EEA Financial Mechanism 2014-2021

PROGRAMME AGREEMENT

between

The Financial Mechanism Committee
established by Iceland, Liechtenstein and Norway

and

The Central Coordination Unit Directorate, administrative unit within the Ministry of Finance (NFP),
hereinafter referred to as the "National Focal Point",
representing Bulgaria,
hereinafter referred to as the "Beneficiary State"

together hereinafter referred to as the "Parties"

for the financing of the Programme "Renewable Energy, Energy Efficiency, Energy Security"

hereinafter referred to as the "Programme"

Chapter 1
Scope, Legal Framework, and Definitions

Article 1.1
Scope

This programme agreement between the Financial Mechanism Committee (hereinafter referred to as the FMC) and the National Focal Point lays down the rights and obligations of the Parties regarding the implementation of the Programme and the financial contribution from the EEA Financial Mechanism 2014-2021 to the Programme.

Article 1.2
Legal Framework

1. This programme agreement shall be read in conjunction with the following documents which, together with this programme agreement, constitute the legal framework of the EEA Financial Mechanism 2014-2021:

(a) Protocol 38c to the EEA Agreement on the EEA Financial Mechanism 2014-2021;

(b) the Regulation on the implementation of the EEA Financial Mechanism 2014-2021 (hereinafter referred to as the "Regulation") issued by the Donor States in accordance with Article 10(5) of Protocol 38c;

(c) the Memorandum of Understanding on the Implementation of the EEA Financial Mechanism 2014-2021 (hereinafter referred to as the "MoU"), entered into between the Donor States and the Beneficiary State; and

(d) any guidelines adopted by the FMC in accordance with the Regulation.

2. In case of an inconsistency between this programme agreement and the Regulation, the Regulation shall prevail.

3. The legal framework is binding for the Parties. An act or omission by a Party to this programme agreement that is incompatible with the legal framework constitutes a breach of this programme agreement by that Party.

Article 1.3
Definitions

Terms used and institutions and documents referred to in this programme agreement shall be understood in accordance with the Regulation, in particular Article 1.6 thereof, and the legal framework referred to in Article 1.2 of this programme agreement.

Article 1.4
Annexes and hierarchy of documents

1. Annexes attached hereto form an integral part of this programme agreement. Any reference to this programme agreement includes a reference to its annexes unless otherwise stated or clear from the context.

2. The provisions of the annexes shall be interpreted in a manner consistent with this programme agreement. Should the meaning of any provision of the said annexes, so interpreted, remain inconsistent with this programme agreement, the provisions of the annexes shall prevail, provided that these provisions are compatible with the Regulation.

3. Commitments, statements and guarantees, explicit as well as implicit, made in the preparation of the programme are binding for the National Focal Point and the Programme Operator unless otherwise explicitly stipulated in the annexes to this programme agreement.

Chapter 2
The Programme

Article 2.1
Co-operation

1. The Parties shall take all appropriate and necessary measures to ensure fulfilment of the obligations and objectives arising out of this programme agreement.

2. The Parties agree to provide all information necessary for the good functioning of this programme agreement and to apply the principles of implementation as set out in the Regulation.

3. The Parties shall promptly inform each other of any circumstances that interfere or threaten to interfere with the successful implementation of the Programme.

4. In executing this programme agreement the Parties declare to counteract corrupt practices. Further, they declare not to accept, either directly or indirectly, any kind of offer, gift, payments or benefits which would or could be construed as illegal or corrupt practice. The Parties shall immediately inform each other of any indication of corruption or misuse of resources related to this programme agreement.

Article 2.2
Main responsibilities of the Parties

1. The National Focal Point is responsible and accountable for the overall management of the EEA Financial Mechanism 2014-2021 in the Beneficiary State and for the full and correct implementation of

this programme agreement. In particular, the National Focal Point undertakes to:

(a) comply with its obligations stipulated in the Regulation and this programme agreement;

(b) ensure that the Certifying Authority, the Audit Authority, the Irregularities Authority and the Programme Operator properly perform the tasks assigned to them in the Regulation, this programme agreement and the programme implementation agreement;

(c) take all necessary steps to ensure that the Programme Operator is fully committed and able to implement and manage the Programme;

(d) take the necessary measures to remedy irregularities in the implementation of the Programme and ensure that the Programme Operator takes appropriate measures to remedy irregularities in Projects within the Programme, including measures to recover misspent funds;

(e) make all the necessary and appropriate arrangements in order to strengthen or change the way the Programme is managed.

2. The FMC shall, subject to the rules stipulated in the legal framework referred to in Article 1.2 of this programme agreement, make available to the Beneficiary State a financial contribution (hereinafter referred to as "the programme grant") to be used exclusively to finance the eligible cost of the Programme.

Article 2.3
Objective and outcomes of the Programme

1. This programme agreement sets out the objective, outcome(s), outputs, indicators and targets for the Programme.

2. The National Focal Point shall ensure that the Programme Operator implements and completes the Programme in accordance with the objective, outcome(s), outputs, indicators and targets set for the Programme.

Article 2.4
Programme grant

1. The maximum amount of the programme grant, the programme grant rate, and the estimated eligible cost of the Programme shall be as specified in this programme agreement.

2. In case the Programme is also supported by the Norwegian Financial Mechanism, this programme agreement shall be interpreted in conjunction with the agreement regulating that support.

3. The financial plan annexed to this programme agreement shall:

(a) contain a breakdown between the Programme's budget headings;

(b) indicate the agreed advance payment, if any.

4. The management cost of the Programme Operator shall not exceed the amount specified in this programme agreement.

Article 2.5
Special conditions and programme specific rules

1. This programme agreement shall list any conditions set by the FMC with reference to paragraph 2 of Article 6.3 of the Regulation. The National Focal Point shall ensure compliance with these conditions and take the necessary steps to ensure their fulfilment.

2. The National Focal Point shall ensure compliance with any other programme specific rules laid down in this programme agreement.

Article 2.6
Programme implementation agreement

With reference to Article 6.8 of the Regulation and without prejudice to paragraph 2 thereof, the National Focal Point shall, before any payment is made to the Programme, sign a programme implementation agreement with the Programme Operator. The National Focal Point shall notify the FMC of such signing.

Article 2.7
Reporting

The National Focal Point shall ensure that the Programme Operator provides financial reports, annual programme reports and a final programme report in accordance with Chapter 9 and Articles 6.11 and 6.12 of the Regulation as well as statistical reporting in accordance with guidelines adopted by the FMC.

Article 2.8
External monitoring

The external monitoring and audit referred to in Articles 11.1, 11.2, 11.3 and 11.4 of the Regulation shall not in any way relieve the National Focal Point or the Programme Operator of their obligations under the legal framework regarding monitoring of the Programme and/or its projects, financial control and audit.

Article 2.9
Modification of the Programme

1. Unless otherwise explicitly stipulated in this programme agreement, any modification of the Programme is subject to prior approval by the FMC.

2. Programme specific exceptions from paragraph 1, if any, are set in the annexes to this programme agreement.

3. Expenditures incurred in breach of this article are not eligible.

4. Should there be a doubt as to whether the proposed modifications require approval by the FMC, the National Focal Point shall consult the FMC before such modifications take effect.

5. Requests for modifications shall be submitted and assessed in accordance with Article 6.9 of the Regulation.

Article 2.10
Communication

1. All communication to the FMC regarding this programme agreement shall take place in English and be directed to the Financial Mechanism Office (hereinafter referred to as the FMO), which represents the FMC towards the National Focal Point and the Programme Operator in relation to the implementation of the Programme.

2. To the extent that original documents are not available in the English language, the documents shall be accompanied by full and accurate translations into English. The National Focal Point shall bear the responsibility for the accuracy of the translation that it provides and the possible consequences that might arise from any inaccurate translations.

Article 2.11
Contact information

1. The contact information of the Programme Operator is as specified in this programme agreement.

2. The contact information for the FMC and the Financial Mechanism Office are:

Financial Mechanism Office
Att: Director
EFTA Secretariat
Rue Joseph II, 12-16
1000 Brussels
Telephone: +32 (0)2 286 1701
Telefax (general): +32 (0)2 211 1889
E-mail: fmo@efta.int

3. Changes of or corrections to the contact information referred to in this article shall be given in writing without undue delay by the Parties to this programme agreement.

Article 2.12
Representations and Warranties

1. This programme agreement and the awarding of the programme grant is based on information provided by, through, or on behalf of the National Focal Point to the FMC prior to the signing of this programme agreement.

2. The National Focal Point represents and warrants that the information provided by, through, or on behalf of the National Focal Point, in connection with the implementation or conclusion of this programme agreement are authentic, accurate and complete.

Chapter 3
Projects

Article 3.1
Selection of projects and award of grants

1. The National Focal Point shall ensure that the Programme Operator selects projects in accordance with Chapter 7 of the Regulation and this programme agreement.

2. Eligibility of project promoters and project partners is stipulated in Article 7.2 of the Regulation and, in accordance with paragraph 4 thereof, subject only to the limitations stipulated in this programme agreement.

3. Pre-defined projects shall be outlined in this programme agreement.

4. The National Focal Point shall take proactive steps to ensure that the Programme Operator complies fully with Article 7.5 of the Regulation.

Article 3.2
Project contract

1. For each approved project a project contract shall be concluded between the Programme Operator and the Project Promoter.

2. In cases where a project contract cannot, due to provisions in the national legislation, be made between the Programme Operator and the Project Promoter, the Beneficiary State may instead issue a legislative or administrative act of similar effect and content.

3. The content and form or the project contract shall comply with Article 7.6 of the Regulation.

4. The National Focal Point shall ensure that the obligations of the Project Promoter under the project

contract are valid and enforceable under the applicable law of the Beneficiary State.

Article 3.3
Project partners and partnership agreements

1. A project may be implemented in a partnership between the Project Promoter and project partners as defined in paragraph 1(w) of Article 1.6 of the Regulation. If a project is implemented in such a partnership, the Project Promoter shall sign a partnership agreement with the project partners with the content and in the form stipulated in Article 7.7 of the Regulation.

2. The partnership agreement shall be in English if one of the parties to the agreement is an entity from the Donor States.

3. 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.

4. The creation and implementation of the relationship between the Project Promoter and the project partner shall comply with the applicable national and European Union law on public procurement as well as Article 8.15 of the Regulation.

5. The National Focal Point shall ensure that the Programme Operator verifies that the partnership agreement complies with this article. A draft partnership agreement or letter of intent shall be submitted to the Programme Operator before the signing of the project contract.

Chapter 4
Finance

Article 4.1
Eligible expenditures

1. Subject to Article 8.7 of the Regulation, eligible expenditures of this Programme are:

(a) management costs of the Programme Operator in accordance with the detailed budget in the financial plan;

(b) payments to projects within this Programme in accordance with the Regulation, this programme agreement and the project contract.

2. Eligible expenditures of projects are those actually incurred by the Project Promoter or project partners, meet the criteria set in Article 8.2 of the Regulation and fall within the categories and fulfil the conditions of direct eligible expenditure set in Article 8.3 of the Regulation, the conditions regarding the use of standard scales of unit costs set in Article 8.4 of the Regulation as well as indirect costs in accordance with Article 8.5 of the Regulation.

4. The first date of eligibility of expenditures in projects shall be set in the project contract in accordance with Article 8.13 of the Regulation. The first date of eligibility of any pre-defined projects shall be no earlier than the date on which the National Focal Point notifies the FMC of a positive appraisal of the pre-defined projects by the Programme Operator in accordance with paragraph 3 of Article 6.5 of the Regulation.

5. The maximum eligible costs of the categories referred to in paragraph 1 are set in this programme agreement. Programme specific rules on the eligibility of expenditure set in this programme agreement shall be complied with.

Article 4.2
Proof of expenditure

Costs incurred by Programme Operators, Project Promoters and project partners shall be supported by documentary evidence as required in Article 8.12 of the Regulation.

Article 4.3
Payments

1. Payments to the Programme shall be made when all relevant conditions for payments stipulated in this programme agreement and the Regulation have been fulfilled.

2. Payments to the Programme shall take the form of an advance payment, interim payments and payment of the final balance and shall be made in accordance with Articles 9.2, 9.3 and 9.4 of the Regulation.

3. Payments of the project grant to the Project Promoters may take the form of advance payments, interim payments and payments of the final balance. The level of advance payments and their off-set mechanism is set in this programme agreement.

4. The National Focal Point shall ensure that payments are transferred in accordance with paragraph 2 of Article 9.1 of the Regulation.

5. Chapter 9 of the Regulation shall apply to all aspects related to payments, including currency exchange rules and handling of interests on bank accounts.

Article 4.4
Transparency and availability of documents

The National Focal Point shall ensure an audit trail for financial contributions from the EEA Financial

Mechanism 2014-2021 to the Programme in accordance with Article 9.8 of the Regulation.

Article 4.5
Irregularities, suspension and reimbursements

The FMC has the right to make use of the remedies provided in the Regulation, in particular Chapter 13 thereof. The National Focal Point has a duty to take all necessary measures to ensure that the provisions in Chapter 12 and 13 of the Regulation regarding irregularities, suspension of payments, financial corrections and reimbursement are complied with.

Chapter 5
Final provisions

Article 5.1
Dispute settlement

1. The Parties waive their rights to bring any dispute related to the programme agreement before any national or international court, and agree to settle such a dispute in an amicable manner.

2. If a demand for reimbursement to the FMC is not complied with by the Beneficiary State, or a dispute related to a demand for reimbursement arises that cannot be solved in accordance with paragraph 1, the Parties may bring the dispute before Oslo Tingrett.

Article 5.2
Termination

1. The FMC may, after consultation with the National Focal Point, terminate this programme agreement if:

(a) a general suspension decision according to Article 13.6 of the Regulation or a decision to suspend payments according to paragraph 1(h) of Article 13.1 of the Regulation has not been lifted within 6 months of such a decision;

(b) a suspension of payments according to Article 13.1 of the Regulation, other than under paragraph 1(h), has not been lifted within one year of such a decision;

(c) a request for reimbursement according to Article 13.2 of the Regulation has not been complied with within one year from such a decision;

(d) the Programme Operator becomes bankrupt, is deemed to be insolvent, or declares that it does not have the financial capacity to continue with the implementation of the Programme; or

(e) the Programme Operator has, in the opinion of the FMC, been engaged in corruption, fraud or similar activities or has not taken the appropriate measures to detect or prevent such activities or, if they have occurred, nullify their effects.

2. This programme agreement can be terminated by mutual agreement between the Parties.

3. Termination does not affect the right of the Parties to make use of the dispute settlement mechanism referred to in Article 5.1 or the right of the FMC to make use of the remedies provided in Chapter 13 of the Regulation.

Article 5.3
Waiver of responsibility

1. Any appraisal of the Programme undertaken before or after its approval by the FMC, does not in any way diminish the responsibility of the National Focal Point and the Programme Operator to verify and confirm the correctness of the documents and information forming the basis of the programme agreement.

2. Nothing contained in the programme agreement shall be construed as imposing upon the FMC or the FMO any responsibility of any kind for the supervision, execution, completion, or operation of the Programme or its projects.

3. The FMC does not assume any risk or responsibility whatsoever for any damages, injuries, or other possible adverse effects caused by the Programme or its projects including, but not limited to inconsistencies in the planning of the Programme or its projects, other project(s) that might affect it or that it might affect, or public discontent. It is the full and sole responsibility of the National Focal Point and the Programme Operator to satisfactorily address such issues.

4. Neither the National Focal Point, the Programme Operator, entities involved in the implementation of projects, nor any other party shall have recourse to the FMC for further financial support or assistance to the Programme in whatsoever form over and above what has been provided for in the programme agreement.

5. Neither the European Free Trade Association, its Secretariat, including the FMO, its officials or employees, nor the FMC, its members or alternate members, nor the EFTA States, can be held liable for any damages or injuries of whatever nature sustained by the National Focal Point or the Beneficiary State, the Programme Operator, Project Promoters or any other third person, in connection, be it direct or indirect, with this programme agreement.

6. Nothing in this programme agreement shall be construed as a waiver of diplomatic immunities and privileges awarded to the European Free Trade Association, its assets, officials or employees.

1. This programme agreement shall enter into force on the date of the last signature of the Parties.

2. This programme agreement shall remain in force until five years have elapsed after the date of the acceptance of the final programme report.

Article 5.4
Entry into force and duration

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This programme agreement is drawn up in two originals in the English language.

For the Donors	For the National Focal Point
Signed in Burgas on 21/06/2018	Signed in Burgas on 21/06/2018
.....	.....
Grete Kristine Ødegaard Counsellor, Royal Norwegian Embassy in Bucharest	Ivan Ivanov Head of the National Focal Point, Director of Central Coordination Unit Directorate, Council of Ministers

Annex I to the Programme Agreement

Programme Operators and Partners	
Programme Operator:	Ministry of Energy - Bulgaria
Donor Programme Partner:	National Energy Authority (OS) Norwegian Water Resources and Energy Directorate (NVE)
IPO:	-
Other Programme Partner(s):	-

Programme Objective	Less carbon intensive energy and increased security of supply

PA	Outcome/Output	Expected programme results	Indicator	Disaggregation	Unit of measurement	Source of verification	Frequency of reporting	Baseline values	Baseline year	Target value
PA12	Outcome 1	Increased renewable energy production	Estimated annual CO2 emissions reductions (in tonnes)	N/A	Annual number	SEDA Agency records (the certifying body)	2020 and then annually	0	N/A	2,124[1]
			Estimated production from geothermal energy (in MWh/year	N/A	Annual number	SEDA Agency records (the certifying body)	2020 and then annually	0	N/A	1,800
	Output 1.2	Geothermal energy capacity installed	Installed capacity for production of geothermal energy (in MW)	N/A	Cumulative number	SEDA Agency records (the certifying body)/ on the spot check	Semi-annually (APR and September IFR)	0	N/A	1.5[2]
	Output 1.3	Improved hydro energy management	Feasibility study on utilizing the hydro power potential in existing water supply systems and	N/A	Binary	Copy if the study	Semi-annually (APR and September IFR)	No	N/A	Yes

[1] Estimated CO2 avoidance in tonnes/year based on Operation Margin Emission Factor of Electricity Grid of 1.18 tCO2/MWh and assumption that produced energy from RES will replace corresponding amount of energy from fossil fuels.

[2] Based on data from geothermal utilization project that has been implemented under Programme BG04 in Straldja Municipality and funds allocated for this Output PO estimated 4 MWt installed capacity for geothermal energy and 1,3 MW installed capacity for heat pumps.

			upgrading potential for existing hydro power plants completed							
			Number of experts trained in hydro energy	Gender	Cumulative number	Project Promoters' records, Attendance sheets	Semi-annually (APR and September IFR)	0	N/A	50
			Number of training courses for hydro power experts implemented	N/A	Cumulative number	Project Promoters' records, Attendance sheets	Semi-annually (APR and September IFR)	0	N/A	2
	Output 1.4	Systems for improved management and control of large hydro power plants implemented	Number of hydro power plants with upgraded systems in place	N/A	Cumulative number	Project Promoters' records, Attendance sheets	Semi-annually (APR and September IFR)	0	N/A	3
	Output 1.5	Online geothermal training for Bulgarian professionals implemented	Number of experts trained in geothermal energy	Gender	Cumulative number	Project Promoters' records, Attendance sheets	Semi-annually (APR and September IFR)	0	N/A	50
PA12	Outcome 2	Improved energy efficiency in buildings, industry and municipalities	Estimated annual CO2 emissions reductions	N/A	Annual number	Energy audit reports, Energy certificates	Annually (APR)	0	N/A	74,079.89
			Estimated energy savings in MWh/year	N/A	Annual number	Energy savings certificates	Annually (APR)	0	N/A	63,424.57 [3]
			Estimated monetary savings in EUR/year	N/A	Annual number	Energy savings certificates	Annually (APR)	0	N/A	8,151,126

[3] Estimated saved energy due to estimated total yearly CO2 reductions based on operating margin emissions factor (1.18 t CO2/MWh) has been applied.

			Number of people benefitting from increased energy efficiency	Gender	Cumulative number	Project Promoters' records	Semi-annually (APR and September IFR)	0	N/A	1,500
	Output 2.1	Improved energy efficiency in industry (e.g. waste heat utilisation, process improvements)	Number of industrial processes where energy efficiency measures have been implemented	N/A	Cumulative number	Energy savings certificates	Semi-annually (APR and September IFR)	0	N/A	28
	Output 2.2	Improved energy efficiency in buildings (e.g. boiler replacement, solar collectors or panels installations)	Number of buildings for which energy efficiency measures have been implemented	N/A	Cumulative number	Copies of works contracts	Semi-annually (APR and September IFR)	0	N/A	16
	Output 2.3	Municipal infrastructure improved (e.g. street lighting, water supply systems)	Number of municipalities with improved infrastructure	N/A	Cumulative number	Copies of grand contracts	Semi-annually (APR and September IFR)	0	N/A	24
	Output 2.4	Systems for monitoring of energy consumption implemented	Number of municipalities that have implemented systems for monitoring of energy consumption	N/A	Cumulative number	Project promoters' records, copies of monitoring reports	Semi-annually (APR and September IFR)	0	N/A	30
PA12	Outcome 3	Strengthened expert capacity for renewable	Number of municipalities that have developed strategies for energy efficiency	N/A	Cumulative number	SEDA Agency records (the certifying body)	Annually (APR)	185	2016	200

		energy, energy efficiency and energy management								
	Output 3.1	Online training courses implemented	Number of experts trained in renewable energy, energy efficiency and energy management[4]	Gender	Cumulative number	Project Promoters' records, Attendance sheets	Semi-annually (APR and September IFR)	0	N/A	1,500
PA12	Bilateral Outcome	Enhanced collaboration between beneficiary and donor state entities involved in the programme	Level of satisfaction with the partnership	N/A	Scale 1-7	Survey results	Annually (APR)	6.38	2023[5]	4.5[6]
			Level of trust between cooperating entities in Beneficiary States and Donor States	N/A	Scale 1-7	Survey results	Annually (APR)	6.71	2023[7]	4.5[8]
			Share of cooperating organisations that apply the knowledge acquired from bilateral partnership	N/A	Percentage	Survey results	Annually (APR)	N/A	N/A	50 %[9]
	Bilateral Output 1	Strengthened experience exchange between beneficiary and donor state entities	Number of projects involving cooperation with a donor project partner	N/A	Cumulative number	Copies of contracts concluded with Project Promoters, Partnership agreements between Project Promoters and project partners	Semi-annually (APR and September IFR)	0	N/A	40

[4] Open to all entities, public and private
[5] Based on the survey carried out on behalf of the FMO
[6] Target is ≥4.5, and an increase on the baseline value
[7] Based on the survey carried out on behalf of the FMO
[8] Target is ≥4.5, and an increase on the baseline value
[9] Target is minimum 50 %

Conditions

General

1. The National Focal Point shall ensure that Article 8.15 of the Regulation, as well as national and European Union law on public procurement are complied with at any level in the implementation of the Programme and the projects. The National Focal Point shall, by way of the Programme Implementation Agreement, ensure that the Programme Operator maintains written records of all assessments concerning the organization of procurement procedures and compliance with procurement rules, and provides such records to the FMC upon request. The the approval of the Programme by the FMC does not imply a positive assessment of such compliance.

2. The Programme Operator shall seek to ensure synergies with the programmes "Business Development, Innovation and SMEs" and "Environment protection and climate change" implemented under the Norwegian and EEA Financial Mechanisms 2014-2021 in Bulgaria.

3. For pre-defined project no. 2 (numbering under Section 5.1 of Annex Il to the Programme Agreement), the National Focal Point shall ensure that the Programme Operator ensures that the appraisal foreseen in Article 6.5.3 of the Regulation is externalised and carried out by a legal entity independent of and unrelated to the Programme Operator.

4. The National Focal Point shall ensure that the Programme Operator achieves through the Programme a minimum CO2 reduction and/or avoidance of 54,000 (metric) tonnes per year under outcome I.

5. The National Focal Point shall ensure that the Programme Operator achieves through the Programme a minimum CO2 reduction and/or avoidance of at least 118,000 (metric) tonnes per year under outcome 2.

6. For pre-defined project no. 2 (numbering under Section 5.1 of Annex Il to the Programme Agreement), the Programme Operator shall provide, with the first Annual Programme Report, a description of the benefits for the energy system in Bulgaria resulting from the project, including its contribution to increased renewable energy production in quantifiable terms.

7. The National Focal Point shall ensure that the Programme Operator ensures that project promoters:

- Keep any buildings purchased, constructed, renovated or reconstructed under the project in their ownership for a period of at least 5 years following the completion of the project and continue to use such buildings for the benefit of the overall objectives of the project for the same period;
- Keep any buildings purchased, constructed, renovated or reconstructed under the project properly insured against losses such as fire, theft and other normally insurable incidents both during project implementation and for at least 5 years following the completion of the project; and
- Set aside appropriate resources for the maintenance of any buildings purchased, constructed, renovated or reconstructed under the project for at least 5 years following the completion of the project. The specific means for implementation of this obligation shall be specified in the project contract.

8. The National Focal Point shall ensure that the Programme Operator ensures that any residual or extracted material from project activities is reused, recycled, treated and/or deposited in an environmentally sound manner.

Pre-eligibility

No costs shall be eligible under pre-defined projects no.1 and 2 (Section 5.1 of Annex Il to the Programme Agreement) before the detailed descriptions and budgets for the pre-defined projects,

including the role and contribution of the donor project partner(s), have been submitted and approved by the FMC.

Pre-payment

Not applicable

Pre-completion

Not applicable

Post-completion

Not applicable

Eligibility of costs - period	**First date**	**Final date**
Eligibility of costs	10/12/2016	30/04/2025
Grant rate and co-financing		
Programme eligible expenditure (€)		€ 32,258,824
Programme grant rate (%)		85.00 %
Maximum amount of Programme grant - EEA Financial Mechanism (€)		€ 27,420,000
Maximum amount of Programme grant - Norwegian Financial Mechanism (€)		-
Maximum amount of Programme grant - Total (€)		€ 27,420,000

PA	Budget Heading	EEA Grants	Total grant	Programme grant rate	Programme co-financing	Programme eligible expenditure	Advance payment
PA12	Programme management[10]	€ 1,630,000	€ 1,630,000	85.00 %	€ 287,647	€ 1,917,647	€ 191,765
PA12	Outcome 1 (EEA Grants)	€ 2,618,009	€ 2,618,009	85.00 %	€ 462,002	€ 3,080,011	€ 105,500
PA12	Outcome 2 (EEA Grants)	€ 23,171,991	€ 23,171,991	85.00 %	€ 4,089,175	€ 27,261,166	€ 0
PA12	Outcome 3 (EEA Grants)				n/a		n/a
Total		**€ 27,420,000**	**€ 27,420,000**	**85.00 %**	**€ 4,838,824**[11]	**€ 32,258,824**	**€ 297,265**

Retention of management costs	
Retention of management costs - Percentage of the management costs	10.00 %
Retention of management costs - Planned Euro value	€ 191,765

[10] An indicative amount of EUR 30 000 shall be allocated to finance the trainings under Outcome 3

[11] A discrepancy appears between the sum of addends and the totals of the columns 'Programme co-financing' and 'Programme eligible expenditure' because the numbers in this table are rounded to the whole euro.

Renewable Energy, Energy Efficiency, Energy Security

Operational rules (Annex II)

1. **Programme summary**

This Annex sets out the operational rules for the programme. The programme agreement is based on the MoU, the concept note and comments made by the FMC. Commitments, statements and guarantees, explicit as well as implicit, made in the concept note, are binding for the National Focal Point and the Programme Operator unless otherwise explicitly stipulated in the annexes to this programme agreement.

The Programme Operator is the Ministry of Energy. The Norwegian Water Resources and Energy Directorate (NVE) and the National Energy Authority of Iceland (OS) are the Donor Programme Partners (DPPs).

The programme objective, "Less carbon intensive energy and increased security of supply", will be attained through three outcomes:

• Outcome 1: "Increased renewable energy production".

The outcome shall be supported through two pre-defined projects (PDP) "Feasibility study on utilizing the hydro power potential in existing water supply systems and upgrading potential for existing small hydro power plants in water supply systems" (PDP no. 1) and "System for Forecasts, Control and Management of HPP Generation and Dams Condition" (PDP no. 2), one call for proposals (call no. 2) . Call no. 2 will support projects on geothermal energy. Additionally the outcome will be supported through online training on geothermal energy.

• Outcome 2: "Improved energy efficiency in buildings, industry and municipalities"

The outcome shall be supported through two calls for proposals (calls no. 3 and 5) and a Small Grants Scheme (SGS). Call no. 3 will support projects on energy efficiency in buildings; the SGS will support projects on energy efficiency in industry; and call no. 5 will support projects on rehabilitation and modernisation of municipal infrastructure.

• Outcome 3: "Strengthened expert capacity for renewable energy, energy efficiency and energy management".

The outcome shall be supported through online training for renewable energy, energy efficiency and energy management.

2. Eligibility

2.1 Eligible applicants:

The rules on eligibility of project promoters and project partners are set in Article 7.2 of the Regulation. In accordance with Article 7.2.4 of the Regulation, the following shall be eligible:

	Eligible applicants (Project Promoters)	**Eligible partners**
Call no. 2 on geothermal energy	State and municipal authorities established in Bulgaria	In accordance with Article 7.2.2 of the Regulation

Outcome 1 "Increased renewable energy production"		
Call no. 3 on energy efficiency in buildings **Outcome 2** "Improved energy efficiency in buildings, industry and municipalities"	State and municipal authorities established in Bulgaria	In accordance with Article 7.2.2 of the Regulation
SGS on energy efficiency in industry **Outcome 2** "Improved energy efficiency in buildings, industry and municipalities"	Enterprises established in Bulgaria	In accordance with Article 7.2.2 of the Regulation
Call no. 5 on rehabilitation and modernisation of municipal infrastructure **Outcome 2** "Improved energy efficiency in buildings, industry and municipalities"	Municipalities	In accordance with Article 7.2.2 of the Regulation

2.2 Special rules on eligibility of costs:
Costs are eligible in accordance with chapter 8 of the Regulation.

3. Bilateral relations

3.1 Bilateral relations
The programme shall contribute to strengthening bilateral relations between Bulgaria and the Donor States.

The programme shall as appropriate facilitate donor partnership projects by carrying out, *inter alia*, match-making events and activities in conjunction with launching calls for proposals, as well as by encouraging donor partnership projects in call texts.

The further use of the funds for bilateral relations allocated to the programme shall be agreed in the Cooperation Committee.

4. Selection of projects and financial parameters

4.1 Open calls and availability of funds (including number of calls, duration of calls, and estimated size):

	Indicative timing	**Total available amount**	**Maximum/Minimum grant applied for**
Call no. 2 on geothermal energy **Outcome 1** "Increased renewable energy production"	Second semester 2018	€ 1,723,009	€ 400,000/ € 200,000
Call no. 3 on energy efficiency in buildings	First semester 2019	€ 12,368,675	€ 1,200,000/ € 200,000

Outcome 2 "Improved energy efficiency in buildings, industry and municipalities"			
SGS on energy efficiency in industry **Outcome 2** "Improved energy efficiency in buildings, industry and municipalities"	Second semester 2019	€ 4,898,483	€ 200,000 / € 150,000
Call no. 5 on rehabilitation and modernisation of municipal infrastructure **Outcome 2** "Improved energy efficiency in buildings, industry and municipalities"	Second semester 2018	€ 9,994,009	€ 600,000/ € 200,000

Under all calls the selection criteria shall foster the submission of project applications including one or more partners from the Donors States.

For call no. 2 on geothermal energy and call no. 3 on energy efficiency in buildings, projects selected for support will have to demonstrate their contribution to the wider public benefit.

4.2 Selection procedures:
The project evaluation and award of grants shall be in accordance with Article 7.4 of the Regulation.

The Programme Operator shall be responsible for project evaluation and for the award of grants.

The Programme Operator shall appoint a person who is going to lead and coordinate the selection process.

Experts nominated by the Programme Operator shall review the applications for compliance with administrative and eligibility criteria. Applicants whose applications are rejected at this stage shall be informed and given a reasonable time to appeal that decision.

Each application that meets the administrative and eligibility criteria shall be reviewed by two impartial experts appointed by the Programme Operator, at least one of which shall be independent of the Programme Operator and the Selection Committee. The experts shall separately score the project according to the selection criteria published with the call for proposals. For the purposes of ranking the projects, the average of the scores awarded by the experts shall be used. If the difference between the scores given by the two experts is more than 20% of the higher score, a third expert, who shall be impartial and independent of the Programme Operator and the Selection Committee, shall be commissioned by the Programme Operator to score the project independently. In such cases, the average score of the two closest scores shall be used for the ranking of the projects.

The Programme Operator shall establish a Selection Committee. The Selection Committee shall consist of a Chairman and a secretary – representatives of the Programme Operator – without voting rights, and at least five voting members, including representatives of the Programme Operator and the DPPs. At least one of the voting members shall be external to the Programme Operator and its Partners. There should be an equal number of representatives of the Programme Operator on one side and of the DPPs on the other. The FMC and the National Focal Point shall be invited to participate in the Selection Committee meetings as observers.

The Programme Operator shall provide the Selection Committee with a list of the ranked projects, including their scores and a summary in English for each project, at least one week before the respective meeting of the Selection Committee. The Selection Committee shall review the ranked list of projects. The decision of the Selection Committee shall be taken by consensus of all voting members. The Selection Committee may modify the ranking of the projects in justified cases, in accordance with objective and commonly agreed criteria related to the objectives of the programme. The justification for modifications shall be detailed in the minutes of the meeting of the Selection Committee. The minutes shall be signed by all members of the Selection Committee. The Chairman of the Selection Committee shall submit a report, including the list of the recommended projects, together with a reserve list and the list of rejected project proposals and the reason for their rejection, to the Programme Operator.

The Programme Operator shall verify that the selection process has been conducted in accordance with the Regulation and that the recommendations from the Selection Committee comply with the rules and objectives of the programme. Following such verification, the Programme Operator shall, based on the decision of the Selection Committee, make a decision on which projects shall be supported. The Programme Operator may return the report to the Selection Committee requesting a repetition of the selection process in case of a violation of the procedure that can be remedied or not approve the report when there has been a serious violation of the procedure. The Programme Operator may modify the decision of the Selection Committee in justified cases.

The Programme Operator shall notify the applicants about the results of the selection process within a reasonable time and publicise the results. If the modification of the ranking of the projects by the Selection Committee results in a project's rejection, or if the Programme Operator modifies the decision of the Selection Committee, the Programme Operator shall inform the applicants affected and provide them with a justification for the modification.

The process set out in this Article shall apply to all calls for project proposals, including the SGS, under this programme.

4.3 Project grant rate:

Grants from the programme may be up to 100% of total eligible expenditure of the project. In the case of projects where the project promoter is an NGO or a social partner, as defined in Article 1.6 of the Regulation, the project grant rate may be up to 90% of total eligible expenditure of the project. The project grant rate shall in all cases be set at a level that complies with the State Aid rules in force and takes into account any and all other forms of public support granted to projects. Any remaining costs of the project shall be provided or obtained by the project promoter.

5. Additional mechanisms within the Programme

5.1 Pre-defined projects

There will be two pre-defined project implemented under the programme:

1) "Feasibility study on utilizing the hydro power potential in existing water supply systems and upgrading potential for existing small scale hydro power plants in water supply systems"

Project Promoter: Sustainable Energy Development Agency (SEDA)

Donor project partner(s): Norwegian Water Resources and Energy Directorate (NVE)

Other project partner(s): N/A

Programme outcome the project contributes to: "Increased renewable energy production"

Total maximum eligible project costs: € 122,001

Project grant rate: 100%

Maximum project grant amount: € 122,001

The project will contribute to a better knowledge of sites in water supply systems, such as irrigation dams and dams for drinking water, where appropriate conditions for implementing technically and economically feasible investments exist.

The pre-defined project will include, inter alia, the following activities:

• Mapping of sites in water supply systems where there are available appropriate conditions for implementing technically and economically feasible investments;

• Mapping of the upgrading potential for already existing small-scale hydro power plants in water supply systems;

• Analysis of the technical, social, legal and environmental feasibility of small-hydro installations on water supply systems. A report from the fact finding and analysis will be prepared for supporting the PO's preparation for the open call on the area.

2) "System for Forecasts, Control and Management of HPP Generation and Dams Condition"

Project Promoter: National Electricity Company EAD (NEK EAD)

Donor project partner(s): N/A

Other project partner(s): N/A

Programme outcome the project contributes to: "Increased renewable energy production"

Total maximum eligible project costs: €2,470,000

Project grant rate: 50%

Maximum project grant amount: €1,235,000

The project will increase the energy security and the renewable energy production of Bulgaria through an upgraded and centralized system for forecasts, control and management of hydro power generation, including the conditions of the dams of the hydro power plants. The project will contribute to a more efficient use of water resources; optimized energy production from hydro power plants covered by the system and a safer energy supply.

The pre-defined project will include, inter alia, the following activities:

• Analyses/studies of the existing situation;

• Preparation of Terms of reference for a suitable upgraded system for optimization of the water resources;

• Procurement of software solutions and equipment;

• Installation, data migration, adjustment and preliminary tests of the system.

5.2 Financial Instruments
Not applicable

6. Programme Management
6.1 Payment flows
The Programme Operator shall ensure that payments to projects are made in a timely manner. Interim and final payments to the projects shall be based on approved project reports.

Payments of the project grant shall take the form of advance payments, interim payments and a final payment. The level of advance payment to projects shall be set out in the project contract. The maximum level of advance payment shall be as follows:

	Advance payment	**Interim payments**	**Final Payment (reimbursement)**
Projects	Up to 30%	Up to 80%	At least 10%

The first advance instalment shall be paid following the signature of the project contract. Subsequent payments shall be paid after the approval of project interim reports. The final payment will be paid after approval of the final report.

An advance payment of a percentage of the total grant amount shall be paid within one month from the submission of a request after signature of the project contract. The interim payments shall be paid within one month after the approval of project interim reports.

Upon approval of the final project report a final balance payment, if applicable, shall be made within one month.

The approval of project interim and final reports shall take place within two months from the submission of the required information.

The periodicity of reporting periods, and deadlines for reporting will be further detailed in the description of the Programme Operator's management and control systems.

In case of euro-denominated contracts with entities from Donor States or with intergovernmental organizations, the Programme Operator shall transfer the amounts in euro.

6.2 Verification of payment claims

Project Promoters shall submit interim and final project reports containing information on project progress and incurred expenditure.

In line with point (i) of Article 5.6.2 of the Regulation incurred expenditure reported shall be subject to administrative verifications before the report is approved. Verifications to be carried out shall cover administrative, financial, technical and physical aspects of projects, as appropriate and be in accordance with the principle of proportionality.

Additionally, in line with point (ii) of Article 5.6.2 of the Regulation on–the-spot verifications of projects, which may be carried out on a sample basis, shall be carried out.

The detailed procedure for verification will be further detailed in the description of the Programme Operator's management and control systems.

6.3 Monitoring and reporting

The Programme Operator shall monitor, record and report on progress towards the programme's outcomes in accordance with the provisions contained in the legal framework. The Programme Operator shall ensure that suitable and sufficient monitoring and reporting arrangements are made with the project promoters in order to enable the Programme Operator and the National Focal Point to meet its obligations to the Donor States.

The Programme Operator shall ensure that estimated CO2-emissions reductions corresponding to the interventions are collected for each project funded under the calls for proposals.

When reporting on progress achieved in Annual and Final Programme Reports, the Programme Operator shall disaggregate results achieved as appropriate and in accordance with instructions received from the FMO.

6.4 Programme administrative structures

Not applicable

7. Communication

The Programme Operator shall comply with Article 3.3 of the Regulation, the Information and Communication Requirements in Annex 3 of the Regulation and the Communication plan for the programme.

8. Miscellaneous

Not applicable.