



**Statement by the Managing Authority (MA)
regarding common inquiries by beneficiaries relating to the IPA CBC Programs
Bulgaria-FYROM, Bulgaria-Serbia and Bulgaria-Turkey**

1. Appointment of duties to the members of the project staff- the members of the project staff perform periodically repetitive actions related to the organization, coordination, management and reporting of the activities and results related to the project during the project period. For all Bulgarian beneficiaries this suggests that the appointment of duties to the members of the project staff will be done through the use of labour contracts. The type of employment needs to be outlined in the project's budget and should reflect on the monthly salary. Example 1: Project manager – per month- 12 months- 400 EUR- 4 800 EUR. Such a budget suggests a labour contract for 12 months at full time (8 hours a day), with 400 EUR monthly salary. Example 2: Project manager (part time employment of ½ month)- per month- 12 months- 200 EUR- 2 400 EUR. Such a budget suggests a labour contract for 12 months at part time employment (4 hours per day), with 200 EUR monthly salary.

Options for hiring team members for projects, implemented by Bulgarian beneficiaries:

First version

Labor contract/second Labor contract or addendum to the labor contract in accordance with the Labor Code. Remuneration will be reported on a monthly basis by submitting the following documents:

- Contract or an addendum to the labor contract;
- Job description;
- Report on the work adopted by the employer;
- Extract from the payroll for wages paid;
- Payment orders for remuneration paid out;
- Payment orders for taxes and insurance paid to the attached list of persons employed on the project.



IMPORTANT!

When beneficiaries, respectively partners, apply one of the above options and does not provide full employment, respectively the appointment of the employee concerned wouldn't be full time, they must explicitly mention in the contract, what will be the employment of the employee and they have to clarify the exact number of hours as a whole and daily hours in which the employee will perform its obligations under the definitions in the contract period. In the labor contract/second labor contract or addendum to the labor contract the employer must specify the hourly employment of the team member.

Second version

Civil servants

In addition the MA considers it possible that the job description of a civil servant from the particular public institution can include the duties related to the conduct of the project. For persons employed under civil servants contract, an Order by the Head of the Administration must be issued to determine the project team. The expenditure on the team members' remuneration are reported proportionally to the work performed during the project implementation through a report for the hours worked on the project (time sheet). The amount of the remuneration related to the project is calculated by using the hourly rate based on the up-to-date remuneration of the employee. The employee's job description must regulate the performance of the duties related to the project. Remuneration will be reported on a monthly basis by submitting the following documents:

- act issued for the appointment of civil servants under the Law for the Civil Servant amendments;
- job description, with regulated functions for the management of project activities or order for assigning responsibilities for implementation of the project, laying out specific commitments and accountability of the work;
- report for the hours worked on the project (time sheet) payroll paid;
- payment orders for paid out salaries;
- payment orders made for taxes and social contributions separate from the project goals with attached list of persons employed under the project;



IMPORTANT!

Due to the character of the activities performed by the project staff members, the MA considers it unacceptable to transfer amounts from Budget Line 1 “Administrative costs” to Budget Line 5 “External Expertise”.

IMPORTANT!

In cases where an individual is appointed to perform services under budget line 5 – “External expertise”, the form for contract according to Obligations and Contracts Act (OCA) is used.

2. Eligibility of expenditure on paid compensation for temporary disability, annual leave of absence and compensation for unused leave of absence for project staff members by the Bulgarian beneficiaries – The MA considers the following expenditure eligible:

2.1 Paid annual leave of absence:

- when a project staff member is employed at full time with a primary labour contract, which is the person’s only work contract and its duration is within the duration of the project, the full amount for the paid annual leave of absence is eligible expenditure;
- when a project staff member is employed at part time (Timesheets), the eligible expenditure will be amount of the paid annual leave of absence which is proportionate to the hours worked on the project. A statement by the organization is required pertaining to the method used for the calculation of the amount for paid annual leave of absence reporting within the project period;
- when a project staff member reports his work as per a secondary work contract, eligible expenditure is the amount of the paid leave of absence pertaining to the secondary work contract.

When working as per primary labour contract and as per a secondary labour contract (as per article 110 and article 111 of the Labor Code) the amount of paid annual leave of absence as per the secondary labour contract is not added to that of the primary labour contract- they are separate entities for each contract. If the employee has requested a leave of absence as per one of his labour contracts he is not automatically considered as having taken a leave of absence as per his second labour contract, but rather he has to keep working as required by it and received the stated salary. In relation to this it is suggested that the paid leave of absence as per both contracts is used at the same time. If not, the person could have taken a leave of absence as per his primary labour contract but has to work as per his secondary (part time)



labour contract or vice versa. The salary for the time spent in paid leave of absence is also determined separately as per the remunerations stated in each labour contract.

The amount of the paid annual leave of absence is determined proportionately to the time spent working as per the particular labour contract (article 23, paragraph 2 of the Regulation on working time, breaks and holidays).

2.2 Remuneration for temporary disability:

- expenditure by the employer for the first 3 days in the cases of full time employment (8 hours) up to the legally set percentage (currently 70%);

- expenditure by the employer for the first 3 days in the cases of a secondary labour contract according to article 110 and article 111 of the Labour Code, up to the legally set percentage (currently 70%) based on the remuneration as per the secondary work contract.

2.3 Compensation for unused paid annual leave of absence-

eligible expenditure will be the compensation for unused leave of absence accumulated as per a labour contract (primary or secondary) for the time of the project. The right of the project staff to a paid annual leave of absence as per their primary or secondary labour contracts also grants them the right to compensation for unused paid annual leave of absence according to article 224 of the Labor Code, but only if their contract is terminated.

Important: The above mentioned expenditures will be considered eligible when they are supported by documents that can prove them and show the link between them and the particular project.

3. Daily allowances, expenditures on transportation and accommodation of participants (target group, direct beneficiaries, etc.) in events organized by Bulgarian beneficiaries- the MA considers as appropriate the following combinations for spending and reporting these funds, envisaged in the budget of a particular project:

3.1 Daily allowances for the participants in the organized events:

- with a common order all participants, external to the organization (target group, direct beneficiaries, etc.) are sent on a business trip. The daily allowances are paid out to each participant based on the internal rules of the organization or based on an executive decision for the particular occasion. For the purposes of reporting in addition to the business trip order the necessary documents to prove the expenditure are required as well;



- the funds needed for the daily allowances are included into a general procedure for externally contracting the organization and conduct of the particular event. In the technical specification it must be clearly stated that the participants (target group, direct beneficiaries, etc.) are to receive lunch and/or dinner, which must also be clearly shown in the documents used to by the contractor to report the work performed;

3.2 Expenditure on transportation:

- the beneficiary's organization plans, pays out and reports the expenditure on transportation related to the conduct of the event or

- the funds needed for transportation are included into a general procedure for hiring transportation within the budget sub-line "Transportation" or these are included into the general procedure for externally contracting the organization and conduct of the event. In the technical specification it must be clearly stated that the participants (target group, direct beneficiaries, etc.) are to be transported, which must also be clearly shown in the documents used to by the contractor to report the work performed.

3.3 Accommodation:

- the beneficiary's organization plans, pays out and reports the expenditure on accommodation related to the conduct of the event or
- the funds needed for accommodation are included into a general procedure for externally contracting the organization and conduct of the event. In the technical specification it must be clearly stated that the participants (target group, direct beneficiaries, etc.) are to be accommodated, which must also be clearly shown in the documents used to by the contractor to report the work performed.

Important: the MA considers it unacceptable giving out additional sums or awards to potential participants in the organized events. The latter must be attractive enough to draw potential participants without the need of further incentives.

4. Bank account, expenditure on administering the account, taxes for financial transactions and expenditure on project's audit:

- 4.1 The bank account needed for the purposes of the project, opened by the lead beneficiary has to be in Euro due to the fact that the MA transfers funds to the lead beneficiaries in Euro. The account used must provide the necessary traceability of the



transactions and accumulated interest (on the amount of the advance payment). In addition, for all the expenditure on the project by all the partners there should be organized an analytical accounting for the purposes of reporting;

4.2 Expenditure on administering the bank account and charges for conducted financial transaction - the MA considers as eligible the expenditure by the lead beneficiary on the administering of the bank account (opening, servicing, etc. charges) opened for the purposes of the project. In addition, all expenditure reported by all partners on international financial transaction is considered as eligible. The expenditure on internal transactions as well as exchange rate losses (Euro-local currency) is not eligible expenditure for all the project partners;

4.3 The MA will not require an external audit and thus any reported expenditure on audit will be considered as not eligible.

5. *Position by the MA regarding the inclusion of expenditure on value added tax (VAT) in a budget of a signed subsidy contract* – according to the presently active legal statues and particularly Instruction by the Minister of Finance regarding the treatment of VAT ref. Num. 91-00-502/27.08.2007, it is the beneficiary's duty to determine value added tax as eligible or ineligible expenditure for the project and to account for it accordingly in the budget.

Due to the different interpretation of the legal statues regarding the determination of VAT as recoverable or unrecoverable, Bulgarian partners have noted that expenditure on VAT when conducting the particular project will be recovered by the state, i.e. it is not eligible expenditure by the program. Being registered under the VAT legislation does not always grant the right to refund/recover paid VAT.

If a Bulgarian partner has noted in the application form that the state will recover his VAT, i.e. the eligible VAT for the project is 0.00 Euro and after the signing of the subsidy contract the state refuses to refund the VAT, meaning that it can be recovered from the project, it is possible to sign an additional agreement (Addendum) to the subsidy contract. The subject of the addendum can be the change in the budget in the form of altered eligible VAT for the project, which is achieved by reducing the amounts in the different budget lines where VAT is expected to be paid. The total amount of approved expenditure cannot be increased. In order to sign an addendum between the MA and the Bulgarian partner, the latter must present a detailed explanation including all necessary calculations and reasons leading to the



need for an amendment as well as the budget tables, showing the changes. When implementing these changes, the percentage relation between the budget lines and the percentage relation between the individual budget lines and the budget in general must be taken into account as noted in the application guidelines.

Described above also applies when the Bulgarian partners have accounted for VAT in the individual budget lines rather than in the proper line for eligible VAT.

After checking the presented documents, the MA will decide on individual bases whether there are reasonable facts requiring the signing of an addendum to the subsidy contract.