

Annex 3: Rules and Procedures for Projects

Annex 3 is an integral part of this Framework Agreement between the Swiss Federal Council and the Government of the Republic of Bulgaria concerning the implementation of the Swiss-Bulgarian Cooperation Programme. Any amendment to this Annex shall be made in writing with the mutual agreement of the competent authorities mentioned in Article 9 of the main part of this Framework Agreement.

Annex 3 defines the rules and procedures for Projects. On the Swiss side, the State Secretariat for Economic Affairs (SECO) is in charge of Projects in the focus areas (3-5) defined in Annex 1 (section 6). Annex 3 defines the rules and procedures for Projects financed by SECO.

Annex 1 defines the conceptual framework of the Swiss-Bulgarian Programme. The rules and procedures are defined: in Annex 2 for the overall Swiss-Bulgarian Cooperation Programme; in Annex 4 for Thematic Funds; in Annex 5 for the Project Preparation Facility and the Technical Assistance Fund.

1. Procedures of Project Financing Requests

In principle, the financing request undergoes a two-loop approach that allows guidance early in the decision making process. In the first loop, a Project outline is submitted and a decision in principle is made. In case of a successful first loop, the second loop is initiated. In the second loop, the Final Project Proposal is submitted and a final decision is taken by Switzerland.

1.1 First loop: Application and approval procedure of the Project outline

| No. | Steps | Activities and specific rules | Organisations |
|-----|---|---|--|
| 1. | Initiation of Project identification | Initiation in accordance with the Conceptual Framework (Annex 1, section 6) on the basis of: <ul style="list-style-type: none"> – Lists of priority Projects provided by the Bulgarian Government – A proposal by an Intermediate Body / Executing Agency – Call for proposals – A proposal by Switzerland – A proposal by an international organisation | Responsible: NCU Involved: Intermediate Body, Executing Agency, SECO |
| 2. | Elaboration of the Project outline | Preparation of the Project outline based on the requirements for Project outlines (cf. 1.2). This may include a request for financial support for the preparation of a Final Project Proposal through the Project Preparation Facility. | Responsible: Intermediate Body, Executing Agency |

| No. | Steps | Activities and specific rules | Organisations |
|-----|---|--|---|
| 3. | Pre-screening of the Project outline | Possibility of informal consultations with the Swiss Embassy. | Responsible: NCU |
| 4. | Screening | Screening based on a thorough assessment of the relevance of the Project outline endorsed by the NCU, based on the Conceptual Framework, the Project selection criteria (see below) and the requirements for Project outlines (cf. 1.2). | Responsible: NCU Involved: Monitoring committee, Evaluation committee, Intermediate Body |
| 5. | Submission of the Project outline | If accepted, submission of the Project outlines with a cover letter comprising a description of the selection process and the assessment report to the Swiss Embassy. Formal check by the Swiss Embassy and submission of the Project outline with the cover letter of the NCU and the assessment report to Switzerland. | Responsible: NCU Responsible: Swiss Embassy |
| 6. | Final decision on Project outline | Final decision on the Project outline (including, if relevant, decision on the request for financing of Project preparation). Switzerland reserves the right to carry out its own appraisal. In principle, three categories of decision are possible: 1. approved without conditions 2. approved with conditions 3. not approved The NCU shall ensure the fulfilment of the Swiss conditions, if any. If accepted by Switzerland, request for the preparation of the Final Project Proposal (requirements specified in 2.4). | Responsible: SECO |

1.2 Requirements for Project Outlines

The Project outline (approximately 5 pages) shall include all necessary information to allow a general appraisal of the proposed Project.

| Item | Content |
|---|--|
| General information | Project title, planned Project duration, priority sector, location/ region, nature of the Project (for instance pilot Project etc.) |
| Applicant | Name and contact details; previous, relevant experience, if any; Project partners; Swiss link, if any (know-how, technology, partners or any other cooperation with Switzerland) |
| General context | Issue to be tackled, present situation, key socio-economic and environmental data related to the issue, attempts to solve the issue so far, other related initiatives, etc. |
| Project content | Description including objectives (outcome), expected results (outputs) and activities (components); beneficiaries, target group; risks and potentials; sustainability of the Project |
| Relevance | Contribution to the reduction of economic and social disparities within the country and/or between the country and the more advanced member states of the EU (impact - see also the set of specific objectives of Annex 1, section 3), fit within the development strategies of the country / region and chosen sector; strategy of the intervention |
| Prior investments | Prior investments in the same issue/sector over the past 5 years (project title, amount, source of funding) |
| Contribution to the enhancement of bilateral relations | Provision of opportunities to promote Swiss presence and visibility and to use Swiss experience |
| Project organisation | Organisational chart, responsibilities, capacity of the Executing Agency etc. |
| Budget | Eligible costs / non-eligible costs; own contribution, amount of grant, co-financing, EU-funding and any other financial source, etc.; cost efficiency aspects versus alternatives |
| Horizontal issues | Environmental, social and economical aspects of the Project, gender equality |
| Maturity of Project | Status of Project (in elaboration or fully prepared; possible request for financial support for preparation of the Final Project Proposal through the Project Preparation Facility) |
| Annexes | Additional documentation as deemed appropriate |

1.3 Second loop: Application and approval procedure of the Final Project Proposal

| No. | Steps | Activities and specific rules | Organisations |
|-----|--|--|--|
| 1. | Elaboration of the Final Project Proposal | Preparation of the Final Project Proposal based on the requirements for Final Project Proposals (cf. 1.4) and the comments of Switzerland. | Responsible: Intermediate Body, Executing Agency |
| 2. | Screening | Screening based on a thorough assessment of the feasibility of the Final Project Proposal, endorsed by the NCU. | Responsible: NCU Involved: Intermediate Body, possibly the Evaluation committee |
| 3. | Decision to submit the Final Project Proposal | <p>If accepted, submission of the Final Project Proposal with a cover letter taking into account the requirements for Final Project Proposals and the conditions of Switzerland, as well as the assessment report to the Swiss Embassy. It will also confirm the compliance of the Executing Agency with legal and financial obligations.</p> <p>Formal check by the Swiss Embassy and submission of the Final Project Proposal with the cover letter of the NCU and the assessment report to Switzerland.</p> | <p>Responsible: NCU</p> <p>Responsible: Swiss Embassy</p> |
| 4. | Final decision | Final decision on the financing request by taking into account the Final Project Proposal, the cover letter of the NCU, and the Project document. Switzerland reserves the right to carry out its own appraisal. | Responsible: SECO |

1.4 Requirements for Final Project Proposals

The Final Project Proposal shall provide all key information related to the implementation of the project. It shall be accompanied by all necessary documents (Project document, Logical Framework and e.g. feasibility study, environmental impact study) to allow a thorough appraisal. The Final Project Proposal (5 – 10 pages; for large infrastructure Projects 10 - 20 pages, plus annexes) shall provide adequately detailed information on inter alia:

| Item | Content |
|---|---|
| Project summary (1 page) | Fact sheet: Project title, short description including objectives, budget, partners, duration |
| Applicant | Name and contact details; previous, relevant experience, if any; Project partners; Swiss link, if any (know-how, technology, partners or any other cooperation with Switzerland) |
| General context | Issue to be tackled, present situation, key socio-economic and environmental data related to the issue, attempts to solve the issue so far, other related initiatives, etc. |
| Project content | Description including objectives, expected outcomes / outputs (Logical Framework), activities and the respective indicators; beneficiaries, target group; risks and potentials; sustainability of the Project. Main conclusions of the feasibility study (if requested). Statement on the fulfilment of the conditions from the decision in the first loop. |
| Relevance | Contribution to the reduction of economic and social disparities between the country and/or the more advanced countries of the EU (see also the set of specific objectives of Annex 1, section 3); fit within the development strategies of the country/region and chosen sector; strategy of the intervention |
| Contribution to the enhancement of bilateral relations | Provision of opportunities to assert Swiss solidarity and promote Swiss presence and image, to valorise Swiss knowledge and reputation, as well as to create new prospect for Swiss products and services. |
| Project organisation | Organisational chart, responsibilities, etc. |
| Detailed implementation schedule | Including milestones and indicators based on which monitoring of progress will be done |
| Budget | Eligible costs / non-eligible costs; own contribution, amount of grant, co-financing, EU-funding and any other financial sources etc.; cost efficiency aspects |
| Procurement | Procurement procedures for goods and services |
| Development impact | Monitoring and evaluation of output/outcome/impact indicators |
| Horizontal issues | Environmental, social and economical aspects of the Project, gender equality |
| Annexes | Project document, Logframe and e.g. feasibility study, environmental impact study, permissions (if available) |

2. Project Implementation Procedures

The Project implementation procedures are as follows:

| No. | Steps | Activities and specific rules | Organisations |
|-----|---|---|--|
| 1. | Project Agreement | Preparation of the Project Agreement between Bulgaria and Switzerland. | Responsible: NCU on the Bulgarian side; SECO on the Swiss side |
| 2. | Signing | <p>Signing of the Project Agreement. The Project Agreement can be signed by more than two contracting parties (e.g. tripartite or multipartite agreement: SDC or SECO, NCU and Intermediate Body, Executing Agency).</p> <p>Signing of the Implementation Agreement</p> | <p>Responsible: Normally the Swiss Embassy on behalf of SECO. The Bulgarian signatory or signatories shall be appointed by Bulgaria.</p> <p>Responsible: NCU</p> |
| 3. | Procurement and award of contracts | <p>Procurement of goods and services is to be made in accordance with Bulgarian law. Confirmation of compliance with the relevant procurement rules shall be provided to Switzerland. To increase transparency and to prevent corruption, tender documents shall contain an integrity clause. All persons performing actions in connection with a tender procedure shall provide a written statement called "Impartiality clause" under the pain of penal liability for making false statements. According to the clause, persons shall be excluded from performing actions in a tender procedure if, for example, they remain in such legal or material relationship with the contractor that may raise justified doubts as to their impartiality.</p> <p>In general, for public tenders within the scope of the EU directives on public procurement (2004/17/EC and 2004/18/EC), an English translation of the official tender evaluation report shall be provided to Switzerland for information at the latest 30 calendar days after the award of contract.</p> | Responsible: NCU, Intermediate Body, Executing Agency |

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| | | <p>* In addition to the above, for tenders above the threshold of CHF 500'000.00 Switzerland may also request a copy of the tender documents for non-objection. These documents shall be submitted to the Swiss Embassy at the latest 30 calendar days before the commencement of tendering. Switzerland will analyze the tender documents and give its non-objection as soon as possible. Failure to reply within 30 calendar days is considered as a non-objection. If an objection has been made, the NCU shall adjust the tender documents within 30 calendar days and submit the revised tender documents for non-objection again.</p> <p>Bulgaria shall submit a copy of Project related contracts at the latest 20 calendar days after the signing of the contract.</p> <p>Furthermore, for tenders above the threshold of CHF 500,000, Switzerland may also request that an English translation of the tender documents and the draft contracts be made available to tenderers and contractors, respectively. Possible translation costs shall be borne by the Project and financed under the Contribution.</p> <p>In line with Art. 6.5 of the Framework Agreement, both Parties agree to provide all such information pertaining to the tender process and beyond the documents listed above that the other Party may reasonably request. Switzerland shall have the right to participate in the tender committee as an observer. Switzerland shall also have the right to conduct an audit of the procurement practices and procedures in general.</p> <p>In case of irregularities, wilfully or negligently caused in the framework of the tender process and/or the execution of the contract, Switzerland - after consultation with the NCU - is entitled to stop reimbursements immediately, to instruct the NCU to stop payments from the Swiss</p> | |
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* Modified on 21 December 2013

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| | | Contribution and to ask repayment of illegitimately paid reimbursements at any stage of the Project. | |
| 4. | Controlling (Monitoring) | <p>Controlling procedures are defined in the Project Agreement. Procedure description includes: periodicity of reporting, monitoring system and consultant, steering committees, time-table for operations and results, auditing, etc.</p> <p>Switzerland reserves the right to ask for or to carry out technical audits.</p> | <p>Responsible: Executing Agency</p> <p>Involved: NCU, Intermediate Body</p> <p>Involved: NCU, Intermediate Body, Executing Agency, SECO</p> |
| 5. | Reporting | <p><u>Interim Reports</u> support Payment Claims and are therefore to be presented to Switzerland with the corresponding Reimbursement Request.</p> <p>Payment Claims comprise eligible costs incurred during a given period with copy of the invoices.</p> <p>Interim Reports cover a given period and include information on financial and physical progress, a comparison of actual with planned expenses, an update on progress status, while confirming the co-financing. Any deviation has to be justified and corrective measures suggested.</p> <p>Interim Reports are due to Switzerland at least every six months. An interim Report shall also be presented in case no Payment Claim has been made for a period exceeding 6 months.</p> <p><u>Annual Project Reports</u> have an operational part that describes the progress of the Project and includes a financial part (Financial Report) having a summary of data on financial progress for the reporting year as well as cumulative data to date. They compare actual with planned expenses and progress, based on quantified targets for output and where possible outcome indicators. Any deviation has to be justified and corrective measures suggested. The report structure shall follow the Logical Framework. It shall</p> | <p>Responsible: Executing Agency</p> <p>Involved: NCU, Intermediate Body</p> |

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| | | <p>also contain an updated project execution schedule as well as an updated budget for the year ahead. Annual project reports are not linked to reimbursement requests.</p> <p>The <u>Project Completion Report</u> - together with the last Interim Report and the conclusions of the Final Financial Audit Report (cf. 6) - is the base for the payment of the final reimbursement. The Project Completion Report has an operational part that documents and comments the overall achievement of outputs and outcomes against the original plan, the compliance with principles such as cross cutting themes and sustainability, and suggests lessons learned and conclusions. It contains a financial part (Final Financial Report) having a summary of financial data for the whole project and comparing effective with planned expenses.</p> | |
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| 6. | Audit | <p>Financial Audit at Project level:</p> <p>During implementation, financial audit(s) shall be carried out by an internal (internal audit units and controlling units of public administration institutions) or an external certified audit organisation for the Projects, as specified in the respective Project Agreement.</p> <p>The audit organisation shall carry out audits of the Projects according to the terms of reference and International Standards on Auditing (ISA). In doing so, it shall verify the correct use of funds, make recommendations to strengthen the control system and report any actual or alleged fraud or irregularity.</p> <p>The audit reports are transmitted to the NCU. The competent authorities with the full support of the Government of Bulgaria shall investigate alleged cases of fraud or irregularity. Proven cases of fraud shall be prosecuted according to existing regulations.</p> <p>In principle, a <i>Final Financial Audit</i> has to be carried out for each Project at its completion.</p> <p>For each Project lasting longer than two years and exceeding the amount of CHF 500,000, <i>Intermediary Financial Audit(s)</i> have to be additionally carried out, unless otherwise specified in the Project Agreement.</p> <p>A <i>Final Financial Report</i> and the conclusions and recommendations of the <i>Final Financial Audit Report</i> shall be presented to Switzerland by the NCU together with the Project Completion Report (cf. 5).</p> | <p>Responsible: NCU</p> <p>Involved: Internal Audit Units of the Intermediate Body, Executing Agency</p> |
| 7. | Evaluation | <p>After Project completion, the Parties may request an independent evaluation. The cost will be borne by the requesting Party.</p> | <p>Responsible: NCU or SECO</p> |

3. Payment and Reimbursement Procedure

The National Fund Directorate within the Ministry of Finance of Bulgaria is the Paying Authority for the Contribution. In principle, all disbursements for SECO Projects shall be pre-financed out of the national budget of Bulgaria according to the national budget procedure. The Executing Agency shall submit payment claims covering all eligible expenses over the current period to the NCU, together with certified copies of all supporting documentation and the interim report. The NCU and/or the Intermediate body shall verify the completeness and certify the correctness of the submitted documents. The Paying Authority shall make payments to the Executing Agency (and/or Intermediate Body) in accordance with the Implementation Agreement. The Paying Authority shall submit the reimbursement requests to Switzerland for approval and payment.

The detailed reimbursement procedures are laid down in the Project Agreements and must, if not otherwise specified, comply with the following procedures:

| No. | Steps | Activities | Organisations |
|-----|---|---|---|
| 1. | Issue of the original invoice | Issue the original invoice. | Responsible: Supplier of a product or service; contractor, consultant, organisation (claimant) |
| 2. | Examination of the original invoice or a document of equivalent value and the preparation of the payment claim | <ul style="list-style-type: none"> ▪ Control the original invoice or a document of equivalent value with regard to the specifications of the Project Agreement, the Implementation Agreement, the supply / services contract and the agreed tariffs. ▪ Verify the conformity of the execution (quantity and quality) of the work, the supply of goods / services, etc., and the special conditions etc. ▪ Payment to the supplier(s) of the original invoice. ▪ Submit the payment claim and copy of the invoices, including an interim report, to the Intermediate Body/NCU. | Responsible: Executing Agency |

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| 3. | Certification of the payment claims to the Paying Authority and pre-financing payments and Payment to the Executing Agency | <ul style="list-style-type: none"> ▪ Check the conformity of the payment claim with the Framework Agreement, the Project Agreement and the Implementation Agreement ▪ Ensure that no double-financing occurs. ▪ Verify the completeness of the documentation, i.e. copy of invoices and other accounting documents, and the relevance of the interim report. If necessary, verify the correctness of the use of funds by means of fact-finding missions. ▪ Certify the conformity and legality of the payment claims to the Paying Authority. ▪ Ensure the payment to the Executing Agency. ▪ Transmit to Switzerland a copy of the related documentation, such as interim, annual and completion reports (cp. 3.5 and 3.6), audit reports, or their consolidated summary as requested in the Project Agreement. | Responsible: NCU and / or Intermediate Body |
| 4. | Submission of the reimbursement request to Switzerland | <ul style="list-style-type: none"> ▪ Check the formal conformity of the payment claims, including co-financing ▪ Ensure that no double-financing occurs. ▪ Submit the reimbursement requests to Switzerland and confirm compliance with the financial stipulations of contractual agreements. | Responsible: Paying Authority |
| 5. | Payment by Switzerland to Bulgaria | <ul style="list-style-type: none"> ▪ Check conformity of reimbursement requests and supporting documentation. ▪ Transfer the requested amount in Swiss francs to the separate bank account. | Responsible: SECO Involved: Paying Authority |

In particular cases, other payment procedures may be defined by the Parties in the respective Project Agreements.

The final date for eligibility of costs shall be specified in the Project Agreement. It shall be 12 months after the scheduled date for Project completion, but not later than ten years after the approval of the extension of the Contribution to Bulgaria and

Romania by the Swiss Parliament according to Article 3 of the Framework Agreement. Final reimbursement requests must have been received by Switzerland not later than six months after the final date of eligibility.

In case of irregularities, wilfully or negligently, Switzerland is entitled to stop reimbursements immediately, to instruct the NCU to stop payments from the Swiss Contribution and to ask repayment of illegitimately paid reimbursements at any stage of the Project. The reasons for the respective instructions shall be communicated in writing to the NCU and other entities involved.

4. Responsibilities and Tasks

The responsibilities and tasks of the main actors are outlined below. Project Agreements will contain more detailed responsibilities and activities tailored to the individual case.

4.1 The National Coordination Unit

The NCU is responsible for the identification, planning, implementation, financial management, controlling and evaluation of Projects, as well as for the use of funds under the Contribution in accordance with the Framework Agreement. This includes responsibility to:

- Ensure the building-up of the Project Portfolio according to the Annex 1, through consultation of line ministries and the organisation of calls for Project proposals (cf. 1.1.1), as well as the appraisal of project applications and the selection by appropriate Evaluation committees;
- Transmit to Switzerland the Project proposals selected by the NCU in form of Project Outlines (cf. 1.1), including the result of assessments and decisions of the Evaluation committee;
- Supervise the timely preparation of the Final Project Proposal resulting from approved Project Outlines and assess their quality and their compliance with the conditions expressed by Switzerland after loop 1 (cf. 2.1);
- Submit to Switzerland well documented Project Financing Requests in the form of Final Project Proposals (cf. 2.4) resulting from approved Project Outlines (cf. 2.3);
- Supervise and steer the implementation of Projects in accordance with the Project Agreements and the Implementation Agreements by establishing adequate monitoring and auditing systems;
- Ensure the correct verification of the invoices or of the documents of equivalent value received from the Executing Agencies and verify the sufficiency of documentation, including through delegation of these tasks to the respective Intermediate Bodies;
- Ensure that there is no double-financing of any part of the Project by any other source of funds;

- Confirm that the co-financing part has been provided according to the Project Agreement;
- Ensure the efficient and correct use of available funds for the overall Swiss-Bulgarian Cooperation Programme;
- Verify in each Project if the value added tax (VAT) can be recovered by the Executing Agency and inform the Swiss authorities accordingly in the form of a declaration by the applicant as part of the Project documentation;
- Confirm compliance with state aid rules;
- Ensure financial control, including complete and sufficient audit trails in all involved institutions;
- Provide a yearly overall financial statement on all payments between Switzerland and the Paying Authority on one side and between the Paying Authority and all national bodies involved (e.g. NCU, Intermediate Body, Executing Agency) on the other side;
- Submit yearly a summary with conclusions and recommendations of all audit reports of the financed Projects. The NCU presents in a separate appendix all original conclusions and recommendations of the audit reports;
- Ensure the discussion of audit results with the partners involved, including Switzerland, and the implementation of the decisions made based on the audit report;
- Ensure regular reporting to Switzerland on the implementation of Projects financed by the Contribution. Any irregularities shall be reported immediately to Switzerland;
- Organise annual meetings at overall Swiss-Bulgarian Cooperation Programme level in consultation with the Swiss Embassy and present an annual report;
- Ensure reimbursement to Switzerland of unduly paid sums financed by the Contribution;
- Ensure information and publicity about the Swiss-Bulgarian Cooperation Programme;
- Ensure storing of all relevant documents relating to Projects implemented within the Swiss-Bulgarian Cooperation Programme for 7 years after the completion of Projects.

The NCU can delegate part of the tasks and responsibilities mentioned above to one or more Intermediate Bodies and Executing Agencies.

4.2 Intermediate Body

Intermediate Body means any legal public or private entity appointed by the NCU which acts under the responsibility of the NCU or which carries out duties on behalf of the NCU with regard to Executing Agencies implementing Projects.

The main tasks of the Intermediate Bodies are to:

- Call for and collect Project proposals, review compliance with the requirements for Project proposals (cf. 1) and assess the quality of applications submitted in consultations with line ministries;
- Submit Project proposals with appraisal reports to the NCU;
- Supervise and steer the implementation of Projects in accordance with the Project Agreements and the Implementation Agreements, and carry out the necessary controls;
- Ensure that there is no double-financing of any part of the Project by any other source of funds and report to the NCU;
- Verify in each Project if the value added tax (VAT) can be recovered by the Executing Agency and to inform the NCU accordingly in the form of a declaration by the applicant as part of the Project documentation;
- Confirm compliance with state aid rules and report to the NCU;
- Check the invoices or the documents of equivalent value received from the Executing Agencies, verify the authenticity and correctness of submitted documents as well as the eligibility of costs on payment claims and report to the NCU;
- Certify invoices or the documents of equivalent value and submit certified invoices or documents of equivalent value to the NCU or to the Paying Authority;
- Submit payment claims to the Paying Authority and certify their conformity and legality;
- Report to the NCU on the progress of Project implementation;
- Submit all audit reports of the financed Projects to the NCU;
- Check for irregularities and report them to the NCU;
- Ensure storage of all relevant documents related to Projects implemented within the Swiss-Bulgarian Cooperation Programme for 10 years after the completion of Projects;
- Agree to write with the Executing Agencies justified amendments to the implementation of agreed Projects within the limits defined in the respective Project Agreements;
- Monitor the achievement of objectives and results;
- Ensure the promotion of and information about the Swiss-Bulgarian Cooperation Programme and the Projects.

4.3 Executing Agency

An Executing Agency is any legal public or private entity as well as any organisation, recognised by the Parties and mandated to implement Supporting Measures.

The main tasks of the Executing Agency are i.a.:

- Implementation of Projects;
- Execution of public procurement;
- Reporting to the Intermediate Body or the NCU, based on the requirements;
- Achievements of objectives and results;
- Submit all audit reports of the financed Projects to the respective Intermediate Body or directly to the NCU.

The Project Agreement shall contain the name of the Executing Agency. Its tasks and responsibilities shall be defined in the Implementation Agreement.

4.4 Paying Authority

The Paying Authority is responsible for ensuring appropriate financial control over the use of the Swiss Contribution. It shall in particular:

- Check the conformity of payment claims with financial stipulations of contractual agreements;
- Confirm to the NCU that the co-financing part has been provided according to the Project Agreement;
- Submit the respective reimbursement requests to Switzerland;
- Keep accounts of all reimbursement requests made to Switzerland;
- Provide a yearly overall financial statement on all payments between Switzerland and the Paying Authority on one side and between the Paying Authority and all national bodies involved (e.g. NCU, Intermediate Body, Executing Agency) on the other side and report to the NCU;
- Report periodically to the NCU on financial flows;
- Reimburse to Switzerland unduly paid sums financed by the Contribution as agreed between Switzerland and the NCU.

Furthermore, the Paying Authority ensures that the usual standards and procedures valid for public funds are applied in the management of the Swiss Contribution. It verifies their application by the NCU, the Intermediate Bodies and the Executing Agencies. The Paying Authority ensures that payments are made to the claimants within the specified deadlines.

4.5 Audit Organisation

During project implementation, financial audits at project level (cf. 2.6) shall be carried out by an internal (internal audit units and controlling units of public administration institutions) or external certified (bodies from outside the public

finance sector dealing with audits) audit organisation for the Projects, as specified in the respective Project Agreement.

Additionally, the Executing Agency shall ensure a final financial audit of the Project after its completion on the basis which shall be stipulated in detail in the Project Agreement. The audit organisation shall carry out financial audits of the Projects according to the terms of references and International Standards on Auditing (ISA). In doing so, it shall verify the correct use of funds, make recommendations to strengthen the control system and report any actual or alleged fraud or irregularity.

The audit reports shall be transmitted to the NCU. The competent authorities with the full support of the Government of Bulgaria shall investigate alleged cases of fraud or irregularity. Proven cases of fraud shall be prosecuted according to existing regulations.

Costs of external financial audits are eligible for reimbursement and must be included in the Project budget.

4.6 Evaluation Committee

The NCU shall establish evaluation committees which are responsible on the Bulgarian side for the selection of Projects.

The Evaluation Committee will consist of experts appointed by Intermediate Bodies as well as representatives of social partners and NGOs as observers. The experts, as permanent members, will make a decision on the recommendation of Projects for further appraisal, while observers will check and comment for transparency and accuracy of the whole decision-making process. In case of irregularities, observers may report to the Monitoring Committee, which will undertake corrective measures.

The Evaluation committee, operating on the basis of a ranking list of the Project outlines along with proper justification provided by the Intermediate Body, takes a decision on the recommendation of particular Projects and on a particular ranking list. The Evaluation Committee acting through the Intermediate Body, introduces to the NCU the list of recommended and reserve Projects.

4.7 Swiss Embassy

On the Project level, the Swiss Embassy - in addition to the tasks described in Annex 2, section 5.4 – is responsible for:

- Contributing to the preparation and formulation of open calls;
- Participating in the assessment of Projects presented by the NCU, including pre-screening of Project Outlines;
- Assessment of Project reports (operational, financial, others);
- Participation in Project Steering Committees, if needed;
- Information and communication about Projects and their results achieved (together with the responsible institutions);

- Support for technical missions, review and evaluation missions on Project level;
- Participation in the preparation of the Project Agreement;
- Monitoring of objectives and results, including field visits and assessments.

4.8 State Secretariat for Economic Affairs (SECO)

On the Project level, the main tasks of SECO are - in addition to the tasks described in Annex 2, section 5.5 - to:

- Provide support for Project identification and preparation;
- Assess Project Outlines and Final Project Proposals;
- Decide on the financing of Projects submitted for funding;
- Assess Project reports (operational, financial, others).

5. Special Provisions for Financial Assistance

Repayments and redemptions from financial instruments benefiting the private sector (including credit lines, guarantee schemes, equity and debt participation and loans) are to be dealt with as follows:

- Provided that the contribution for financial assistance is redeemed (credit lines, equity and debt participation and loans), the value of the principal shall be transferred upon maturity to any institution aiming at the same overall objective agreed upon by the two Parties.
- The same shall apply to amounts committed as guarantees, provided that the funds have not been called upon during the life of the instrument.

The modalities, including the transfer of the ownership, shall be laid down in the respective Project Agreement or by exchange of letters.