Industrial zones development

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1. Basic Information

1.1 CRIS Number (Phase 2): BG 2006/018-343.10.03
1.2 Title: Industrial zones development
1.3 Sector: Economic and Social Cohesion
1.4 Location: Republic of Bulgaria
1.5 Duration: 24 months (phase 2)

2. Objectives

2.1 Overall Objective:

To provide increased investment opportunities and favourable business environment in order to maximise direct foreign and domestic investments and foster economic development as part of Bulgaria’s preparations for implementing EU cohesion policy upon accession

2.2 Project purpose:

To improve the infrastructure of industrial zones, business parks and locations and establish efficient conditions for attracting new investments, thus increasing the economic development potential.

2.3 Accession Partnership (AP) and NPAA priority

The project is closely related to one of the NPAA priorities addressing the promotion of competitiveness through market-based enterprise restructuring and further measures to improve the business environment and stimulate domestic and inward investments.

In respect of industry development and future economic policy, the NPAA acknowledges the necessity for finalising the key structural changes in industry as important pre-condition for increasing the industrial productivity and quality of production, in order to bring performance indicators closer to the EU average and maintain favourable business environment for sustainable economic growth.

The project addresses the priorities identified under the economic criteria in the Accession Partnership and the implementing measures envisaged by the Action Plan for:
- development of a favourable business environment and capacity to cope with competitive pressure and market forces within the Union
- improving the competitiveness of the Bulgarian business and hence the Bulgarian economy
- improving the business environment and fostering business development
- promotion of high value added productions /GVA/ for attaining increased economic growth /GDP/

2.4 Contribution to National Development Plan

Creating attractive environment, for investments, this project will directly contribute to the following NEDP 2000-2006 mid-term strategic objectives: balanced and sustainable economic growth, decrease of regional disparities and improvement of infrastructure quality.
The project objectives contribute for achieving NEDP priorities, namely “Attaining Balanced and Sustainable Economic Development” and “Increasing the competitiveness of Bulgarian economy” and are also relevant to the following fields targeted by the Regional Operational Programme and “Increase of the Competitiveness of the Bulgarian Economy” Programmes for the period 2004-2006:

- Boosting Business Competitiveness
- Improving Business Related Infrastructure
- Creation of industrial zones

2.5 Cross Border Impact

Not applicable

3. Description

3.1 Background and justification:

Bulgaria has achieved a good progress in its economic development during the recent years. Stable GDP growth (3-7%) is being observed in the Bulgarian regions, which is higher comparatively to the average of EU15. However, despite this systematic GDP growth in the country, the development disparities between Bulgarian and EU regions still remain significant. In 2002, the GDP (PPS) per capita is only 29% from the EU15 average, which gives the last positions of BG regions among these in the EU member states. In this respect, considerable efforts are still necessary for establishing favourable conditions to boost regional competitiveness and attract new inward and foreign investments and provide sustainable economic development.

General demand of all NUTS II planning regions in Bulgaria is the promotion of investment for fostering their development and further structural adjustments. This is important pre-condition for overcoming the social-economic problems in certain territories, which are mostly affected by the process of economic restructuring, and in the same time have lowest adaptability to the existing market conditions. These territories require special measures for promotion of investments in new economic activities to diversify the mono-structural economy in these regions. These activities require special attention, in order to provide positive social and demographic effect on the territory in long-term perspective and lead to stable economic development in the regions.

Local distribution of the FDI shows a model of tendencies, which definitely express the preferences to urban areas with well developed infrastructure and availability of qualified human resources. Regional analysis of the FDI indicates highly uneven distribution of investments. Southwest region has attracted almost half of the overall investments volume, which is mainly due to the presence of the capital city. The lowest level is acknowledged in the Northwest region.

Extensive economic development of Bulgarian regions is dependently shored up by various factors, most important of which are the legislative base, fiscal policy and the existing infrastructural conditions for business development. In this respect, a number of surveys have been conducted in the course of the recent years, acknowledging the fact that the development of the industrial sector is hindered and mainly because of the obsolete and inadequate related infrastructure, which is a fundamental prerequisite and demanding condition for attracting new foreign and inward investments. The major interest of foreign investors as observed by Invest Bulgaria Agency (IBA) is in Greenfield and Brownfield investment which demonstratively means that the investors search mainly for industrial plots with sufficient and well maintained infrastructure and, if possibly, ready-built new or preserved production facilities.
The investment decisions of the international companies are mainly influenced by the existing opportunities for starting business or establishing an enterprise in shorter terms. This is often determined not only by the accessibility to prompt administrative services, but also by the availability of ready-to-use fully equipped investment sites with suitable infrastructure or fully serviced business sites alternatively.

Industrial zones are an important instrument for economic development with regard to promotion of investments, creation of jobs, improvement of the level of technology equipment, as well as for alleviation of the disparities in the economic development of the regions. These sites are defined as particular parts of the country territory, where investment projects of local and foreign investors can be realized. The territory of the industrial zones comprises real estate with municipal or state ownership. In this respect, functions for operating, managing and promoting an industrial zone, could be possibly delegated to an appropriate legal entity. The development of the industrial zones will enable the attraction of investment projects, as well as investments in higher value added production and services.

The existing production facilities in the country available for sale or lease are predominantly old and the possible repairs would cost much more or equally to a newly-built facility. Having in mind that they will not fully comply with the requirements of the investor, such an investment is practically inefficient. On the other hand, there are zones/locations which only need some improvements of related infrastructure in the surroundings of the production facilities.

Industrial sites located close in the outskirts of the cities have good advantages for meeting investors’ needs – transport access to main import/export road networks, communication and infrastructure security (water supply, gasification, communication technologies). However, infrastructure of these sites is often obsolete and not maintained well, since municipalities are not able to invest amounts considerably exceeding their annual budget. For that reason, although having good development potential, these areas could not utilise this potential due to a lack of adequate infrastructure.

As a result of investigating the interest of foreign investors, taking into account the present existing opportunities and the experience in other Central and Eastern European countries (the Czech Republic, Romania, Poland, Hungary), it could be concluded that availability of industrial zones with sufficient and well maintained infrastructure and, if possible, ready-built production facilities definitely boosts the investors’ interest for establishing further industrial production activities.

Demand is visible in the following statistics of requests for ready buildings deposited at Invest Bulgaria Agency (IBA). The investors looking for industrial zones in Bulgaria come mainly from the EU (80% of the companies), USA, China and Turkey, and are engaged in mechanical and electrical engineering (16 companies), textile (4 companies), electronics (2 firms) and other manufacturing activities like plastic parts, furniture etc. Statistics show that about 20% of investors are looking for land for expansion between 10,000 and 40,000 sq.m. For the last 7 months, there have been 24 companies who have approached the IBA searching for ready buildings. The majority of them look for production facilities between 3,000 and 6,000 sq.m.

An urgent need is registered for fully equipped industrial sites that can be readily offered to potential investors. The most preferred locations for situating the manufacturing facilities are within 100 km distance from Sofia or in other big cities with industrial traditions and sufficient workforce, on or close to highways or first class roads, near to good logistics connections.
Good locations of industrial zones to be successfully developed could be easily defined using the following common selection criteria not exhaustively including:

1) Availability of sufficient (at least 10,000 sq.m) land with clear municipal or/and state ownership as in-kind contribution for developing industrial zone
2) Accessibility of industrial plots and connectivity with the transport network (highways, first-class roads)
3) Remoteness from big city centres
4) Opportunities to connect and develop technical infrastructure (i.e. electricity, water supply, sewerage, communications, etc.) to the site facilities
5) Environmental clearance of the locations
6) Committed co-financial guarantees or financial guarantees
7) Capability to cover management and running costs
8) Availability of sufficient skilled work force at local labour market adequate to the investors’ interest

A good example of the investors’ interest is the development of industrial zone of such kind in Rakovski municipality. Since the time when the zone became operational, there have been a large number of foreign and Bulgarian companies, which have visited the zone to get familiar with the investment opportunities. For the first 6 months of its existence, 7 contracts with investors have been concluded and their production facilities will be located in the area very soon.

Aiming to improve the investment environment, the Bulgarian Parliament has adopted an Investment Promotion Act in April 2004. This Act ensures equal treatment of foreign and domestic investors and provides for both investment incentives and integrated administrative services in shorter terms. As stated in the Act, investments shall be encouraged in fixed assets acquisition with the purpose of creating new or enlarging or modernizing existing production of goods and/or services, which create new jobs, and the period for realization of the investment shall be up to 3 years. Depending on their size, investments are divided into three main classes. Specific investment incentives are envisage for each of the classes. The incentives for the first class large investment projects provide opportunities for acquisition of property rights to real estate, as well as for building infrastructure up to the borders of the investment site.

Following the strategic approach and aiming to create better investment opportunities, this project intends to encourage infrastructure development of industrial sites through construction/reconstruction/rehabilitation of local access roads to and around business facilities; development of water, sewerage, electrical systems, gas supply system, communications; construction, renewal and reconstruction of business facilities.

The project is fully in line with the preparations of Bulgaria to participate in Structural Funds upon accession. The National Strategic Reference Framework for the period 2007-20013 has outlined priorities for increasing the competitiveness of the Bulgarian economy and to achieve balanced and sustainable regional development. These priorities will be channelled through two of the operational programmes – “Competitiveness”, to be managed by the Ministry of Economy and Energy, and “Regional Development” to be managed by the Ministry of Regional Development and Public Works. The operational programmes envisage future interventions both for infrastructural improvements of industrial locations, development of human resources and industrial management in a complementary manner. Therefore, the project outcomes will be useful pilot experience for further investments and are important pre-condition for better absorption of Structural Funds.

Operational Programme “Regional Development”, under Priority Axis 1 “Urban Regeneration and Development” and in particular Operation 1.3 “Organisation of Economic Activities” aims at favouring the integration of infrastructure facilities and locations for enhanced business
development and attraction of new investments, through upgrading and reconstruction of existing or
development of new technical business-related infrastructure networks, setting up of new Greenfield sites and Revitalisation of existing industrial zones. In this respect the experience gained during the implementation of the present project will be used for the more effective implementation of the operational programme supporting similar activities through the Structural Funds.

The project will take into consideration the objectives, the scope and envisaged operations under OP “Regional Development”, OP “Competitiveness”, OP “Human Resources Development” and OP “Transport” in order to ensure that the project interventions are aligned with and do not overlap the activities financed under these operational programmes at project level. This coordination at managing authorities’ level will provide for a better impact on the territory in an integrated manner.

3.2 Sectoral rationale

Not applicable

3.3 Results

**Phase 1 (FM 2005):**

- Programme for developing industrial zones in Bulgaria prepared;
- Industrial and business locations appropriate for investments screened after a call for expression of interest and recorded in a data-base
- Sites for further infrastructural development identified;
- Management models for industrial zones development investigated and developed;
- Competent operational management teams placed, trained and fully operational
- Business plans and marketing strategies for the industrial zones elaborated
- Capacity at local level for promoting and attracting investments improved;

**Phase 2 (FM 2006)**

- Technical and procurement documentation for the selected sites elaborated;
- Accessibility to industrial locations improved
- Related technical infrastructure of industrial locations and sites developed
- Technical business facilities provided
- Basic conditions for attracting new investors and creating job opportunities established
- Supervision of works activities in the industrial locations provided

3.4 Activities:

**Phase 1 (FM 2005)**

**Component 1: Technical assistance**

The technical assistance contract will be organized in two phases. The first phase will include investigations on industrial zones development in Bulgaria, defining criteria and selection of sites, in which infrastructural improvements are to be undertaken. Furthermore, a comprehensive inventory data-base will be prepared to register industrial zones locations and their profiles. The
The second phase will encompass training for the Management Boards and the Management Teams, which will be responsible for industrial zones management.

**Identification of industrial sites for infrastructure development**

Following the provisions of the Investment Promotion Act, a National Strategy for Investment Promotion has been elaborated by the Ministry of Economy and Energy and adopted by the Council for Economic Development, underpinning the intended governmental policy for encouraging investments in Bulgaria. The strategy indicates the main fields to be address by separate programmes in order to achieve good policy impact. Among these programmes to be prepared is the Programme for Industrial Zones Development, which should ground future investments in this field. Elaboration of this programme will be supported in the framework of this service contract, which will also address the capacity of the structures responsible for investment promotions within the district governors’ offices and the municipal authorities. Actions will be undertaken to properly put in place the investments for industrial sites development, which will be implemented during Phase 2. The assignment of the service contractor will be generally focused in the following main areas:

1. Elaboration of a programme for industrial zones development in Bulgaria
2. Recognition and addressing of legal and administrative gaps
3. Identification of key actors (case specific) and development of industrial zones management models based on different factors (i.e. ownership, legal provisions, participation of stakeholders, etc.)
4. Exploring investment sites and developing scenarios for possible Brownfield and Greenfield industrial development
5. Defining criteria for selecting suitable sites in accordance but not limited to the description made in item 3.1.
6. Launching a call for expression of interest, screening of proposed sites and ranking according to the criteria, resulting in a pilot pipeline of zones to be developed
7. Analysis for the availability of skilled labour force, ease of companies to deal with administrative hurdles and to overcome need for specific expertise
8. Awareness and training of district and municipal officials and NGOs in promotion of industrial zones development.

The contractor will have to consult the activities with Investment Policy Directorate (MEE), Pre-accession Programmes and Projects Directorate (MEE), Invest Bulgaria Agency and the Ministry of Regional Development and Public Works. District governors and municipal authorities, as well as other stakeholders if appropriate should be closely involved as counterparts at regional and local level.

The contractor will identify and highlight the most appropriate industrial locations for further infrastructure development. The final decision for selecting the sites will be taken jointly by the key bodies involved – Ministry of Regional Development, Ministry of Economy and Energy and Invest Bulgaria Agency after consultation with the Steering Committee.

**Data-base for industrial site locations**

In addition, the contractor will develop a web-based information database containing useful and detailed information, which could be used by potential investors. The data-base will be maintained...
by the Investment Policy Directorate within the Ministry of Economy and Energy and will be also accessible to the Invest Bulgaria Agency and the Ministry of Regional Development and Public Works. Generally, the database will contain the following information:

- State-owned and municipal land offered to investors;
- Location and transportation logistics;
- Status of business infrastructure and facilities;
- Work resources – quantity, quality, skills and traditions;
- Universities, vocational schools and training centres;
- FD Investment and main investors in the area;
- Business support institutions in the region contact details;
- Information for municipalities – opportunities, contacts for persons responsible for investors’ support;

The contractors should also provide training for the responsible officials for operating, updating and maintaining the database.

**Training management bodies of the industrial zones**

The management of the industrial zones will be organised in accordance with the models developed and the findings and recommendations made by the contractor in Phase 1. The zones will be run by a legal entity established on a partnership-based principle with participation of public, private and if appropriate the non-governmental sector. Each industrial zone will be managed by a Management Board nominated by the responsible institution (district governor or municipality) in compliance with the respective management model including representatives not limited to the following key participants:

- Municipal authorities
- District governors’ offices
- Development agencies
- Branch organisations
- Business associations and chambers
- Other appropriate local and regional stakeholders

Representatives from the Ministry of Regional Development, Ministry of Economy and Energy and Invest Bulgaria Agency will be invited to attend the meetings of the Management Board. The Management Board will have to define criteria and organise a transparent local selection procedure to recruit and appoint a Management Team, which will undertake all operational tasks of the industrial zone including:

- overall management on day-to-day basis
- development of business plan for the zone activities
- provision of administrative services
- marketing and promotion of the industrial zones for attracting investors

The Management Team will report the operational developments on industrial zones management to the Management Board on a regular basis.

The training of the Management Teams will be provided by the contractor under this component in close coordination with Ministry of Economy and Energy, who will also assist the Management Teams in developing a business plan for each of the selected industrial zones. Furthermore, the contractor’s team will be responsible for:

- Needs-based training for the management team
• Provision of management tools
• assistance for preparation and development of the business plan
• essential hands-on advice on the management team
• assistance for preparing a marketing strategy

The contractor will bring advisory support, expertise and inputs on the managers, management systems, investment promotion and letting policy. The training support will be provided both to the Management Boards and the Management Teams including the following fields:
• Providing services for the investors in the zones
• Business administration
• Accounting
• Tax legislation and procedures
• Human resources development (i.e. recruitment and training of staff, etc.)
• Business planning and development of business development strategies
• Advertising, promotion and presentation tools to visitors and other parties interested
• Communication methods
• Marketing and business development
• Attraction of investors
• Introduction of new technologies, technology transfer and know-how
• Profit improvement/cost reduction techniques
• Business management reporting templates and techniques
• Helpdesk services and training facilities
• Quality assurance systems

**Phase 2 (FM 2006)**

Activities will be explicitly focused on Greenfield investments in appropriate industrial sites and locations identified under Phase 1. These activities will be implemented through the following two components (contracts):

**Component 1: Technical assistance**

**Preparation and design of technical documentation**

Based on the findings and decisions taken in Phase 1 (FM 2005), the Contractor under this component will assist the preparation of the technical documentation necessary to launch works activities at the selected Greenfield industrial sites. In addition, the project implementation will be closely coordinated with the implemented industrial sites development measures under the operational programme “Regional Development” 2007-2013, which is also under the responsibility of the Ministry of Regional Development and Public Works. This will achieve continuity and complementarity of the investments in industrial sites infrastructure and will avoid potential overlapping at project level.

The assignment will include elaboration and development of full feasibility studies, technical and procurement documentation of selected sites for further infrastructure investments. In order to timely launch the works activities the tendering procedure could be possibly launched with a “suspension clause”.

It is provisionally estimated that full technical documentation for launching works activities will be prepared for a total number of some 16+ projects at the average price of 200 000 EUR each. (i.e. 3,200 MEUR). Prepared projects, for which the Phare works allocation (see component 2) is short
of resources, will be financed under the operational programme “Regional Development” 2007-2013.

**Supervision of works activities**

In addition, the contractor will be assigned to service the supervision of works activities for ensuring the industrial zones infrastructure (component 2), following the requirements of the Bulgarian legislation as well as the *Practical Guide to contract procedures financed by the general budget of the European Communities in the context of external actions*. The financial allocation of works supervision activities under the service contract will amount 10% of the total works budget (i.e. 1,215 MEUR).

**Component 2: Improving related infrastructure for industrial zones/locations**

The selected Greenfield locations will be provided with adequate infrastructure and the necessary technical facilities, thus ensuring good conditions and environment for attracting new foreign and inward investments. The scope of works activities will be carefully précised on the basis of the preliminary technical documentation. Eligible actions will be:

- Construction and instalment of Greenfield industrial sites and facilities
- Reconstruction/rehabilitation of local access roads to the business facilities
- Reconstruction of existing or development of new technical infrastructure networks, water supply, sewerage, communication links, electricity system, public lighting system, gas system, etc.
- Signposting to or within the industrial locations

Development of the selected locations will be implemented through a single works contract preferably organised in a number of lots if considered appropriate.

**3.5 Linked activities:**

**Ongoing projects:**

**Project BG 0004.02: SME business incubators**

This project aims to support start-up and recently established SMEs by providing premises and a range of services for selected enterprises for a limited time, in order to ease their entry into markets at a vulnerable period of their development. Access to common services and equipment, business advice, information and counseling will enhance the survival rate of viable SMEs in the two target regions – Northwest and South-Central planning regions.

**BG 0102.01: SME services and technology grant scheme**

This scheme, which is grounded in the productive sector investment strategy of the National Development Plan, addresses a shortage of modern management skills and access to finance on suitable terms for SMEs in Bulgaria. It is expected to improve business performance through a range of consultancy services focusing on technological transfer and innovations, management and organizational development, financial management, marketing and advertising and human resource development. The scheme includes a complementary grant scheme (co-financed by both public and private sector contributions) for upgrading production technology in the enterprises receiving consultancy services. The scheme is also providing services and advising on the selection of the enterprises that benefit from the scheme.
**BG 0102.02: Hi-technology business incubators**

The project includes a scheme, which is grounded in the productive sector investment strategy of the National Development Plan, aimed to strengthen the technology-based SME sector by providing infrastructure and support services for the start-up and development of innovative small businesses. Building on earlier projects sponsored by Phare and other donors, the scheme was initially designed to support the creation of up to six high-tech business incubators located at academic centres of technological excellence. Subsequently, two incubators located in Varna and Gabrovo were established. The clients will be innovative start-ups and small companies commercialising the results of research from Bulgarian academic centres and European RTD programmes. In view of the acute difficulties in obtaining finance on suitable terms from banks and capital markets, the scheme incorporates a grant scheme (co-financed by both public and private sector contributions) to help the selected enterprises bring to market products based on their innovative technologies.

**BG2004/016-711.11.03: Former Military Base Conversion**

The aim of this project, involving investment is to develop two former military base locations and fully equip them with relevant technical business-related infrastructure designated for investments, in order to provide increased new jobs opportunities. It focuses on: conversion of former military bases into business zones including related infrastructure; creation of business areas for investors; reconstruction of access roads to the zones and inside the zones; modernization of water systems, sewerage systems, communication systems, electrical systems; restoration and refurbishment of buildings for business; and implementation of environmental management systems.

### 3.6 Lessons learned:

Lessons learned from previous years show that timely and professional preparation of project documentation is a prerequisite for proper project implementation. In addition to that, a number of projects during the recent two years had their tendering and contracting processes delayed and projects have been contracted close to the expiration of the contracting period of the respective FM, thus shortening and risking the successful implementation. In this respect, it is very important that the preparation of the tender documentation should start in advance before signing the FM and the appointment of the responsible contracting manager should happen in due time.

A number of Phare projects similar to this (i.e. business incubators, conversion of military bases, etc.) were implemented and monitored, registering the following main difficulties and key issues, which should be taken into account:

- Ownership of the assets should be pretty clear before starting works activities. Transfer of land or facilities to public beneficiary bodies is essential to happen in advance
- Beneficiary bodies should not transfer the assets for a long-term period (at least 10 years)
- Beneficiaries should provide skilled managers to handle the facilities and provide good services to the tenants
- Beneficiaries should provide the running cost for the sites management and provide the teams will appropriate equipment
- Competition rules should be strictly followed. Investments could not be advantageous for some of the tenanting companies
- Investments in private-owned facilities could not be supported with Phare money
- Most of the investment projects lack the preliminary tender documentation (i.e. feasibility studies, EIA, CBA, etc. and should be taken into account in project activities, which lessens the contractual time available

There were some delays in the preparation of the tender documentation for the Phase 1 service contract. Expected date of submission to the ECD services is the end of April 2006. The service tender procedure will be launched accordingly upon approval. Updated implementation chart reflecting project status for 2005 phase is presented in Annex 2.
4. Institutional Framework

Institutional framework includes the key institutions involved in the implementation and monitoring of this project:

The National Aid Co-ordinator (NAC) has overall responsibility for programming, co-ordination, monitoring and evaluation of all Phare programmes. The National Fund (NF), in the Ministry of Finance, headed by the National Authorising Officer (NAO), has overall responsibility for financial management of the Phare funds. The NAO shall have full overall accountability for Phare funds allocated to the programme until the closure of the programme.

The Ministry of Regional Development and Public Works has initiated the establishment of consultative working group for developing the project fiche and held some individual meetings with the parties involved in the project. This working group will eventually lead to establishment of a Steering Committee, where the following institutions will be represented:

- Ministry of Regional Development and Public Works
- Investment Policy Directorate (Ministry of Economy and Energy)
- Pre-accession Programmes and Projects (Ministry of Economy and Energy)
- Ministry of Finance
- Bulgarian SME Agency
- Invest Bulgaria Agency
- Municipalities/district governors of selected sites
- EC Delegation (as observer)

Phare Implementing Agency Directorate (MRDPW)

The Implementing Agency will assume the overall responsibility for tendering and contracting procedures, administrative, financial and technical management of EU assistance to this project and monitoring of project activities. The implementing agency will manage the project financially and will make payments to the contractors.

Project Implementation Unit (PIU)

According to the regulations stated in the Investment Promotion Act, the Ministry of Economy and Energy is the responsible body for promoting investments measures and policies and for providing financial resources to implement these investment measures. In this respect, for the purpose of the project, a PIU will be designated under the responsibility of Investment Policy Directorate at the Ministry of Economy and Energy closely supported by Invest Bulgaria Agency. The implementation arrangements, duties and responsibilities will be defined and described in details in a Memorandum of Understanding to be signed between the Implementing Agency at the Ministry of Regional Development and Public Works and the bodies involved in the PIU. The PIU will closely supervise the implementation of project activities at operational level on a day-to-day-basis and will make recommendations for corrective measures if appropriate. The PIU will work with the technical assistance contractor, review documentation and selection of locations to be developed, assist the preparation of procurement documentation and will strictly oversee the work done at the supported industrial locations.
## 5. Detailed Budget

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<td>Total project 2005</td>
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<td>IB support – sub-total</td>
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<td>1.125</td>
<td>1.125</td>
</tr>
<tr>
<td>Total project 2006</td>
<td>13.500</td>
<td>4.500</td>
<td>4.500</td>
</tr>
</tbody>
</table>

(*) contributions form National, Municipal authorities, FIs loans to public entities, funds from public enterprises
(**) private funds, FIs loans to private entities

The national co-financing will be provided by the National Fund Directorate at the Ministry of Finance. All operational and running costs and the maintenance of the equipment will be provided by the beneficiaries.
6. Implementation Arrangements

6.1 Implementing Agency

Ministry of Regional Development and Public Works

17-19, Cyril and Methodius Str., 1202 Sofia
Mr. Stefan Gerasimov, Deputy PAO
Phone: +359 2 9405 487
Fax: +359 2 9870 737
E-mail: sgerasimov@mrrb.government.bg

6.2 Twinning

Not applicable

6.3 Non-standard aspects

There are no non-standard contracts or tender procedures envisaged within this project. All provisions of the Practical Guide to contract procedures financed by the general budget of the EC will be followed strictly.

6.4 Contracts

The following contracts are envisaged under the project:

Component 1 (technical assistance + supervision) - 4.500 MEUR
Component 2 (works) - 13.500 MEUR

7. Implementation Schedule (Phase 2)

7.1 Start of tendering/call for proposals

February 2007

7.2 Start of project activity

October 2007

7.3 Project completion

September 2009

8. Equal Opportunity

The investment scheme implementation procedures will ensure that the project brings benefits to men and women and to ethnic groups in equal measure. Special attention will be paid to ensure that women and members of ethnic groups are included in the project activities to the possible extent.
9. Environment

Environmentally hazardous activities will not be eligible for support under the project. Environmental impact assessments and feasibility studies will be required. The resultant business development will have no negative impact on the environment.

10. Rates of return

Rates of return can only be calculated for the individual projects approved for implementation. The evaluation criteria will seek to select works components that provide significant rates of return based on economic benefits, such as increased employment, etc.

11. Investment criteria

11.1 Catalytic effect:

Phare support will catalyze the process of improvement the economic and social cohesion in the region by investments in the proposed measures in compliance with the strategic objective of the National Development Plan and the Regional Operational Programme. Upon positive assessment of the results and impact of this pilot project, similar projects could be implemented in other target areas in respect to ensure improvement of business and employment conditions.

11.2 Co-financing:

The necessary co-financing for this project will be provided by the National Fund.

11.3 Additionality:

No other finances will be displaced by this Phare intervention.

11.4 Project readiness and size:

All documentation necessary for launching works procedure should be available at the time of selection of target locations.

11.5 Sustainability:

Project envisages investment sub-projects to be implemented on the territory of several municipalities. Municipal or district authorities in the selected target locations will obtain ownership of the assets to be developed under the project. After project conclusion, these authorities will have the obligation to maintain the infrastructure. Thus, the project will contribute to further sustainable development of target areas with attraction of potential inward/foreign investments.

The Ministry of Regional Development and Public Works and the Ministry of Economy and Energy will use the created model as future development tool for improving infrastructure of industrial zones and business locations, aiming to support certain areas with specific problems.

11.6 Compliance with state aids provisions

All assistance proposed under this programme will be consistent with Bulgarian legislation and EU State Aid Rules as they would apply to an EU Objective 1 consistent with Treaty Articles 87 (a) and

12. Conditionality and sequencing

12.1 Conditionality

Regarding project implementation each of the following terms of conditionality will be respected:

- There must be a clear public-dominated ownership of the industrial zones selected for investment interventions in Phase 2 of the project.
- The established industrial zones will not be used for any other purpose than the industrial zone purpose for at least 10 years. Otherwise, the owner will have to return the investment support to the EC.
- Commitment of the industrial zones owners will be explicitly required to secure supply of equipment, cover management and running costs of the zones for at least 5 years and to implement duly the elaborated business plans.
- In condition that the cleaning and refurbishment costs have been underestimated, the necessary costs will be covered by additional municipal/local or private financing.
- The Steering Committee must ensure the respect of the development strategy prepared when approving site selection in order to avoid construction of irrelevant and non-viable industrial zones locations.

12.2 Sequencing

The tender for the technical assistance in Phase 2 will follow the approval of Financial Memorandum. Contract award will follow the tender and the contractor should deliver the services as specified in component 1, Phase 2 and the timing specified in the implementation chart (Annex 2). The preparation of necessary project documentation and follow-up works activities should take fully into account the findings discovered and decisions taken in Phase 1. Supervision of works activities will be assigned to the technical assistance contractor mobilised to prepare the preliminary projects’ documentation and will be running in parallel to the works contract.

In addition, tender documentation for the works tender procedure should be compliant with the identified and selected Greenfield locations. Therefore, its preparation is related to the estimated timing of Phase 1, and will start immediately when the outcomes of Phase 1 contractor are delivered.

Annexes to project Fiche

1. Logical framework matrix in standard format
2. Detailed implementation chart
3. Cumulative contracting and disbursement schedule by quarter
4. List of feasibility / pre-feasibility studies, in-depth ex ante evaluations or other forms of preparatory works.
5. Reference list of relevant laws and regulations
6. Reference list of relevant strategic plans and studies.
## ANNEX 1: LOGFRAME PLANNING MATRIX

**Project Title:** Industrial Zones Development  

<table>
<thead>
<tr>
<th>Programme name and number</th>
<th>Phase 1: Contracting period expires November 2007</th>
<th>Phase 2: Contracting period expires November 2008</th>
<th>Phase 1: End of execution of contracts November 2009</th>
<th>Phase 2: End of execution of contracts November 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total budget (phase 1):</td>
<td>1.000 MEUR</td>
<td></td>
<td>Phare budget (phase 1): 1.000 MEUR</td>
<td></td>
</tr>
<tr>
<td>Total budget (phase 2):</td>
<td>18.000 MEUR</td>
<td></td>
<td>Phare budget (phase 2): 13.500 MEUR</td>
<td></td>
</tr>
</tbody>
</table>

### Overall objective

- To provide increased investment opportunities and favourable business environment in order to maximise direct foreign and domestic investments and foster economic development as part of Bulgaria's preparations for implementing EU cohesion policy upon accession.

<table>
<thead>
<tr>
<th>Objectively verifiable indicators</th>
<th>Sources of Verification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase of in inward and FD investments (%)</td>
<td>National and regional statistics</td>
</tr>
<tr>
<td>GDP growth rate per capita (%)</td>
<td>Governmental reports</td>
</tr>
<tr>
<td></td>
<td>Economic reviews, surveys and analyses</td>
</tr>
</tbody>
</table>

### Project purpose

- To improve the infrastructure of industrial zones, business parks and locations and establish efficient conditions for attracting new investments, thus increasing the economic development potential.

<table>
<thead>
<tr>
<th>Objectively verifiable indicators</th>
<th>Sources of Verification</th>
</tr>
</thead>
<tbody>
<tr>
<td>No of new jobs created in the industrial zones</td>
<td>National and regional statistics</td>
</tr>
<tr>
<td>Occupation rate of newly built/renovated industrial zones</td>
<td>Surveys and statistics from Invest Bulgaria Agency and ME</td>
</tr>
<tr>
<td>No of demands/applications received</td>
<td>Records of the management bodies</td>
</tr>
</tbody>
</table>

### Results

**Phase 1**

- Programme for developing industrial zones in Bulgaria prepared;
- Industrial and business locations appropriate for investments screened after a call for expression of interest and recorded in a data-base;
- Sites for further infrastructural development identified;
- Management models for industrial zones development investigated and developed;
- Competent operational management teams placed, trained and fully operational;
- Business plans and marketing strategies for the industrial zones elaborated;
- Capacity for at local level for promoting and attracting investments improved;

<table>
<thead>
<tr>
<th>Objectively verifiable indicators</th>
<th>Sources of Verification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of industrial locations screened;</td>
<td>Monitoring and Evaluation Reports</td>
</tr>
<tr>
<td>Number of industrial locations identified for further improvement</td>
<td>Project working documentation</td>
</tr>
<tr>
<td>Number of records in the database</td>
<td>Annual reports of the Implementing Agency;</td>
</tr>
<tr>
<td>Number of managers trained</td>
<td>Minutes of Steering Committee meetings</td>
</tr>
<tr>
<td>Number of industrial counteragents serviced</td>
<td>Operational documentation of the Management Boards and Management Teams</td>
</tr>
</tbody>
</table>

**Phase 2**

- Technical and procurement documentation for the selected sites elaborated;

<table>
<thead>
<tr>
<th>Objectively verifiable indicators</th>
<th>Sources of Verification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of projects with technical documentation elaborated</td>
<td>Effective information and communication flow between MRDPW and the PIU;</td>
</tr>
<tr>
<td>km of roads rehabilitated</td>
<td>Mature technical documentation for the investment projects</td>
</tr>
<tr>
<td>km of water supply networks upgraded</td>
<td></td>
</tr>
<tr>
<td>km of gas system installations</td>
<td></td>
</tr>
<tr>
<td>No and sq. buildings/facilities reconstructed</td>
<td></td>
</tr>
<tr>
<td>No of new jobs created</td>
<td></td>
</tr>
</tbody>
</table>
- Accessibility to industrial locations improved
- Related technical infrastructure of industrial locations and sites developed
- Technical business facilities provided
- Basic conditions for attracting new investors and creating job opportunities established
- Supervision of works activities in the industrial locations provided

<table>
<thead>
<tr>
<th>Activities</th>
<th>Means</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Phase 1</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Component 1: Technical Assistance</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- elaboration of a programme for industrial zones development in Bulgaria</td>
<td></td>
<td>On-time preparation of the services TD</td>
</tr>
<tr>
<td>- exploration of management models</td>
<td></td>
<td>Active participation of local and regional authorities</td>
</tr>
<tr>
<td>- screening of sites and ranking according to defined criteria, resulting in a pilot pipeline of zones to be developed</td>
<td></td>
<td>Upright contractors</td>
</tr>
<tr>
<td>- data base for industrial zones</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- training of district and municipal officials in industrial zones promotion</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Needs-based training for the management team</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Provision of management tools</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- assistance for preparation and development of the business plan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- essential advice on the management team</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- assistance for preparing a marketing strategy</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Phase 2</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Component 1: Technical assistance</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Preparation of technical documentation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Supervision of works activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Component 2: Improvement of related infrastructure for industrial zones/locations</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Construction and instalment of Greenfield industrial sites and facilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Rehabilitation/reconstruction of local access roads to business facilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Reconstruction of existing or development of new technical infrastructure networks, water supply, sewerage, communication links, electricity system, public lighting system, gas system, etc.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Signposting to or within the industrial locations</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Phase 1**
Service Contract (TA) - 1,000 meuro

**Phase 2**
Service Contract (TA + supervision) - 4,500 meuro
Works Contract - 13,500 meuro
## ANNEX 2 – DETAILED IMPLEMENTATION CHART – Industrial zones development

<table>
<thead>
<tr>
<th>Activities / Calendar months</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Phase 1 (FM 2005) – updated</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td><strong>Component 1 (technical assistance)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Preparation of TD and ECD approval</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tendering and contracting</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Identification of industrial sites</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Database for industrial locations</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Training of management bodies</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>End of assignment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Phase 2 (FM2006)</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Signing FM</td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Component 1 (technical assistance + works supervision)</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Preparation of TD and ECD approval</td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tendering and contracting</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Design and preparation of project documentation (FS, EIA, drawings, etc.)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Works supervision</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>End of assignment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Component 2 (works)</strong></td>
<td></td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>Preparation of TD and ECD approval</td>
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<td></td>
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<td></td>
</tr>
<tr>
<td>Tendering and contracting</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Implementation of works activities</td>
<td></td>
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</tr>
<tr>
<td>End of assignment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## ANNEX 3 – CUMULATIVE CONTRACTING AND DISBURSEMENT SCHEDULE BY QUARTER

### Contracting (Phase 1)

<table>
<thead>
<tr>
<th>Year</th>
<th>Quarter I</th>
<th>Quarter II</th>
<th>Quarter III</th>
<th>Quarter IV</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>1.000</td>
<td>1.000</td>
<td>1.000</td>
<td>1.000</td>
<td>1.000</td>
</tr>
<tr>
<td>2008</td>
<td>1.000</td>
<td>1.000</td>
<td>1.000</td>
<td>1.000</td>
<td>1.000</td>
</tr>
<tr>
<td>2009</td>
<td>1.000</td>
<td>1.000</td>
<td>1.000</td>
<td>1.000</td>
<td>1.000</td>
</tr>
</tbody>
</table>

### Contracting (Phase 2)

<table>
<thead>
<tr>
<th>Year</th>
<th>Quarter I</th>
<th>Quarter II</th>
<th>Quarter III</th>
<th>Quarter IV</th>
<th>Total</th>
</tr>
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<tbody>
<tr>
<td>2007</td>
<td>4,500</td>
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<td>2008</td>
<td>13,500</td>
<td>13,500</td>
<td>13,500</td>
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<tr>
<td>2009</td>
<td>18,000</td>
<td>18,000</td>
<td>18,000</td>
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<td>18,000</td>
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</tbody>
</table>

### Disbursement (Phase 1)

<table>
<thead>
<tr>
<th>Year</th>
<th>Quarter I</th>
<th>Quarter II</th>
<th>Quarter III</th>
<th>Quarter IV</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>0.100</td>
<td>0.200</td>
<td>0.300</td>
<td>0.400</td>
<td>1.000</td>
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<tr>
<td>2007</td>
<td>0.500</td>
<td>0.600</td>
<td>0.600</td>
<td>0.700</td>
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</tr>
<tr>
<td>2008</td>
<td>0.800</td>
<td>0.900</td>
<td>1.000</td>
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</table>

### Total

<table>
<thead>
<tr>
<th>Year</th>
<th>Quarter I</th>
<th>Quarter II</th>
<th>Quarter III</th>
<th>Quarter IV</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>0.100</td>
<td>0.200</td>
<td>0.300</td>
<td>0.400</td>
<td>1.000</td>
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<tr>
<td>2007</td>
<td>0.500</td>
<td>0.600</td>
<td>0.600</td>
<td>0.700</td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>0.800</td>
<td>0.900</td>
<td>1.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disbursement (Phase 2)</td>
<td>Cumulative disbursement schedule by quarter in € m</td>
<td>Total</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>------------------------</td>
<td>--------------------------------------------------</td>
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<td></td>
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<tr>
<td></td>
<td>2007</td>
<td>2008</td>
<td>2009</td>
<td>2010</td>
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</tr>
<tr>
<td></td>
<td>I</td>
<td>II</td>
<td>III</td>
<td>IV</td>
<td>I</td>
</tr>
<tr>
<td>Service Contract (technical assistance + supervision)</td>
<td>0.375</td>
<td>0.750</td>
<td>1.125</td>
<td>1.500</td>
<td>1.875</td>
</tr>
<tr>
<td>National co-financing</td>
<td>0.125</td>
<td>0.250</td>
<td>0.375</td>
<td>0.500</td>
<td>0.625</td>
</tr>
<tr>
<td>Works Contract</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2.025</td>
</tr>
<tr>
<td>National co-financing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.675</td>
</tr>
<tr>
<td>Total</td>
<td>0.500</td>
<td>1.000</td>
<td>1.500</td>
<td>2.000</td>
<td>5.200</td>
</tr>
</tbody>
</table>
 ANNEX 4: LIST OF RELEVANT LAWS AND REGULATIONS


- Commission Regulation (EC) No 1159/2000 of 30 May 2000 on information and publicity measures to be carried out by the Member States concerning assistance from the Structural Funds;


- Regional Development Act, adopted on 20 February 2004

- Investment Promotion Act, adopted in April 2004
ANNEX 5: LIST OF RELEVANT STRATEGIC PLANS AND STUDIES

- National Economic Development Plan (NEDP) (revised June 2003)

- Regional Operational Programme 2004-2006 (August 2003)

- Multi-annual Indicative Programme ‘Regional Development and Business-related Infrastructure’ included in the MAP Document

- National Strategy for Participation of Bulgaria in Structural Funds and the Cohesion Fund

- Strategy for Investment Promotion in Bulgaria