



REPUBLIC OF BULGARIA

Ministry of Regional Development and Public Works

## ORDER

No. RD-02-14-1009/14 June 2010

On the grounds of Art. 3(2) and Art. 4(2) of the Structural Rules of the Ministry of Regional Development and Public Works approved with Decree of the Council of Ministers No. 271 of 17 October 2009 (promulgated, SG, No. 94/27 November 2009) and pursuant to Section II, 1, b) of Order of the Minister of Regional Development and Public Works No. RD-02-14-2180 of 11 December 2009,

### I HEREBY APPROVE:

Internal rules on the eligibility of expenditure for operations implemented by beneficiaries from the Republic of Bulgaria under the European Territorial Cooperation Operational Programme "Bulgaria - Greece 2007-2013".

This order shall be brought to the notice of the staff of Directorate General "Territorial Cooperation Management".

I hereby assign to the Director General of Directorate General "Territorial Cooperation Management" to provide control on the implementation of the order.

(Sgd.ill.)

Round stamp: MRDPW RB

**LILIANA PAVLOVA**

*Deputy-Minister of Regional Development  
and Public Works*

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REPUBLIC OF BULGARIA

Ministry of Regional Development and Public Works

**APPROVED BY (Sgd.ill.)**

**DEPUTY-MINISTER**

**LILIANA PAVLOVA**

**Round stamp: MRDPW RB**

Order No. RD-02-14-1009/14 June 2010

## **INTERNAL RULES**

**ON THE ELIGIBILITY OF EXPENDITURE FOR OPERATIONS  
IMPLEMENTED BY BENEFICIARIES FROM THE REPUBLIC OF  
BULGARIA UNDER THE EUROPEAN TERRITORIAL COOPERATION  
OPERATIONAL PROGRAMME "GREECE – BULGARIA 2007-2013"**

**Sofia, 2010**

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## **General Provisions**

**Art. 1** These rules regulate the categories of eligible expenditure incurred by beneficiaries established in the Republic of Bulgaria in the framework of European Territorial Cooperation Operational Programme "Bulgaria - Greece 2007 – 2013.

**Art. 2** Incurred expenditure shall be eligible provided that it relates to operations that are being implemented in eligible areas in accordance with the conditions of the Programme and as provided for in Article 21 of Regulation (EC) No. 1080/2006 on Cross-border Cooperation Programmes.

**Art. 3** Expenditure incurred in the implementation of an approved project shall be eligible for co-financing if provided for in the approved budget for the operation and if all requirements to the incurring of such expenditure have been complied with.

## **Actual Incurred Expenditure**

**Art. 4** (1) Actual expenditure incurred means expenditure that meets the following conditions:

(a) it must be justified under the conditions and the objectives of approved operations; it must be necessary for the successful implementation of the project, it must be included in the Financing Contract and must be incurred in accordance with the principles of sound financial management;

(b) it must be incurred in accordance with the provisions of the Financing Contract towards project approval, in accordance with Art. 54 (5) and Art. 60 of Regulation (EC) No. 1083/2006;

(c) it must be actually incurred by partners during project implementation;

(d) it must be met by a relevant entry in the accounting system or other financial and accounting documents of partners and must be evidenced by respective contracts, invoices or other supporting documents allowing for the expenditure concerned to be identified and audited;

(e) it must be incurred in accordance with the provisions of the applicable national legislation.

(2) Partners can have only financial contribution to project implementation.

(3) These internal rules shall apply to expenditure financed from the EU structural funds, as well as to the national co-funding from the central budget and the local budgets and from other public and private funding sources.



(4) The period of eligibility of preparation costs shall be restricted to the time limits laid down in the Programme documents.

**Art. 5** Expenditure incurred by beneficiaries in relation to the preparation, management, monitoring and control of projects shall be eligible on condition that it is included in the Subsidy Contract.

**Art. 6** Preparation costs cannot exceed the maximum expenditure limits envisaged under the Programme.

#### **Period and Area of Eligibility of Expenditure**

**Art. 7** Expenditure shall be eligible for a contribution from the Programme if actually paid between 1 January 2007 and 31 December 2015. This period may be shorter according to the call for proposals and/or the Subsidy Contract.

**Art. 8** Operations co-financed from ERDF shall be carried out within the eligible area of the Programme.

**Art. 9** Expenditure incurred outside the EU or outside the eligible area of the Programme shall be eligible in accordance with the 10%/20% ERDF flexibility rule.

#### **Eligibility of Expenditure Incurred for the Acquisition of Assets**

**Art. 10** Expenditure incurred for the acquisition or the construction of assets (land purchase, infrastructure projects, buildings, furniture, equipment, machinery, vehicles, etc.) necessary for attaining the project objectives shall be eligible for co-financing as follows:

(1) The cost of the purchase of land necessary for an operation shall be eligible on the following conditions:

(a) The purchase price of the land shall be assessed by a licensed valuer.

(b) The eligible amount shall not be higher than 10% of the total eligible expenditure of the operation. In exceptional and duly justified cases of operations which are co-financed from ERDF and which relate to the preservation of the environment, the Managing Authority may allow a higher percentage.

(2) The cost of purchasing buildings already constructed and the land on which they are built, is eligible if the purchase of the real estate is directly linked to the objectives of the operation concerned and the following conditions are met:

- (a) The purchase price of the estate shall be assessed by a licensed valuer.
- (b) The building shall not be used as residence.
- (3) Expenditure on the purchase of equipment shall be eligible. Maintenance/repair costs for equipment shall not be eligible.
- (a) Expenditure on the purchase of used equipment shall not be eligible.
- (b) Expenditure on the purchase of vehicles shall meet the conditions for co-financing and shall be directly linked to the project objectives.
- (c) Expenditure on the supply of spare parts shall be eligible if these are adjunct to the main components of the equipment being supplied and are an integral part for the smooth operation thereof in accordance with the conditions of supply of the equipment offered by the suppliers, and do not exceed 10% of the acquisition cost of the equipment being supplied.
- (d) The whole equipment shall satisfy the project conditions and shall be in accordance with the economic efficiency principle.

**Art. 11** Expenditure on the acquisition on leasing of an asset necessary for the attainment of project objectives shall be eligible if the following conditions are met:

- (a) The lessee can be the direct recipient of the financing from the Programme;
- (b) The choice of leasing as a method for acquiring or renting an asset necessary for attainment of project objectives shall be substantiated in detail by the beneficiary – by comparing economic efficiency indicators of alternatives;
- (c) Implementation of the leasing contract shall commence and end within the validity of the Subsidy Contract.
- (d) The maximum amount eligible for financing from the Programme, paid by the beneficiary under a leasing contract, shall not exceed the average market value of the asset assessed by an independent valuer or another competent authority at the signing of the leasing contract.

5. Expenditure incurred in relation to the leasing contract, such as taxes, lessor's profit, charges, management commissions, etc. shall not be eligible for financing.

**Art. 12** The purchase and use of intangible assets such as software, patents, licenses and IT applications shall be eligible for financing if these assets are necessary for the implementation of the project.

### **Depreciation of Assets**

**Art. 13** Costs relating to the depreciation of buildings or equipment linked directly to the operation shall be eligible for co-funding if the following conditions are met:

- (1) National or Community grant has not been used in their purchase;
- (2) They are estimated on basis of adequate accounting standards and
- (3) They relate solely to the implementation period of the co-financed operation.

**Art. 14** Depreciation expenditure shall be eligible strictly for the period in which the assets are used for the purposes of the operation. It is a necessary requirement for depreciation expenditure to be recognised that the beneficiary conforms to the depreciation plan laid down in beneficiary's accounting policy and that depreciation payments are a non-attached operating cost item.

### **Value Added Tax (VAT) and Other Taxes and Charges**

**Art. 15** (1) Eligible shall be the following categories of expenditure

- (a) Bank charges for making payments;
- (b) Bank charges for opening and administering separate bank accounts necessary for the project implementation;
- (c) Costs of notary fees;
- (d) Expenditure incurred in relation to the participation in events (trainings, conferences, seminars) provided that such events are necessary for the project implementation;
- (e) Costs of transport charges (toll road, ferry, bridge) provided that they are necessary for the project implementation;
- (f) Such other specific charges as may be necessary for submission of application documents for financing from the Programme, including charges for design and construction, for building permits, connection to external networks and communications, environmental impact assessment, etc.



**Art. 16** (1) Eligible for co-financing shall be expenditure incurred in relation to non-recoverable VAT, in accordance with the existing national legislation.

(2) Paragraph 1 of this article shall not apply to VAT assigned on a proportional basis on overheads incurred by partners, whether or not partners are entitled to deduct tax credit.

**Art. 17** Interest, fines, financial penalties and expenses of litigation shall not be eligible.

#### **Staff Costs**

**Art. 18** (1) Costs of staff, including social security contributions calculated on staff earnings shall be eligible in respect of the staff hired for the project and participating directly in project implementation.

(2) The above category of expenditure shall be eligible provided that implemented activities are not assigned to external contractors.

(3) If the physical persons hired for the project are partially engaged in project implementation, eligible shall be the costs of payment to the staff for implementation of the relevant project activity, evidenced by attendance forms/job description/implementation reports.

(4) Costs of remuneration to civil servants for implementation of project activities shall be eligible as provided for in the legislation in force.

**Art. 19.** Expenditure incurred by staff/experts towards travel costs in relation to project implementation: transport, accommodation, subsistence allowance, shall be eligible if justified in advance as necessary for the project implementation and if incurred in accordance with the rates provided for in the national legislation.

#### **Service Costs**

**Art. 20** The categories of eligible expenditure incurred for the delivery of services necessary for the project implementation shall include:

(1) Survey costs, including geological, geotechnical, hydrological, hydro-geo-technical, photometrical surveys, topographical surveys and sustainability surveys related to the object of investment;

(2) Costs of conducting surveys and studies in conformity with the objectives of the financed project;

(3) Costs of design work and technical documentation, including preliminary and



feasibility studies, preliminary designs, detailed designs, documents for obtaining necessary permits, town-planning documents, impact assessments, surveys and evaluation of real estate, including technical certification thereof;

(4) Costs of financial, accounting, tax and legal advice, costs of technical examinations and project management costs, as well as costs of preparation of public procurement documents and management of public procurement procedures, in accordance with the existing legislation and only if directly related to and necessary for the implementation of the financed operation;

(5) Building supervision costs up to 10% of the value of the construction contract;

(6) Costs of conducting independent audit of the project, which are necessary for the project implementation, for grant-funded projects above EUR 500 000, and not exceeding 1% of total eligible expenditure of the financed project;

(7) Translation and interpreting costs;

(8) Costs of organizing events, conferences, working meetings and seminars;

(9) Information and publicity costs: billboards, posters, brochures, leaflets, media advertising, press conferences in accordance with the Programme Visual Identity Manual and as provided for in the Partnership Agreement between the Lead Project Partner and the other partners, as well as in the Financing Contract.

### **Overheads**

**Art. 21** (1) Overheads shall mean costs associated with activities of the beneficiary, which cannot be directly referred to a operation, as provided for in Art. 56(2) of Regulation 1083/2006, and shall include office rentals, heating, electricity, water, maintenance, natural gas, security, phone, fax, postal and courier services, Internet, supply of materials and consumables intended for project implementation .

(2) Overheads shall be eligible provided that the following conditions are met:

(a) Their total value shall not exceed 5% of total eligible project costs;

(b) Compliance with the proportional assignment method for overheads that are directly generated by the project, in accordance with the attachments to the Financing Contract;

### **Revenue Generating Projects**

**Art. 22** (1) Within the meaning of these rules, “revenue” shall mean all project income generated during the project implementation period from sales, rents, services,

charges, interest on payments on account or other equivalent revenues, with the exception of:

- (a) revenues generated in the course of the economic life of co-financed investments, which are subject to the special provisions of Art 55 of Council Regulation (EC) No. 1083/2006 from 11.07.2006;
- (2) Revenues under (1) above shall represent income deducted from the amount of co-funding under the Programme for the respective project. Revenues shall be deducted in full or on a proportional basis from the amount of eligible expenditure, depending on whether they are generated in full or in part by the co-financed project.

### **Technical assistance**

**Art. 23** Technical assistance expenditure shall be eligible in accordance with the Programme and the relevant implementation documents.

**Art. 24** Expenditure incurred towards the financing of the preparation, management, monitoring, evaluation and control operations of the Programme and activities to enhance the administrative capacity in relation to the management of the Programme shall be eligible if not exceeding the total envisaged amount.

**Art. 25** Eligible expenditure incurred towards technical assistance for the implementation relates to the following technical assistance operations:

- (1) Office equipment, including furniture, white goods, etc.
- (2) Software procurement, installation and maintenance.
- (3) Supplies of purchased books, manuals and other printed matter.
- (4) Hiring of equipment.
- (5) Rental of vehicles in Bulgaria and abroad.
- (6) Overheads.
- (7) Supply of purchased consumables.
- (8) Catering.
- (9) Maintenance services.
- (10) Services and hospitality-related costs for the organization and holding of technical meetings, JMC and JSC meetings, seminars, conferences, etc., organized by the National Authority.
- (11) Travel costs of the National Authority in relation to the management and implementation of the Programme.

- (12) Courier services.
- (13) Elaboration of studies, consultant support, conducting research.
- (14) Costs of publicity, promotion and information and of evaluation and control services.
- (15) Training (including in foreign languages) for the staff of the National Authority and participation in seminars, conferences, forums, etc.
- (16) Remuneration of working groups and committees established for the management and implementation of the Programme.
- (17) Costs of the Information Point in the town of Smolian – salaries, travel costs, overheads, etc.
- (18) Costs of elaboration of documents for the next programming period.

### **Final Provision**

§ 1. These Internal Rules on the eligibility of expenditure for the operations implemented by beneficiaries from the Republic of Bulgaria under European Territorial Cooperation Programme “Bulgaria – Greece 2007-2013” are approved pursuant to Art. 7 and Art. 13 of Regulation (EC) No. 1080/2006 of the European Parliament and of the Council of 5 July 2006 on the European Regional Development Fund and repealing Regulation (EC) NO. 1783/1999, Art. 56 of Council Regulation (EC) No. 1083/2006 of 11 July 2006 laying down general provision on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation (EC) No. 1260/1999, and pursuant to the provision of Art. Art. 49-53 of Commission Regulation 1828/2006 setting out rules for the implementation of Council Regulation (EC) No. 1893/2006 laying down general provision on the European Regional Development Fund, the European Social Fund and the Cohesion Fund, as well as pursuant to the provisions of Regulation No. 1080/2006 of the European Parliament and of the Council on the European Regional Development Fund, and pursuant to the provisions of Commission Decision No. 6331/2007 on approval of the European Territorial Cooperation Programme “Bulgaria – Greece 2007-2013”.