

# **Rules and Procedures**

ON THE IMPLEMENTATION OF THE  
GREEN INDUSTRY INNOVATION PROGRAMME BULGARIA

Version 3.0

Third Call, January 2015

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## 1 Introduction

The Green Industry Innovation Programme in Bulgaria (later referred to as the Programme) is a business development programme aiming to increase competitiveness of enterprises through greening of existing industries, green innovation and entrepreneurship. The Programme Operator is Innovation Norway, a state owned entity under the Norwegian Ministry of Trade, Industry and Fisheries and the Norwegian County Municipalities.

The Programme's vision is: Good for business and good for the environment. All projects to be funded by this Programme have to aim at a final result of improving the environmental performance of enterprises. The highest degree of transparency, accountability and cost efficiency as well as the principles of good governance, sustainability, gender equality and equal opportunities shall apply in implementation of Norway Grants.

The Rules and Procedures may be amended by decision of Innovation Norway, in consultations with the Norwegian Ministry of Foreign Affairs and communication with the Bulgarian National Focal Point. Innovation Norway will adopt additional guidelines as necessary. Such amendments will be published on the dedicated website [www.norwaygrants-greeninnovation.no](http://www.norwaygrants-greeninnovation.no) - BULGARIA

The laws of the Kingdom of Norway shall govern the Project Contract between the Project Promoter (the Applicant) and Innovation Norway. Disputes shall be brought before the Oslo Tingrett in Norway, ENGLISH if they cannot be amicably solved.

## 2 Projects and project funding

**NOTE:** Specific priorities for the implementation of the Programme are set out in the Third Call for project proposals published on 22 December 2014.

### 2.1 Applicants

#### 2.1.1 Eligible applicants and partners:

For the third Call, private SME and private large companies constituted as legal entities in Bulgaria are eligible as applicants.

Enterprises, research institutions, NGOs, organisations and clusters, from Norway and Bulgaria can be eligible as project partners.

Norwegian entities are eligible for travel support from the "Fund for Bilateral Relations" referred to in article 2.3.2.

#### Partnership requirements

Partnership is not mandatory, but Donor Partnership Projects are strongly encouraged and will be prioritized during the project assessment process.

A Donor Partnership Project is defined as cooperation between a Project Promoter in Bulgaria and at least one legal entity in Norway, implementing a project where all entities are independent of each other and perform substantial and relevant tasks in the completion of the project. Such projects will be awarded additional points during project assessment. A contribution comprised only by supply of equipment representing a small portion of the total project budget will normally not qualify for such points.

## 2.2 Areas of support and eligible activities

For the **Third Call**, this Programme can provide support for Projects that will develop and implement activities within the enterprise applying for funding in one or more of the following areas:

1. Implementation and investment in innovative environmental friendly technologies;
2. Green improvement of products, processes and services;
3. Material efficiency, recycling and greening of businesses.

Environmental technologies include technologies which are less environmental harmful than the technology in use today, development/implementation of green products, processes and services (defined as being less pollutant and less resource-intensive than today's situation), material efficiency (defined as improved material flow in manufacturing and supply-chain, use and re-use of recycled materials) and efficiency in business operations (defined as solutions/systems related to management, HR, smart purchasing, green energy interventions, CSR, networking, clustering etc.).

Investments in solar parks and wind turbine parks on green field sites are excluded from eligible activities.

**For the Third Call, projects must also contribute directly to one or more of the outcome indicators set for the Programme:**

1. Environmental technologies successfully adapted for use in new areas;
2. Improved green products and services;
3. Eco-initiatives related to material efficiency and recycling;
4. Innovative initiatives to increase the efficiency, and greening, of business operations;
5. Green jobs created.

## 2.3 Project funding

Eligible applicants may submit proposals for funding of one individual project. In addition, eligible applicants, may apply for funding from the "Fund for Bilateral Relations" (see item 2.3.2. Travel support.

### 2.3.1 Individual projects

An individual project is an economically indivisible series of activities with clearly identifiable aim. An application for a project may include one or more sub-projects. Such sub-projects must be defined in the application to Innovation Norway.

The amount of grant assistance applied for shall be minimum EUR 200'000 and normally maximum EUR 500'000.

### 2.3.2 Travel support (Fund for Bilateral Relations)

The purpose of the travel support is to strengthen bilateral relations between Bulgaria and Norway. The fund shall be used for travel support to search for partners prior to or during the preparation of a project application, the development of such partnerships and the preparation of an application.

Eligible applicants are the legal entities defined as eligible applicants and eligible partners in article "2.1.1 – Eligible applicants and partners". The travel support will be provided as lump sum to cover travel costs and accommodation, but not more than EUR 1'200 per entity.

The applicable rules on state aid shall be complied with. Travel support will be given as de minimis aid for enterprises.

Specific Guidelines and further information about the application process for a Travel support can be found at the dedicated Programme web-site – under BULGARIA.

## 2.4 Rate of grant assistance and co-financing ceilings

The Applicant shall ensure the co-financing (full financing) of projects.

The contribution from the Programme shall be determined on a case-by-case basis, taking all relevant factors into account. The applicable rules on public procurement and on state aid, procedural and substantive, shall be complied with.

For the Third Call for proposals, eligibility of expenditures in projects shall be in line with the provisions of **Commission Regulation (EU) No. 651/2014 of 17 June 2014** declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty<sup>1</sup>.

Grant assistance for proposals/financial assistance (aid) is limited to what is specifically described in the "Third Call for proposals" published on 22 December 2014, item 7 – page 7.

In cases where eligibility provisions in the General Block Exemption Regulations (mentioned above) are more extensive than the detailed eligibility provisions in these Rules and Procedures, the Rules and Procedures will prevail.

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<sup>1</sup> Regulation text could be found at [http://ec.europa.eu/competition/state\\_aid/legislation/block.html](http://ec.europa.eu/competition/state_aid/legislation/block.html)

The co-financing (full financing) shall be provided in the form of cash by the Project Promoter and/or by Project Partner(s). The cash may be split in equity from the company's cash flow or new equity, and in external financing like bank loans. All project proposals must demonstrate a satisfactory amount of equity. All applicants shall demonstrate adequate financial solidity and liquidity, if not the Application will be rejected during the assessment. Special Conditions in the Project Contract will address the co-financing issue, such as transfer of some cash co-financing into the project bank account before the release of the advance payment, see paragraph 10. Another measure for insuring sufficient co-financing will be the mandatory Letter of Commitment signed by the person formally entitled to represent the private enterprise and, if applicable, from the donor project partner.

Man-hour contribution from the Project Promoter and Partner(s) will be accepted as cash contribution, based on approved hourly rates for salaries. (In-kind contribution is not accepted as co-financing for business projects.)

Eligibility of expenses is detailed in article 4.1.3.

## **2.5 Applications and Language**

The Programme language is English. All applications, and supporting documents, shall be submitted to Innovation Norway in English.

Applicants shall submit the application electronically, using the Application Form published at the website [www.norwaygrants-greeninnovation.no](http://www.norwaygrants-greeninnovation.no)

Additional documentation may be sent by e-mail or by mail. All communications between Innovation Norway and the Applicant shall be in English. Original documents (in languages other than English) sent to Innovation Norway shall be accompanied by translations into English. The Applicant shall bear full responsibility for the authenticity of the translation.

The deadline for submission of complete applications is set out in the Third Call for project proposals. Subsequent calls could be prepared if the number of qualified proposals received does not utilize the total amount available in the programme or there is a need for re-distribution (or re-allocation) of funds.

## **3 Assessment of applications**

Innovation Norway will review all applications received within the deadline set forth in the Third Call for proposals. If any shortcomings are found concerning the formal- and administrative criteria, these can be corrected by the Applicant upon written request from Innovation Norway.

Applicants whose applications are rejected at this stage shall be informed in writing and will have two weeks to appeal that decision to Innovation Norway.

Applications meeting the formal- and administrative criteria, as well as the eligibility criteria, will be subject to a full assessment organised by Innovation Norway. Innovation Norway may use

external experts in the assessment process. The National Focal Point in Bulgaria will be invited to give its reasoned opinion on the projects prior to the decision of Innovation Norway.

The project assessment criteria and methodology are further detailed in Annex 1 to these Rules and Procedures, and published at the Programme website.

### 3.1 Assessment criteria

The project **assessment criteria** are divided into the following sections:

#### 1. *Formal and Administrative criteria*

- a) The application has been filled in according to the instructions given in this 3<sup>rd</sup> Call for Project Proposals, Rules and Procedures and in the electronic Application Form and all mandatory documentation are attached to the application;
- b) The application and requested mandatory documents are submitted and presented in English (unless otherwise stated in item 13 in this 3<sup>rd</sup> Call for Project Proposals);
- c) The appropriate electronic Application Form has been used.

#### 2. *Eligibility criteria*

##### a) The Applicant

- i. The Applicant is constituted as a legal entity in Bulgaria.
- ii. The Applicant has a positive working capital and positive net worth, according to certified accounts as per 31 December 2013 and financial statements for 2014. Note: For justification of the working capital position, Innovation Norway may verify the list of clients, suppliers, shareholder's credits (under the case they are registered as short term liabilities). Though with positive equity, in cases companies are registering negative financial results/losses (consecutively for the last 2-3 years prior to submitting the project), Innovation Norway can require the real proofs of improvements, as this indicator reflects business operational performance.
- iii. The Applicant is not an undertaking in difficulty (according to the **definition in art.2 of Commission regulation (EU) No.651/2014** declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty).
- iv. In the case of a donor partnership project, a draft Partnership Agreement defining the partner's different roles and responsibilities has to be signed by all partners and attached to the application.
- v. The Applicant (and any partner(s)) has been in operation for at least one full fiscal year, prior to the application, and their main activities are closely related to the activities for which the application is made.
- vi. The Applicant (and any partner(s)) and the legal representative signing the application have clean criminal and tax records.

##### b) The project

- i. The proposed project is relevant for the Programme specific outcome and within the eligible activities defined in this 3<sup>rd</sup> Call for Project Proposals.

- ii. Grant minimum and maximum amounts, and co-financing requirements, are complied with and the project implementation period is no longer than the deadline for cost eligibility.
- iii. No overlapping/double funding arises from the applications for a similar project from EU/EEA/International Financial Institution/bilateral or other sources.
- iv. The project is in compliance with both EU and national legislation in Bulgaria (in particular public procurement, state aid and environment requirements).

### **3. Technical and financial assessment criteria**

- i. The entity/entities have the necessary human resources and the technical and financial capacity to implement the project and support its costs. Note: Innovation Norway will assess whether the team assigned with project implementation has relevant experience with the project activities; the company is properly equipped with technical endowments and physical spaces for project implementation, the current operational activity of the company allows extra costs, due to project implementation (expenses with salaries, utilities, interests).
- ii. The project is mature, i.e. technically viable and feasible in terms of time schedule, budget and value for money Note: The following elements will be verified by Innovation Norway: costs' justification, having certain scenarios which support the final budget configuration (especially for large projects, with a high investment component), capacity to implement the project activities within 1 year frame. (Example: Issuing the permits and approvals for certain works - building/upgrade a facility, as well as obtaining the license/authorization for certain new technology is time consuming. These activities can put at a serious risk the implementation time frame).
- iii. If applicable, the quality of the Partnership Agreement, the division of tasks and responsibilities among partners is established and described and each partner has a significant contribution to the project activities.
- iv. The project is adequately supported by a risk mitigation plan. Note: This criteria will be assessed by analyzing the project sensitivity toward different variables, by modifying them when computing the financial ratios as NPV and IRR (Ex: increase in raw material costs) and the level of realism of undertaken measures (Ex: in case of raw material increase costs, the company can plan to work with certain suppliers). The variations of up till +/-5% of factors included in the computations are suggested.
- v. The quality of the planned arrangements for project publicity and dissemination of the results and impact (Publicity Plan).
- vi. The Applicant and the partner(s) adhere to Corporate Social Responsibility (CSR) (initiatives on company level). Note: Projects supported by this Programme shall include at least one small component related to "establishing an active CSR approach within the applicant enterprise".
- vii. The project meets the Programme specific expected outcome and the eligible activities set out in this 3<sup>rd</sup> Call for Project Proposals; and demonstrate a high degree of improvement of the environmental performance of enterprises and/or environmental impact during project implementation/upon project completion. Note: The "green" element of the project is important and will be assessed using the real



data registered, respectively: type of products/services previous and resulted after the investment, level of emissions on the environment, the positions which represent the subject of optimization (greening of business/extension/improvements/diversification). The investment shall incorporate activities that are eligible according to the definition given by art.2, para 49 of Commission Regulation (EU) No 651/2014.

viii. The project is in compliance with relevant cross-cutting issues in the Application Form (on project level).

ix. The grant awarded has an incentive effect on the project. Note: This criteria will be assessed by comparing the company's potential to finance the project "with" and "without" the grant. The decision will be undertaken considering the final results (NPV (net present value) and IRR (internal rate of return).

x. The project is in compliance with Bulgarian national, regional and local plans or strategies.

xi. The project has added value, i.e. the socio-economic profitability. Note: Assessing the indirect effects of the project implementation, quantified and included as externalities (positive and negative effects). Example: Creation of new jobs generate positive effects by paying the salaries to the new employees by one hand, and by another hand, the costs of the investment increase the level of VAT paid to the state, as a negative effect for the company.

xii. The project incorporates clear sustainability measures, i.e. the durability of the project after the implementation deadline. Note: The company is able to sustain the facility (financially, technically and by adequate human resources).

xiii. The project contributes to the overall objectives of Norway Grants 2009-2014 (reduction of economic and social disparities in the European Economic Area and to strengthen the bilateral relations between Norway and Bulgaria).

xiv. Project profitability. Note: This criterion will be assessed by comparing the situations "before" and "after" project implementation, based on the ratios NPV (net present value) and IRR (internal rate of return), at a discount rate of 6% (recommended by Innovation Norway). For a positive decision, the assumptions need to be realistic (having into consideration the current financial accounts and optimizations/increase due to project effects), with a final results of ratios of NPV greater or equal 0 and IRR greater or equal 6% (minimum project rate of return which equals risk rate/discount rate).

xv. Assessment of Applicants financial reports/certified annual accounts.

xvi. Operating risk rating/Credit score rating. Note: Financial capacity of the Applicant will be verified by coupling the linked companies status, in its upstream and downstream, the scale of current business compared with the level of applied grant, type of business by comparing whether this is asset intensive or service intensive, the profile of clients and suppliers

xvii. Business Plan quality. Note: Assessing of the company's value chain (products, price, promotion tools) and capacity to generate revenue streams previous and after the project implementation. The impacts of the project on the current business.

xviii. Innovation level (ref. definitions on page 4 in this document);

xix. Market potential. Note: Assessing the real possibilities, justified by letter of commitments provided by potential clients of the products/services resulted due to project implementation.

xx. Competitiveness.

#### **4. Selection and award**

The assessment criteria above will be scored in a rating from one to six points (1 lowest, 6 highest). The scoring will constitute a basis for an assessment profile, a tool for the project prioritizing. Each of the selection criteria may be a critical success factor, a factor than can jeopardize the whole individual project.

Other elements in the prioritizing of projects:

- Donor partnership projects will be given priority;
- Proven availability of the required co-financing and financial capacity to implement the project.

After the assessment of the project proposal has been performed, Innovation Norway will make the final grant decision. Applicants shall be notified of the decision of Innovation Norway to support or reject their application.

All applicants will receive information about the results concerning financing within tentatively 1 May 2015. A list of approved projects will be published on the Programme website.

Innovation Norway shall send a Project Contract /Reasoned Refusal to the Project Promoter.

### **3.2 Project Contract**

On the basis of a positive decision from Innovation Norway, and an acceptance from the Project Promoter (the Applicant), a Project Contract will be concluded. The National Focal Point in Bulgaria shall be notified about grant decisions and refusals.

The Project Contract will consist of a letter including relevant Special Conditions, the Standard Terms and Conditions, the Project Implementation Plan, the agreed detailed activity based budget and the agreed Disbursement Plan. These documents shall set out the terms and conditions of the grant assistance, as well as the roles and responsibilities of the Parties. The terms and conditions of the Project Contract may diverse, derogate and/or supplement the Rules and Procedures. Such Special Conditions set out in the Project Contract take precedence over these Rules and Procedures in case of conflict between them.

The Project Contract shall as a minimum contain provisions on the following:

- a. obligations regarding reporting that enable Innovation Norway to comply with its reporting obligations and to assess progress;
- b. the maximum amount of the project grant in Euro and the maximum project grant rate;

- c. the eligibility of expenditures;
- d. the method of calculating indirect costs (overheads) and its maximum amount;
- e. the first and final dates of eligibility of expenditures;
- f. modifications of the project;
- g. ensuring that the access requested in relation to monitoring, audits and evaluations is provided without delay;
- h. ensuring that obligations regarding publicity are complied with;
- i. the right of the Programme Operator to suspend payments and request reimbursement from the Project Promoter;
- j. resolution of disputes and jurisdiction;
- k. a detailed budget, with itemised costs and unit prices, and which may allow for up to 5% contingency;
- l. if applicable, reference to Partnership Agreement;
- m. the Project Implementation Plan and Disbursement Plan.

The grant offer will be subject to the acceptance of the Standard Terms and Conditions and the Special Conditions of the Project Contract.

### **3.3 Project Partners and Partnership Agreements**

Partnership means cooperation between at least one legal entity in the Beneficiary State (Bulgaria) and at least one legal entity in Norway, and where all entities are independent of each other and perform relevant tasks in the completion of the project. The requirement regarding independence means that no direct ownership interest in other partners is allowed.

In case of projects receiving 50% or more in grants the Project Promoter shall take into account the provisions in article 5.2 on „Procurement” when entering into a partnership agreement.

The Project Promoter (Applicant) shall conclude a Partnership Agreement with the Project Partner(s). The Partnership Agreement shall be in English and contain as a minimum the following:

- a. provisions on the roles, division of tasks and responsibilities of the Parties;
- b. provisions on the financial arrangements between the Parties, including, but not limited to, which expenditure the Project Partner(s) can get reimbursed from the project budget;
- c. provisions on the method of calculating indirect costs (overheads) and their maximum amount;
- d. currency exchange rules for such expenditure and its reimbursement;

- e. provisions on audits on the Project Partners;
- f. detailed budget, with itemised costs and unit prices;
- g. all relevant regulations and conditions as stated in the Project Contract shall apply mutatis mutandis to the project partner(s);
- h. provisions on dispute resolution between the partners.

The eligibility of expenditures incurred by a Project Partner is subject to the same limitations as would apply if the expenditures were incurred by the Project Promoter.

The Partnership Agreement shall be submitted to Innovation Norway before the conclusion of the Project Contract.

## 4 Expenditure and Financing

### 4.1 Eligibility of expenditure in projects

#### 4.1.1 General Principles on the eligibility

Eligible expenditures of projects are those actually incurred by the Project Promoter or the Project Partner(s), and meet the following criteria:

- a. they are incurred between the first and final dates of eligibility of a project as specified in the Project Contract;
- b. they are connected with the subject of the Project Contract and they are indicated in the estimated overall budget of the project;
- c. they are proportionate and necessary for the implementation of the project;
- d. they must be used for the sole purpose of achieving the objective(s) of the project and its expected outcome(s), in a manner consistent with the principles of finance, efficiency and effectiveness;
- e. they are identifiable and verifiable, in particular through being recorded in the accounting records of the Project Promoter and determined according to the applicable accounting standards and generally accepted accounting principles; and
- f. they comply with the requirements of applicable tax and social legislation.

Expenditures are considered to have been incurred when the cost has been invoiced, paid and the subject matter delivered (in case of goods) or performed (in case of services and works). Exceptionally, costs in respect of which an invoice has been issued in the final three months of eligibility are also deemed to be incurred within the dates of eligibility if the costs are paid within 30 days of the final date of eligibility.

Overheads and depreciation of equipment are considered to have been incurred when they are recorded on the accounts of the Project Promoter.

#### **4.1.2 First and final dates for eligibility of expenditure**

Costs within projects may be eligible from the date on which the grant is awarded or at a later date set in the Project Contract. The Project Contract shall set the final date of eligibility of costs, which shall be no later than 30 April 2016. Costs incurred after that final date are not eligible. Costs are deemed to be incurred within the dates of eligibility if the costs are invoiced, and the subject matter (goods, services or works) of the costs is delivered, within the said dates.

#### **4.1.3 Detailed eligibility provisions**

##### **1) *The eligible direct expenditures***

Expenditures which are identified by the Project Promoter or the Project Partner, in accordance with their accounting principles and usual internal rules, as specific expenditures directly linked to the implementation of the project and which can therefore be booked to it directly.

The Project Promoter's internal accounting and auditing procedures must permit direct reconciliation of the expenditures and revenue declared in respect of the project with the corresponding accounting statements and supporting documents in their original form. This chapter is also included in 4.1.1.

In particular, the following direct expenditures may be eligible provided that they satisfy the criteria set out in Article 4.1.1:

- a) The cost of staff assigned to the project, comprising actual salaries plus social security charges and other statutory costs included in the remuneration, provided that this corresponds to the Project Promoter's and Project Partner's usual policy on remuneration.
- b) Travel and subsistence allowances for staff taking part in the project, provided that they are in line with the Project Promoter's and Project Partner's usual practices on travel costs. Travels on business class are normally not eligible.
- c) Only costs of new equipment will normally be eligible. Cost for second hand equipment will only be eligible if they are duly justified in the application and explicitly stated in the Project Contract.
- d) Cost of real estate and land.

The cost of purchase of real estate, meaning buildings constructed or under development and the appropriate rights to the land on which they are built, and land not built on may be eligible under the following conditions, without prejudice to the application of stricter national rules:

1. There shall be a direct link between the purchase and the objectives of the project;

Purchase of real estate and/or land may not represent more than 10% of the total eligible expenditure of the project, unless a higher percentage of up to 25% is explicitly authorized by the Programme Operator. Any higher percentage has to be explicitly authorized by the Norwegian Ministry of Foreign Affairs; A certificate shall be obtained prior to the purchase from an independent qualified evaluator or duly authorized official entity confirming that the purchase price does not exceed the market value and that it is free of all obligations in terms of mortgage and other liabilities, particularly in respect of damage related to pollution. In case of purchase of real estate the certificate must either confirm that the building in question is in conformity with national regulations, or specify what is not in conformity with national regulations but which is to be rectified by the Project Promoter under the project;

2. The real estate and/or the land shall be used for the purpose and for the period specified in the decision to award the project grant. The ownership must be transferred to the Project Promoter, or those explicitly designated by the Project Promoter in the project application as recipients of the real estate and/or the land, prior to the completion of the project. The real estate and/or the land cannot be sold or rented within five years of the completion of the project, or longer if stipulated in the project contract. The Norwegian Ministry of Foreign Affairs may waive this restriction if it would result in an unforeseen and unreasonable burden on the Project Promoter. The real estate and/or the land cannot be mortgaged within five years of the completion of the project, unless explicitly agreed otherwise in the Project Contract or permitted in writing by the Programme Operator;
3. The real estate and/or land may only be used in conformity with the objectives of the project. In particular, buildings may be used to accommodate public administration services only where such use is in conformity with the objective of the project; and
4. The purchase of real estate and/or land shall be explicitly approved by the Programme Operator prior to the purchase, either in the Project Contract or by a later decision.

The restrictions referred to in paragraph c (4) apply also to buildings that are constructed or reconstructed through a financial contribution from the Norwegian Financial Mechanism 2009-2014.

Expenditure on site preparation and construction which is essential for the implementation of the project may be eligible.

The cost of real estate and/or land already owned, directly or indirectly, by the Project Promoter, or purchase of real estate and/or land owned, directly or indirectly, by the project partner or a public administration, shall not be eligible. Under no circumstances shall real estate and/or land be purchased for speculative purposes. The real estate and/or the land shall not have received a national or external donor grant in the last 10 years which would give rise to a duplication of funding.

- e) Costs of consumables and supplies, provided that they are identifiable and assigned to the project, and compatible with state aid rules related to operational expenses.
- f) Costs entailed by other contracts awarded by a Project Promoter for the purposes of carrying out the project, provided that the awarding complies with the applicable rules on public procurement and the Project Contract; and costs arising directly from requirements imposed by the Project Contract for each project (e.g. dissemination of information, specific evaluation of the project, audits, translations, reproduction), including the costs of any financial services.

### **2) *Indirect costs in projects (overheads)***

Indirect costs are all eligible costs that cannot be identified by the Project Promoter or the Project Partner as being directly attributed to the project but which can be identified and justified by its accounting system as being incurred in direct relationship with the eligible direct costs attributed to the project. They may not include any eligible direct costs. Indirect costs of the project shall represent a fair apportionment of the overall overheads of the Project Promoter or the Project Partner. They may be identified according to either of the following methods:

- a) based on actual indirect costs for those Project Promoters and Project Partners that have an analytical accounting system to identify their indirect costs as indicated above, or
- b) Project Promoter and Project Partners may opt for a flat rate of up to 20 per cent on the eligible costs mentioned in Article 4.1.3.a), excluding its direct eligible costs for subcontracting and the cost of resources made available by third parties which are not used on the premises of the Project Promoter.

In case of project implemented within a research component, the Project Promoter and project partners that are non-profit public bodies, secondary and higher education establishments and research organisations which, due to the lack of analytical accounting, are unable to identify with certainty their real indirect cost for the project, the Project Promoter may opt for a flat-rate of up to 60% of the total direct eligible costs mentioned in 4.1.3.a), excluding its direct eligible costs for subcontracting and the costs of resources made available by third parties which are not used on the premises of the Project Promoter.

The method of the indirect costs and its maximum amount shall be determined in the project contract.

### **3) *Excluded costs***

The following costs shall not be considered eligible:

- a) interest on debt, debt service charges and late payment charges;



- b) charges for financial transactions and other purely financial costs, except costs related to accounts required by Innovation Norway;
- c) The cost of real estate and/or land already owned directly or indirectly by the Project Promoter, or purchase of real estate and/or land owned, directly or indirectly, by the project partner or a public administration, shall normally not be eligible. Under no circumstances shall real estate and/or land be purchased for speculative purposes. The real estate and/or the land shall not have received a national or external donor grant in the last 10 years which would give rise to a duplication of funding;
- d) provisions for losses or potential future liabilities;
- e) currency exchange losses;
- f) recoverable VAT;
- g) costs that are covered by other sources;
- h) fines, penalties and costs of litigation;
- i) excessive or reckless expenditure;
- j) second-hand equipment; unless explicitly stated in the Project Contract;
- k) already owed debts and credits to third parties;
- l) any other costs incurred before signing the Project Contract;
- m) operational expenses, unless explicitly stated in the Project Contract and compatible with state aid regulations.

#### **4.1.4 Cost overruns and savings on project budgets**

The Project Promoter shall assume full responsibility for project execution. In case the actual project costs exceed the budgeted cost in the Project Contract, the Project Promoter shall ensure that additional funding is made available, unless other arrangements are agreed upon between the Project Promoter and Innovation Norway.

If the final cost of the project is below the total cost stipulated in the Project Contract, the overall sum of grant paid will be reduced accordingly and any unduly paid amounts reimbursed by the Project Promoter. The grant rate will, however, remain the same. In the case of the final cost of the project being below the total stipulated costing the Project Contract, the Project Promoter can provide Innovation Norway with a modification request to include more activities in the project to utilise the full grant.

Interest revenue on project accounts, both in EUR and in local currency, shall be deducted from the grant amount with the final payment or the Project Promoter can provide Innovation Norway with a modification request to include more activities in the project to utilise the interest.



## 5 Implementation

The Project Promoter shall bear responsibility for the implementation and follow-up of the project as well as reporting on the results in accordance with the Project Contract. The Project Promoter shall submit a yearly project report on project results and impacts, including performance on indicators, to Innovation Norway within 15 January every year.

A template for the project reporting is to be found at the Programme website.

The relevant provisions for the implementation of the projects are set out in these Rules and Procedures, the Standard Terms and Conditions and the special conditions in the Project Contract, if any. In case of conflict between them, the special conditions in the Project Contract take precedence over the Standard Terms and Conditions, and the Standard Terms and Conditions take precedence over the Rules and Procedures.

### 5.1 Payment

Grant assistance shall be given as reimbursements of already incurred documented costs according to an agreed Disbursement Plan.

The Project Promoter shall establish two project bank accounts, one in EUR, to which the payment from Innovation Norway will be made, and one bank account in local currency. The deposits of the project bank accounts shall be used only for purposes related to the project, and all payments regarding the project shall be made from these accounts.

Advance payment of up to 10 per cent of the awarded grant can be made, if requested by the Project Promoter and included in the agreed Disbursement Plan and in the Project Contract. A higher advance payment up to 20% can be made to private entities and NGO's upon request and specific reasons. Advance payment to project partners may take place according to their contribution in the project. Payments to third parties, including project partners, require a Power of Attorney to Innovation Norway from the Project Promoter.

Innovation Norway shall pay interim payments in accordance with payment claims contained in the Interim Project Report in line with article 5.3.

Payment claims shall be addressed to Innovation Norway. They shall be accompanied by all the necessary documentary evidence demonstrating fulfilment of the conditions for each disbursement. Innovation Norway shall ensure that all disbursement conditions have been fulfilled (including the availability of co-financing) before making a payment.

Disbursements shall be made to the designated project bank account of the Project Promoter.

Commitments and payments will be carried out in Euro (€).

Payment claims (incl. advance payment) forwarded from the Project Promoter to Innovation Norway shall be in Euro (€).

For Bulgaria, the Project Promoter's conversion from Leva to Euro (€) shall be the official tied currency rate, i.e. €1 = BGN 1.9558 and thus, this rate shall be applied.

For costs in NOK and other currencies, the Project Promoter shall apply the rates in force on the day before the last working day of the months preceding the month during which the expenditures were recorded.

For external purchases, the currency exchange rate actually paid by the Project Promoter may alternatively be approved as a basis for eligible costs.

### **5.1.1 Verification of payment claims in interim project report**

The Chief Financial Officer of the Project Promoter shall certify that the costs claimed are incurred in accordance with the Project Contract and the principles of effectiveness, efficiency and economy.

All financial statements on claimed expenses in project reports shall be confirmed by a certified auditor.

The deadline for the final payment claims to Innovation Norway is three months after the eligibility deadline set in the Project contract. The payment claims shall be verified by Innovation Norway and payments due shall be transferred to the Project Promoter within two months of the submission of the interim or final project report, provided that the report contains the necessary information in Innovation Norway's opinion.

## **5.2 Procurement and state aid**

Bulgarian and European Union legislation on public procurement shall be complied with at any level in the implementation of a project.

A Project Promoter that receives 50 per cent public funding or more of the eligible expenditures of the project shall conduct its procurement for that project in compliance with the national public procurement law as though the Project Promoter were a contracting authority under paragraph 9 of Article 1 of 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 contracts. This paragraph applies mutatis mutandis to Project Partners.

If the partners consist of undertakings, i.e. entities dealing with economic activity (private and public), the grant provided must be in compliance with the relevant state aid legislation.

Further, in some cases which the state aid legislation applies, grants may only be given after prior notification and approval by the relevant EU/EEA body (the EU-Commission or the EFTA Surveillance Authority). Such notification may delay the grant due to the case handling time in the relevant EU/EEA body.

It is Innovation Norway who is responsible to only provide grants in accordance with the relevant state aid legislation. However, the partners must cooperate with Innovation Norway to the extent possible to clarify the issue. This signifies that the partners must provide the information and documentation requested by Innovation Norway.

Further, the applicant should describe whether any of the partners already have received state aid to this particular project, the size of the aid, which costs this aid covered etc.

Finally, the applicant should inform in the application whether and/or the size of *de minimis* aid provided to the partners in the two last fiscal years and the applicable fiscal year.

### **5.3 Reporting**

The Project Promoter shall, unless otherwise stated in the Project Contract, submit to Innovation Norway an Interim Project Report as per the Project Contract in connection with the payment claims:

- Technical/physical and financial progress in accordance with the Project Contract;
- Any deviations from the Project Contract and possible repercussions for the project;
- Tendering and procurement, if relevant;
- Special conditions in the Project Contract.

Deviations shall be documented by an updated Project Implementation Plan, activity based Budget and Disbursement Plan.

Reports shall also include a bank statement of the project bank account(s) transactions for the relevant period. Innovation Norway may at any time ask the Project Promoter for further information. The reporting shall be done in accordance with the relevant provisions of the Project Contract.

The final project report (last interim report), as well as the final payment claim, shall be submitted to Innovation Norway no later than three months after the final date for eligibility of costs for the project. The report shall be according to the requirements in a template launched on the Programme web-site.

The Project Promoter shall submit a yearly project report on project results and impacts, including performance on indicators, to Innovation Norway within 15 January every year.

The Project Promoter shall also submit a Project Completion Report to Innovation Norway in accordance with provisions in the Project Contract.

### **5.4 Modification request**

Project modifications during the project implementation are ruled by the following:

1. With the exceptions stipulated in paragraph 3 of this article, any modifications of the Project shall be subject to Innovation Norway's prior written approval. Before the proposed modifications are implemented, Innovation Norway shall approve them.
2. Any such modifications may require a new appraisal prior to being accepted or rejected.

3. Modifications of the Project do not need an approval by Innovation Norway if they do not affect the scope, objectives, purpose, or outputs of the Project, and the financial impact is limited to:
  - a. Changes in any of the reporting periods for the Interim Project Reports scheduled in the Project Implementation Plan,
  - b. A transfer between budget headings involving a variation of 10% or less of the amounts in the latest approved Project Implementation Plan under each relevant heading, or,
  - c. A transfer between project activities involving a variation of 10 % or less of the amounts in the latest approved Project Implementation Plan for such activity.
4. Notwithstanding paragraph 3, modifications that result in an increase of management costs will always require a prior approval by Innovation Norway.

## 5.5 Monitoring by Innovation Norway

Innovation Norway shall monitor projects in order to ensure that the Project Contracts are fulfilled. For this purpose, it may also draw upon the services of external experts.

For this purpose, it may draw upon the services of a Monitoring Agent.

The monitoring exercise shall be done in accordance with guidelines on reporting and monitoring which will be adopted by Innovation Norway and launched at the website.

## 5.6 Publicity

The Project Promoter shall ensure that information on approved projects is communicated in the most efficient way to users and the public at large and that the contribution of the Programme is given adequate publicity.

Publicity guidelines for Project Promoters are to be found at the website.

A project summary of approved individual projects will be uploaded at the website [www.eegrants.org](http://www.eegrants.org) and at the Programme website.

# 6 Audits and financial control

## 6.1 Transparency and documentary evidence

The Project Promoter shall provide records for projects co-financed by the Programme that permit:

- reconciliation of the summary amounts specified in the disbursement request with the individual expenditure records and supporting documents held at the various administrative levels and by final beneficiaries including, where the latter are not the final recipients of funding, the bodies or firms carrying out operations and

- verification of the allocation and transfer of the available grants under the Programme.

The Project Promoter shall ensure that all original documents remain available for inspection for at least 5 years after the project has been completed, or longer if required in the Project Contract or under the national law of Bulgaria.

The access of Innovation Norway to accounting and documents of the project partner(s) will be defined in the Project Contract.

## **6.2 Financial control, audit and anti-fraud measures**

Innovation Norway shall be responsible for the financial control and audit of approved projects. The Project Promoter shall be accountable to Innovation Norway, the Norwegian Ministry of Foreign Affairs/FMO and the Office of the Norwegian Auditor General for the management of funds and for all matters related to financial control, audit and fraud.

Provisions for project auditing are established in 7.6 in the Standard Terms and Conditions for on Norway Grants from Innovation Norway.

Projects under the Programme may at any time be audited by the Office of the Auditor General of Norway and/or an auditor appointed by Innovation Norway.