

RULES OF PROCEDURE

OF

THE NATIONAL TRUST ECO

FUND

Approved by:
Consultative Council and Management Board of NTEF
(Protocol No:89/ 30 October, 2014)

Sofia
2014

CHAPTER ONE GENERAL PROVISIONS

SECTION I LEGAL CAPACITY AND LEGAL FRAMEWORK

Article 1 CREATION

The National Trust Eco Fund ("NTEF") is a legal entity, created in compliance with:

1. The Debt-for-Environment Swap Agreement between the Government of the Republic of Bulgaria and the Swiss Confederation, signed on 23 October 1995 (hereinafter called "the Contract");
2. Article 66 and the following of the Environmental Protection Act (Promulgated, SG, No. 91 of 25.09.2002; amended, SG, No. 46 of 18.06.2010)
3. The Regulation Governing the Structure and Activities of the National Trust Eco Fund, Approved with Ordinance No 96 of the Council of Ministers of 10.05.2004, promulgated, SG, No. 41 of 18.05.2004, amended, No. 71 of 10.09.2010, effective 10.09.2010, Decree of the Council of Ministers No. 301 of 19.09.2014, promulgated, SG, No. 81 of 30.09.2014, effective 30.09.2014.

Article 2 SEAT AND MANAGEMENT ADDRESS

- (1) The seat of NTEF is in the city of Sofia, Republic of Bulgaria.
- (2) NTEF management address is: 67 B, Shipchenski Prohod Blvd., Slatina District, 1574 Sofia.

SECTION II PRINCIPLES AND PRIORITIES

Article 3 OBJECTIVES

NTEF objective is the management of funds, provided by virtue of debt-for-environment and debt-for-nature swap deals, which have been obtained from international trade with assigned amount units (AAUs) of greenhouse gases and from sale of greenhouse gas emission allowances, as well as funds, provided by international, foreign or Bulgarian sources by virtue of other contracts, designated for environmental protection in the Republic of Bulgaria.

Article 4 ACTIVITY PRINCIPLES

For the implementation of its activity NTEF shall be guided by the following principles:

1. Independence;
2. Transparency of the funds management and of the selection of projects for financing;
3. Environmental and economic efficiency;
4. Reliability in the relations with the donors and the beneficiaries;
5. Traceability of all revenues and expenditures;
6. Accountability of the revenues and expenditures;
7. Equal treatment of the applicants for financing;
8. Objectivity of decision making.

Article 5 PRIORITY AREAS OF FINANCING

Subject to financing on the part of NTEF shall be projects, falling into any of the following priority areas:

1. Liquidation of past environmental pollutions and damages, inclusive of but not limited to:
 - a. treatment of harmful waste and substances;
 - b. reducing to the minimum the pollution of drinking water and food with heavy metals, toxic organic compounds and other harmful chemicals.
 - c. innovative waste management approaches.
2. Reducing air pollution and limiting climate change, inclusive of but not limited to:
 - a. reducing the health risk from high concentrations of particulate matter, sulfur and nitrogen oxides, lead and other toxic-chemical factors in the settlements;
 - b. greenhouse gas emission reduction: carbon dioxide, methane, etc.;
 - c. demo air quality improvement projects;
 - d. innovative processes and strategy developments for adaptation to climate change.
3. Protecting water cleanliness, inclusive of but not limited to:
 - a. building of municipal and industrial waste water treatment plants;
 - b. flood prevention and risk management.
4. Supporting the national ecological network and protecting the biodiversity, including pilot projects for restoration of types of natural habitats.
5. Other priority areas, included in the national policy in the environmental protection field.

**Article 6
PROGRAMS**

(1) Within the NTEF framework, the Management Board (MB) with its decision may create and separate Programs for financing any of the priority areas under art. 5. (e.g. such programs are the Debt-for-Environment Swap Deal, Environmental Remedial Pilot Program at MDK, Protected Areas Fund and National Green Investment Scheme.

(2) The Programs shall not be legal entities and shall have no independent management bodies. Their management shall be accomplished by the common NTEF bodies.

(3) The work organization and the priorities of the Programs shall be regulated by their Operational Manuals ("Operational Manuals"), approved by MB.

(4) The funds under the Programs shall be kept and reported separately and may be used only for financing the priority area, falling into the scope of the relevant Program.

**CHAPTER TWO
NTEF ORGANIZATIONAL STRUCTURE AND MANAGEMENT**

**SECTION I
NTEF STRUCTURE**

**Article 7
NTEF BODIES**

NTEF bodies shall be:

1. Management Board (MB),
2. Consultative Council (CC), and
3. Executive Bureau (EB).

**SECTION II
INTERNAL LEGAL FRAMEWORK**

Article 8

INTERNAL RULES

- (1) NTEF internal legal framework shall include:
 1. These Rules of Procedure;
 2. The Operational Manuals of the Programs;
 3. Other internal rules, envisioned in the Bulgarian legislation (e.g. internal rules for document turnover and document archiving technology at NTEF, internal rules, etc.)
 4. The decisions of the Management Board of NTEF
- (2) The internal acts pursuant to par. 1 shall be approved as follows:
 1. These Rules of Procedure shall be approved by the Management Board (MB) after coordination with the Consultative Council (CC);
 2. The Operational Manuals shall be approved by MB;
 3. The acts under par. 1 shall be endorsed by the Director of the Executive Bureau.
- (3) The Operational Manuals of each Program shall regulate the criteria for evaluation and selection of environmental projects, designated for financing with funds under the relevant Program, application forms, contents of the contracts for financing, reporting rules, project implementation monitoring and control, etc.
- (4) In case of non-compliance between these Rules of Procedure and the Operational Manuals, the provisions of the Rules of Procedure shall prevail.
- (5) The implementation of these Rules of Procedure, other internal rules, and of the Operational Manuals shall be assigned to the EB Director.

SECTION III EXECUTIVE BUREAU

Article 9 EXECUIVE BUREAU STRUCTURE

- (1) The Executive Bureau (EB) shall consist of:
 1. Director;
 2. Experts;
 3. Technical assistants.
- (2) EB organizational structure shall be as follows:
 1. EB Director;
 2. Program Management and General Administration Department;
 3. Budget, Finance & Accounting Department;

4. Project Management Department

(3) The allocation of the EB staff by positions shall be determined in the staff list, which shall be endorsed by MB upon a proposal of the EB Director.

Article 10

EXECUTIVE BUREAU DIRECTOR

The EB Director shall manage NTEF in implementation of the decision of the NTEF Management Board pursuant to art.19 of the Regulation Governing the Structure and Activity of the National Trust Eco Fund.

Article 11

PROGRAM MANAGEMENT AND GENERAL ADMINISTRATION DEPARTMENT

The Program Management and General Administration Department shall:

1. perform all functions related to the coordination of EB interaction with MB, CC and the donors.
2. organize the establishment of contacts and the conducting of negotiations with potential donors, creditors, beneficiaries, national and international institutions and other third parties.
3. develop the Operational Manuals under the programs together with the Project Management Department and Budget, Finance & Accounting Department and shall prepare them for MB approval;
4. coordinate the overall Program implementation;
5. ensure the publicity of NTEF activity, inclusive of but not limited to:
 - maintaining NTEF web site and its presence in appropriate social media;
 - announcing the criteria for priority NTEF financing, as well as the terms and procedures for the release of funds;
6. prepare the documentation and organize the MB meetings;
7. ensure the overall NTEF administrative servicing;
8. perform other functions, which have not been assigned to other departments.

Article 12

BUDGET, FINANCE & ACCOUNTING DEPARTMENT (BFAD)

The Budget, Finance and Accounting Department shall:

1. implement the accounting policy and NTEF chart of accounts. It shall organize NTEF accounting and shall maintain data bases for the funds at NTEF by sources of proceeds, directions of spending, and contracts.

2. perform the overall annual planning and NTEF activity reporting, as well as the current and periodic financial statements and references pursuant to the requirements of the implemented Programs.
3. participate together with the Project Management Department in the development of the Operational Manuals under the Programs.
4. perform functions for evaluation and control of the economic and financial parameters of the projects in the course of their preparation (from the application phase until the signing of the financing contract), implementation and reporting.

Article 13 PROJECT MANAGEMENT DEPARTMENT

The Project Management Department shall perform functions for the overall management of the projects, financed by NTEF, inclusive of but not limited to:

1. participating, together with the Project Management Department, in the development of the Operational Manuals under the Programs.
2. receiving the projects from the beneficiaries, preparing for the work of the project evaluation and selection commission.
3. maintaining the project register and the overall document turnover during the project cycle, as well as an archive of the completed projects.
4. drafting the project financing contracts and controlling their implementation.
5. accomplishing preliminary control on the investment projects and the tender procedures for selection of contractors on the part of the beneficiaries.
6. performing direct control and monitoring during project implementation, including on-site physical control on the implementation of the activities of the investment projects.
7. preparing periodic project implementation reports for the EB Director of NTEF and respective references for the Management Board of NTEF.

Article 14 EB ACTIVITY PLANNING

EB shall perform its activity based on annual plans, which shall determine its main objectives and tasks for the relevant year. The plans shall be prepared by the EB Director and shall be endorsed by MB.

CHAPTER THREE PROCEDURES FOR EVALUATION, SELECTION, IMPLEMENTATION AND CONTROL OF ECOLOGICAL PROJECTS

Article 15 MAIN STAGES FOR EVALUATION AND SELECTION OF ECOLOGICAL PROJECTS

The evaluation and selection of ecological projects on the part of NTEF shall be accomplished in the following stages:

- (1) Preliminary evaluation for project compliance with the established formal requirements of the relevant Program, based on letters of interest;
- (2) Project evaluation and selection based on a form, included in the respective Program Operational Manual;
- (3) Approval by the donor, who has provided the financing for the relevant project and opinion on the part of NTEF Consultative Council (CC);
- (4) Approval by the Management Board of NTE.

Article 16

PROJECT EVALUATION AND SELECTION COMMISSION

- (1) The preliminary selection and evaluation of projects shall be made on the part of NTEF EB with the help of a standing commission for selection, control and reporting on the implementation under the relevant program ("The Commission").
- (2) The Commission shall consist of five to nine regular members, as well as of the same number alternate members. The alternate members shall replace the regular members in case they shall be absent from the meetings of the Commission. The EB Director shall determine who from the alternate members shall replace the relevant absent regular member.
- (3) The composition of the Commission shall include representatives of NTEF EB and experts, appointed by the Minister of Finance, Minister of Environment and Water, and the Minister of Economy and Energy. Upon demand, the Commission may include external experts as members.
- (4) The EB Director shall appoint the staff of the Commission among the persons under par. 3. He may make changes in the composition of the Commission depending on the requirements of each Program.
- (5) Representatives of the respective donor may participate as observers during the meetings of the Commission.
- (6) Prior to the beginning of the work in the Commission, the persons under par. 2 shall sign a declaration that they are not in a conflict of interest within the meaning of art.14 of the Conflict of Interest Prevention and Ascertainment Act with regard to the concrete procedure. If it shall be established that a member of the Commission is in a position of a conflict of interest with regard to a specific procedure, the EB Director shall replace him/her with another person.

Article 17

MEETINGS OF THE COMMISSION

- (1) The meetings of the Commission shall be held in the presence of at least three fourth of its members, who have voting rights.
- (2) The Commission shall perform the preliminary selection of the projects, while each

member of the Commission shall fill in the relevant check lists.

(3) The project evaluation during the stage of evaluation and ranking shall be formed as a mean arithmetic value from the scores of the Commission members. In case of difference in the scores by more than 10 points between any two of the Commission members, the Commission shall determine the final score and the ranking pursuant to the procedure of par. 4.

(4) The decisions of the Commission shall be taken with a majority of more than a half of its members with voting rights.

(5) For each meeting of the Commission a protocol shall be kept, which shall be stored by EB. When the protocol shall be signed with a special opinion, this opinion shall be attached to it.

Article 18 DRAFTING CONTRACTS

(1) NTEF shall provide financing for approved projects after the signing of contracts with recipients of funding, whose projects have been approved pursuant to the procedure of Chapter Three.

(2) The financing contracts shall be signed in writing and shall at least have the following contents:

1. Project scope and objectives;
2. Financial conditions, in this number funds release schedule, repayment plan (in a loan case), etc.
3. Stages and deadlines for project implementation;
4. Expenditure breakdown by individual project activities;
5. System of control on NTEF part and manner of reporting on the results;
6. Default cases and responsibilities of the parties;

(3) The financing contracts shall be signed by the MB Chairperson.

(4) Change in concluded contracts shall be made only after a decision of the Management Board after consultation with CC.

(5) EB of NTEF shall execute preliminary control during the conducting of contractor selection procedures for the implementation of NTEF financed projects and shall participate with its representatives in the contractor selection commissions in these procedures.

Article 19 REPORTING ON THE CONTRACT IMPLEMENTATION

The information on the implementation of the concluded contracts for financing shall be presented by the EB Director at each meeting of the Management Board.

Article 20
SUBJECTS WITH CONTROL FUNCTIONS

Project implementation control shall be accomplished by:

- (1) the recipients of funding;
- (2) employees of EB of NTEF.

Article 21
CONTINUOUS CONTROL ON THE PART OF THE ORGANIZATIONS, WHICH HAVE RECEIVED FUNDS FROM NTEF

- (1) The control on the part of the recipients of funding shall be performed in all cases and shall be accomplished through ongoing monitoring of the accomplished works.
- (2) The control shall be performed by qualified employees of the funding recipient. The persons, executing the control, shall prepare the reports on the accomplished works and shall sign the financial documents for the project implementation.

Article 22
PERIODICAL CONTROL BY EB

- (1) NTEF shall conduct own periodical control on the financed by it projects through EB employees, appointed by the EB Director.
- (2) At the discretion of EB Director, NTEF may also use external auditors to execute the control pursuant to par. 1.
- (3) The auditors shall prepare reports on the results from the audits, signalize violations of the financing contracts and suggest measures for their removal.

CHAPTER FOUR
NTEF FUNDS

Article 23
STORAGE

- (1) The funds, raised from sources in compliance with the Regulation on the structure and activity of the National Trust Eco Fund, shall be kept in NTEF accounts in BGN and in foreign currency with the servicing bank.
- (2) For storing the funds, provided by a given donor, upon a request of the latter separate accounts may be opened, whose regime and terms of use shall be evaluated separately, whose regimes and use terms shall be settled together with the donor and the servicing bank.

Article 24
DISBURSEMENT

- (1) NTEF funds shall be disbursed for financing and co-financing of ecological projects and activities in compliance with the conditions of the donors and with the priorities of

the relevant Programs.

(2) NTEF funds shall be provided in compliance with terms and procedure, determined jointly with the given donor in the form of:

1. Grants; or
2. Loans – under preferential interest or as non-interest loans,

(3) If the relevant donor has not explicitly specified the terms and procedure for funds provision, these shall be determined by MB after coordination with CC.

Article 25 REPORTING ON THE FUNDS MOVEMENT

(1) The movement of the funds, provided by the different donors, shall be reported and controlled through separate accounts.

(2) A budget shall be developed for each account, in which the sources of the proceeds and the directions for their spending shall be specified.

(3) Funds reporting and control shall comply with the special requirements of the donors.

(4) For funds reporting a synthetic account shall be established and analytical accounting (sub-accounts) shall be maintained.

(5) The revenue part shall be developed in compliance with art.2, par.1 of the Regulation Governing the Structure and Activity of NTEF.

(6) The expenditure part shall be prepared in compliance with the directions under art.2, par.2 of the Regulation and with the decisions of the Management Board for the spending of the funds for the relevant year.

(7) For each separate donation or loan analytical accountability shall be maintained, while the sub-systems shall have revenue and expenditure part, corresponding to the synthetic account structure.

(8) The settlement documents (payment orders, etc) for the spending of funds from the account shall be signed by the EB Director of NTEF. The settlement documents shall be drafted based on written justification, signed by the Head of BFA Department of EB and the Head of the Project Management Department, as well as approved by EB Director. Copies of the written justifications and settlement documents shall be kept in the dossier of the relevant project together with all accounting documents related to this project.

(9) The sum of the funds movement under the revenue and expenditure part of the analytical accounts shall be equal to the movement of the funds under the synthetic account, plus the EB activity maintenance funds (general and administrative) under art.28 of these Rules of Procedure.

Article 26 ADMINISTRATIVE COSTS

(1) NTEF administrative costs shall be at the expense of:

1. the funds, specially provided for NTEF maintenance;

2. other NTEF funds under conditions and in amounts, negotiated with the donors.

(2) A determined percentage of each financing, provided by a donor, shall be put aside as a special reserve, which shall be used only with the permission of the Management Board during periods of absence of active funding under programs or for other special objectives. The concrete percentage under the previous sentence shall be determined in the contract with the respective donor, and it may not be higher than 0.5%. If in the contract with the donor such a percentage has not been negotiated, the percentage of the deduction from the relevant financing shall be determined by the Management Board, and it shall not be more than 0.5%. The rule of this paragraph shall be applied in the future after the entering into force of the Rules of Procedure.

(3) A system of accounts (chart of accounts) for NTEF maintenance costs shall be developed, whose structure shall correspond to NTEF needs.

(4) The settlement documents for the use of funds from the account shall be signed by the EB Director.

Article 27

GENERAL PRINCIPLES FOR KEEPING THE ACCOUNTS

(1) NTEF financial accountability shall be kept in compliance with the Accountancy Act and the applicable accounting standards, as well as with the requirements of the donors regarding the provided by them funds.

(2) The reporting on the funds movement shall be made once per year. The reports on the accounts with a short analysis shall be submitted to MB and CC. MB and CC may request reports in shorter intervals.

(3) The EB Director shall monitor the rhythmic replenishment of the accounts with funds. In case of deviation from the deadlines, which shall be envisioned in the relevant donors' agreements, he/she shall be obliged within one week to inform the Ministry of Finance and/or the relevant party to the donor's agreement.

Article 28

REPORTING ON FUNDS UNDER NTEF FUNDS PROVIDING CONTRACTS

(1) The movement of the funds, provided by NTEF under contracts for financing of approved projects, shall be monitored and accounted separately for each contract.

(2) For the payments under each contract, a special information file, in which the dates and the amounts of the made payments shall be reflected.

(3) EB Director of NTEF shall endorse Internal Rules for Document Turnover and Document Archiving Methodology.

Article 29

NTEF ACTIVITY REPORT

(1) By 30 April of each calendar year, NTEF shall submit to the Government of Bulgaria and to the donors a report on NTEF activity for the previous year, approved by MB.

(2) The report shall be prepared by EB and shall contain the following information:

1. Movement of NTEF funds and analysis of the situation of NTEF debit-and-credit accounts;
2. Audit report, prepared in compliance with the Bulgarian law and practice and the international accounting standards, if requested by the donor;
3. Short description of the concluded by NTEF contracts for the reported year - parties, subject, way of financing;
4. Problems during the implementation of the signed contracts, main forms of default on contractual obligations, undertaken sanctions;
5. NTEF initiatives for raising new funds; and
6. Interaction with other persons in connection with joint project financing.

(3) Upon request on the part of the Government of the Republic of Bulgaria, CC or individual donors, the EB Director shall be obliged to organize the preparation, development and submission of reports for the relevant institution.

Article 30 EXTERNAL AUDITS

(1) Upon a decision of MB or upon a request made by CC, independent external auditors may be appointed to perform financial audits on NTEF funds and activity.

(2) NTEF bodies shall provide the necessary assistance to the auditors for the accurate audit implementation.

TRANSITIONAL AND FINAL PROVISIONS

§ 1. These Rules of procedure shall be approved based on art. 66, par. 5 of the Environmental Protection Act and art. 10, it. 2 of the Regulation on the Structure and Activity of the National Trust Eco Fund.

§ 2. These Rules shall become effective since the date of its Approval by MB of TTEF.