

Project Application Form

Under the Recovery and Resilience Facility

1. Project name
Public support program for development of industrial parks and improvement of their infrastructural connectivity
2. Description of the project (objectives, main activities)
<p>The industrial parks development is a strategic state priority set in the Government Program. In pursuance of this priority, was developed an Act on Industrial Parks (The Act) - project, approved by the Council of Ministers and submitted to the National Assembly on 13.08.2020. Industrial zones and parks are an important prerequisite for attracting new investments in industry. The availability of land for industrial purposes and built elements of the technical infrastructure are crucial in the choice of location and are important for the investment decision of local and foreign companies. The differentiation of properties and facilities in industrial zones, located in regions of the country with well-developed infrastructure and access to international transport corridors, supports the flows of materials and finished products of the production enterprises in the zones.</p> <p>The main goal of the Act on Industrial Parks is to create an opportunity to build in a short time modern industrial zones with all the necessary infrastructure for investors. This will provide investors with the opportunity to start building their production facilities in the parks in a short time.</p> <p>The new Act also aims to create conditions for promoting innovation in production activities for the development of high value-added productions and services, high-tech productions and services by providing conditions in industrial parks for the implementation of research and development, innovation and transfer of technologies.</p> <p>The current project envisages the identification of key industrial parks, the construction of a leading infrastructure for each of them and the establishment of a strategic investor in the industry (anchor investor) in each of the parks.</p> <p>Financial resources from the RRF will contribute to achieving the objectives of the law (the bill). The identification of the key industrial parks as per the Act will be performed by the Ministry of Economy and the Ministry of Regional Development and Public Works, and for this purpose consulting services will be needed, which are provided in item 5.1.</p> <p>The development of the industrial sector has a leading role in increasing economic growth, creating new jobs and increasing the country's export capacity. In the industry, the projects have a long-term horizon and sustainable positive effects on economic development. As the capital investments in the production are high, the growth of these investments is an indicator of the strategic intentions of the investors for establishment in Bulgaria.</p> <p>Taking into account that Bulgaria is getting more attractive as an investment destination, and the lasting positive trend of expanding the production capacity of local and foreign companies, the possibility of state support for new investments planned by companies would</p>

help to significantly increase regional economic activity and improve regional economic Indicators. The construction and development of industrial parks in the regions of the country will improve their attractiveness to potential investors.

In combination with successful interaction with the municipal administrations for support of the companies in the investment process through the available incentive measures, preconditions will be created for a lasting positive tendency of reduction of the imbalance in the regional economic development.

The aim of this project is to create conditions for investment promotion by building key industrial parks of strategic importance in different regions of the country to reduce the strong disparities in regional economic development.

Public support and funding for project activities is envisaged through a program funded by **the Recovery and Resilience Facility (RRF)**.

The program will have two separate components:

1. Construction of infrastructure. Includes:

- o Connectivity infrastructure - construction of elements of the technical infrastructure to the borders of the park;
- o Specialized infrastructure - necessary for the introduction of research and development, innovation and technology transfer, testing laboratories connected to the existing organization for the creation of enterprise parks, employee training center.
- o Social infrastructure - kindergarten or day care center for children; dormitory for workers in the enterprise in the park.

For the construction of infrastructure it is planned to allocate 4/5 of the programme funds.

2. Shortening of supply chains and reindustrialization - envisages financing of activities for attraction, provision of conditions and retention of strategic investors who can contribute to the reindustrialization of Bulgaria, closing the cycle of existing productions, increasing the added value and productivity in production.

For the implementation of this component, It is envisaged to allocate 1/5 of the programme funds.

The project envisages the following **activities**:

1. Formulation of criteria for identification of industrial parks of strategic importance, for financing of activities that can be supported, based on an analysis of the potential for construction and development of key industrial parks;
2. Identification of key industrial parks of strategic importance for the balanced territorial development of the country, according to the Act on Industrial Parks;
3. Determination and evaluation of elements of the technical infrastructure, of the specialized and social infrastructure for each of the selected parks. Financing of activities under the component "Infrastructure construction".
4. Financing of activities for attraction and retention in the industrial parks of strategic investors (anchor investors), through a dedicated component "Shortening of supply

chains and reindustrialization";

5. Technical assistance for the implementation of the project activities and consulting assistance - at each of the stages of the project by components (1, 2,3).

Operators of industrial parks (private, with state or municipal participation) registered under the Act on Industrial Parks may apply for funding under the program.

Potential beneficiaries are existing and / or partially constructed industrial parks that can be included at the start of the program, as well as potential parks that will be identified and structured during the implementation of the program. The availability of ready-to-implement projects, projects at an advanced / initial stage, as well as potential projects contributes to the rapid start of implementation and to the long-term sustainability of the program.

Both private and state and municipal industrial zones are being built in the country. An example of a successful partnership between municipalities and a private investor is the consistent construction of a large number of industrial zones in Plovdiv district, united at a later stage in the Thrace economic zone.

State Industrial Zones is being established by the National Industrial Zones Company.

The first component of the program creates conditions for encouraging private investment through public investment to build the necessary infrastructure of industrial parks and creates conditions for the development of the activities of various economic entities in the parks on equal terms.

Crucial to the sustainability of the program is the fact that investments in the construction of industrial parks are a generator for attracting private investment in and around the park, becoming a center of attraction for a number of other projects.

The second component of the program creates conditions for attracting strategic investors and is aimed at targeting companies in the industry to start operations in the industrial park, whose operator is registered under the Act on Industrial Parks and is aimed at achieving a cross-border effect and shortening supply chains within the EU.

3. Beneficiary

Ministry of Economy.

The overall approach for the implementation of the individual components of the project requires the building of specific capacity and possible identification / separation of a unit for management of the project components.

4. Time schedule for project Implementation, including activities, stages¹

¹ The time schedule shall be relevant for determining interim targets within the framework of the Recovery and Resilience Plan and is directly related to the disbursement of grant instalments from the Recovery and Resilience Fund.

1. Formulation of criteria: January - March 2021;

2. Identification of key industrial parks: April - May 2021;

3. Valuation and financing of activities under "Infrastructure construction": June 2021 - December 2023.

4. Financing of activities under the component "Shortening of supply chains and reindustrialization January 2021-December 2023,

5. Attraction of investors and implementation of projects in the industrial parks: June 2022 - December 2023.

	Component 1 Construction of industrial park infrastructure	Component 2 "Shortening of supply chains and reindustrialization"	notes
2021 q1, q2	<ul style="list-style-type: none"> • Formulation of evaluation criteria, • Identification of key industrial parks 	Development of a state aid scheme; Financing of activities under component 2	
2021 q3, q4	<ul style="list-style-type: none"> • Identification of key industrial parks, • Acceptance and evaluation of proposals for financing the construction of industrial parks, • Conclusion of contracts and financing of activities for construction of industrial parks - on approved proposals 	Financing of activities under component 2	
2022 q1, q2	<ul style="list-style-type: none"> • Acceptance and evaluation of proposals for financing the construction of industrial parks, • Conclusion of contracts and financing of activities for construction of industrial parks - on approved proposals 	Financing of activities under component 2	
2022 q3, q4	<ul style="list-style-type: none"> • Acceptance and evaluation of proposals for 	Financing of activities under component 2	

	financing the construction of industrial parks, • Conclusion of contracts and financing of activities for construction of industrial parks - on approved proposals		
2023 q1, q2	• Acceptance and evaluation of proposals for financing the construction of industrial parks, • Conclusion of contracts and financing of activities for construction of industrial parks - on approved proposals	Financing of activities under component 2	
2023 q3, q4	• Acceptance and evaluation of proposals for financing the construction of industrial parks, • Conclusion of contracts and financing of activities for construction of industrial parks - on approved proposals	Financing of activities under component 2	In order to avoid the risk of spending unspent funds on one of the two components, it is possible to provide for the possibility to transfer funds between the two components in the second half of 2023 and to negotiate by the end of 2023 or next year.
4.1. When can the project implementation start at the earliest after its approval?			
In early 2021			
5. Indicative financial resource by activity, including sources of financing (national budget, European funding, private funding, IFIs)			
Required financial resources: BGN 416.5 million from RRF - Private funding - depending on the scale of the project			

- Possible financing of individual activities under operational programs;

The necessary financial resources are planned to be divided between the two components:

1. For "Infrastructure construction" – 4/5.
2. For "Shortening of supply chains and reindustrialization" – 1/5.

In order to ensure the sustainability of the project and to finance its activities for a longer period, it is envisaged that after the construction of the elements of the technical infrastructure financed under this program, the operator / owner of the industrial park will be provided with three years for park development, then for ten years to allocate 5% of the revenues from its activities for refinancing the program -
 - the expenditure of this financial resource is not planned according to a schedule, because it is intended to ensure the sustainability of the project and its size cannot be planned in advance.

Under this program it is eligible to finance projects of industrial park operators, which include:

- **Partially built and functioning industrial zones** - up to BGN 50 million for expansion and rehabilitation of supply infrastructure;
- **Industrial land with obsolete purpose, with potential for restoration and modernization** - up to BGN 75 million for cleaning, reclamation and rehabilitation of infrastructure elements;
- **Newly designated areas with potential for development** - up to BGN 100 million for infrastructure construction.

For the construction of an industrial park it is eligible to finance the following activities:

1. Elements of the technical infrastructure

- Up to 10 km. two-lane road:
 - at a price of BGN 5 million / km (BGN 4-6 million per km for construction²) - 50 million for a new road;
 - at BGN 1.2 million for rehabilitation of a two-lane road - BGN 12 million;
 - Up to 10 km. for the railway connection:
 - at a price of BGN 7 million for building a new connection (BGN 6-8 million³) - BGN 70 million for a new connection;
 - at a price of BGN 4 million for rehabilitation (BGN 3-5 million)- BGN 40 million for rehabilitation;
- Electricity: for 1 110/20 kV substation - BGN 7 million. for construction or rehabilitation; and for power line: BGN 500,000 / km for construction;
- Gas connection: for a new AGRS - BGN 1.5 million or for rehabilitation of AGRS - BGN 1 million and for a gas pipeline - BGN 392,000 / km, for a new / rehabilitation

2. Specialized infrastructure

² The road connection to an industrial zone may contain elements such as a roundabout, a turnaround, an overpass, etc.

³ An example is attached in which a value of EUR 12.5 million for 5 km is estimated. new railway connection - or approximately BGN 50 million (BGN 60 million with VAT) for 10 km. railway

- Center for training of employees in the enterprises of the zone - BGN 3.0 to 3.5 million.
- Laboratories and research infrastructure

3. Social infrastructure

- kindergarten or day care center for children - BGN 3 million;
- dormitory for workers in the enterprises in the park - BGN 3 million.

The presented indicative values for construction / rehabilitation of the infrastructure elements are provided by the Road Agency: Railway Agency, ESO AD, Bulgargaz EAD respectively within a study for construction of leading infrastructure for a large industrial area in which to implement a large-scale project of a potential investor in the industry.

The specified values are indicative. The valuation of the elements of the technical infrastructure is part of activity 3 of the project, as indicated in item 2 "Description of the project". The exact calculation of the necessary funds for each element will be determined after the preparation of technical projects with quantitative and value accounts for each of the elements of the technical infrastructure.

5.1. Indicative allocation of the financial resource, depending on the type of expense

- Construction / rehabilitation of infrastructure (construction and installation work) - 60%
- Physical capital (grant, purchase of machinery and equipment) - 20%
- Human capital (skills development, retraining...) - 4%
- Labor (labor costs, consulting services...) - 6%
- Technology (costs for acquisition of intangible assets - patents, software...) - 8%
- Technical assistance, consulting services - 2%

6. Indicators

6.1. Result indicator/s

1. Created and functioning **4** industrial parks with built infrastructure and energy connections;
2. Contracted funds under budget component 1;
3. Contracted funds under budget component 2;
4. Attracted at least **4** significant investors in industrial parks.

--

Indicator 1:

- Initial value - Number of industrial parks under construction- 1, number of attracted significant investors -1 [2021]
- Intermediate value - Number of industrial parks under construction / built - 3, number of attracted significant investors - 3 [2022]
- Final value - Number of constructed industrial parks 4, number of attracted significant investors 4 [2023]

Indicator 2:

- Initial value: June 30, 2021 - 0;

- Intermediate value December 2022 - agreed 70%;
- Intermediate value: June 2023 - agreed 90%;
- Final value: December 2023 - agreed 100%.

Indicator 3:

- Initial value: June 30, 2021 - 0;
- Intermediate value December 2022 - agreed 70%;
- Intermediate value: June 2023 - agreed 90%;
- Final value: December 2023 - agreed 100%.

Indicator 4:

- Initial value - Number of attracted significant investors -1 [2021]
- Intermediate value - Number of attracted significant investors - 3 [2022]
- Final value - Number of attracted significant investors 4 [2023]

6.2. Effect indicator/s

1. Increasing the share of investments (Gross fixed capital formation % of GDP) in GDP
- in 2019 according to Eurostat data it is 18.3%, compared to the EU average of 21.3%.
2. Attracting investors - number of completed projects in industrial parks.
3. Creating employment in industrial parks - number of jobs created.

Indicator 1:

- Initial value - 0 (we will take into account the increase in gross capital formation as a share of GDP, compared to its value in 2021, which is expected to be published by the NSI in March 2022);
- Intermediate value - increase in gross capital formation in 2022 by 0.7 percentage points of GDP compared to its value in 2021, (NSI data are expected to be published in March 2023)
- Final value - increase in gross capital formation in 2022 by 1.5 percentage points of GDP compared to its value in 2021, (NSI data are expected to be published in March 2024).

Indicator 2:

- Initial value as of June 30, 2021 - 0
- Intermediate value as of June 30, 2022 - 0 (industrial parks are still being developed, no projects can be expected to be implemented by investors in them)
- Final value as of December 31, 2023 - 4 attracted investors in industrial parks;

Note: It is realistic for industrial parks to start attracting investors in them, including key investors, only after they start operating (after 2024).

Indicator 3:

- Initial value as of June 30, 2021 – 0
- Intermediate value as of June 30, 2022 – 0
- Final value as of December 31, 2023 - 200 new jobs in industrial parks.

7. Does the project require the opening of a procedure pursuant to the Public

Procurement Act (PPA)?
After assessment and selection of the final recipients under component 1, the assignment of activities for the construction of industrial parks will be carried out in compliance with the principles of equal opportunities and non-discrimination, free competition, proportionality, publicity, transparency (according to applicable law - Law for public procurement, etc. Project activities under component 2 may require a procedure under the Public Procurement Act, but this will take place at a later stage, after the start of the project.
7.1. If a procedure under the Public Procurement Act is required, what part of the activities and financial resources will be subject of the public procurement?
7.2. If a procedure under the Public Procurement Act is required, what is the indicative schedule for its implementation?
-
8. Demarcation and complementarity
8.1. If similar projects have been implemented (regardless of their source of funding), describe how this project builds on/complements what has been achieved with previous projects.
-
8.2. If similar projects are envisaged to be implemented under the Partnership Agreement programs, the centrally managed facilities of EU or the Just Transition Fund, outline the demarcation with this project.
<p>Technical assistance that will strengthen the capacity to implement this project will be received under another project developed by the Ministry of Economy: Enhancement of the investment promotion policy to increase the competitiveness of the Bulgarian economy and promotion of private investment to foster the economic recovery / "Improving the policy to encourage investment to increase the competitiveness of the Bulgarian economy and private investment for economic recovery." The project will receive support from the European Union's Structural Reform Support Program (SRSP) for capacity building, but not for direct investment financing. One of its components envisages elaboration of analysis by regions for the perspective locations and model for creation and management of special economic zones.</p> <p>Demarcation with projects under the Fair Transition Fund: projects financed by this fund will be implemented with certain affected regions. The industrial zones under this mechanism are not focused on the re-industrialization of the country, encouraging strategic investors and overcoming the macroeconomic imbalances at the regional level, but are aimed at overcoming the specific challenges related to decarbonisation.</p> <p>Activities related to the construction and development of industrial zones and parks are planned during the next programming period under OPIC and OPRD. While OPRD provides support for partnerships between municipalities and investors for construction and development of the Project, OPIC will finance measures to support</p>

enterprises in the parks.

This project will fulfill one of the main objectives of the new Act on Industrial Parks, namely - identification and development of key industrial parks of strategic importance for balanced development of the regions in the country, corresponding to the objectives and priorities of the strategic documents for regional and spatial development.

The activities envisaged for implementation under this project will not be financed under an operational program or from the state budget.

The implementation of the project will achieve a synergistic effect and complementarity of the various measures envisaged for implementation and financing from different sources with the ultimate goal of building and sustainable development of industrial parks to increase regional economic activity.

9. Does the project directly contribute to the implementation of any of the Council's Specific Recommendations addressed to Bulgaria in the framework of the European Semester in the period 2017-2020? Please describe how.

Specific Recommendation 3 of 2019: To focus investment-related economic policy on research and innovation, transport, in particular its sustainability, water, waste and energy infrastructure and energy efficiency, taking into account regional disparities and improving the business environment.

Specific Recommendation 3 of 2020

Give priority to ready-to-implement public investment projects and stimulate private investment to accelerate economic recovery. To focus investment in the green and digital transition, in particular in the field of clean and efficient production and use of energy and resources, environmental infrastructure and sustainable transport, contributing to the gradual decarbonisation of the economy, including in the coal regions.

The project will contribute to the implementation of SR 3 because:

- It will give priority to ready-to-implement public investment projects - industrial parks, thus stimulating private investment and accelerating the economic recovery of the regions and the reindustrialization of the country. Bulgaria will be able to provide conditions not only to domestic but also to potential foreign investors who wish to shorten supply chains and invest within the EU;
- It will stimulate private investments in already built industrial parks with developed infrastructure and energy connectivity.
- Will create conditions for building internal infrastructure for research;
- Will contribute to the construction of facilities for green energy production for the needs of enterprises in the park;
- It will assist in the development of ecological transport connections - railway. connections, charging stations for electric vehicles and vehicles, etc., which contributes to decarbonization.

10. Does the project contribute to the implementation of a reform in a given sector? Please describe how.

Related reform or investment	Milestone or target name & number	Qualitative indicators (for milestones)
Reindustrialisation	Act on Industrial Parks	Expected to enter in force in 2021
<p>The implementation of the project will contribute to the achievement of the objectives of the policy area - Intelligent Industry, in particular the reform for reindustrialization, within pillar 1: Innovative Bulgaria of the RRF.</p> <p>Providing a favourable environment for new investments will help the industrial sector.</p> <p>A major reform effort is related to building a more sustainable and flexible mechanism for attracting investment in industry through the development of industrial ecosystems.</p> <p>The adoption of the Industrial Parks Act (expected to enter into force in 2021) will improve the regulatory framework, thanks to the planned reduction of the necessary procedures for industrial investments, as well as the setting of minimum required standards for work in industrial ecosystems. in order for them to enjoy state support.</p> <p>At the same time, this regulatory instrument does not directly affect the possibility of public support for industrial parks and areas, the country will seek to pursue a policy of support where it would not push an already developing private initiative.</p> <p>This project aims to support public-private partnerships for the development of industrial parks. Public support is aimed at building elements of infrastructure and connectivity to park boundaries. Private operators will be responsible for the construction and development of the parks themselves.</p> <p>The program, by providing public support for the development of industrial parks, will contribute to the development of the entire region in which the park is located. Attracting new strategic investors will also contribute to the development of a number of ancillary services and productions, mainly SMEs, which will serve companies and their employees. <u>The functioning of the parks creates conditions for the formation of chains of related industries and services and infrastructure that facilitates communication between them and promotes innovative practices and joint activities will ensure the sustainability of the program because it will consistently attract new industries and services and create sustainable employment.</u></p> <p>This proposal is in line with the general concept of investments such as capital formation and specifically as investments in tangible assets, in intangible assets such as data, intellectual property, research infrastructure, skills.</p> <p>The funding criteria will be required to include the possibility to promote as a priority projects that contribute to the transition to a digital and green economy, as well as to provide an opportunity to finance digital and energy audits of companies offering investment projects for implementation. on the territory of industrial parks.</p>		
<p>11. Does the project contribute to the development of any aspect of sustainable economic development? Please describe how.</p>		
<p>The construction of industrial parks will help to focus investment in the field of green and digital transition and hence to achieve goal 9 "Building sustainable infrastructure, supporting inclusive sustainable industrialization and innovation" of the UN global goals for sustainable development.</p>		

In addition, on the territory of industrial parks there is an opportunity for their operators or other private investors to take advantage of opportunities for educational and social activities that provide other programs (for example, operational programs).

The criteria for evaluation and eligibility for financing of projects of industrial zone operators provide for the requirement to develop in the industrial zones productions whose economic activities are in accordance with the requirements of Regulation (EU) 2020/852 of the European Parliament and Council of 18 June 2020 establishing a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088. Economic activities should only be classified as environmentally sustainable when carried out in compliance with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, in accordance with the same Regulation.

We note that the OECD is reviewing Bulgaria's investment policy and that Bulgaria is expected to join the OECD Declaration on Multinational Enterprises after its completion.

12. Does the project contribute to the implementation of the objectives of the National Development Program BULGARIA 2030? Please describe how.

The implementation of the project will contribute to the achievement of the objectives of the NDP Bulgaria 2030 and in particular of Axis of Development 1. Innovative and intelligent Bulgaria, Priority 3. Intelligent industry.

To the greatest extent the project will help to achieve the main goal of sub-priority 3.2 Technological intensity and innovation environment, namely: creating conditions for increasing the technological level of Bulgarian products and exports through targeted support to increase specialization in products and industries characterized by high technological and R&D intensity.

13. Does the project contribute to the implementation of the objectives and priorities set out in the National Integrated Energy and Climate Plan? If yes, please describe how.

The project will contribute to the goal set in the Integrated National Plan "Energy and Climate", in 3.1 Dimension "Decarbonization" for accelerated deployment of the infrastructure for charging electric and hybrid cars.

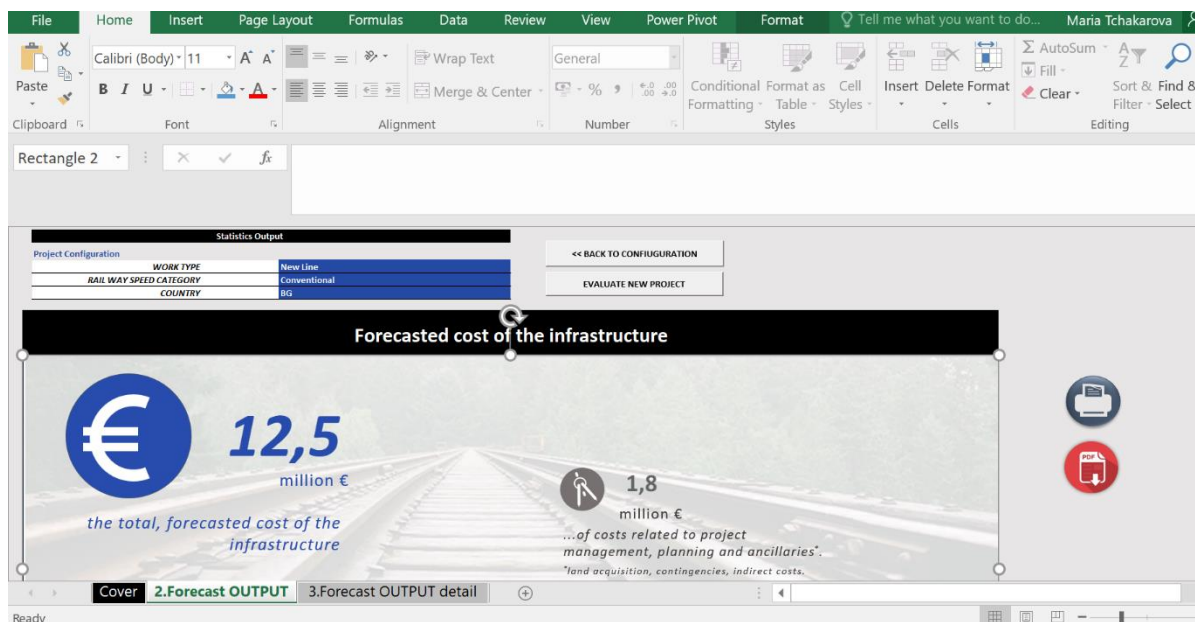
Examples of requirements for road connection to an industrial zone and valuation
Example 1:

POOLED INDICATOR VALUE FOR RECONSTRUCTION OF "..... , BYPASS SERVICE ROAD AND ROAD JUNCTIONS OF					
position	DESCRIPTION OF THE TYPES OF WORK	SINGLE UNIT	QUANTITY	SINGLE PRICE excluding VAT (leva)	VALUE exclusive VAT (leva)
1	- ROUNDBABOUTS -on	qty	2	1 000 000	2 000 000
2	3-WAY JUNCTIONS -	qty	4	600 000	2 400 000
3	SERVICE FOUR-LANE BYPASS ROAD -	km	6.05	4 600 000	27 830 000
4	RECONSTRUCTION OF EXISTING TWO-LANE ROAD INTO FOUR-LANE ROAD -	km	1.25	2 500 000	3 125 000
5	Double road restrictive system in the dividing line	km	1.25	200 000	250 000
6	Double road restrictive system in the dividing line - service bypass road of industrial zone	km	6.05	200 000	1 210 000
7	Bridge over duct, L=15m	km2	300.00	1 500	450 000
8	Bridge on II-56, L=8m - a lay-by of 11m.	km2	220	1 500.00	330 000
	Amount:				37 595 000
	20% VAT				7 519 000
	TOTAL:				45 114 000

Example 2:

1. Project value

The total cost for construction of a new railway connection - single track with about 5 km length amounts at 12.5 MEUR.



2. Justification of costs

For adequate calculation of the related to the project unit values was used the system software of the European Commission **Regio Rail Unit costs Tools**.

Input data for the investment project are introduced in the system and based upon statistics of similar projects and their location are calculated general costs and unit values as per groups of elements. Using the above instrument, the following unit values were calculated this particular project:

Total length in km		5
Equal to double line in km		2,5
Structures of rail road	Unit value in mln.€ per km	Total value in mln.€
Track	3,98	10,109
Electrification	0,38	0,9652
Signaling	0,28	0,7112
Telecommunication	0,125	0,318
Costs related to project		0,397
Total project's costs		12,50