

CLIMATE INVESTMENT PROGRAM



**OPERATIONAL MANUAL
OF THE
CLIMATE INVESTMENT PROGRAM (CIP)**

**Approved by:
NTEF Management Board
(Protocol No. 108/3.10.2017)**

**Sofia
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CHAPTER ONE GENERAL PROVISIONS

Article 1 Objective

(1) In accordance with Art.56 and § 4 from the transitional and final provisions of the Climate Change Mitigation Act (CCMA) and Decision of the Council of Ministers (CoM) 201/26.03.2015 the National Trust Eco Fund (NTEF) shall be responsible for the collection, approval and assigning the implementation of green investment projects.

(2) The objective of this Operational Manual is to set out the basic principles and procedures to be followed by NTEF when evaluating and selecting projects, financed by the Climate Investment Program (CIP).

(3) Within the Climate Investment Program the following schemes shall be implemented:

- Scheme for improving the energy efficiency of buildings and other sites (Energy Efficiency Scheme - EES);
- Scheme for promoting the use of electric vehicles (Electric Vehicles Scheme - EVS).

Article 2 Main principles

(1) The main principles of operation of CIP are the following:

- ✓ Targeted use of greening funds from the EU Emission Trading Scheme (EU ETS);
- ✓ Financing of projects, leading to direct or indirect reduction of greenhouse gas emissions;
- ✓ Grant provision for financing part of the investment.
- ✓ Giving priority to projects, which are ineligible for financing from other sources of public grants - from European and other national funds.

(2) Ways and size of financing:

NTEF shall provide grant financing, amounting to a defined percentage of the total investment costs, but not more than a specified sum, which for the separate types of beneficiaries shall be as follows:

1. Under the scheme for improving the energy efficiency:

A) For sites, which are ineligible for financing under other national and/or European programs:

- Municipal and state schools - up to 70 %, but not more than a defined maximum amount, as follows: for the biggest schools (above 500 pupils) - up to BGN 700 000, for

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the medium (from 100 to 500 pupils) – up to BGN 350 000, for the small ones (up to 100 pupils) – up to BGN 200 000.

- Municipal and state kindergartens and creches – up to 60 %, but not more than BGN 300 000;
- Municipal and state sports halls – up to 60 %, but not more than BGN 600 000;
- Administrative buildings (municipal and state) – up to 60 %, but not more than BGN 400 000;
- State universities (university buildings) – up to 60 %, but not more than BGN 500 000;
- Cultural community centers, state and municipal museums, theaters, galleries, etc., cultural institutions – up to 60 %, but not more than BGN 300 000;
- The institutes of the Bulgarian Academy of Sciences (BAS) – up to 60 %, but not more than BGN 500 000;
- Municipal and state school dormitories – up to 60 %, but not more than BGN 600 000;
- Municipal social sites – up to 60 %, but not more than BGN 300 000;
- Student dormitories of state universities – up to 40 %, but not more than the allowable minimum state aid (BGN 390 000).
- Buildings, owned by sole traders with 100 per cent state and/or municipal participation, which are medical facilities, or which provide services of general economic interest – up to 25%, pursuant to the minimum state aid rules but not more than BGN 800 000 and opportunities for attracting complementary funding, for which NTEF shall ensure the necessary assistance;
- Street lighting – up to 25%, but not more than BGN 800 000 and opportunities for attracting complementary funding, for which NTEF shall ensure the necessary assistance.

B) For sites, which are eligible for financing under another national and/or European programs – up to 20% of the investment amount, but not more than BGN 400 000.

2. Under the scheme for promoting the use of electric vehicles:

- For the central administration and its territorial units, as well as for the municipal administrations, the funding under the projects for promoting the use of electric vehicles shall be determined with a Decision of the NTEF Management Board (MB) for each Call for Bids, in which the eligible for financing electric vehicles' types shall be specified, as well as the relevant grant amount. The grant shall be provided for each delivered vehicle on the basis of a contract with a supplier, selected in compliance with the Public Procurement Act.

(3) The mode for providing the vehicles to the Beneficiaries and its compliance with the state aid legislation (when there is a Call for Bids for such projects), shall be stipulated with Guidelines on the implementation of the state aid rules (*Annex 17* to this Operational Manual), which shall be an inseparable part of the package of documents

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for the funding application. The Guidelines shall be coordinated with the Minister of Finance.

(4) In case of collision between the texts of the documents and the Guidelines under par. 3, the requirements of the Guidelines shall be applied.

(5) All Beneficiaries under the Energy Efficiency Scheme shall plan and implement (for the period following the project implementation up to five years after its completion within the framework of the reduced electricity consumption costs) activities, leading to a change in the behavior of the site users for improving its energy efficiency (*Guidelines in Annex 18*).

(6) One project under the Energy Efficiency Scheme may include only one site.

Article 3

Eligible costs

In order to be considered eligible according to the Climate Investment Program (CIP), the incurred costs should simultaneously meet the following conditions:

- to be lawful;
- to be needed for the project implementation;
- to have been incurred only for eligible activities;
- to meet the principles of good financial management - frugality, efficiency and effectiveness of the invested funds;
- to be documented for actually performed work, proved with the appropriate documents, and reported within the project implementation framework as determined in the Financing Agreement, which shall be envisioned in the Application Guidelines and described in detail in the project proposal;
- to be reflected in the accounting and tax documentation of the Beneficiary and to be traceable based on efficiently functioning audit path;
- not to be financed under another project, program or other funding scheme, financed with public funds of the national or European budget, or by another international source;
- the costs related to the implementation of contracts for delivery of goods, provision of services and construction shall be eligible, if the project implementation awarding contracts shall be concluded according to the Public Procurement Act (PPA) in observation of the NTEF Guidelines (*Annex 8*).

(2) The project under the scheme for improving the energy efficiency shall be considered finally finished, when the report on it shall be audited and approved by the NTEF Management Board (MB).

(3) The project for promoting the use of electric vehicles shall be considered finally finished, when the report on it shall be audited within the framework of the annual NTEF report, which shall be approved by the NTEF Management Board (MB).

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Article 4

Scope of the activities, for which financing is provided

- (1) The total investment amount (respectively the grant amount) under EES shall include the costs for the construction and installation works (CIW), as well as the costs for author's and construction supervision and for investor's control, which may not exceed 3% of the CIW value.
- (2) With a decision of the MB of NTEF, the types of objects to be funded shall be determined in a call for bids.

Article 5

Way of application

- (1) The application under the Scheme for improving the energy efficiency shall be implemented in two stages, namely:
 - Letter of Interest (*Annex 3*);
 - Form-based project presentation (*Annex 5*)
- (2) The application under the Scheme for promoting the use of electric vehicles shall be accomplished with the submission of an Application form (*Annex 5A*)

CHAPTER TWO

SELECTION AND EVALUATION COMMITTEE FOR CIP PROJECTS

Article 6

Committee composition

- (1) The preliminary selection and evaluation of CIP projects shall be carried out by the Executive Bureau (EB) with the support of the standing committee for selection, control and reporting of the CIP-financed projects ("The Committee").
- (2) The committee shall include five to nine regular members. The director of the EB shall determine which one of the members of the Committee as its chairperson.
- (3) The Committee shall include employees of NTEF EB and experts, appointed by the Minister of Finance, Minister of Environment and Water and Minister of Energy. Each of the Ministers, mentioned above, shall appoint two regular and two replacement members of the Committee.
- (4) The EB Director shall determine the Committee members among the persons under Paragraph 3 and may introduce changes in its composition, depending on the requirements of each separate procedure/call for project selection.
- (5) Prior to the commencement of their work in the Committee, the persons under Paragraph 2 shall declare, in writing, that they have no conflicts of interest with respect to the specific procedure. If a member of the Committee shall be found to be in a conflict of

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interest with regard to a specific procedure, the EB Director shall replace that member with another person.

Article 7 Conducting the meetings of the Committee

- (1) The meetings of the Committee shall be convened by its chair through a written invitation depending on the schedule of the concrete call for projects.
- (2) The meetings of the Committee shall be conducted in the presence of all its members.
- (3) The Committee's decisions shall be taken by a majority of more than half of its members. The Committee's decisions shall not contradict the final findings /evaluations under Art.9, Paragraph 4 and evaluation under Art. 10, Paragraph 5.
- (4) Each Committee meeting shall be documented in a protocol, which shall be signed by the persons, attending the meetings and stored by the EB. When the protocol is signed with a dissenting opinion, the opinion shall be annexed to the protocol.

CHAPTER THREE SELECTION AND EVALUATION OF PROJECTS UNDER CIP

Art. 8 Stages of project selection and evaluation

The selection and evaluation of CIP projects involves two stages, with the following main stages being fulfilled:

- (1) **Phase 1:** "Preliminary Project Selection" by applying the pre-announced mandatory requirements for compliance (*Annex 4 - Scheme for improving the energy efficiency*).
- (2) **Phase 2:** "Project Evaluation and Ranking" in accordance with the pre-announced application requirements and methodology for evaluation and selection (*Annex 6.1. 6A and 6A1*, respectively the Energy Efficiency Scheme and the Electric Vehicles Scheme).

Article 9 Preliminary selection of CIP projects

- (1) EB shall announce the application procedure for CIP proposals on NTEF web page. (*Annex No 1 for EES, respectively Annex No 1a for EVS*), according to a decision of the MB with a specified deadline.
- (2) The potential candidates, who have projects under EES, the activities in which are eligible for financing under the respective call, may fill and submit to NTEF EB a letter of interest for funding a project within the CIP framework according to an electronic template, sent to the e-mail of NTEF (*Annex No. 3*), together with all necessary annexes.

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(3) Following receiving of completed application for expressed interest within the deadline, the candidate shall obtain a registration number automatically/via e-mail. If the application form shall not meet the requirements, NTEF shall justify its refusal to accept the document in an e-mail and shall provide an opportunity for its resubmission.

(4) All applications shall be submitted for examination by the Committee. Each of the Committee members shall individually fill in a Checklist (*Annex No. 4*).

(5) The Committee shall approve, or in case of established non-conformities with the NTEF requirements shall postpone for a second examination or shall reject a submitted application for expressed interest. The candidate shall be notified in writing in all of the three cases.

(6) After verification of the compliance of the project under the conditions of Art.4 and 5 the Committee shall prepare and approve, with a motivated decision, a final Protocol of its work, attaching to it a list of the projects, which have successfully passed the compliance verification procedure, as well as the Checklists under Paragraph 4.

(7) The protocol from the work of the Committee, together with the Annexes to it, shall be submitted to the EB Director within two working days after completion of the work of the Committee on the preliminary project selection.

(8) Based on the protocol from the work of the Project Selection, Control and Evaluation Committee, financed under CIP, the NTEF EB Director shall send a written notification to the candidates, whose projects have not been successful in passing the compliance verification, together with a motivation of the Committee's decision.

(9) NTEF EB Director shall send a written notification to the candidates, whose projects have successfully passed the conformity check and shall inform them that they may submit application forms for funding within the established deadline. The list of projects, which have passed the compliance verification successfully and the list of rejected projects, shall be published on the NTEF web-page.

Article 10

Evaluation and ranking of CIP projects

(1) Application form (*Annex 5*), shall be submitted according to the following procedure:

- Application form on paper, accompanied by an electronic (CD) copy shall be submitted together with all annexes. The forms, received by NTEF after the deadline specified in art.9, par.9, shall be left without consideration.
- The application form under the Scheme for promoting the use of electric vehicles (*Annex No. 5a*) shall be submitted on paper, accompanied by an electronic (CD) copy.

(3) EB shall examine the submitted application forms according to their sequence of submission for compliance with the requirements, including for their compliance with the state aid regime. In case of gaps, established non-compliances between the original documents and the electronic copies, it shall notify the candidate with a letter. The

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candidate shall be obliged within 7-day period to remove the irregularities. The application forms, whose irregularities have not been removed, shall not be subjected to evaluation.

(4) The Committee under art.6. par.1 shall examine the submitted application forms according to their sequence of submission and shall evaluate them by filling in Evaluation Checklists (Annex No. 6 for EES, accordingly Annex No. 6a for CVS) in compliance with the evaluation criteria (Annex No. 6 for EES, accordingly Annex No. 6a for CVS).

(5) The score of the projects at the evaluation and ranking stage shall be determined as the mean arithmetic value of the marks provided by the Committee members, reflected in the Checklists under Annex No 6 and Annex No 6a. In case of difference between any two members of the Committee by more than 10 points, the Committee shall determine the final score and ranking pursuant to the procedure of par. 6. The greening indicator, which is a main component of the final score, shall be calculated on the base of the mean arithmetic value of all submitted projects. Financing shall be ensured with priority to projects with higher greening factor, which is participating in the calculation of a score of minimum 1 and maximum 100 points. Projects, which have received less than 60 points, shall not be financed and these candidates shall be informed about that by NTEF EB.

(6) Following completion of the project assessments, the Committee shall prepare and endorse with a justified opinion a final protocol of its work, list with the ranked projects in descending order, depending on the obtained scores.

(7) The Protocol from the work of the Committee under art.6 together with the annexes to it shall be presented to the EB Director within 2 working days, following the completion of the work of the Committee.

(8) EB Director shall submit to the Advisory Council the list of the ranked projects under par. 6 and the documents under art. 7 for examination and endorsement by the NTEF MB.

(9) The Advisory Council shall make a pronouncement on the proposed list under par. 6 with a written opinion within 2 weeks from its receiving. The opinion of the Advisory Council shall not be binding.

(10) NTEF MB shall take note of the opinion under par. 9, shall examine the submitted projects under par. 6 and shall approve them, or shall return them for performing of second essential evaluation together with the relevant justifications for that.

(11) Following approval on the part of MB, the EB Director shall publish the list of the projects under par. 6 within a week on the NTEF web page.

(12) The NTEF EB Director shall notify the candidates, whose projects are approved, about the terms of financing.

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CHAPTER FOUR PRELIMINARY CONTROL

Article 11

Preliminary control on the investment projects under the Energy Efficiency Scheme

(1) In case of available free financial resource at NTEF for funding the respective project, NTEF shall perform preliminary control on the investment projects within the meaning of art. 139 of SDA.

(2) Following the approval of the relevant NTEF budget by the NTEF MB, the NTEF EB shall send a letter for availability of financing and shall determine the deadline for the submission of the investment projects. The letter shall also include mandatory project content (*Annex 7*).

(3) The whole document package under the investment project shall be submitted on the spot in the NTEF office after preliminary made appointment. Prior to the acceptance of the investment project, it is examined by an NTEF employee for compliance with *Annex 7*. In case of established irregularities during the examination, the investment project shall be returned to the sender for removal of the irregularities and shall not be entered as submitted for preliminary control. For this purpose a relevant protocol shall be filled in, which shall be signed by both parties (*Annex No 19*.)

(4) If in an accepted investment project irregularities or non-conformities of submitted documents shall be established, an opinion shall be prepared, in which the deadline for their removal by the candidate shall be specified. The opinion shall be sent via e-mail. In case of default on the specified deadline for the removal of the regularities, the project shall be examined upon availability of next financing opportunity. (*Annex No 20 – Template for Opinion*)

(5) Following the completion of the preliminary control, NTEF EB shall send a respective letter for project coordination and the Beneficiary shall send its finalized version, including its electronic format.

Article 12

Control on the contractor selection procedures

(1) The applicants, applying PPA, shall be obliged following the receiving of the letter under art. 11, par. 5 on the acceptance of the investment projects, respectively of the notification letter under art. 10, par. 12 regarding the projects for promoting the use of electric vehicles, to determine the way for awarding the public procurement and to develop a draft tender documentation, when this shall be applicable, pursuant to the directions, provided by NTEF (*Annex No. 8, respectively Annex No. 8a*) and a documentation template.

(2) The applicants shall submit the tender documentations, respectively the documents, related to awarding in the cases under art.14, par.1, it.5-7 from PPA or through direct negotiation for preliminary control on the part of NTEF via e-mail depending on the project and within the deadline specified in the letter.

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(3) NTEF shall examine the tender documentation within 14 days from its submission and in case of established non-conformities with PPA, Regulation for Implementation of the Public Procurement Act (RIPPA), the methodological guidelines of the Public Procurement Agency, as well as with the NTEF guidelines, shall provide mandatory instructions for their removal.

(4) In case of establishment of non-conformities between the tender documentation, which has been announced in the Buyer's profile of the candidate, the published decision and announcement with the Public Procurement Agency, and the provided by NTEF guidelines, NTEF shall provide instructions for correction, and in the cases when it is not be done shall inform the candidate about the availability of grounds for withdrawal of the financing commitment.

(5) Upon assignment in the cases under art. 14, par.1, it.5 - 7 of PPA and upon direct awarding, as well as when the applicants shall not apply PPA, the price of the contract should be calculated according to the methodology, included in Annex No. 1 of Regulation for Implementation of the Public Procurement Act (RIPPA).

CHAPTER FIVE

CONCLUSION OF CONTRACTS AND CONTROL IN THEIR IMPLEMENTATION

Article 13

Coordination with other programs and schemes, which finance projects, similar to the types of projects under CIP and verification of the compliance with the state aid provisions

(1) Projects, which are fully or partially financed through another project, program or financial scheme, using public funding from the national, European budget or from another international source, or whose funding would breach the requirements of the national and European legislation in the state aid field, shall not be approved and funded under CIP.

(2) Upon submittal of a Project application under art.8, par.2, each candidate shall be obliged to fill in and submit, as an Annex to the respective Application, a Declaration pursuant to *Template No 5.3*. This declaration shall be submitted again as an annex to the Funding Agreement.

(3) NTEF shall begin the procedure for the conclusion of Financing Agreements under CIP only with of Beneficiaries, for whose projects it has received a declaration on the part of the Beneficiary.

Article 14

Preparation and conclusion of financing agreements for the CIP projects

(1) NTEF may conclude a Financing Agreement for a CIP Project with a Candidate, whose project has been approved with a decision of the Management Board, pursuant to the applicable lawful procedure and whose activities are not funded through another project, program or other financial scheme, financed through public funds from the

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national budget, European budgets or another international source, as well as upon proved compliance with the state aid regime.

(2) The Financing Agreement between NTEF and the candidate shall be concluded following a review of the contract with the Contractor for CIW or for electric vehicle delivery in compliance with the NTEF requirements under CIP on the basis of a Checklist (*Annex No. 21*) and following submission of the documents under *Annex No. 16*, respectively *Annex No. 16a*.

(3) The Financing Agreement for CIP Project shall be prepared in accordance with a template (*Annex No. 9*, respectively *Annex No. 9a*).

(4) A Financing Agreement may be concluded, if all preceding NTEF financing agreements with the same beneficiary have been finished and their reports have been audited and approved by NTEF MB.

Article 15

Monitoring and control on the project implementation

1. The monitoring and control on the implementation of the CIP projects shall be carried out by:

(1) CIP beneficiaries;

(2) EB employees and NTEF experts, who have the right to execute continuous control on the project implementation;

(3) Competent administrative bodies according to the Bulgarian legislation.

2. NTEF representatives have the right at any time to perform monitoring and control, and during each visit a protocol of findings shall be drafted pursuant to *Annex No. 15* and *Annex No. 15a* with regard to the projects for promoting the use of electric cars.

Article 16

Permanent control by the CIP beneficiaries

(1) The control on the part of NTEF on CIP shall be carried out in all cases through permanent monitoring of the activity progress, with regard to the respective Financing Agreement for CIP project and through the mechanisms, envisioned in the agreements with the respective providers of construction works, goods and services.

(2) The control shall be carried out by qualified personnel of the Beneficiaries.

Article 17

Periodical control by the NTEF EB

(1) NTEF shall carry out its own, periodical control over the projects, financed under

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the CIP scheme, through onsite checks, performed by experts or EB employees, appointed by the Director.

(2) The control under Paragraph 1 shall include at least the following:

(a) Control on the timely and qualitative implementation of the activities under the projects;

(b) Control on the investment project and its observation in accordance with the objectives of the approved project and the Agreement with the Beneficiary.

(3) The experts, who carry out the periodical control, shall prepare written reports for the results of the projects, signal the infringements of the Financing Agreements and propose measures for their removal (Annex No. 15, respectively Annex No. 15a).

Article 18

Reporting on the implementation of the projects under CIP

(1) In order to report the progress of CIP projects, the Beneficiaries shall prepare and submit technical and financial reports to the NTEF, prepared in accordance with Annex No. 11 and 12.

(2) The payment request shall be submitted through a completed payment request application form (Annex 10), accompanied by the relevant documents from a list in Annex 16, 1 u 12.

(2) Interim payments under EES projects shall be submitted through a filled-in fund requesting application form (Annex No. 10), accompanied with the relevant documents from the list, included in Annex No. 16.

(3) Interim payments shall be eligible on the basis of interim reports, which are eligible only after a completed CIW stage or a full completion of ESM. Interim payment request shall be submitted through a completed application form, accompanied by the relevant documents.

(4) For final reporting on the implementation of the projects under the Energy Efficiency Scheme, the Beneficiaries shall prepare and submit finalized technical and financial reports to NTEF, prepared pursuant to Annexes No. 13, 14 and 16.

(5) The condition for performing interim or final payment under EES is the availability of a Checklist, signed by all participants in the check (Annex 15), containing a detailed description of all completed CIW.

(6) The payment request under the Scheme for promoting the use of electric vehicles shall be submitted through a filled-in application for payment form (Annex No. 10a), accompanied by the relevant documents from the list in Annex No 16a, only on paper to the NTEF address.

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Article 19 INFORMATION STORAGE OBLIGATION

Through signing the Financing Agreements under CIP, the Beneficiaries shall be obliged to keep the project documentation for a minimum of five years after completion of the project, or for a longer period in compliance with the applicable legislation.

The beneficiaries shall also be obliged to submit information after the project completion with the aim to collect data in connection with evaluation of the made investment.