

The payments on the implementation of the projects financed by the EU Funds in Bulgaria will be made in Bulgarian levs, with the state covering all foreign exchange differences

Bulgaria's membership in the European Union gives the country the opportunity to utilise subsidies from the common budget of the European Union. The Bulgarian government negotiated approximately EUR 7 billion from the Structural and Cohesion Fund, which should be utilised on various projects in the period 2007 - 2013.

In order to obtain funding from the European Structural and Cohesion Funds the beneficiaries should prepare detailed project complying with the country's economic development priorities. They are described in the National Strategic Reference Framework and the seven operational programmes available at www.eufunds.bg.

The compliance with the N+2 rule is important in project implementation. What does it mean in practice? The project cycle should be completed over a period of three years - to issue call for submission of applications for projects, the projects should be approved by the Managing Authorities, a contract should be concluded between the beneficiary and the MA and implementation should commence. In turn the beneficiary should implement the project, and the Certifying Authority should certify that all expenditures are eligible, and it should also declare them before the European Commission as actually incurred eligible expenditures.

In order to facilitate the utilisation and use of the EC funds the Bulgarian government negotiated that during the first three years (2007 – 2009) this cycle would continue four years.

Thus, in the period 2007 – 2009 the rule applying for Bulgaria is **N+3**. The three-year implementation term will be applied in Bulgaria as of 2010. The N+2 rule also means that if the programme period ends in 2013, payments will be made by the end of 2015.

The government also undertook another significant commitment which is in favour of the beneficiaries – **the payments in the country are to be made in Bulgarian levs with the state covering the foreign currency exchange differences**, arising as a result of the need for the Certification Authority to report expenditures before the EC in EUR. In respect of the pre-accession instruments such costs were at their expense. This is yet another relief for the beneficiaries which will be covered by the state budget.

The route of the funds granted by the state to the beneficiary is largely the same as the route followed by the EC in terms of payments to Bulgaria. The funds are split into three categories – advance, interim and final payments.

Advance payments are the payments disbursed by the EC to our country during the first three years (2007 – 2009). These are permanent working funds and are not directly related to the actual payments disbursed by the Bulgarian budget. For larger infrastructure projects the advance amounts is up to 10 percent.

The interim payments from EC to Bulgaria reimburse eligible expenditures actually incurred by the beneficiary. The interim payments to the beneficiaries to reimburse actually incurred eligible expenditures shall be made by the Managing Authorities using moneys from the National Fund, a structure at the Ministry of Finance.

The final payment shall be received by the beneficiary once project implementation is completed. At state level the final payment from the EC to Bulgaria occurs following submission of a number of documents – request for reimbursement of the funds by 31 March 2017, final report and audit report.

The scheme of advance and interim payments negotiated by the Bulgarian government will greatly facilitate the beneficiaries, securing constant working capital for the implementation of the overall project. It is possible that the specifics of the project might require the use of the beneficiary's own funds, but if the beneficiary negotiates more interim payments, they will mitigate the commitment to raise own funds. The number of the interim payments will be set out in the contract between the beneficiaries and the MA. The number of payments will depend on the contract certificate and mainly its duration.

