and consumer requirements	Consumption habits; commercial areas	Preference of environment friendly solutions. It is especially important for industrial, commercial and agricultural enterprise development projects.

6.2. Equal opportunities

According to Article 16 of Regulation (EC) 1083/2006 The Member States and the Commission shall ensure that equality between men and women and the integration of the gender perspective is promoted during the various stages of implementation of the Funds.

The Member States and the Commission shall take appropriate steps to prevent any discrimination based on sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation during the various stages of implementation of the Funds and, in particular, in the access to them. In particular, accessibility for disabled persons shall be one of the criteria to be observed in defining operations co-financed by the Funds and to be taken into account during the various stages of implementation.

With regard to the situation of the country and the examples of the member states, it is justifiable to demand in Bulgaria that the aspects of equal opportunities of disadvantaged groups – including Roma people and people with disability – should be enforced in each project too.

The enforcement of equal opportunities is evident for human resource development and productive sector development projects, while it is indirectly applicable for infrastructure development projects. See the aspects of equal opportunities in table below.

⁴ BAT: Best Available Technique

⁵ Clean and cleaner production: development and application of production processes and technology, which promotes the more effective utilization of materials and energy, reduce the generation and emission of polluting

1. Situation analysis	
<ul style="list-style-type: none"> • Has a situation analysis in terms of equal opportunities been prepared before the preparation of the project? 	
<ul style="list-style-type: none"> • Did men and women, roma people, people with disability participate in the analysis of the problem, the requirement and the situation? In what proportion? 	
<ul style="list-style-type: none"> • Were the aspects of different requirements of the equal opportunity target groups taken into consideration in course of planning? (e.g. different communication requirements between deaf and dumb people, or – for example – does the project allow expectant women and those who leave school before the school age to continue their studies after they have become parents?) 	
2. Strategy	
<ul style="list-style-type: none"> • Does the project declare how it promotes the implementation of equal opportunities? 	
<ul style="list-style-type: none"> • Is the access of the equal opportunities target group ensured for the project? (e.g. it is ensured that the training and labour opportunities is accessible to the groups with disadvantages in appropriate form and manner?) 	
<ul style="list-style-type: none"> • Is the physical accessibility ensured? (e.g. how does the project promote the reduction of the isolation of people living in underdeveloped settlements by the development of physical infrastructure, the development of transportation and by providing access to the information technology and communication technology.) 	
<ul style="list-style-type: none"> • Is communication accessibility ensured along the requirements of the target groups? (e.g. braille writing, sign interpreter, easily understandable curricula) 	
<ul style="list-style-type: none"> • Does the project contribute to reducing prejudices and stereotypes? 	
3. Implementation	
<ul style="list-style-type: none"> • Is there any cooperation between the organizations and institutions of different equal opportunity target groups, and the organizations working for their interests? 	
<ul style="list-style-type: none"> • Have the managers of the project and other participants been trained on raising awareness and analysis equal opportunity target groups? 	
<ul style="list-style-type: none"> • Is it ensured in every phase of the project that different requirements of equal opportunity target groups are satisfied? (e.g. coordination of training program and school lessons with the timetable of public transportation, assessing the opportunities to ensure child care, etc.) 	
<ul style="list-style-type: none"> • Does the project allow the possibility of a-typical employment? (e.g. part time work, flexible working hours, distant work) for the equal opportunity target group, thus expand the composition of possible employees) 	
4. Management	
<ul style="list-style-type: none"> • Are men and women represented in the management in compliance with the equal opportunity proportion (between the recommended 40-60%)? 	
<ul style="list-style-type: none"> • Are there any representative in the management from the target group of the project? 	
<ul style="list-style-type: none"> • Is the appropriate human resource and expertise available to ensure the prevalence of the equal opportunity aspects of the project? 	

4. Communication	
<ul style="list-style-type: none">• Do the participants of the project communicate their positive experiences concerning equal opportunities?	

7. Financial management and control

The principles of sound financial management are defined in the Communities' general budgetary regulations. These state that sound financial management should be used for all appropriations, according to the principles of economy, efficiency and effectiveness. The economic principle means that money should be used for activities that are delivered in due time, in appropriate quantity and quality and at the best price. Efficiency is concerned with the best relationship between resources employed and results achieved; and effectiveness is concerned with attaining specific objectives and achieving intended results. The objectives should be measurable, achievable, relevant and timed, and they should be set for all sectors of activity covered by the budget. Performance indicators for each activity should be used to monitor them.

A note setting out the detailed arrangements for financial management and control of the Structural and Cohesion Funds in Bulgaria is given in the Appendix. In addition each of the OPs will contain a section outlining the arrangements for management and control of the OP. Furthermore, in accordance with the Regulation (EC) 1083/2006 (Article 71), within twelve months of the approval of the OP by the Commission the Audit Authority must submit to the Commission a description of the management and control system and give its opinion on the suitability of the arrangements for maintaining effective management and control of operations financed by the funds.

The main bodies responsible for financial management are the MA, CA and AA; a description of their responsibilities is described in Chapter 2, points 4, 5 and 6.

A chart in Annex V describes the flow of funds from the EC, along with national co-financing contributions. MAs are responsible for ensuring that Claims for payment from beneficiaries are true and accurate. The National Fund approves respective Requests for Funds from the responsible MA/IB and approves limits for payments.

Irregularity shall mean any infringement of a provision of Community law resulting from an act or omission by an economic operator which has, or would have, the effect of prejudicing the general budget of the European Union by charging an unjustified item of expenditure to the general budget. All Managing Authorities/Intermediate Bodies shall implement procedure for preventing, detecting and correcting irregularities and recovering amounts unduly paid (together with interest on late payments where appropriate). The irregularity reports are transmitted from the Managing Authorities to the Certifying Authority, which is responsible at national level for the process of reporting the irregularities to OLAF, AFCOS and to the Commission.

There are extensive procedures for identifying, dealing with, and reporting them. In due course a guidance note will be prepared on this subject.

8. Internal audit

All organisations and institutions involved in the implementation of the NSRF/Operational Programmes establish and operate their own internal audit unit. Accordingly, the Certifying Authority, each Managing Authority and Intermediate Body will be subject of audits performed by the audit units in the respective ministry or state agency

8.1. Verification of operations

The verification of operations, including on-the-spot checks (first level control) concerning the assistance granted under EU Structural Funds are performed by the MA/IB (if such a function is

delegated to the IB). Within the framework of the management and control systems MA/IB elaborate and operate detailed procedures to verify the delivery of the products and services co-financed and the reality of expenditure claimed and to ensure compliance with the terms of the relevant Commission decision and with applicable national and Community rules in particular the eligibility of expenditure for the relevant support, public procurement, state aid, protection of the environment and equality of opportunity. Certification of the expenditure claimed can only be done after carrying out this first level of control.

8.2. Sample checks

The sample of operations to be audited each year shall in the first instance be based on a random statistical sampling method.

The method used to select the sample and to draw conclusions from the results shall take account of internationally accepted audit standards and be documented. Having regard to the amount of expenditure, the number and type of operations and other relevant factors, the Audit Authority shall determine the appropriate statistical sampling method to apply.

The sample to be audited each twelve-month period shall be selected from those operations for which, during the year preceding the year in which the annual control report is communicated to the Commission, expenditure has been declared to the Commission for the Operational Programme or, where appropriate, for the operational programmes covered by a common management and control system.

In Operational Programmes for which the projected error rate is above the materiality level, the audit authority shall analyse its significance and take the necessary actions, including making appropriate recommendations, which will be communicated in the annual control report.

The Audit Authority shall regularly review the coverage provided by the random sample, having regard in particular to the need to have sufficient audit assurance for the declarations to be provided at partial and final closure for each operational programme.

It shall decide on the basis of professional judgment whether it is necessary to audit a complementary sample of additional operations in order to take account of specific risk factors identified and to guarantee for each programme sufficient coverage of different types of operation, beneficiaries, intermediate bodies and priority axes.

The audit authority shall draw conclusions on the basis of the results of the audits of the complementary sample and communicate them to the Commission in the annual control report.

Where the number of detected irregularities is high or where systemic irregularities have been detected, the audit authority shall analyse the significance thereof and take the necessary actions, including making appropriate recommendations, which shall be communicated in the annual control report.

The results of the audits on the complementary sample shall be analysed separately from those of the random sample. In particular, irregularities detected in the complementary sample shall not be taken into account when the error rate of the random sample is calculated.

8.3. Declaration at closure of assistance

Issuing the closure declaration is the task of the Audit Authority.

8.4. External audit institutions

As the supreme external audit institution of Bulgaria the National Audit Office can carry out audits concerning Structural and Cohesion Funds including all the bodies involved (final beneficiaries and final recipients also fall under its scope of authority, which means that local governments and private companies can also be audited by the National Audit Office.

Auditors of the European Commission and the European Court of Auditors may also perform controls and audits concerning the use of Structural and Cohesion Funds.

8.5. Audit manuals

For Structural and Cohesion Funds the Ministry of Finance elaborates a ‘model’ of the Audit Manuals. *Audit Manuals for Structural Funds and for the Cohesion Fund elaborated by the European Commission* serve as the basis of these Audit Manuals.

The ‘model’ Audit Manual provides guidance for the Intermediate Bodies and the bodies performing the 5% checks in the field of sampling, risk assessment, etc.

8.6. Audit Strategy

According to art 62 (1), point c of Regulation (EC) No 1083/2006 the Audit Authority shall elaborate and submit to EC an audit strategy. The latter shall be updated and reviewed annually and, if necessary, during the course of the year.

The audit strategy should include, as a minimum, the following elements:

1. INTRODUCTION

- Identification of the audit authority responsible for drawing up the audit strategy and of any other bodies which have contributed. The procedure followed for drawing up the audit strategy should be explained.
- Specification of the overall objectives of the audit strategy.
- Explanation of the functions and responsibility of the audit authority and other bodies carrying out audits under its responsibility.
- Indication of the independence of the audit authority from the managing authority and certifying authority.
- Confirmation by the audit authority that the bodies carrying out audits under Article 62 (3) of Regulation (EC) No 1083/2006 have the requisite functional independence.

2. LEGAL BASIS AND SCOPE

- Indication of any national regulatory framework that affects the audit authority and its functions.
- Indication of the period covered by the strategy.
- Indication of the Funds, programmes and areas covered by the strategy.

3. METHODOLOGY

- Indication of the audit methodology to be followed taking account of internationally accepted audit standards (including, but not limited to, INTOSAI, IFAC and IIA), audit manuals and other specific documents.

4. AUDIT APPROACH AND PRIORITIES

- Materiality thresholds for planning purposes and for reporting deficiencies.
- Indication of the types of audits to be carried out (system audits, audits of operations).
- For system audits:
 - a) specification of the body or bodies responsible for the audit work;
 - b) specification of the bodies to be audited;
 - c) indication of any horizontal issues to be covered by the system audits, such as public procurement, state aid, environmental requirements, equal opportunities and IT systems.
- For audits of operations:
 - a) specification of the body or bodies responsible for the audit work;
 - b) specification of the criteria for determining the assurance level gained from system audits and reference to the documentation used for applying the sampling methodology set out in Article 17;
 - c) specification of the procedure for determining steps to be taken where material errors are detected.
- Indication and justification of the priorities and audit objectives established for the whole of the programming period.
- Explanation of the linkage of the risk assessment results to the audit work planned.
- An indicative audit schedule of audit assignments for the forthcoming year provided in a table format.

5. RISK ASSESSMENT

- Indication of the procedures followed, including the extent to which the results of previous audits of the bodies and systems have been taken into account (for example, audits from the 2000-2006 period, audit work for the compliance assessment).
- Indication of the managing authority, certifying authority and intermediate bodies covered.
- Indication of the risk factors taken into account, including any horizontal issues identified as risk areas.
- Indication of the results through identification and prioritisation of the key bodies, processes, controls and programmes and priority axes to audit.

6. RELIANCE ON THE WORK OF OTHERS

- Indication of the extent to which certain components are audited by other auditors and the extent of potential reliance on such work.

- Explanation of how the audit authority will ensure the quality of the work carried out by the other audit bodies, taking account of internationally accepted audit standards.

7. RESOURCES

- Indication of planned resources to be allocated, at least for the forthcoming year.

8. REPORTING

- Indication of internal procedures for reporting, such as provisional and final audit reports, and of the right of the body audited to be heard and to provide an explanation before a final position is taken.

8.7. Risk management

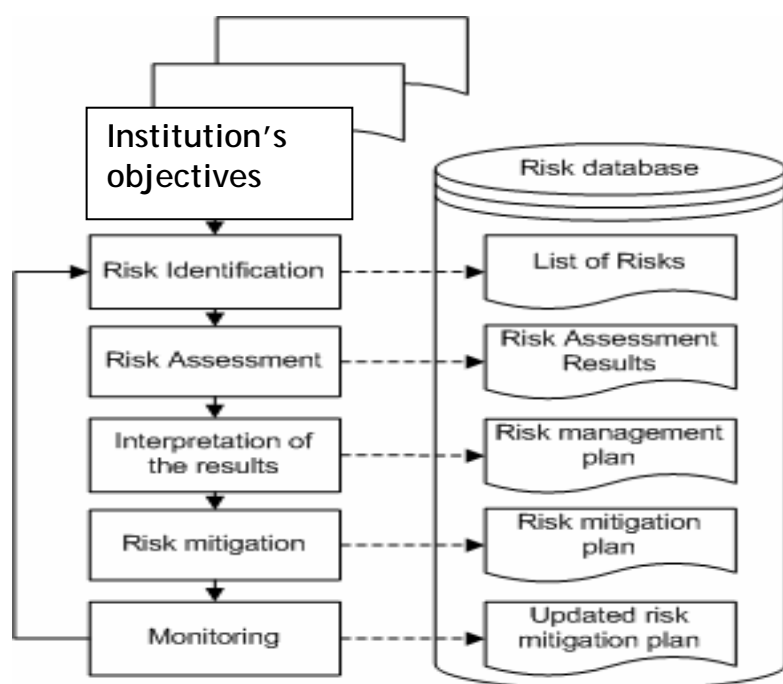
Risk management should provide the management a framework to increase management effectiveness. Risk management helps to identify problems, which are above the risk tolerance level and identify areas in which the control system works most effectively (and where not). It is also a tool for management to establish the benefit achieved through risk management and to make strategic decisions.

It is important that the management of the institutions involved be aware of:

- risks present in their area of activity;
- possible consequences and general effect of realisation of risks;
- effective methods for the assessment and identification of possible risks;
- internal control procedures for risk prevention and management;
- alternative actions taken in the case of realisation of risks.

This procedure ensures that processes are developed to identify the risks and a system is introduced to control the most significant risks; responsibilities and activities are coordinated between all groups and individuals with a role in the organization's risk management process. These responsibilities and activities are appropriately documented within the organization's strategic plans, policies and procedures.

The process of risk management in Institutions, involved in management and implementation of Structural Instruments



9. Monitoring

Monitoring means the systematic and continuous collecting, analysis and using of information for the purposes of management and decision-making, concerning specific processes or interventions.

The most objective way of comparing progress to targets is by using quantitative financial and physical indicators. In order to be able to take decisions, monitoring includes not just the statement of the deviations but the analysis of the reasons for those. Besides quantitative indicators, monitoring may take use of qualitative analysis as well (e.g. the examination of the execution of actions planned).

9.1. Monitoring indicators

According to Article 66 of the general regulation, the MA and the Monitoring Committee shall carry out the monitoring by reference to physical and financial indicators specified in the Operational Programme

There are four levels of indicators to be defined. From the bottom up:

- **Input** indicators refer to the budget allocated to the project / operation/ programme.
- **Output** indicators relate to activity. They are measured in physical or monetary units (e.g. length of road constructed, number of firms financially supported, etc.).
- **Result** indicators relate to the immediate effect on the direct beneficiaries, brought about by a programme. Such indicators can be of a physical (reduction in journey times, number of successful trainees, etc.) or financial (leverage of private sector resources, decrease in transportation cost) nature.
- **Impact** indicators refer to the consequences of the programme beyond the immediate effects. Two concepts of impact can be defined:

- **Specific** impacts are those effects occurring after a certain lapse of time but which are, nonetheless, directly linked to the action taken and the direct beneficiaries;
- **Global** impacts are longer-term effects affecting a wider population.

Source of data is one of the following: internal database of programme actors (especially from project progress reports from beneficiaries); surveys; official statistics.

Where the nature of the assistance permits, the statistics shall be broken down by sex and by the size of the recipient undertakings.

For evaluation of the programmes, indicators should be used for describing the general context and performance indicators for describing the implementation of the programme.

9.2. Data of the management and monitoring IT system

9.2.1. Computer system for data exchange at EC level

For the purpose of Articles 66 and 76 of Regulation (EC) N 1083/2006 a computer system for exchange of data shall be established as a tool of exchange of all data relating to the operational programme.

The exchange of data between each Member State and the Commission shall be carried out using a computer system established by the Commission and permitting the secure exchange of data between the Commission and each Member State.

The Member States shall be involved in the further development of the computer system for data exchange.

The computer system for data exchange shall contain information of common interest to the Commission and the Member States, and at least the following data necessary for financial transactions which shall be transmitted in the format given in the Implementing Regulation:

- the indicative annual allocation of each Fund in each operational programme as set out in the national strategic reference framework;
- the financing plans for operational programmes;
- statements of expenditure and applications for payment;
- annual forecasts of likely payment of expenditure;
- the financial section of the annual reports and final implementation reports

In addition, the computer system for data exchange shall contain the following documentary aspects of common interest enabling monitoring to be carried out which shall be transmitted in the format given in annex to the Implementing Regulation/ and this Manual/:

- National Strategic Reference Framework referred to in Article 27 (1) of Regulation (EC) No 1083/2006;
- data establishing compliance with additionality;
- Operational Programmes, including data concerning categorisation;
- Commission decisions concerning the contributions of the Funds;

- requests of assistance for major projects referred to in Article 39 of Regulation (EC) No 1083/2006 using a word processing document;
- implementing reports, including data concerning categorisation;
- data on participants in ESF operations;
- description of management and control systems;
- audit strategy;
- reports and opinions on audits and correspondence between the Commission and each Member State;
- statements of expenditure concerning partial closure.

9.2.1. Functioning of computer system for data exchange

The Commission and the authorities designated by the Member State pursuant to Regulation (EC) No 1083/2006 and the CCU shall record into the computer system for data exchange the documents for which they are responsible in the format required and update them.

The CCU shall send to the Commission requests for access rights to the computer system for data exchange in a centralised manner.

Exchanges of data and transactions shall bear an electronic signature within the meaning of Directive 1999/93/EC⁶. The Member States and the Commission shall recognise the legal effectiveness and admissibility as evidence in legal proceedings of the electronic signature used in the computer system for data exchange.

The cost of developing the computer system for data exchange shall be financed by the general budget of the European Communities under Article 45 of Regulation (EC) No 1083/2006. Any costs of an interface between the common computer system for data exchange and the national, regional and local computer systems and any costs of adapting national, regional and local systems to the requirements under Regulation (EC) No 1083/2006 shall be eligible under Article 46 of that Regulation.

Transmission of data through the computer system for data exchange

The computer system for data exchange shall be accessible to the Member States and the Commission via an interface for automatic synchronisation and recording of data with the Unified MIS.

The date taken into account for the forwarding of documents to the Commission shall be the date on which the CCU/OP MA sends the documents into the computer system for data exchange.

In cases of force majeure, and in particular of malfunctioning of the computer system for data exchange or a lack of a lasting connection, the CCU forwards to the Commission the documents required by Regulation (EC) No 1083/2006 in hard copy, using the forms set out in the Implementing Regulation, Annexes III, IV, VII, VIII, IX, XI, XII, XIV, XV, XVI, XVII, XVIII, XIX, XX, XXI, XXII, XXIII, XXIV and XXV (included as annexes to this Manual). As soon as the cause of force majeure ceases, the Member State shall record the corresponding documents into the

⁶ OJ L 13, 19.1.2000, p. 12.

computer system for data exchange without delay. By derogation, the date of sending is deemed to be the date of sending of the documents in hard copy.

According to Article 60 of Regulation (EC) No 1083/2006, the Managing Authority shall ensure that there is a system for recording and storing in computerised form accounting records of each operation under the Operational Programme and that the data on implementation necessary for financial management, monitoring, verifications, audits and evaluation is collected. The data exchange between the Commission and the Member States for this purpose is carried out electronically.

In Bulgaria, a unified IT system (MIS) will be used for ensuring effective and efficient management of EU Structural Instruments is under preparation. It provides aggregated data for measure level reports and annual implementation reports, and is the basis for exchange of data with the Commission.

The MIS system aims to globally support administration tasks, business procedures, monitoring and reporting requirements concerning the Structural Funds and the Cohesion Fund management. The system thus ensures:

- professional follow-up of project implementation;
- perfect registration of all documentation and correspondence;
- precise handling and control of the entire financing procedures;
- provision of up-to-date information, current reports and statistics to decision-makers;
- preparation and printing of required business documents, reports and correspondence.

The system supports the project management procedures throughout the whole project cycle in line with individual requirements, definite EU regulations and relevant national laws. The system can easily be customised with the integration of specific pre-defined administration procedures.

The system contains the following key characteristics:

- integrated user-friendly office management application for making users interested in the daily filling of the system thus ensuring up-to-date monitoring data;
- all necessary documents and letters can easily be compiled (and printed out) automatically from the system using templates and formerly entered data;
- core data will permit precise data use within the system, hence securing correct queries and statistics. It will also facilitate the basic data storage;
- due to the built-in data and procedure verification functions it will be guaranteed that appropriate data is entered into the system, and the designated route of the application procedure is being followed, thus the system will be able to provide full audit trail;
- dynamic status management will provide the ability to follow up and manage the procedures of individual applications of different procedural types;

The Extended Documentation Management of the system involves:

- assignment of documents and letters with the suitable projects;
- keeping track of the project correspondence and documentation movements;
- printing out documents and letters by using templates;

- electronic document attachment to each application or project in all modules
- extensive management reporting facilities will be available in terms of the different grant scheme procedures;
- event log for the retrieval of all actions performed by the users;
- data log for the retrieval of all individual items of data which have been inputted to the system;
- permission based security will allow full or partial access to modules, screens, buttons and data fields;
- system will be able to completely support the complete financing procedures of application and project management and prepare the related documents and data in conjunction with the SAP system when the detailed information will be clarified.

A special procedure manual will be elaborated for the use of the MIS.

9.3. Monitoring reports

Articles 29 and 67 of Regulation (EC) No 1083/2006 identify the frequency and content of reports that have to be presented for the monitoring of the structural funds assistance provided to Bulgaria. One of the main functions of the MIS is to provide the EC with such reports.

As Article 29 of Regulation (EC) No 1083/2006 stipulates for the first time in 2007 the Member state (in case of Bulgaria – the Central Coordination Unit) shall include in the annual implementation report of the national reform programme information on the contribution of the Operational Programmes co-financed by the Funds towards its implementation.

In 2009 and 2012, the Member States shall provide a concise report containing information on the contribution of the programmes co-financed by the Funds:

- towards implementing the objectives of cohesion policy as established by the Treaty;
- towards fulfilling the tasks of the Funds;
- towards implementing the priorities detailed in the Community strategic guidelines on cohesion referred to in Article 25 and specified in the priorities set by the National Strategic Reference Framework referred to in Article 27; and
- towards achieving the objective of promoting competitiveness and job creation and working towards meeting the objectives of the Integrated Guidelines for Growth and Jobs (2005 to 2008) as laid down in Article 9(3).

Each Member State shall define the content of the reports referred to in paragraph 2, with a view to identifying:

- the socio-economic situation and trends;
- achievements, challenges and future prospects in relation to implementation of the agreed strategy; and

- examples of good practice.

In addition, to those reports the CCU makes annual reports to the EC on progress with the NSRF, subject to the approval of the NSRF MC.

The Strategic report on the NSRF shall contain information on the contribution of the programmes co-financed by the Funds:

- towards implementing the priorities detailed in the Community Strategic Guidelines on cohesion referred to in Article 23 and specified in the priorities set by the national strategic reference framework referred to in Article 27 of the draft General Regulation;
- towards achieving the objective of promoting competitiveness and job creation and working;
- towards meeting the objectives of the Integrated Guidelines for Growth and Jobs 2005-2008.

For the first time in 2008 and by 30 June each year, the Managing Authority shall send to the Commission an annual report and by 31 March 2017 a final report on the implementation of the Operational Programme (article 67 of Regulation (EC) No 1083/2006). The implementation report is to be prepared by the Managing Authority and approved by the Monitoring Committee in advance of submission.

The MAs report to the OP MCs on progress on the implementation of their programmes.

The IBs reports to the MA .

Beneficiaries report on the progress of their projects to the either or both respective MA and IB(s).

All reports, agreements and official documents for the purposes of certification are submitted in hard copy.

Reporting is also a recognised essential management tool at both programme and project levels; reports are used to monitor their physical and financial implementation. Therefore, a number of templates for such reports are provided /under preparation/.

Main results information required in the OP implementation reports is as follows:

- the progress made in implementing the OP and priorities in relation to their specific, verifiable targets, with a quantification, wherever and whenever they lend themselves to quantification, using the indicators referred to in Article 36 (1)(c) at the level of the priority axis;
- the financial implementation of the operational programme, detailing for each priority axis:
 - the expenditure paid out by the beneficiaries included in payment claims sent to the Managing Authority and the corresponding public contribution;
 - the total payments received from the Commission, and quantification of the financial indicators referred to in Article 66(2); and
 - the expenditure paid out by the body responsible for making payments to the beneficiaries;

- the steps taken by the Managing Authority or the Monitoring Committee to ensure the quality and effectiveness of implementation;
- the measures taken to provide information on and publicise the operational programme.

The Intermediate Bodies have to provide the OP MAs with similar, but more frequent information (these can serve as the basis for the reports to be sent to the CA). It is advised that financial information is reported monthly, physical information is reported quarterly. However, this priority level reporting should be modulated by the agreement between the MA and the IB.

Project level reports

As a general rule, beneficiaries have to submit monthly project progress reports. Project progress reports describe progress made against the quantified targets set, and also provide a qualitative assessment of the development made.

Before final payment, beneficiaries are required to submit reports about the operation and results of the projects, and the impacts of the development carried out. These reports serve as input for the assessment of the effectiveness and efficiency of certain measures and the Operational Programme as a whole. Requirement for this type of reporting is subject to elaboration by the OP managing authority.

There are three levels of monitoring reports: programme, priority and project level. As a general rule, higher-level reports are based on the information of lower level reports.

9.4. Decisions for adjustment

Monitoring ends-up in decisions for adjustment, as necessary. These decisions could be made by the management of the Intermediate Body, the Managing Authority or the Monitoring Committee, according to their nature.

10. Evaluation

10.1. Aim

The article 47 provisions of the Regulation (EC) No 1083/2006 stipulates that the evaluation shall aim to improve the quality, effectiveness and consistency of the assistance from the Funds and the strategy and implementation of Operational Programmes with respect to the specific structural problems affecting the Member States and regions concerned, while taking account of the objective of sustainable development and of the relevant Community legislation concerning environmental impact and strategic environmental assessment.

Evaluations examine the evolution of the programme in relation to Community and national priorities. They support the monitoring of the operational programme.

Evaluations shall be carried out before, during and after the programming period.

Evaluations shall be carried out under the responsibility of the Member State or the Commission, as appropriate, in accordance with the principle of proportionality laid down in Article 13.

Evaluations shall be carried out by experts or bodies, internal or external, functionally independent of the Managing Authorities, referred to in Article 59 (b) and (c) of Regulation (EC) No 1083/2006.

The results shall be published according to the applicable rules on access to documents.

Evaluations shall be financed from the budget for technical assistance.

The types of evaluation defined by art 48 of Regulation (EC) No 1083/2006 are:

- Ex-ante evaluation – carried out under the responsibility of the Member State as part of the programming process at the level of the NSRF and OP. Ex-ante evaluation aims to optimise the allocation of budgetary resources under the OPs and improve programming quality. It shall identify and appraise medium- and long-term needs, the goals to be achieved, the results expected, the quantified targets, the coherence, if necessary, of the strategy proposed for the region, the Community value-added, the extent to which the Community's priorities have been taken into account, the lessons drawn from previous programming and quality of the procedures for implementation, monitoring, evaluation and financial management.

A separate ex-ante evaluation shall be carried out for each OP under Convergence objective.

- Ex-post evaluation is carried out under the responsibility of the Commission in the cooperation with the Member State and Managing Authorities, who will provide for the gathering of the necessary data. It shall examine the extent to which resources were used, the effectiveness and efficiency of Structural Fund programming, the socio-economic impact and the impact on the Community's priorities. It shall identify the factors contributing to the success or failure of the OP, including in terms of sustainability, and identify good practice. Ex-post evaluation may be carried out for the Convergence objective as a whole and/or for all OPs under the Convergence objective in Bulgaria taken together. Ex-post evaluation should be completed by 31 December 2015.

Ad hoc evaluations are carried out by the Member state during the programme period where monitoring reveals significant departure from the goals originally set and where proposals are made for revision of the programme. The results shall be sent to the monitoring committee for the operational programme and to the Commission. The Commission also carries out ad hoc evaluations, at its own initiative or in partnership with the Member State. The results of the evaluations are presented to the respective Monitoring Committee.

10.2. Division of tasks between OP and NSRF level

There is no need for an exact division of tasks between the CCU and the OP MAs in the manual since evaluation has added value regardless of who is the contracting authority. However, in order to avoid unnecessary duplication, the table below provides some direction. The competent authorities should ensure maximum complementarity of the different evaluations.

<i>OP managing authority</i>	<i>CCU</i>
OP specific topics: <ul style="list-style-type: none"> • progress under selected priorities or measures • progress and impact of groups of projects • progress and impact of major projects • sector specific issues, etc. 	cross-cutting topics: <ul style="list-style-type: none"> • procedures or methods of implementing NSRF • mainstreaming horizontal issues • Fund specific issues • impact of NSRF on selected social groups or geographical areas, etc.

11. Technical assistance

Article 46 of Regulation (EC) No 1083/2006 gives general provisions on technical assistance measures that could be financed by Structural Instruments.

- The technical assistance measures aim to maximise the quality of programme preparation, management, monitoring, evaluation, information and control activities of OP together with activities to reinforce the administrative capacity for implementing the Funds.
- The technical assistance will be not more than:
 - a) 4 % of the total amount allocated under the Convergence and Regional competitiveness and employment objectives;
 - (b) 6 % of the total amount allocated under the European territorial cooperation objective.

Technical assistance actions, within the above mentioned ceilings shall be undertaken within the framework of each OP. On a complementary basis, such actions may be undertaken partially and subject to the overall limits for technical assistance in the form of a specific Operational Programme. In this case, where technical assistance actions are also undertaken in the form of a specific Operational Programme, the total amount of expenditure for technical assistance in such a specific programme shall not cause the total proportion of Funds allocated to technical assistance to exceed the limits set above.

11.1. Management, implementation, monitoring and control

Amongst eligible expenditure for co-financing under the technical assistance are:

- expenditure relating to the preparation, selection, appraisal and monitoring of the assistance and of operations;
- expenditure on meetings of monitoring committees and sub-committees relating to the implementation of assistance;
- expenditure relating to audits and on-the-spot checks of operations.

11.2. Other activities

See separate chapters on information and publicity, studies and evaluations, and the management and monitoring information system.

11.3. Implementation of technical assistance measures

Technical assistance applications are prepared, selected and implemented in the same way as other applications. However, the beneficiary of the technical assistance projects is often the Managing Authority, thus being responsible for preparing, selecting and monitoring projects. The Managing Authority needs to ensure that in the selection phase, preparation, appraisal and approval of the projects are separated, and in the implementation phase, financing and auditing the projects are separated.

Monitoring Committees should also receive regular reports on the use and effectiveness of the technical assistance. The use of technical assistance allocation must be approved by the Monitoring Committee at the last meeting of the year. In that sense, the Managing Authority should submit a proposal to the Monitoring Committee for the following year where the budget should be split off according to the different areas of expenditure.

12. Verification of Additionality

The principle of additionality (Article 15 of Regulation (EC) No 1083/2006) means that contributions from the Structural Funds should not replace public or equivalent expenditure by a Member State. The level of expenditure should be determined with reference to the general macroeconomic conditions and take into account certain specific or exceptional economic situations in the country during the previous programming period.

The CCU is responsible for ensuring that this principle is adhered to throughout the programming and implementation periods. The additionality principle will be verified at national level.

Member States and the EC will assess the level of additionality in three ways:

- Ex-ante verification included in the drafting of the National Strategic Reference Framework;
- Mid-term verification in 2011;
- Ex-post verification in 2016.

Ex-ante verification is constructed all through the drafting and definition of the NSRF. At this stage, the Commission and the Member States decide the level of eligible public or equivalent spending to be maintained all over the programming period. As a general rule, the average annual level of expenditure in real terms shall be at least equal to the level attained in the programming period 2000-2006.

Account is to be taken of certain specific circumstances as mentioned in Art 15 of Regulation (EC) No 1083/2006, such as:

- The general macroeconomic conditions prevailing at the time;
- Ongoing or planned privatisations;
- An exceptional level of public or equivalent structural spending in the previous programming period.

Mid-term review in 2011

The additionality principle will be considered as “respected” if the annual average of national public eligible expenditure agreed on ex-ante, or if the spending adheres to a predominated spending profile agreed upon during the ex-ante assessment. In the latter case, the 2007-2010 annual average structural spending of the Member state may be below the annual average for 2007-2013.

The timetable to comply with will be as follows:

- By the 31 July 2011: submission of aggregate and annual tables with final data for the years 2007-2009 and provisional data for 2010;
- By the 31 October 2011: if necessary, methodological corrections based on EC’s comments;
- 31 December 2011: deadline for submission of any further information.

The midterm review is also an opportunity for the Member state in agreement with the Commission, to revise the level of expenditure targeted for the rest of programming period. Such a modification will be conditional on the Member state fulfilment of its obligations in terms of meeting the deadlines stated above.

Ex-post assessment by the end of December 2016

- By the 31 January 2016: submission of aggregate and annual tables with final data for the years 2007-2013;
- By 31 March 2016: if necessary, provision of methodological corrections based on Commission's comments;
- 30 June 2016: deadline for submission of any further information required.

If a Member state fails to provide a satisfactory ex-post assessment of additionality by 30 December 2016, it will be considered as not respecting the additionality principle.

In the period of **ex-ante verification of additionality** principle, a working group is set up with representatives from the CCU, CA and other relevant units from Ministry of Finance.

The task of the working group is to elaborate the additionality table, which is included in the NSRF.

The CCU in coordination with the OP MAs and CA will prepare and submit to the EC the annual additionality tables and respective reports for the mid term and ex-post review of the additionality.

13. Public-private partnerships

As general provisions of Regulation (EC) No 1083/2006 stipulate that the programming of Structural funds assistance should ensure coordination of the Funds between themselves and with the other existing financial instruments, the EIB and the European Investment Fund (EIF). Such coordination should also cover the preparation of complex financial schemes and PPP.

It is appropriate to ensure that improved access to finance and innovative financial engineering are available primarily to micro, small and medium-sized enterprises and for investing in PPP and other projects included in an integrated plan for sustainable urban development. Member States may decide to set up a holding fund through the award of public contracts pursuant to public procurement law, including any derogation in national law compatible with Community law. In other cases, where Member States are satisfied that public procurement law is not applicable, the definition of tasks of the EIF and the EIB justifies that Member States award them a grant that is a direct financial contribution from operational programmes by way of donation.

CHAPTER 4

MANAGING THE STRUCTURAL INSTRUMENTS

1. Programme level

1.1. Overview

The programme level tasks are related to the reports and information to be submitted to the European Commission. At the same time these tasks would be necessary without the expectation of the European Union for managing the programmes. The programme level tasks incur primarily at the MA and CA.

The regulations of the European Union precisely define the content, the frequency and the deadlines of the reports and information to be sent to the European Commission in relation to the programmes. The information flow and the division of tasks between the involved parties are derived from such reporting obligations, enabling parties to supply such information.

This chapter introduces the program level monitoring, payment, audit tasks and the tasks related to the irregularities and fraud.

1.2. Monitoring

For community financed assistance, annual and final implementation reports are a fundamental tool for measuring the advancement of the OPs. It serves as a basis for communication between the Managing Authority and the European Commission. Besides, it is also an important document when it comes to the annual review of the programme between the EU and the Member State.

In addition, it should allow the Monitoring Committee to have a comprehensive view of the achievements and shortcomings of the programme implementation in order to decide major adjustments to its priorities, measures or instruments.

1.2.1. General rules on annual and final implementation reports

The annual report should be prepared by the Managing Authority and approved by the Monitoring Committee in accordance with its rules of procedure. After approval it should be submitted to the European Commission. The deadline for this is 30th June of the year following that of the report.

For the first time in 2008 and by 30 June each year, the Managing Authority shall send the Commission an annual report on the implementation of the Operational Programme.

Under Article 67 of Regulation (EC) No 1083/2006 the Annual Implementation Report should comprise the following information:

- the progress made in implementing the operational programme and priority axes in relation to their specific, verifiable targets, with a quantification, wherever and whenever they lend themselves to quantification, using the indicators at the level of the priority axis;
- the financial implementation of the operational programme, detailing for each priority axis:
 - the expenditure paid out by the beneficiaries included in applications for payment sent to the Managing Authority and the corresponding public contribution;
 - the total payments received from the Commission and quantification of the financial indicators and;

- the expenditure paid out by the body responsible for making payments to the beneficiaries, where appropriate, financial implementation in areas receiving transitional support shall be presented separately within each OP;
- for information purposes only, the indicative breakdown of the allocation of Funds by categories, in accordance with the implementation rules adopted by the Commission in accordance with the procedure referred to in Article 103(3);
- the steps taken by the MA or the MC to ensure the quality and effectiveness of implementation, in particular:
 - monitoring and evaluation measures, including data collection arrangements;
 - a summary of any significant problems encountered in implementing the OP and any measures taken, including the response to comments made;
 - the use made of technical assistance;
- the measures taken to provide information on and publicise the OP;
- information about significant problems relating to compliance with Community law which have been encountered in the implementation of the OP and the measures taken to deal with them;
- where appropriate, the progress and financing of major projects;
- the use made of assistance released following cancellation as referred to in Article 98 (2) to the MA or to another public authority during the period of implementation of the OP;
- cases where a substantial modification has been detected.

The written reports to the Monitoring Committee should contain an executive summary highlighting the major issues followed by the detailed chapters.

The Commission shall inform the Member State on the admissibility of the annual report within 10 working days from the date of its receipt.

Once the Commission has received the annual report, it shall indicate within two months if the report is considered unsatisfactory, giving its reasons; otherwise, the report shall be deemed to be accepted.

If the annual implementation report is not accepted by the Commission - either because it does not cover all aforementioned items or because its quality is poor - the OP MA should correct or complete it as soon as possible since the Commission may decide to suspend interim payments to the programme.

For the final report on an OP, the time limit shall be a maximum of five months from the date of receipt of an admissible report. If the Commission does not respond within the time limit laid down, the report shall be deemed to be accepted.

1.2.2. Final implementation report

By 31 March 2017 a final report on the implementation of the OP shall be sent to the EC.

The structure and contents of the final report is similar to the annual reports but it covers the entire period of implementation of the OP. All project approvals made after January 2007 and all

payments on eligible expenditure made up to the 31st December 2015 should be included in the report.

The main difference between the annual reports and the final report is that it shall include a first evaluation to be made by the MAs of the strengths and weaknesses of the programme and its implementation and of its main impacts and outputs. It is expected that a comprehensive comparison between targets and achievements will be provided not only at financial level but also regarding the physical, output and impact indicators identified in the programme.

It is essential that the final implementation report is succinct and focuses on analysis rather than lengthy descriptions. It should provide clear, justified conclusions and recommendation and be written in a clear and understandable manner.

The OP final report shall be sent to the Commission together with the final certification of expenditure and with the independent audit declaration in order that the OP final balance could be paid by the European Union. If the Commission finds the report unsatisfactory it will reply within five months from the receipt of the report.

1.3. Revision of the OP

1.3.1. Rules governing the modification of the OP

According to article 33 of Regulation (EC) No 1083/2006 at the initiative of the OP MA or the Commission in agreement with the Member State concerned, OPs may be re-examined and, if necessary, the remainder of the programme revised, in one or more of the following cases:

- following significant socio-economic changes;
- in order to take greater or different account of major changes in Community, national or regional priorities;
- in the light of the carried out evaluations or;
- following implementation difficulties.

The OPs shall, if necessary, be revised following allocation of the national performance and contingency reserves referred to in Articles 50 and 51 of Regulation (EC) No 1083/2006.

The Monitoring Committee may in any event propose to the MA any adjustment or review of the programme likely to make possible the attainment of its objectives, or to improve the management of the programme, including financial management.

Any amendment of the OP shall be decided by the Commission, in agreement with the Bulgarian Government, within three months of the formal submission by the member state..

The MA, at request of the MC or on its own initiative, adjusts the OP operations, without changing the total amount of the contribution from the Funds granted to the priority concerned or its specific targets.

After approval of this adjustment by the Monitoring Committee, the MA shall inform the Commission of the adjustment within one month.

The Commission shall adopt a decision on a request for revision of operational programmes as soon as possible but no later than three months after its formal submission by the Member State.

The revision of OPs shall not require revision of the decision of the Commission on the allocation of funds

1.3.2. Allocation of reserves

National Performance reserve

According to Article 50 of Regulation (EC) No 1083/2006, the Member state, at its own initiative, decides to establish a national performance reserve for the Convergence objective and/or the Regional competitiveness and employment objective, consisting of 3 % of its total allocation for each one.

Where a Member State has decided to establish such a reserve, it shall assess under each of the objectives not later than 30 June 2011 the performance of its OPs.

Not later than 31 December 2011, on the basis of proposals from and in close consultation with each Member State concerned, the Commission shall allocate the national performance reserve.

National contingency reserve

As article 51 of Regulation (EC) No 1083/2006, the Member state, at its own initiative reserves an amount of 1 % of the annual Structural Fund contribution to the Convergence objective and 3 % of the annual Structural Fund contribution to the Regional competitiveness and employment objective to cover unforeseen local or sectoral crises linked to economic and social restructuring or to the consequences of the opening up of trade.

The Member State may allocate the reserve for each objective to a specific national programme or within Operational Programmes.

1.4. Payments

1.4.1. Certification of expenditure

The CA is responsible for certifying total eligible expenditure incurred under the OP to the European Commission, as a general rule 3 times per year.

The Managing Authority is therefore responsible for providing regular declaration of OP expenditure to the Certifying Authority. In these declarations of expenditure, the MA should aggregate expenditure to the Priority axis level of the financial table of the OP.

All statements of expenditure shall include for each priority the following information:

- the amounts withdrawn from statements of expenditure submitted during the preceding year following cancellation of all or part of the public contribution for an operation;
- the amounts recovered which have been deducted from these statements of expenditure;
- (c) a statement of amounts to be recovered as at 31 December of the preceding year classified by the year in which recovery orders were issued.

An independent statement of validity of each of the Certifying Authority's certified statement of OP expenditure must be prepared and submitted to the Commission by the Audit Authority based on

the outcome of its sample checks of OP expenditure and periodic audits of OP management systems. The independent statement of validity is treated under the separate manual of the AA.

Payments are regulated by Regulation (EC) 1083/2006 Title VII- Financial Management.

Payments shall take the form of pre-financing, interim payments and payment of the final balance. They shall be made by the Commission to the Competent Body for receiving funds. At the latest by 30 April each year, the Commission shall be sent a provisional forecast of the likely applications for payment for the current financial year and the subsequent financial year.

1.4.2. Pre-financing

According to Article 82 of Regulation (EC) No 1083/2006, following the Commission decision approving a contribution from the Funds to an OP, a single pre-financing amount for the 2007 to 2013 period shall be paid by the Commission to the body designated by the Member State.

The pre-financing amount shall be paid in different instalments as follows:

- in 2007 2 % of the contribution from the Structural Funds to the operational programme and 2 % of the contribution from the Cohesion Fund to the operational programme,
- in 2008 3 % of the contribution from the Structural Funds to the operational programme and 4 % of the contribution from the Cohesion Fund to the operational programme, and
- in 2009 2 % of the contribution from the Structural Funds to the operational programme and 4 % of the contribution from the Cohesion Fund to the operational programme;

The total amount paid as pre-financing shall be reimbursed to the Commission by the body designated by the Member State if no application for payment under the operational programme is sent within 24 months from the date on which the Commission pays the first instalment of the pre-financing amount.

The total contribution from the Funds to the operational programme shall not be affected by such reimbursement.

With Council of Ministers' Decision No 988/2005 to the National Fund Directorate at the Ministry of Finance was assigned the tasks as Body receiving payments from EC.

1.4.3. Interim payments

Interim payments shall be made for each operational programme. The first interim payment shall be made in accordance with Article 71(2) of the Regulation (EC) No 1083/2006.

Each interim payment made by the Commission shall be subject to the following conditions being met:

- o the Commission must have been sent a application for payment and a statement of expenditure in accordance with Article 78;
- o no more than the maximum amount of assistance from the Funds as laid down in the decision of the Commission approving the operational programme has been paid by the Commission during the whole period for each priority axis;
- o the managing authority must have sent the Commission the most recent annual implementation report in accordance with Article 67(1) and (3);

- there is no reasoned opinion by the Commission in respect of an infringement under Article 226 of the Treaty as regards the operation(s) for which the expenditure is declared in the application for payment in question.

If one or more of the conditions referred to in paragraph 1 are not met, the Member State and the certifying authority shall be informed by the Commission within a period of one month so that the necessary steps can be taken to remedy the situation.

1.4.4. Programme closure and payment of final balance

Partial closure

As Article 88 of Regulation (EC) No 1083/2006 stipulates, partial closure of Operational Programmes may be made at periods to be determined by the Member State. Partial closure shall relate to operations completed during the period up to 31 December of the previous year.

Partial closure shall be made on the condition that the Member State sends the following to the Commission by 31 December of a given year:

- a statement of expenditure;
- a declaration for partial closure in accordance with Article 62(1)(d)(iii).

Any financial corrections made in accordance with Articles 98 and 99 concerning operations subject to partial closure shall be net financial corrections.

The certified statements of OP expenditure presented to the Commission by the Certifying Authority take the form of requests for interim reimbursement payments (and payment of the final balance in the case of the request at closure of the OP).

The Commission makes the interim payments, subject to obtaining reasonable assurance on the compliance of the management and control system of the OP, based on the Annual Control Reports by the Audit Authority, as well as fulfillment of the following conditions:

- Submission of the payment request and statement of expenditure by the Certifying Authority;
- No more that the maximum amount of assistance from the Funds may have been granted during the whole period for each priority;
- The MA must have sent the Commission the most recent annual implementation report by the required deadline;
- Neither suspension of payments, nor any reasoned opinion by the Commission in respect of an infringement under Article 226 of the Treaty, as regards the operations for which the expenditure was incurred according to the payment in question.

The cumulative total of pre-financing and interim payments made shall not exceed 95 % of the Funds contribution to the OP.

1.4.5. Requirements concerning the certification process

The certification process is built up from three phases as follows:

1. Verification by the intermediate body, if applicable for the OP

2. Verification by the managing authority,
3. Certification by the certifying authority.

In order to support the certification activity of the CA, the MA operates a system of verification. In case the MA delegates tasks related to reception and verification of invoices and authorisation of payments, IBs should be involved in the verification activity.

Verification activity of the *Intermediate body* - first level verification and the preparation of the IB verification report is connected to project level payments, namely the payment claim for Community and national contribution submitted to the managing authority. The IB verification report (100% check) verifies eligibility of expenditure and compliance with Community and national rules. The managing authority has to operate a filing system for IB verification reports.

Verification activity of the *Managing Authority* is separated from project level payments. It is connected to programme level payments, namely the payment claims for Community contribution to be submitted to the Commission. Verification activity of the MA is broader than that of the IB in two senses: first, because it covers the whole of the OP, second, because besides eligibility of expenditure and compliance with Community and national rules it regards the appropriateness of the management and control systems of the IBs and the MA. The MA verification reports must be attached to statements of expenditure submitted to the CA.

Besides preparation and submission of the MA verification reports, the MA shall:

- ensure the right of the CA to access to the systems and records of the MA/IBs for the purpose of verifying expenditure and report information;
- provide the CA with the required information necessary for the certification;
- forward to the CA any audit reports on the activity of the MA/IB;
- submit to the CA the operating manual and the audit trail applied by that MA, including the procedures applied by its IBs, and the description of management and control procedures;
- inform in writing the CA on any amendments of the operating manuals and audit trails;
- regularly inform the CA on treatment of irregularities and fraud.

1.4.6. Certification activity of the Certifying Authority

Certification is done by the certification unit of the Certifying Authority, which is functionally independent from other activities and units of the CA.

The Certifying Authority executes its certification activity in line with its Operational Manual, using checklists with appropriate guidance notes for fulfilling them, supported by double checks (four eyes principle) with the authorisation of a higher level manager.

If the checks conducted by the CA result in a positive opinion, the Certifying Authority certifies the statement of expenditure and submits it to the European Commission, with applications for interim payments and for payment of the balance.

If the conditions for certifying the expenditure are not fulfilled, the CA shall inform the MA on any identified differences/problems. The MA shall provide explanations on the deviations or problems and propose corrective measures with implementation deadlines in cooperation with the IB/if such functions are delegated/. When the MA provides to the Certifying Authority a reliable explanation of the identified problems, or when it proposes appropriate corrective measures to eliminate the

problem, and the Certifying Authority satisfies itself that these measures are implemented, the CA shall certify the statement of expenditure and submits it to the European Commission with application for payment.

1.4.7. Documents to be submitted to the Commission

Certified statements of expenditure and payment applications as referred to in Article 61 (a) of Regulation (EC) No 1083/2006 shall be drawn up in the format given in Annex X to Implementing Regulation and to be transmitted to the Commission.

By 31 March each year the Certifying Authority shall send to the Commission a statement, in the format given in Annex XIII to the Implementing Regulation (provided as an annex), identifying for each priority axis of the Operational Programme:

- amounts withdrawn from statements of expenditure submitted during the preceding year following cancellation of all or part of the public contribution for an operation;
- amounts recovered which have been deducted from these statements of expenditure;
- statement of amounts to be recovered as at 31 December of the preceding year classified by the year in which recovery orders were issued.

In order to proceed to the partial closure of the Operational Programme, the Certifying Authority shall send to the Commission a statement of expenditure referred to in Article 88 of Regulation (EC) No 1083/2006 in the format given in Annex X a to the Implementing Regulation.

1.4.7.1. Payment Application

In accordance with Article 86 of Council Regulation (EC) No 1083/2006 and Annex XII of draft Implementation Regulation, the Certifying Authority submits payment applications from the Funds for each Operational Programme.

Each interim payment made by the Commission shall be subject to the certain conditions being met.

The Certifying Authority shall satisfy itself that requests for interim payments for each Operational Programme are grouped together and sent to the Commission, as far as possible, on three separate occasions a year. For a payment to be made by the Commission in the current year, the latest date on which a application for payment shall be submitted is 31 October.

The Payment Application contains the requested amount to be paid by the European Commission, the admissibility criteria and details for the designated body.

Conditions for payment of the final balance are listed in Article 89 of the Regulation.

1.4.7.2. Certificate

The Certifying Authority certifies that the statement of expenditure which constitutes the basis for the application is based on expenditure paid within the eligibility period and which can be supported by invoices or accounting documents of equivalent probative value. The CA also certifies that the Managing Authorities and Intermediate Bodies operate appropriate management and control procedures to verify the delivery of the products and services co-financed and the reality of expenditure claimed, to ensure compliance with the applicable rules, and to maintain the audit trail.

According to Annex XII to Implementing Regulation the Certifying Authority certifies the following:

- expenditure declared complies with the applicable Community and national rules and has been paid in respect of operations selected for funding in accordance with the criteria applicable to the Operational Programme and the applicable Community and national rules, in particular:
 - State aid rules;
 - Public procurement rules;
 - Rules on the justification of advances in the framework of state aid under Article 87 of the Treaty by expenditure paid out by the beneficiary within a three years deadline;
 - No declaration of expenditure concerning Major projects which have not yet been approved by the Commission;
- statement of expenditure is accurate, results from reliable accounting systems and is based on verifiable supporting documents;
- underlying transactions are lawful and comply with the rules and the procedures have been followed satisfactorily;
- statement of expenditure and the payment application take account, where applicable, of any amounts recovered, revenue accruing from operations financed under the operational programme and of any interest received;
- breakdown of the underlying operations is recorded on computer files and is available to the relevant Commission departments on request.

The supporting documents shall be available for at least three years following the closure of the operational programme by the Commission.

1.4.7.3. Statement of expenditure

According to Article 78 of Regulation (EC) No 1083/2006 all statements of expenditure shall include, for each priority axis, the total amount of eligible expenditure, in accordance with Article 56, paid by beneficiaries in implementing the operations and the corresponding public contribution paid or due to be paid to the beneficiaries according to the conditions governing the public contribution. Expenditure paid by beneficiaries shall be supported by receipted invoices or accounting documents of equivalent probative value.

1.4.8. Final balance

The cumulative total of pre-financing and interim payments made shall not exceed 95 % of the contribution from the Funds to the Operational Programme.

The Commission shall pay the final balance provided that:

- the Member State has sent an application for payment comprising the following documents by 31 March 2017:

- an application for payment of the final balance and a statement of expenditure in accordance with Article 78;
- the final implementation report for the Operational Programme, including the information set out in Article 67;
- a closure declaration referred to in Article 62(1)(e); and

- there is no reasoned opinion by the Commission in respect of an infringement under Article 226 of the Treaty as regards the operation(s) for which the expenditure is declared in the application for payment in question.

For a period of three years following the closure of the Operational Programme by the Commission the Intermediate Bodies/Managing Authority shall keep available all the supporting documents regarding expenditure and checks (invoices, audit and certification reports, statement of expenditure) which prove the legality of payment in case of a Commission audit. If a Commission audit is conducted, failure of compliance with this obligation may lead to doubts about the legality of payments, and as its consequence the amount concerned shall be repaid to the European Commission.

1.4.9. Compliance with the N+2/N+3 Rule:

According to Article 93 of Regulation (EC) No 1083/2006, the Commission shall automatically de-commit any part of a commitment which has not received an acceptable payment application by the end of the third year (for the period 2007-2010) and second year (for 2011-2013) following the year of commitments. The contribution from the Structural Instruments to the OP concerned shall be reduced by that amount.

This is called the N+2 Rule.

The n+2 rule applies at the OP level (or by Fund if the OP incorporates more than one fund), not to individual projects. However it implies a strong need for timely execution of all implementation tasks under the OP.

The MA will be responsible for ensuring that the n+2 targets are fully met under the OP. Failure to meet the n+2 targets will mean that the funds will be de-committed from the OP and lost to Bulgaria. (Note that a derogation allowed to N+3 for period 2007-2010).

Exceptions to the n+2 rule include expenditure related to the following:

- “major” projects and notified aid schemes awaiting a decision by the Commission;
- recovery procedures which are open at the n+2 target date.

In partnership with the Certifying Authority and the CCU, the MA should complete a specific n+2 monitoring table on a regular basis at quarterly basis.

(Note the advance may be counted in first N+2 Period)

1.5. Financial control

The Managing Authority is responsible for maintaining an adequate audit trail on all operations financed under and OP.

For the purpose of Article 60 (f) of Regulation (EC) No 1083/2006, an audit trail shall be considered adequate where, for the Operational Programme concerned, it complies with the following criteria:

- it permits the aggregate amounts certified to the Commission to be reconciled with the detailed accounting records and supporting documents held by the Certifying Authority, Managing Authority, Intermediate Bodies and beneficiaries as regards operations co-financed under the Operational Programme;
- it permits verification of payment of the public contribution to the beneficiary;
- it permits verification of application of the selection criteria established by the Monitoring Committee of the Operational Programme;
- it contains in respect of each operation, as appropriate, the technical specifications and financing plan, documents concerning the grant approval, documents relating to public procurement procedures, progress reports and reports on verifications and audits carried out.

The Managing Authority must ensure that all the supporting documents regarding expenditure and audits on the OP concerned are kept available for the Commission and the Court of Auditors for:

- period of three years following the closure of the OP, or
- period of three years following the year in which partial closure took place, as regards operations subject to partial closure.

These periods may be interrupted either the case of legal in the case of legal proceedings or at the duly motivated request of the Commission.

The Managing Authority shall keep available information necessary for the purposes of evaluation and reporting, including the information referred to in Article 14, in relation to operations referred to in Article 90 (2) of Regulation (EC) No 1083/2006 for the whole of the period referred to in Article 90 (1) point a).

The following at least shall be considered as commonly accepted data carriers as referred to in Article 90 of Regulation (EC) No 1083/2006:

- photocopies of original documents;
- microfiches of original documents;
- electronic versions of original documents;
- documents existing in electronic version only.

The procedure for certification of conformity of documents held on commonly accepted data carriers with the original document shall be laid down by the national authorities and shall ensure that the versions held comply with national legal requirements and can be relied on for audit purposes.

Where documents exist in electronic version only, the computer systems used must meet accepted security standards that ensure that the documents held comply with national legal requirements and can be relied on for audit purposes.

1.5.1. Sample checks

According to the provisions of Article 16 of the Implementing Regulation No 1828/2006, Member States shall organise checks on assisted operations to be carried out before the winding-up of each operational programme and cover at least 5% of the total eligible expenditure of the OP.

The checks shall be carried out each year from 2008 on a sample of operations selected by a method established or approved by the Audit Authority accordingly.

The expenditure audited before the closure of an Operational Programme shall represent not less than 5% of the total expenditure declared by beneficiaries for operations and certified to the Commission in the final statement of expenditure.

The audits shall be carried out on the spot on the basis of documentation and records held by the beneficiary. The audits shall verify that the following conditions are fulfilled:

- the operation meets the selection criteria for the Operational Programme and has been implemented in accordance with the approval decision and fulfils any applicable conditions concerning its functionality and use or the objectives to be attained;
- the expenditure declared corresponds to the accounting records and supporting documents held by the beneficiary;
- the expenditure declared by the beneficiary is in compliance with Community and national rules;
- the public contribution has been paid to the beneficiary in accordance with Article 80 of Regulation (EC) No 1083/2006

Where problems detected appear to be systemic in nature and therefore entail a risk for other operations under the Operational Programme, the AA shall ensure that further examination is carried out, including additional audits where necessary, to establish the scale of such problems. The necessary preventive and corrective action shall be taken by the relevant authorities.

Only expenditure falling within the scope of the audit in accordance with Article 16, paragraph 2 shall be counted towards the minimum percentage requirements laid down in Art 16, paragraph 1.

1.5.2. The purpose of sample checks for Article 16

Checks on operation should be organised on an appropriate sampling basis to:

- verify the effectiveness of the management and control systems in place;
- verify selectively, on the basis of risk analysis, expenditure declarations made at the various levels concerned.

Sample checks should be spread evenly over the period concerned.

Through the checks, the Member States shall endeavour to verify the following:

- the practical application and effectiveness of the management and control systems;
- for an adequate number of accounting records, the correspondence of those records with supporting documents held by Intermediate Bodies, final beneficiaries, and the bodies or firms carrying out the operations;
- the presence of a sufficient audit trail;

- for an adequate number of expenditure items, that the nature and timing of the relevant expenditure comply with Community provisions and correspond to the approved specifications of the operation and the works actually executed;
- that the use or intended use of the operation is consistent with the use described in the application for Community co-financing;
- that the Community financial contributions are within the limits provided for in Article 52 of Regulation (EC) No 1083/2006 and any other applicable Community provisions and are paid to final beneficiaries without any reductions or unjustified delay;
- that the appropriate national co-financing has in fact been made available; and
- that the co-financed operations have been implemented in accordance with Community rules and policies

1.5.3. Sampling

Checks should be based on a representative sample of the operations approved taking into account:

- the need to check an appropriate mix of types and sizes of operations,
- any risk factors which have been identified by national or Community checks and;
- the concentration of operations under certain intermediate bodies or final beneficiaries, so that the main intermediate bodies and final beneficiaries should be checked at least once before the winding up of each assistance.

So, the sample must be representative of the types of activities funded, the type of delivery organisations, and the amount involved. The selection process should be fully documented to demonstrate the methodology used and coverage given.

1.5.4. Reporting to the Commission

Member States shall inform the Commission by 30 June each year of their application of the sample checks in the previous calendar year and in addition provide any necessary completion or updating of the description of their management and control systems.

1.5.5. Authorities performing sample checks

Checks are conducted by the internal audit unit of the ministries in which the Managing Authorities are located.

1.5.6. Issuing the closure declaration

According to the provisions of Article 62, p. (e) of Council Regulation (EC) No 1083/2006, a closure declaration needs to be issued supporting the payment claim for the final balance.

Member States shall organise checks on assisted operations to be carried out before the closure of each Operational Programme and cover at least 5% of the total eligible expenditure of the OP.

The closure declaration is based on the analysis of the management and control systems of each Operational Programme and of the findings of checks already carried out. Furthermore, additional sample check of transactions may take place if necessary.

The Audit Authority must make all necessary enquiries to obtain reasonable assurance that the certified final statement of expenditure related to drawing down the final balance is correct and that the underlying transactions are legal and regular.

In order for drawing up the closure declaration, the CA, the MA and the IBs will provide all information requested and will ensure access to their records and supporting documents for the Audit Authority.

The Audit Authority will attach a report to the closure declaration which will include all relevant information to justify the declaration, including a summary of the findings of all checks carried out by national and Community bodies.

If no obstacles were encountered in the examination, the frequency of errors and irregularities found is low, and all problems have been satisfactorily dealt with, the Audit Authority will indicate the application to the Commission for payment of the final balance of the Community support as valid in the closure declaration.

In the event that the examination carried out by the Audit Authority finds management or control weaknesses, or high frequency of irregularities which do not allow the provision of a positive overall assurance as to the validity of the request for payment of the final balance and the final certificate of expenditure, the AA will estimate the extent of the problem and its financial impact in the closure declaration. In this case the Commission may request that a further check be carried out in order to identify and rectify the irregularities found within a specified period of time.

1.6. Treatment of irregularities

1.6.1. Committing irregularities

Irregularity means the infringement of a provision of Communities or Bulgarian law resulting from an act or omission by an economic operator, which has, or would have, the effect of prejudicing the general budget of the Communities or Bulgaria, or budgets managed by them, either by reducing or losing revenue accruing from own resources collected directly on behalf of the Communities or Bulgaria, or by an unjustified item of expenditure.

Without prejudice to the other obligations under Article 70 of Regulation (EC) No 1083/2006, within two months following the end of each quarter, CA shall report to the Commission any irregularities which have been the subject of a primary administrative or judicial finding.

The CA shall in all cases give details concerning the following:

- the Fund, the objective, the Operational Programme, priority axis and operation concerned and the Common Identification Code (CCI) numbers;
- the provision which has been infringed;
- the date and source of the first information leading to suspicion that an irregularity had been committed;
- the practices employed in committing the irregularity;
- where appropriate, whether the practice gives rise to a suspicion of fraud;
- the manner in which the irregularity was discovered;

- where appropriate, the Member States and third countries involved;
- the period during which, or the moment at which, the irregularity was committed;
- the national authorities or bodies which drew up the official report on the irregularity and the authorities responsible for administrative or judicial follow-up;
- the date on which the primary administrative or judicial finding on the irregularity was established;
- the identity of the natural and legal persons involved or of any other participating entities, except where this information is irrelevant for the purposes of combating irregularities, given the nature of the irregularity concerned;
- the total budget and the public contribution approved for the operation and the distribution of its co-financing between Community and national contribution;
- the amount of the public contribution affected by the irregularity and the corresponding Community contribution at risk; where no payment of the public contribution has been made to the persons or other entities identified under point (k), the amounts which would have been unduly paid had the irregularity not been identified;
- the suspension of payments, where applicable, and the possibilities of recovery;
- the nature of the irregular expenditure.

By way of derogation the following cases need not be reported:

- cases where the irregularity consists solely of the failure to partially or totally execute an operation included in the co-financed Operational Programme owing to the bankruptcy of the beneficiary;
- cases brought to the attention of the Managing or Certifying authority by the beneficiary voluntarily and before detection by either of them, whether before or after the payment of the public contribution;
- Less than 10 000 Euro in value of irregularity or potential irregularity.

However, irregularities preceding a bankruptcy and cases of suspected fraud must be reported.

Where a Member State has no irregularities to report, it shall inform the Commission of this fact within the same time limit as is set out in the first paragraph.

Each Member State shall immediately report to the Commission and, where necessary, to the other Member States concerned, any irregularities discovered or supposed to have occurred, where it is feared that they may very quickly have repercussions outside its territory or they show that a new malpractice has been employed.

Within two months following the end of each quarter, Member States shall inform the Commission, with reference to any previous report made under Article 28 of Implementing Regulation, of the procedures instituted with respect of all irregularities previously notified and of important changes resulting therefrom. That information shall at least include the following:

- the amounts which have been, or are expected to be, recovered;
- any interim measures taken by Member States to safeguard recovery of sums unduly paid;
- the judicial and administrative procedures instituted with a view to recovering sums unduly paid and to imposing sanctions;

- the reasons for any abandonment of recovery procedures;
- any abandonment of criminal prosecutions.

Member States shall report to the Commission administrative or judicial decisions, or the main points thereof, concerning the termination of such procedures and shall state in particular whether or not the findings are such that fraud is suspected. In the case referred to at point (d), Member States shall, as far as possible, notify the Commission before a decision is taken.

Where a Member State considers that an amount cannot be recovered or is not expected to be recovered, it shall inform the Commission, in a special report, of the amount not recovered and the facts relevant to the decision on apportionment of the loss under Article 70 (2) of Regulation (EC) No 1083/2006.

That information shall be sufficiently detailed to allow the Commission to take such a decision as soon as possible, after consulting the authorities of the Member States concerned. It shall at least include the following:

- a copy of the award decision;
- the date of the last payment made to the beneficiary;
- a copy of the recovery order;
- in the case of bankruptcies subject to reporting under Article 28 (2) of draft Implementing Regulation, a copy of the document attesting the insolvency of the beneficiary;
- an outline description of the measures taken by the Member State, with indication of their dates, to recover the relevant amount.

Definition of “Fraud”

The definition of fraud is taken from the Convention for the Protection of the Financial Interests from 1995 and entered into force on 17/10/2002 (it is one but not only the only possible definition). For the purposes of this Convention, fraud affecting the European Communities' financial interests shall consist of:

a) in respect of expenditure, any intentional act or omission relating to:

- the use or presentation of false, incorrect or incomplete statements or documents, which has as its effect the misappropriation or wrongful retention of funds from the general budget of the European Communities or budgets managed by, or on behalf of, the European Communities,
- non-disclosure of information in violation of a specific obligation, with the same effect,
- the misapplication of such funds for purposes other than those for which they were originally granted;

(b) in respect of revenue, any intentional act or omission relating to:

- the use or presentation of false, incorrect or incomplete statements or documents, which has as its effect the illegal diminution of the resources of the general budget of the European Communities or budgets managed by, or on behalf of, the European Communities,
- non-disclosure of information in violation of a specific obligation, with the same effect,
- misapplication of a legally obtained benefit, with the same effect.

For further details and Definition of fraud, corruption and other illegal activities, see OLAF's website: <http://ec.europa.eu/dgs/olaf/>.

Types of irregularities

Irregularities can be **Technical, Contractual, Financial or Administrative**. Any of those irregularities can be **Intentional or Unintentional** and irregularities may have, or not have, a **financial impact**.

Their nature may appear to be Systemic or of the One-off irregularity type.

1.6.2. Prevention of Irregularities

The surest way to reduce irregularities is to make them unacceptable to the various participants or actors involved in projects. Irregularities can occur at any stage in the life cycle of a project or programme as well as in the day-to-day operation of any institution / organisation. Systems set up for ensuring the detection and prevention of irregularities must therefore cover the whole project life cycle – project identification, definition, implementation and completion.

If an irregularity is noted, a notification will be sent to the person having authority in the involved institution.

If any irregularity has a financial implication, steps will be taken to recover any losses.

If human error or incompetence did not cause the losses, administrative steps will be taken to prevent further occurrences. If the losses were due to fraud, negligence or criminal activity, the action specified in the national regulation will be instituted.

1.6.3. Detection of Irregularities

Any or all of the following actions may lead to detection of irregularities and therefore provide evidence that systems for control and monitoring of projects do not function properly.

Desk study

Ineligible expenditure that has been claimed and paid against and absence of supporting documentation is the most common reason for registering an irregularity. Detailed checking of Requests for funds and progress reports could reveal that a project is failing to make progress in the delivery of the agreed outputs and/or results for which contracts were awarded.

On-the-spot visits

Although many irregularities can be found through a desk study, the best way is to visit the site and correlate reality with any written reports. Evidence gathered during an on-site-visit visit may lead to confirmation of irregularities suspected during a desk study.

Regular/ final audit reports

Audit performed by internal or external auditors could reveal irregularities in implementation of projects.

1.6.4. Recording Irregularities

1.6.4.1. Purpose

The purpose of the irregularities records is to:

- Provide a history of the irregularity and the way in which it was resolved
- Provide information and evidence which might be needed in the case of action, such as criminal proceedings, being taken against persons or organisations
- Provide information in a consistent way if the details of the irregularity are to be communicated to relevant institutions.

The proper maintenance of the Irregularity files and Irregularity Registers are part of the evidence that the institutions properly implements procedures in relation to handling irregularities.

1.6.4.2. Principles

Detected/suspected irregularities should be registered in: an Irregularity file and an Irregularity Register.

The “Irregularity File” and “Irregularity Register” should be opened by the Irregularity Officer. Until final closure of the case, the Irregularity Officer must ensure constant and regular up-date of both Irregularity File and Irregularity Register.

Irregularities discovered are checked against previous entries in the “Irregularity File/Irregularity Register”.

Irregularity files and Irregularity Registers are confidential. Yet, they may be made available to duly authorised monitoring and auditing bodies.

1.6.4.3. Irregularity file

The Irregularity File contains all paper documentation gathered in relation to each irregularity case. This would include:

- Irregularity reports,
- Investigation documentations,
- Copy of audit reports,
- Notifications / letters sent and received,
- Answers to notifications / letters,
- Any correspondence
- Court-case related information, etc...

The Irregularity file should be identified by bearing the same identification number as the related “irregularity identification number”.

1.6.4.4. Irregularity Register

The Irregularity Register provides for information on:

- Irregularity identification: identification number, related project code and title, identification of the related Managing Authority/Intermediate Body
- Irregularity status : narrative updates on the evolution of the case,
- Financial information: amounts paid or that that would have been paid, follow-up of debts, interests, amounts recovered, etc.

2. PROJECT LEVEL

2.1. The project cycle

A Structural Funds project – in fact, any project – passes through four major phases, namely:

- *Identification* - where the project concept is an idea and meets a need identified within the NDP and an OP;
- *Definition* - where the concept is verified and developed into a workable plan (application) for approval by funding agencies;
- *Implementation* - where the implementation plan is carried out and implementation progress is monitored (in case of investments, investment and management can be separated within the implementation phase);
- *Completion* - where the project process is completed, documented, and evaluated.

This process is referred to as ‘project life cycle’ or shortly ‘project cycle’.

Because of the variety of sectors and operations covered by the OPs the arrangements for processing project applications cannot be completely uniform. There are, however, aspects of the procedures where a common approach is both necessary and appropriate.

2.2. Project Development

Description and general principles

To be supported under an OP, projects should be financially, economically, socially, and environmentally sound. In order to prove this, they will have to be prepared according to a number of substantive and technical criteria. Above all, they will need to respond well to the objectives of the Operational Programme, fit clearly into one of its priorities, have co-financing resources in place and be capable of completion with the required time scale.

The identification of a project starts with the formulation of a development need, the recognition of a situation that needs to be changed. The project is thus more than just an idea or a need. The project is a timely and targeted intervention which follows a clear logic. In the course of the elaboration of the project the following have to be defined:

- Its justification, the verification of the development claim;
- (Preferably) Description of the consequences of non-intervention;
- Its overall objective;
- Its specific objectives, the measurable indicators to these objectives;
- The best methods for reaching the goals, on the basis of different alternatives;
- The detailed list of tasks to be implemented;
- The expected results and the way each contributes to the overall objective;
- The time table of implementation;
- The responsible person or organisation;
- The financial, human and organisational resources necessary;
- The external conditions necessary for the success of the project.

Assistance to project applicants

In order to ensure that the project is indeed in line with programme and other requirements, potential project applicants should be able (ensured by MA/IB) to consult with impartial experts and receive help with turning their ideas into a fundable, sufficiently concrete and manageable project.

Project development in partnership

Successful projects are the result of collective thinking. Seeking the possibility for wide ranging consultation on the content of the project is an important tool to define and improve development ideas. In general, a project promoter should strive to involve all parties that are concerned by the implementation or the effects of the planned project, have a direct stake in it, or whose co-operation or resistance may be of decisive importance for the success or failure of the initiative. Establishing a dialogue between these players – authorities, state institutions at central, regional and local level, civil organisations, enterprises, or simply the population affected – will help to win the support of those constituting the project's environment, tailor the project to the real needs, and, in general, improve the project's chances for success.

All project applicants will be encouraged at an early stage to seek the advice and guidance of local partnerships and other partners in developing their projects. Local partnerships will give advice on all local projects, and assist those that fit their development strategy. They will in particular want to help project developers ensure that relevant people and organisations are involved in the development of a project and to take forward any issues that relate to the cross-cutting themes or are linked to other activity in the area.

Where open calls for proposals/projects are used, the following information should be included as a minimum:

- background and objective of the support;
- the value of resources available;

- if it can be estimated, the expected number of projects to be supported;
- scope of eligibility (e.g. territorial eligibility, eligible legal persons, etc.);
- activities to be financed and the eligible costs;
- form of assistance (e.g. direct non-refundable payment);
- the maximum and – if defined – the minimum amount and proportion of payment;
- required beneficiary or other co-financing;
- project selection criteria;
- definition of the project selection process;
- its timetable;
- the process of submitting applications, place and closing date;
- accessibility of detailed information and documents.

The precise procedures for launching open calls for proposals, as well as for any other project development work undertaken by the Intermediate Bodies will need to be detailed in the (service level) contracts to be concluded between the Managing Authority and the IBs, where applicable

Horizontal Policies

Managing Authorities should establish and monitor an appraisal process that takes fully into account horizontal policies considerations in the selection of projects.

To improve commitment to equal opportunities, all projects need to demonstrate a firm commitment to equal opportunities, e.g. by training all of their staff in equal opportunities and by devising and implementing an equality action plan. There is a need, therefore, to use the appraisal and selection system to ensure that projects comply with **a minimum requirement set by the MC** as regards equal opportunities and non-discrimination, and that those that make a significant contribution are prioritised.

It is unlikely that awareness raising will be sufficient to ensure that sustainable development will be prioritised across the Operational Programmes. Therefore, the appraisal and selection system needs to also ensure that projects comply with **a minimum requirement set by the MC** as regards sustainable development and that those that make a significant contribution are prioritised.

2.3. Project Applications

Description and general principles

All projects have to be elaborated through the completion of the respective project application form, which is submitted to the Intermediate Body or to the Managing Authority in cases of absence of (relevant) IB. The application form contains data fields that have to be completed for all cases.

Guidelines and operational issues

The applications for any Structural Funds assistance shall be submitted in paper-based as well as electronic format. Naturally, the prerequisite for the request of the applications in electronic format is that, the IT system is able to handle the applications submitted in such form, reducing the work demand on their processing.

Regardless of whether application is electronic or paper-based, the Managing Authority/Intermediate Body must ensure that the entire project selection process and full details of projects supported are documented and archived electronically in the Management Information System.

The Managing Authority/Intermediate Body must ensure that the information requested from the applicants is strictly limited to what is needed and actually used for the evaluation of projects. The submission of supporting documentation likely to involve a large amount of work e.g. detailed feasibility studies, design plans, etc. should only be required for investment projects. Similarly, care should be taken that there is no duplication in the process – no document, certificate, or information should be collected more than once (e.g. either by the submitting of the application or by signing of the grant contract).

Registration of applications

In so far as the submitted application was ascertained that it complies with the criteria of reception (submitted before the deadline, on the adequate application form, in the adequate number of copies), the application will be recorded into the MIS system. In case of an unacceptable application the MA/IB returns it to the applicant with written explanation of the rejection.

All applications must be date stamped (or electronic equivalent) on day of receipt. For applications complying with the criteria of reception, a project reference number must be allocated.

Each application should have a project folder. The folder should comprise:

- a monitoring sheet on which major steps of project selection, contracting and project implementation can be registered (the sheet can be replaced if these data are inputted into the MIS system), and
- the application form with supporting documents.

All documents during the stages of project selection, contracting and project implementation should be placed into this folder.

Detailed procedures on the receipt and registration of applications will need to be built into the (service level) contracts to be concluded between the Managing Authority and the Intermediate Bodies where applicable.

2.4. Project Appraisal

Appraisal of projects is a multi-stage process. It involves:

- Formal checks for completeness of the application and legitimacy of the application and the supporting documents;
- Checks on eligibility;
- Scoring the project against the project selection criteria defined in advance;

- Financial and technical appraisal;
- Preparation of ranking and reserve list;
- Recommendation for short-listing, approval or rejection.

Administrative Check

The completeness checks primarily include the appropriate filling in of the application form and the submission of the required documents. This check should be carried out by the Intermediate Body (MA if no IB has been established) by filling in a checklist with the criteria defined in the call for proposals. The check lists should be unified for each OP.

Criteria to be checked include whether:

- all questions of the application form are properly answered;
- all documents requested by the call for proposal or the guidelines for applicants are properly submitted.

At this stage, it's optional applicants whose applications contain inaccuracies or sections inadequately completed may be contacted by the Managing Authority/Intermediate Body which will outline what further information is required and by what deadline before the application can be accepted for assessment of technical and financial quality. The procedure for corrections and submission of additional required information should be defined in advance from the MA, so that the deadline for corrections is one and the same for all applicants.

Eligibility Check

The eligibility test always represents the first stage of project appraisal. The answers to questions of eligibility are either 'yes' or 'no'. If a project is found to be ineligible, it will not proceed to a technical appraisal. If certain elements of the proposed project expenditure are found to be ineligible, they will not count towards the calculation of grant aid to be awarded. In this case the ineligible expenditure should be guaranteed by a certain document by the applicant or a third party.

In general, the following criteria should be assessed for all projects:

- occur within the eligible area;
- take place within the permitted time-scale;
- match the activities defined in the relevant OP Priority/Call for proposals;
- are submitted by applicants as defined in the call for proposals;
- have necessary co-financing resources in place or can certify availability of co-financing resources at the relevant time

Technical Appraisal

Project appraisal is required to ensure that applications fulfil the criteria set out in the Structural and Cohesion Funds Regulations and the Operational Programme. The appraisal process also ensures that both Commission and national government objectives and requirements are met. Specific

project selection criteria are likely to be very particular for each priority of the OP, however the following core criteria should be assessed for all projects:

- contribute to the Objectives of the National Strategic Reference Framework;
- contribute to one or more of the socio-economic objectives of the OP;
- have measurable outputs and detail clear, attainable and verifiable targets;
- have a funding package in place which identifies both own funds of the applicant and the source of co-financing;
- provide value for money;
- demonstrate the principle of additionality;
- are economically viable;
- integrate aspects of environmental protection and equal of opportunities (see above);
- ensure that the EU rules on state aid are not breached (see above);
- do not overlap with other projects financed by the Community or national funds;
- are consistent with the respective municipal/regional development plan and district strategy;
- are not obstructed by foreseeable external conditions.

A very significant element of the project appraisal is the technical assessment of the project. The aspects of the technical assessment are different according to the type of project. The technical assessment of the project should cover the evaluation of:

- the elaboration and the well-fundedness of the planned project, on one hand;
- the expected results of the project, on the other hand.

Some general aspects of the technical assessment of the project will include:

- whether the project is keeping with the objectives of the call for proposal;
- whether the project is built on clear concepts, harmony between the strengths of the applicant and the needs of the target group, between the planned activity and the expenditures and incomes;
- whether the project has some unique characteristics (distinction, novelty);
- whether the project should be considered as strategic (from point of view of the applicant or the sector / region);
- whether partners are involved in the implementation of the project.

According to requirements of the European Commission, integration of the aspects of sustainable development and equal opportunities should be assessed for each project, as well as compliance with State Aid and Public Procurement rules.

An important aspect of appraisal is the understanding of both the amount and timing of the anticipated expenditure and benefits of a project, usually expressed in terms of both its inputs (costs) and its outputs and results.

If the project is selected, the results of appraisal will be translated into the offer letter (contract), which will be reviewed at the monitoring stage. It will be difficult, if not impossible, to monitor

performance which is not clearly specified. Project records are subject to subsequent auditing, which will require clear evidence of both satisfactory appraisal and monitoring.

Financial Appraisal

The financial assessment of the project should include the:

- value for money;
- check of eligibility and necessity of costs;
- profitability and returns in case of income generating projects.

The financial additionality requirement that ERDF/ESF grant must provide additional funding ensures that the overall effect of grant is to sponsor activity which would not otherwise take place. It is a fundamental part of project appraisal that individual projects should require grant for them to proceed. Justification should be sought for the need for grant of each project. For instance, local authorities may be able to demonstrate that particular projects are a lower priority in spending plans. NGOs may be able to demonstrate with some ease that they do not have sufficient funding. Ultimately, however, a judgement of the validity of the applicants' claim will have to be made. In all cases, the reasons for accepting the claim should be recorded.

The case for grant is weakened if a project has begun before approval is given. However, this does not include preparatory, coordination and partnership work, which is essential for all projects. Where projects have started, the project assessors will need to check rigorously whether the benefits are incremental. In addition to the usual requirement to justify the need for grant, the applicant will also have to provide a convincing explanation of why the project has started without the commitment of grant. Projects, which have been completed, are not eligible, as grant would not affect their outcome and would constitute retrospective financing.

Cost and revenue forecasts will need to be checked to ensure that they are realistic, for example the proposed profitability level could be compared against either any similar project or against the accepted industry figure for that sector. In obtaining firm quotations for costs, the applicant demonstrates a responsible approach. Clearly, such documentation is likely to be more reliable than unsupported estimates.

Eligibility of the costs must be checked during the appraisal phase. This is necessary since only eligible costs should be included in the grant contract. All ineligible costs must be removed from the grant award calculation.

The most significant element of the project appraisal is the technical assessment of the project. The aspects of the technical assessment are different according to the type of project. The technical assessment of the project should cover the evaluation of:

Carrying Out the Appraisal

The appraisal must be carried out by adequately qualified project appraisers acquainted with the call for proposals, the relevant EU and national regulations, the selection criteria and techniques and, not least, the sector/field of intervention of the project. For this reason, the MA/IB must ensure the continuous training of appraisers. In specialist cases, the MA/IB may need to commission an external expert. If so, it should first draw up the list of experts with the relevant professional skills defined by suitable criteria.

The way of assessment is described in the OP MA Manuals.

Assessors - both within the IBs (MAs when no IBs exist) and external experts - and their senior officers should sign declarations of impartiality and confidentiality.

Viability

The viability of both the project and the applicant need to be considered at the outset of the appraisal.

The depth to which organisational viability will need to be considered will depend on the organisation involved. A local authority or other government-sponsored body can be assumed to be fully viable. The same assumption cannot automatically be made of a Non-Government Organisation, (NGO), particularly in the case of a small independent NGO. Where the viability of an NGO raises reasonable doubt, copies of the last three years annual accounts, preferably audited, should be obtained. Management accounts are acceptable only if audited accounts have not been produced. Where an NGO is not required by law to produce full annual accounts, the appraisers will need to rely on the information the organisation is able to supply. Where an NGO of doubtful viability is guaranteed by organisations of known worth, (such as Banks, Insurance companies, large corporate organisations etc.), the grant should be dependent on confirmation that the guarantee has been completed. This will either need to be seen during the appraisal or as a condition of grant being paid. Where the applicant has no previous activities or history, their future forecasts will need to be scrutinised carefully (e.g. comparisons between actual performance against the forecast).

Project viability will depend on sufficient financing being available to cover the costs involved during the period of the project. The applicant will need to be able to demonstrate that non-ERDF/ESF support will be available. Proof of other funding (apart from revenue from the project) should be made available during appraisal.

Special appraisal procedure for large projects (>25 and >50 mln. euro)

As part of an operational programme, the ERDF and the Cohesion Fund may finance expenditure in respect to an operation comprising a series of works, activities or services intended in itself to accomplish an indivisible task of a precise economic or technical nature, which has clearly identified goals and whose total cost exceeds €25 million in the case of the environment and €50 million in other fields.

In accordance with Article 40 of Regulation (EC) No 1083/2006, The European Commission must be notified and involved in the appraisal of these “major projects”.

The managing authority must be able to provide the following information on major projects to the CCU and EC:

- a) information on the body to be responsible for implementation;
- b) information on the nature of the investment and a description of it, its financial volume and location;
- c) results of the feasibility studies;
- d) timetable for implementing the project and, where the implementation period for the operation concerned is expected to be longer than the programming period, the phases for which Community co-financing is requested during the 2007- 13 programming period;

- e) cost-benefit analysis, including a risk assessment and the foreseeable impact on the sector concerned and on the socio-economic situation of the Member State and/or the region and, when possible, of the other regions of the Community;
- f) guarantee of compliance with Community law;
- g) an analysis of the environmental impact;
- h) justification for the public contribution;
- i) financing plan showing the total planned financial resources and the planned contribution from the Funds, the EIB, the EIF and all other sources of Community financing, including the annual schedule of the project.

The CCU presents the project proposals to the Council for coordination, control and implementation of infrastructure projects of national importance.

The approved projects are submitted to EC along with the accompanying information as listed above.

The forms for large infrastructure projects. Can be found at:

http://www.europa.eu.int/comm/regional_policy/sources/docform/pdf/infra_en.pdf

and for large productive investment projects at:

http://www.europa.eu.int/comm/regional_policy/sources/docform/pdf/inves_en.pdf

Council for coordination, control and implementation of infrastructure projects of national importance

Established with CoM Decision N 1005/2005.

Main tasks and responsibilities:

1. Develops and adopts National strategy for integrated development of the infrastructure in Republic of Bulgaria for the period 2006-2015;
2. Develops and adopts programme for strengthening of the institutional capacity;
3. Develops and adopts system for improvement of the efficiency of the work of the administration, responsible for the implementation of the big investment projects in the public sector.

Special appraisal procedure for cross-border, transnational and inter-regional cooperation projects

Projects financed from ERDF under Objective 3 will follow the key principles of project appraisal but will consider cross-border, transnational and inter-regional effects of special value.

2.5. Project Selection

The Head of MA/IB appoints with administrative order Project Appraisal Commission (PAC). The PAC opens and assesses the project proposals. The PAC consists of:

1. Chairman and secretary, without voting right, and
2. odd number (at least 3) of members with voting rights

Upon a decision of MA/IB, the following experts could participate in the work of PAC without voting rights:

1. Assistant-observers;
2. External experts;
3. Observers.

According to Article 52 of the Financial Regulation, all financial actors shall be prohibited from taking any measures of budgetary implementation which may bring their own interests into conflict with those of the Communities. Should such a case arise, the actor in question must refrain from such measures and refer the matter to the competent authority.

There is a conflict of interests where the impartial and objective exercise of the functions of a player in the implementation of the budget or an internal auditor is compromised for reasons involving family, emotional life, political or national affinity, economic interest or any other shared interest with the beneficiary.

After the appraisal of the received project proposals the PAC prepares report to the Head of MA/IB with proposals of projects to be financed with Structural Instruments assistance. Upon the recommendations, made by PAC in the report the Head of MA/IB takes motivated decision on the approval of list of projects to be financed EU

Within 15 working days after the decision of the MA/IB informs in written form each of the candidates about their project proposal. The candidates, whose projects are rejected also receive a motivated statement on the reasons by which the project in question was rejected.

Contracting

For the implementation of each project selected, a grant contract will be required. Each MA will need to decide its own internal procedures for this but the grant contract generally should include:

- name of the applicant;
- type of assistance (e.g. ERDF);
- grant size and co-financing;
- project start date and project completion date, prescribed period of operation;
- rules on eligibility of expenditure;
- process and conditions of claiming payments;
- provisions on project progress reports;
- rules on State aid (where these apply);
- type of procedure and rules on public procurement;

- provisions on information and publicity;
- provisions on documentation;
- rules on on-the-spot checks;
- provisions for dispute arbitration, settlement or legal recourse (where these apply);
- provisions on withholding and repayment of grant;
- securities;
- process and conditions of amendments to the grant contract.

Annexes to the grant contract should include:

- costs, broken down by expenditure categories and year;
- quantitative target and indicators of achievement, broken down by year;
- securities (e.g. authorisation for prompt collection, mortgage contract, if required).

The covering offer letter will list documents whose submission to the MA/IB by the beneficiary is a pre-condition for signing the contract. These may include:

- model signature;
- certificates of legal status;
- certificates of co-financing;
- certificates of the tax and social authorities that the beneficiary doesn't have overdue public debts;
- certificates of the environment protection, nature conservation and water management authorities that beneficiary doesn't have unachieved duties;
- authorisation(s) for prompt collection in respect of each of the beneficiary's accounts;
- mortgage contract plus certificate that the mortgage is registered by the Land Registry or by the Notary chamber of Bulgaria, in case such securities are required by law.

The offer letter will also set a deadline for fulfilling the pre-conditions – namely the submission of the required documents as well as contracts signed by the beneficiary – and inform the beneficiary that the decision on awarding the grant will lose its validity in case pre-conditions are not fulfilled for this deadline.

Once the contracts have been signed the MA/IB prepares a notice of award for each call for proposal to be published without delay on MA website and the centralized website.

2.6. Payments

2.6.1. Payment procedures

In the process and scheduling of the reimbursement of expenditure paid by the (final) beneficiary two different payment cycles may be separated: the first is the payment to the (final) beneficiary, the second is the payments of the European Commission to the Body receiving payments. The payment on account for the entire Operational Programme is at the disposal of the Certifying Authority (CA), which allows for the reimbursement of expenditure paid by the (final) beneficiary

through the Treasury system before the Commission transfers the amount related to the given expenditure set out in the CA's related payment application.

The principle, that payments under the Structural Funds are made on the basis of paid invoices, is not only relevant in the process relating to the payments made by the European Commission to the Certifying Authority, but also in the process of payments made by the Intermediate Bodies to the beneficiaries, unless it is differently regulated. In practice, this means that the (final) beneficiary pre-finances payments, submits paid invoices to the Intermediate Body, and receives only reimbursement of the EU and central-budgetary contribution through the treasury system.

The chart provided in Annex IV describes the process of payments to the (final) beneficiary.

This section will be further elaborated in the Certifying Authority Guidelines on Financial Management and Control.

2.7. Verification

Verification is responsibility of the certifying authority. However, it has to be supported by verifications carried out at various levels of implementation.

In case tasks related to payment are delegated to intermediate bodies, after first level verification, **Intermediate Bodies** attach IB verification reports to claims for national and EU funds to the Managing Authority.

The IB verification report verifies that:

- expenditure incurred within the eligibility period;
- expenditure is supported by invoices or accounting documents of equivalent probative value;
- products and services were delivered;
- public debt of the beneficiary was checked, overlapping of grants is avoided;
- eligibility criteria were respected;
- application process was properly followed;
- compliance with community policies was ensured;
- expenditure is linked to projects approved under the Operational Programme.

IB verification reports must be prepared at priority or operation level, the list of related projects must be attached.

The **Managing Authority** should ensure checking desk and on the spot review and filing IB verification reports. Referring to the IB verification reports, the managing authority prepares its MA verification report.

The MA verification report is connected to payment claims for Community contribution to be submitted to the Commission, not to payments to beneficiaries. Thus, MA verification reports are not preconditions to payment claims to be submitted to the certifying authority. MA verification reports are sent to the certifying authority together with statement of expenditure.

The Managing Authority is responsible for the aggregation of information on expenditure supplied to them by the intermediate bodies in the IB verification reports, and for certifying such expenditure.

The MA verification report is completed at OP level and must be submitted to the Certifying Authority with the applicable lists of measures or priorities, with references made to the verification reports submitted by intermediate bodies.

Article 13 of Implementing Regulation requires on the spot checks.

Annex I

Definitions, Acronyms and Abbreviations

“Audit” - is an activity untied to the actual implementation. The purpose of audit is to enable the (internal or external) auditor to express an independent opinion on whether an activity carried out by an organisation has been performed within a set of predetermined criteria.

"Audit Trail" - management and control systems provide a sufficient audit trail where it permits reconciliation of the summary amounts with the individual expenditure records and supporting documents, and verification of the allocation and the transfers of the funds.

"Beneficiary" - an operator, body or firm, whether public or private, responsible for initiating or initiating and implementing operations. In the context of aid schemes under Article 87 of the Treaty, beneficiaries are public or private firms carrying out an individual project and receiving public aid.

"Cohesion Fund" - is the European Union's fund for financing large environmental and transport projects.

“Control” - makes a judgement in terms of general criteria and standards, known and clarified beforehand.

"Equal Opportunities" - means the elimination of inequalities and the promotion equality for disadvantaged social groups. Equal opportunities should be considered especially between men and women, for disabled people and for Roma people.

"Evaluation" - means any independent, critical analysis or study of planning and implementation of the programmes or projects. Subject of evaluation can be either the impact already achieved or the procedures and methods that should end up in the desired impact.

"Fraud" - fraud means any intentional act or omission relating to: the use or presentation of false, incorrect or incomplete statements or documents, which has as its effect the misappropriation or wrongful retention of funds from the general budget of the European Communities or budgets managed by, or on behalf of, the European Communities; non disclosure of information in violation of a specific obligation with the same effect; the misapplication of such funds for purposes other than those for which they are originally granted.

“Horizontal policies” - are sustainable development and equal opportunities. Conformity with these should be assured for all projects financed by the Commission.

"Intermediate body" - any public or private body or service which acts under the responsibility of a Managing or Certifying authority, or which carries out duties on behalf of such an authority vis-a-vis beneficiaries implementing operations.

"Irregularity" - any infringement of a provision of Community or Bulgarian law resulting from an act or omission by an economic operator which has, or would have, the effect of prejudicing the general budget of the European Union or the Bulgarian national budget by charging an unjustified item of expenditure.

“Implementation report” - is a detailed document on implementation of the NSRF/OP. It is prepared by the Managing Authority, approved by the Monitoring Committee and submitted to the Commission annually.

"Monitoring" - means the regular examination of the progress of the programme / project, by comparing the actual values of the financial and physical indicators to the target values.

"Monitoring Committee" - is the main co-ordinating and decision-making body of the NSRF/OP, set up of the institutions concerned in implementation plus regional authorities, economic and social partners and relevant representatives of the non-governmental sector. It shall satisfy itself as to the effectiveness and quality of the implementation of assistance.

"Operational programme" - document submitted by a Member State and adopted by the Commission setting out a development strategy with a coherent set of priorities to be carried out with the aid of a Fund, or, in the case of the Convergence objective, with the aid of the Cohesion Fund and the ERDF.

"Operation" - a project or group of projects selected by the managing authority of the Operational Programme concerned or under its responsibility according to criteria laid down by the Monitoring Committee and implemented by one or more beneficiaries allowing achievement of the goals of the priority axis to which it relates.

"Partnership" - means the principle of close consultation between the Commission and the Member State, as well as the institutions concerned in implementation plus regional authorities, economic and social partners and relevant representatives of the non-governmental sector.

"Priority axis" - one of the priorities of the strategy in an Operational Programme comprising of a group of operations which are related and have specific measurable goals.

"Progress report" - is a document on implementation of a project. It has to be prepared by the beneficiary and submitted to the Intermediate Body/Managing Authority for each payment claim.

"Project dossier" - means the separate folder to be prepared for the whole package of documentation concerning each projects. They must be easily accessible.

"Public expenditure" - any public contribution to the financing of operations whose origin is the budget of the State, of regional and local authorities, of the European Communities related to the Structural Funds and the Cohesion Fund and any similar expenditure. Any contribution to the financing of operations whose origin is the budget of public law bodies or associations of one or more regional or local authorities or public law bodies acting in accordance with Directive 2004/18/EC of the European Parliament and of the Council of 31 March 2004 on the coordination of procedures for the award of public works contracts, public supply contracts and public service contracts¹ shall be regarded as similar expenditure.

"Risk Assessment" - is the auditor's tool to help identifying audit projects offering the highest added value to the organisation. Risk assessment means the identification of all local financial management and control systems and of their associated risks according to a number of risk factors.

The risk assessment approach has to be used at, at least, two levels: first, for the establishment of the annual audit programme, selecting projects of highest expected return; and second, in the planning phases of the individual audit as such.

"Structural Funds" - for the programming period 2007-2013 these are two:

- the European Regional Development Fund (ERDF);
- the European Social Fund (ESF).

"State aid" - Community State aid rules apply to schemes that satisfy all of the criteria listed below:

- involves a transfer of State resources;
- constitutes an economic advantage;

- is selective;

has a potential effect on competition and trade between Member States.

“Sustainable development” - means the protection and improvement of the environment, integrated in any activities including those financed by the Commission

“Social and Economic Partners” – nationally representative workers and employers associations.

"Technical assistance" - activities (and/or their respective budget allocation) aiming to maximise the quality of implementation and the impact of programmes / projects. Eligible activities include: management, implementation, monitoring and control; any other activities that improve the quality of implementation, such as information and publicity measures, studies and evaluations, or the setting up of a management and monitoring information system.

AA	Audit Authority
AFCOS	Council Coordinating the Fight against the Infringements Affecting the Financial Interests of the European Communities
CA	Certifying Authority
CCU	Central Co-ordinating Unit
CF	Cohesion Fund
EAFRD	European Agricultural Fund for Rural Development
EC	Monitoring Committee
EFF	European Fisheries Fund
EIF	European Investment Fund
EO	Equal Opportunities
ERDF	European Regional Development Fund
ESF	European Social Fund
SEP	Social and Economic Partners
IB	Intermediate Body
IFIs	International Financial Institutions
MA	Managing Authority
MC	Monitoring Committee
M&E	Monitoring and Evaluation
MIS	Management Information System
MS	Member State
NDP	National Development Plan
NGOs	Non Governmental Organisations
NSRF	National Strategic Reference Frame
OLAF	European Anti Fraud Office
OP	Operational Programme
Structural Instruments	Structural and Cohesion Funds
SD	Sustainable Development

Annex II

Useful links and contacts:

1. Central Coordination Unit

Ministry of Finance

www.minfin.bg

Management of EU Funds Directorate

Boriana Pencheva, Director

Phone 9859 2901

e-mail: B.Pencheva@minfin.bg

2. Certifying Authority

Ministry of Finance

www.minfin.bg

National Fund Directorate

Silvia Indjova, Director

Phone 9859 2781

e-mail: S.Indjova@minfin.bg

3. Audit Authority

Ministry of Finance

www.minfin.bg

Audit of EU Funds Directorate

Diliana Zhelezarova, Director

Phone 9859 52 00

e-mail: D.Zhelezarova@minfin.bg

4. MA of OP Regional Development

Ministry of Regional Development and Public Works

www.mrrb.government.bg

Programming of Regional Development Directorate General

Boiana Chavdarova, General director

Phone 9405439

e-mail: bchavdarova@mrrb.government.bg

Intermediate body “Southwest region” Department

1202 Sofia, ”Saint. Kiril and Metodi“17-19 str.

Head of IB

Phone 02/9405466

e-mail:

Intermediate body “South central region” Department

4000 Plovdiv, square Nikola Moshanov 1

Eli Vodenicharova, Head of IB

Phone 0887 732280

e-mail: eli_vod@abv.bg

Intermediate body “South east planning region” Department

Burgas, str. ”Tzar Petar” 1

Todor Stanev, Head of IB

Phone 0899 916799

e-mail: todorstanev@yahoo.com

Intermediate body “Northwest planning region” Department

Vidin, str.”Dunavska” 6

Veselka Ivanova, Head of IB

Phone 0887 273319

e-mail: tzmrrb_vd@yahoo.com

Intermediate body “North central planning region” Department

Rouse, square “Svoboda” 6

Tamara Kuleva _ Head of IB, Phone 0899- 407855, e-mail:tkuleva@el-soft.com

Intermediate body “Northeast planning region” Department

9000 Varna, str.”Asparuh” 1

Antonina Doncheva, Head of IB

Phone 052/649584, 0886 750105

e-mail: antony@abv.bg

5. MA of OP Transport

Ministry of Transport

www.mtc.government.bg

Coordination of Programmes and Projects Directorate

Nely Yordanova, Director

Phone 9409 421

e-mail: nyordanova@mt.government.bg;

6. MA of OP Development of Competitiveness of the Bulgarian Economy

Ministry of Economy and Energy

www.mi.government.bg, www.iaphare.org

European Funds for Competitiveness Directorate

Atanas Kirchev, Director

Phone 940 75 00

e-mail: a.kirchev@mee.government.bg

Intermediate Body - SME Promotion Agency

www.sme.government.bg

Intermediate body and Projects Implementation Directorate General

Hristo Medarov, Director General

Phone 9897 23 02

e-mail: h.medarov@sme.government.bg

7. MA of OP Human Resources Development

Ministry of labour and social policy

www.mlsp.government.bg, <http://ef.mlsp.government.bg>

European Funds, International Programmes and Projects Directorate

Krasimir Popov, Director

Phone 81 19 600

e-mail: k.popov@mlsp.government.bg

Intermediate Body - Employment Agency

European Funds and International Projects Directorate

Asen Angelov, Director

e-mail: as.angelov@az.government.bg

Intermediate Body - Social Assistance Agency

International Cooperation, Programs and European Integration Directorate

Pravda Ignatova, Director

Phone 81 19 615

e-mail: mo@asp.government.bg

Intermediate Body - Ministry of Education and Science

<http://www.minedu.government.bg/opencms/opencms/>

Structural Funds and International Educational Programmes Directorate

Mariana Borisova, Director

Phone 986 94 40

e-mail: m.borissova@minedu.government.bg

8. MA of OP Environment

Ministry of Environment and Waters

www.moew.government.bg (menu “EU funds”)

Cohesion Policy for Environment Directorate

Atanas Kostadinov, Deputy Minister

Phone 940 65 05

e-mail: akostadinov@moew.government.bg

Intermediate Body

Ministry of Environment and Waters

www.moew.government.bg

EU Funds for Environment Directorate

Shinka Marnova, Director

Phone 940 65 91

e-mail: marinovas@moew.government.bg

9. MA OP Administrative Capacity

Ministry of State Administration and Administrative Reform

www.mdaar.government.bg

Management of Projects and Programmes Directorate

Bilyana Raeva, Director

Phone 940 1141

e-mail: bilyana.raeva@mdaar.government.bg

Annex III

List of relevant EU Regulations and Documents

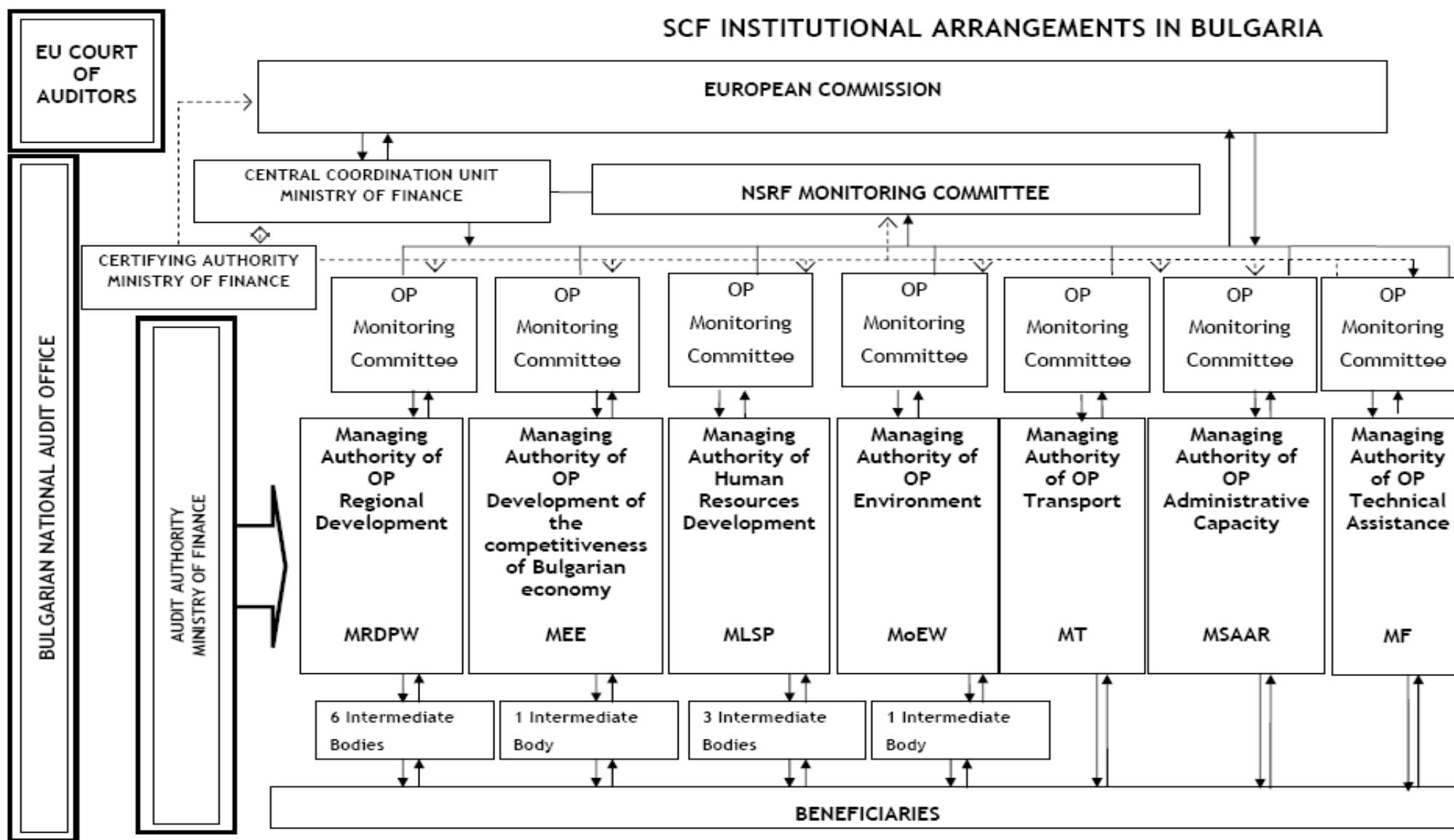
1. Community Strategic Guidelines 2007-2013;
2. Council Regulation (EC) No 1083/06 laying down general provisions on the European Regional Development Fund, Cohesion Fund and European Social Fund;
3. Council Regulation on European Regional Development Fund No 1080/06;
4. Council Regulation on Cohesion Fund No 1084/06;
5. Council Regulation on European Social Fund No 1081/06;
6. European Grouping for Territorial Cooperation No 1082/06;
7. Integrated Guidelines for Growth and Jobs 2005-2008;
8. Regulation No 1828/2006 setting out rules for the implementation of Council Regulation (EC) No 1083/2006 laying down general provisions on the ERDF, the ESF and the CF and of Regulation (EC) No 1080/2006 of the European Parliament and of the Council on the ERDF;
9. Renewed Sustainable Development Strategy, June 2006.

Annex IV

List of Manuals and Guidance Notes

1. General Manual for Management of Structural Funds and Cohesion Fund in Bulgaria.
2. Central Coordinating Unit - Structural and Cohesion Funds Procedure Manual.
3. Management Information System – Procedure Manual
4. Audit Authority Manual (*is currently under preparation by the AA*)
5. Certifying Authority Manual (*is currently under preparation by the CA*)
6. OP Competitiveness Procedure Manual (*is currently under preparation by the MA of OP Competitiveness*)
7. OP Administrative Capacity (*is currently under preparation by the MA of OP Administrative Capacity*)
8. OP Human Resources Development (*is currently under preparation by the MA of OP Human Resources Development*)
9. OP Regional Development (*is currently under preparation by the MA of OP Regional Development*)
10. OP Environment (*is currently under preparation by the MA of OP Environment*)
11. OP Transport (*is currently under preparation by the MA of OP Transport*)

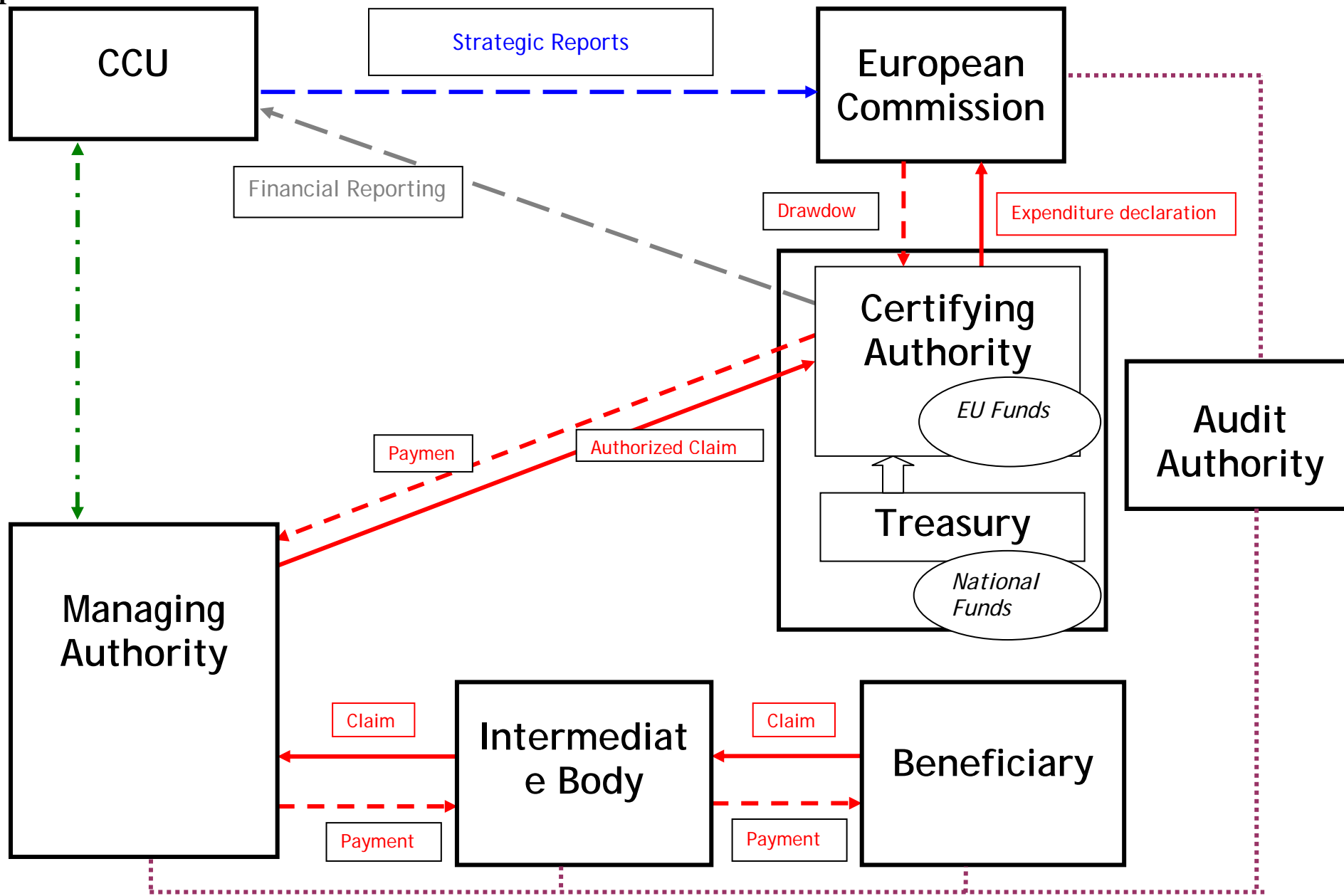
Annex V



REPORTING AND FLOW OF FUNDS IN BULGARIA

Version April 2007

Annex VI



Additional Guidance Notes and Models:

Appendix A. Internal Rules of Monitoring Committees

Appendix B. Code of Conduct of Monitoring Committees Members

Appendix C. Eligibility Rules

Appendix D. Guidance notes for Elaboration of Procedural Manuals of OP MAs

Appendix E. Checklists

Appendix F. Indicators and Evaluation

Appendix G. Equal Opportunities

Appendix H. Examples of how environmental issues may be addressed by prospective applicants.

Appendix . Annexes from the Implementing Regulation 1828/2006