

# Operational Program Innovations and Competitiveness 2014 - 2020 (Draft)

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## **SECTION 1<sup>1</sup> DEVELOPMENT OF THE OPERATIONAL PROGRAM (OP) AND INVOLVEMENT OF PARTNERS (ART. 23(2) AND ART. 87(5)(C) OF THE GENERAL REGULATION).**

1) This **concept** is designated to serve as a base for further discussions and consultations with the participants in the thematic working group (TWG) under **the Operational Program „Innovations and Competitiveness“(OPIC)<sup>2</sup> for the period 2014-2020** and with all other stakeholders. The concept reflects: a) The vision of the **Ministry of Economy and Energy (MEE)** for the place of the future OP in the policy for raising the competitiveness of the Bulgarian economy; b) **the lessons learned from the current programming period**; c) **the opinion, which EC submitted to each member state in 2012**, providing analysis of the **major funding challenges and priorities, applicable to the European Structural and Investment Funds (ESIF) during the programming period 2014-2020**; d) **the discussions on the development the strategic documents for the next programming period within the framework of the coordinating mechanism to date** (working meetings to define the mechanisms for differentiation and additionality among the separate OPs, meetings of the working group for the Partnership Agreement, several informal meetings at high managerial level to achieve general understanding and agreement on the issues of national importance, the preliminary negotiations with the EC services of November 2012 and February 2013).

2) The process for the **preparation of the strategic and programming documents, related to the management of the money from the funds for the programming period 2014-2020**, started in the end of 2011. The procedures for their development were endorsed in January 2012. With a Decision of the Council of Ministers (CoM) No.328 of 25.04.2012 a list with thematic objectives was approved, as well as operational programs and institutions, which will prepare them, according to which MEE was appointed as a leading institution for the development of the new program in the field of innovations and entrepreneurship. On 09.01.2013, with a Decision of CoM, this list was supplemented with OP “Science and Education for Smart Growth” with Ministry of Education, Youth and Science (MEYS) as a responsible institution and OP “Good Governance” (Council of Ministers).

3) **In October 2012 the working group for developing the operational program at MEE** was set up, which included representatives of the leading ministries and institutions, as well as representatives of the socio-economic partners, the regional and local authorities, the civil society structures and the academic community. Simultaneously, an internal working group was set up within the framework of the Ministry, which included representatives of the main directorates and agencies, bearing relevance to the priorities, subject to support under the program.

4) **A big part of the strategic documents and analyses, which are needed for the preparation of the new OP, is in a process of finalization** (National Strategy for Promotion of SME 2013-2020, Analytical information regarding the distribution of the Bulgarian

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<sup>1</sup> This section has been developed according to Draft template and content guidelines for operational program as of April 2013.

<sup>2</sup> With letters of the Minister of MEET, addressed to the Minister of EU Funds Management of 18/01/13 and 29/01/13, we have requested the change in the name of the program, since its scope covers measures, supporting the overall competitiveness of the Bulgarian economy, and not only of the entrepreneurship (green economy and energy efficiency, business and the business environment supporting systems).

economy by regions and sectors, Strategic documents in the field of tourism, Strategic analysis for attraction of direct foreign investments, Innovation Strategy, Energy Strategy, etc.).

5) **Qualitative study** has been carried out, **using in-depth interviews or focus groups among beneficiaries and other stakeholders** (business organizations, research institutes, consultants, etc.), related to their experience related to the current OP, with the aim to outline the main difficulties and to formulate specific proposals or directions for a change during the next programming period. A national representative study is under way, which uses quantitative methods among the wide group of the potential beneficiaries (non-participants, participants, who have been rejected, participants, who have implemented/ are implementing a project under Operational Program “Competitiveness” (OPC).

Simultaneously, separate meetings and consultations with the business have been carried out, among which focus groups within the framework of the project with the World Bank in the ICT sector, Pharmaceuticals, Mechatronics and Electrical Equipment, Food Processing, Protection and Commercialization of Intellectual Property, and Cultural and Creative industries. Specific recommendations have been received from the Business Clusters Association, RIA (Recycling Industry Association) and the Bulgarian Recycling Association (BRA), Bulgarian Industrial Capital Association (BICA), Bulgarian Chamber of Commerce and Industry (BCCI), etc.

6) **The applicable preliminary (ex-ante) conditionalities have been observed**, with regard to which MEE is the responsible institution, as well as the measures, related to their implementation (according to Decision No. 668/6.08.2012 of CoM).

7) The starting of the procedure for **selection of consultants, who will support the process of development of the new OP, as well as for independent preliminary (ex-ante) evaluation and strategic impact assessment of OP 2014-2020**, is pending.

8) **The first meeting of the Thematic Working Group (TWG)** was held on 26.04.2013. The Internal rules for TWG operation were discussed and approved at the meeting, and the basic concept of OPIC 2014-2020 was presented. A discussion on the proposed scope, priority directions, indicative activities and financing instruments for OPIC 2014-2020 took place.

9) Following the first TWG meeting, **opinions, comments and recommendations on the presented concept of OPIC 2014-2020 were received** from: MEE – “Business environment and SME Policy” Directorate, MEE - “Energy Policies for Sustainable Energy Development” Directorate, MEE - “Tourism Policy” Directorate, CoM - “EU Funds Programming” Directorate, MEW, MRDPW, BICA, BCCI, BAS and representatives of the academic environment, NGO in the field of social and economic development, including Bulgarian Association of Consultants in EU programs (BACEP), Thematic group “Social Organizations“, NAMRB, ABK, CITUB, etc.

10) In most general form the opinions, comments and proposals refer to:

- ✓ Need for complete analysis of Operational Program „Development of the Competitiveness of the Bulgarian Economy (OPDCBE) 2007-2013” and its effectiveness;

- ✓ The envisioned indicative actions under Operational Program “Innovations and Competitiveness (OPIC) 2014-2020” should be developed on the basis of this analysis and should reflect the lessons learned from the current programming period, planning on measures, which have proved to be interesting for the business;
- ✓ A suspicion is expressed with regard to the implementation, efficiency and appropriateness of the building of 10 new business infrastructure megaprojects. The emphasis should be on the direct support for the enterprises in Bulgaria;
- ✓ Demand for in-depth analysis and justification for the selected priority sectors and revision of the proposed cluster approach;
- ✓ It is recommended to conduct consultations and joint work with the different institutions, participating in the process, the business, as well as with other stakeholders for the development of concrete measures and the funding approach;
- ✓ Clear demarcation with regard to the other operational programs should be accomplished;
- ✓ The need for exempting the measures from unnecessary administrative burden at all stages of the project cycle has been pointed out;
- ✓ OPIC 2014-2020 should be based on the draft National Strategy for Promotion of SME, while the approach towards the innovations and the environment should be horizontal, and towards the entrepreneurship and internationalization - sectoral;
- ✓ It is recommended to revise the approach for focusing the innovations investments into priority sectors of the Bulgarian economy, due to the weak innovation activity and development of the Bulgarian enterprises in all sectors of the economy. The application of sectoral approach (based on priority sectors, determined at the national level) would be more successful, compared with the measures under priority axis “Competitiveness and Resource Efficiency”.
- ✓ Integrated approach is recommended (focus towards the economic development of the two poorest regions in Europe – NWR and NCR), in compliance with the specifics of the program and the included in it measures.

11) Aiming at deepening the dialogue and achieving unified understanding on the submitted opinions and proposals on the part of the business and its organizations, the non-governmental sector, the regional and local authorities and the other stakeholders, as well as at more complete reflection of the actual needs of the Bulgarian economy regarding the development of the new operational program, MEE initiated the conducting of working meetings, which were held within the period 06.06.2013 - 14.06.2013.

12) Based on the obtained opinions, comments and recommendations this version of OPIC 2014-2020 has been developed, which should be submitted for discussion during the second meeting of the Thematic Working Group (TWG).

**OPIC 2014-2020 CONCEPT DEVELOPMENT**

*Draft of OPIC 2014-2020, based on the concept, presented during the first TWG meeting, published on the web page of the MA for the OPDCBE.*

*Draft of OPIC 2014-2020, reflecting the received opinions, comments and recommendations, made by the business, its organizations and other stakeholders.*

**STRUCTURE**

**Three priority axes:**

1. Innovation and entrepreneurship
2. Competitiveness and resource efficiency
3. Financial instruments, which cover four thematic objectives of the Common Strategic Framework (CSF) of ESIF (technological development and innovation, SME competitiveness, low-carbon economy, environment and resource efficiency). Leading argument for the aggregation of the priority axes is the better program management as a result of the opportunity for higher flexibility within the framework of a separate priority axis.

**Four indicative priority areas/ priority axes:**

1. Entrepreneurship and business development
  2. Innovations
  3. Green and energy-efficient economy
  4. Internationalization and business services
- Reference point for the definition of four priority axes is the recommendation of the European Commission (EC), each priority axis to correspond to one major thematic objective from the Common Strategic Framework of ESIF, clearer allocation of the funds from ESIF by the separate thematic objectives and easier reporting on the implementation of the operational program. Aiming at putting an emphasis and underlying the results from the implementation of the indicative activities “Internationalization and Business Services” has been put into a separate priority axis.

**MAIN APPROACH**

Based on preliminary established criteria **seven priority sectors** for innovations and entrepreneurship have been set up, with an accent on the building of **business infrastructure** (technological parks, laboratories, etc.). There is a plan to create an **organization for cluster coordination** for each cluster or cluster group, which will direct the funds within the framework of the relevant sector.

No sectoral approach for innovations is envisioned, accounting for the low degree of innovation activity development in all sectors of the Bulgarian economy. Sectoral approach is envisioned for the promotion of entrepreneurship and business development and for enterprise internationalization. Within the framework of the relevant priority axis, the enterprises from the identified sectors will be given primacy, but the support will not be limited only to them.

**MAIN TOOLS**

Main accent will be placed on the implementation of the **financial instruments**, the encouragement of the

Accounting for the position of the business representatives and organizations regarding the building of innovation parks and shared

<p>building of <b>innovation parks</b> and <b>shared innovation infrastructure by priority clusters</b> in support of the business and in implementation of <b>new for the country models (instruments)</b> in support of the business with proved efficiency on a global scale, but not in Bulgaria (e.g. attracting the diaspora, multiple high-tech parks, etc.).</p>	<p>innovation infrastructure in this paper/version, priority is given to <b>instruments for direct support to the business</b>, such as grant schemes for enterprises and vouchers. Continuation of <b>successful and effective measures from the current programming period</b> is envisioned, which have provoked significant interest on the part of the business.</p> <p>The <b>financial engineering instruments</b> represent an element of each priority axis and are targeted to the achievement of better management of the risk, related to a delay in the implementation of specific procedures.</p>
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**SECTION 2<sup>3</sup> STRATEGY FOR THE OPERATIONAL PROGRAM'S CONTRIBUTION TO THE UNION STRATEGY FOR SMART, SUSTAINABLE AND INCLUSIVE GROWTH – AND THE ACHIEVEMENT OF ECONOMIC, SOCIAL AND TERRITORIAL COHESION ARTICLE 24 (1) AND ARTICLE 87(2) (A) OF THE GENERAL REGULATION.**

**2.1 Strategy for the operational program's contribution to the Union strategy for smart, sustainable and inclusive growth and to the achievement of economic, social and territorial cohesion.**

In 2010 the leaders of the European Union adopted the Strategy “Europe 2020“, in which they present the new vision of the European economy for the next decade. The quick recovery of the European economy after the crisis and its putting on the trajectory of long-term smart, sustainable and inclusive growth is included as a main challenge in the strategy. To achieve the goals and priorities of “Europe 2020“ at the national level the following main strategic documents have been developed: **“National Development Program: Bulgaria 2020“, National Reform Program and the Convergence Program of the Republic of Bulgaria 2012-2015.**

To assist the work on the development of the package of programming documents for the period 2014-2020, the Commission has submitted **“Position of the Commission Services on development of Partnership Agreement and programs in Bulgaria for the period 2014-2020”**. Together with the specific recommendations, the Position also contains the **five priority areas, to which the Commission would like Bulgaria to allocate money from the European funds for the next programming period**, namely:

- 1) Increasing the participation in the labor market through improving the employment , social inclusion and the educational policies;
- 2) Business environment, favorable for innovation;
- 3) Modern infrastructure for growth and job places;
- 4) Environmental economy and economy with efficient use of resources;
- 5) Strengthening the capacity of the state administration, management and judiciary.

The specified priority areas correspond to the thematic objectives, underlined in **“Position/Working Document of the administration of the Commission, related to the elements of the Common Strategic Framework 2014-2020 for ERDF, ESF, CF, ERADF and EMFF”**. Aiming at achieving better coordination between the structural and the cohesion funds of EU and concentration of the resources in implementation of the objectives of “Europe 2020” Strategy and the National Reform Programs, EC has decided to determine 11 thematic topics and their corresponding investment priorities, which should be supported by the funds.

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In the **Position of the Administration of the Commission on the Development of Partnership Agreement Programs in Bulgaria within the Period 2014-2020**, the emphasis is laid on **redirecting the cost focus towards research activity and innovation; support for the small and medium enterprises (SME); quality education and training; encouraging quality employment and social cohesion, thus ensuring high productivity; integration of the objectives, related to climate change and transition to resource-effective low-carbon economy**. In order to achieve maximum effect of the use of money from the European funds, it is necessary to account for the need for **concentration of the money from ESIF into priority areas**, instead of providing small volume financial resource to multiple areas. ESIF money can be used not only for co-funding, but also for financing investments, which are complementary and related to projects, funded by EU, especially at regional and local level. It is necessary to search for **useful interactions not only between the five funds under CSF, but also with the remaining EU instruments**, such as “Erasmus for Everyone”, “Horizon 2020”, Program for Social Change and Innovation, LIFE program and Connecting Europe Facility (CEF).

In the Position of the Commission a special accent for the implementation of the objectives of the EU policy is placed on the financial instruments. It is recommended to use more flexible and sustainable forms of funding and attraction of private investors with significant leverage effects for the public resources, as well as to improve the beneficiaries’ access to CSF funding. This will contribute to the more efficient and sustainable funding of the public policies and will help the member states to meet adequately the long-term challenges and increase the long-term impact of these policies.

Based on the conducted socio-economic analysis for assisting the overall process for the preparation of the Partnership Agreement of the Republic of Bulgaria for the period 2014-2020 and compliant to the priorities of “Europe 2020” Strategy, of the National Development Program: Bulgaria 2020 and their accompanying strategic documents, the Agreement for partnership of Bulgaria is structured around **four strategic priorities for funding**:

- 1) Education, qualification and employment for inclusive growth;
- 2) Innovations and investments for smart growth;
- 3) Connectivity and green economy for sustainable growth;
- 4) Good governance and access to quality public services.

**Operational Program “Innovations and Competitiveness“** is one of the seven tactical documents at national level for the period 2014-2020, directed towards the implementation of the objectives and priorities of “Europe 2020” Strategy. In its national aspect it complies with strategic priority 2: “Innovation and investment in smart growth” and strategic priority 3: “Connectivity and green economy for sustainable growth” from the Partnership Agreement. To ensure the needed compliance and coordination of OPIC 2014-2020 and the Partnership Agreement, an integrated approach is used, since both documents are developed in parallel.

**The common goal** of the program is to assist the achievement of dynamic competitive development of the economy, based on innovations. For the determination of the goal the understanding is assumed, that the scientific studies and the innovations are main factor for the attaining of economic growth, based on the more efficient use of the resources; for forming of higher rank competitive advantages (i.e. on the ground of the specialized factors, such as knowledge, technologies, modern infrastructure, entrepreneurship, etc.); for providing employment through development of activities with high value added. Thus, the scientific



studies and the innovations guarantee the achievement of smart growth, the maintaining of high levels of employment and income, the observation of strict social and environmental standards.

During the last decade Bulgaria registered **positive changes regarding the macroeconomic and financial** stability, foreign debt, budget deficit, economic growth rates, etc. Irrespective of these positive changes, the country continues to stay in **unfavorable position with regard to the living standard, competitiveness, use of resources and environmental protection among the remaining EU member states**. The additionally occurred global; economic crisis has deepened these problems due to the fact, that leading for the generation of employment and economic growth have been the sectors of the low-quality production, services, and construction.

Bulgaria continues to be the least developed EU member state, with gross domestic product (GDP) per capita 45 % of the EU average, with the lowest indicators regarding competitiveness, labor productivity, energy consumption and resource utilization efficiency. During the last two decades, the Bulgarian economy has retained high production specialization in sectors and activities, requiring the use of relatively low qualification skills and technologies (agriculture, mining, products from textile and leather, petrol products). This to a large extent determines the industrial export diversification. More than 46% of the export includes raw materials and materials, the export of high-tech products being below 3% (compared to 16% EU average). **In practice, the competitive advantages of the Bulgarian economy are formed on the grounds of the low prices of the base factors – labor, natural resources, and not on the specialized factors, such as innovations, training, scientific studies, technologies, etc.**

According to EUROSTAT data, the labor productivity per hour worked increases by more than 40% in 2012 compared with 2000, but despite that the difference compared with the EU-27 level remains quite significant.<sup>4</sup> Leading sector for the creation of the Gross Value Added (GVA) continues to be the service sector, followed by the industrial and agrarian sectors. The occurred structural changes does not fully correspond to the objective processes of restructuring towards knowledge-based economy, where the decrease in the share of the agrarian sector is accomplished under the conditions of pre-emptive growth of the service sector compared to the industrial sector.<sup>5</sup>

These trends are also reflected **in the international position of the country with regard to competitiveness and innovations**. Bulgaria ranks 62<sup>nd</sup> among 144 states according to the latest Global Competitiveness Report 2012-2013. Irrespective of the fact that the competitiveness index of the country is increasing (from 4.16 during 2011 to 4.27 during 2012 and the country's upward movement by 12 positions), Bulgaria continues to occupy unenviable position compared to the remaining EU countries. According to the most recent study of the European Innovation Union (2013) **Bulgaria falls into the group of the countries with modest (shy) innovators**. Unfavorable position is outlined also with regard to the quality and capacity of the National innovation system, presented as sub-index of the Global competitiveness index through 18 indicators, divided into two groups – “business

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<sup>4</sup> During 2000 the labor productivity per hour worked was EUR 3.5 (EU-27 average being EUR 28 per hour worked, and during 2012 – EUR 5 ebpo (EU-27 average being EUR 32.2 per hour worked)

<sup>5</sup> During 2012 the share of the agrarian sector in GVA decreased from 11.% in 2000 to 5.5% (EU-27 average being 1,7%), but continues to ensure approx. 20% of the employment (EU-27 average being 5.3%).

perfection” and “innovations”. During 2012 with regard to “business perfection”, the country occupies 97<sup>th</sup> position and with regard to “innovations” – 92<sup>nd</sup> place. The country has achieved the best positions related to the indicators requests for patents, innovation capacity, quality of the research institutions, the state orders for high-tech products, quality of the local providers, development of the clusters, value chain width, and the biggest is the lagging behind in the spheres cooperation between the universities and the industry for R&D, protection of the intellectual property, marketing application, professional management and willingness for delegation of rights. The final conclusion, which follows from the analysis of the situation of the innovation system of the country, is that it is fragmented and imbalanced to a high extent.

**The maintenance of these trends, with regard to direction and scale, will lead in the future to a serious lagging behind the world social, economic, technological and environmental standards.** As most important factors for the position of Bulgaria, which impede innovations and productivity and thus hinder the utilization of the opportunities for competitiveness and growth of SME in Bulgaria, are outlined the excessive energy consumption, the bureaucracy at local and national level, the low level of the internationalization of SME and the difficult access to funding. As **main reasons for the low degree of utilization of the innovation potential** can be pointed: low level of the costs for scientific studies and innovations (especially in the private sector); unsatisfactory quality of the scientific production; low degree of coordination between the basic elements in the knowledge triangle – science, universities, business; lack of interest on the part of the scientific communities to resolve the problems of the industry; lack of motivation among the young people to deal with science and scientific studies; low level of protection of the intellectual labor; poor coordination between the policy in the field of intellectual rights protection, innovation policy, SME policy, entrepreneurship policy, science and technologies policy; absence of certified laboratories for standardization and control; ineffective mechanisms for generating, sharing and implementation of innovative technologies and knowledge among SME, etc.

**Under these conditions, the creation of favorable business environment for innovations and the increase of resource utilization efficiency are outlined as key challenges in front of the competitive development of our economy.** In this connection, in order to guarantee **the successful transition towards smart, sustainable and inclusive growth**, it is necessary to create high-quality system for scientific studies and innovations; finding appropriate mechanisms to support the business development through investments for raising the labor productivity and decreasing the energy and resource consumption of the production; finding adequate forms to facilitate the access of SME and newly established enterprises to financial means and more complex business services; supporting the private investments in scientific research and innovations; infrastructure and capacity; promoting economy with low carbon emissions, energy efficiency and renewable energy resources.

Taking into consideration the achieved results and the lessons learned from the current programming period, the requirements and restrictions of the outlined trends, the existing problems, the needs and mindsets of the target groups, the European and national strategic frameworks for the next programming period, the normative base at European and national level in **Operational Program “Innovations and Competitiveness” 2014-2020**, the following **four priority axes have been determined, supporting the activities to achieve competitive development of the innovation-based economy**, optimization of the production chains and sectors with high value added:

1. **Entrepreneurship and business innovation;**
2. **Innovations;**
3. **Green and energy-efficient economy;**
4. **Internationalization and business services;**

For the determination of the priority axes and the investment priorities, the **resource concentration** approach has been followed, aiming at effective and efficient allocation of the ERDF money. The financial means, allocated from ESIF, are quite limited compared with the challenges in front of the Bulgarian economy, which imposes the determination of clear and achievable objectives to attain significant impact on the status of the enterprises.

**The first priority axis “Entrepreneurship and business development”** is directed towards increasing the competitiveness of SME through the improvement of the effectiveness and productivity of the technologies, the enterprise management and the support for starting and developing business in priority sectors of the economy. Within the framework of the priority axis, primacy will be given to the enterprises from the identified sectors, but the support will not be limited only to them.

Bulgaria is at such a stage of its development, when it still has potential and need for raising the effectiveness of enterprise operation through introduction of technological solutions – new for the country and/or for the industry and/or for the enterprise. Accounting for this fact and the position of the business and its organizations, the program envisions also during the period 2014–2020 to continue the process for technological modernization at SME, started during the current programming period. Through the encouragement of the investments in modern technology and equipment (tangible fixed assets (TFA) and intangible fixed assets (IFA)), the development of new products and high value added services, as well as improvement of the production processes are supported. Opportunities for increasing the productivity rate of the enterprise, as well as for sale of the products on new markets are created with special emphasis placed on the export.

Placing accent on the support for cultural and creative industries will create prerequisites for developing activities, which generate high value added in the economy. The development of the cultural and creative industries (CCI) is among the priorities, included in “Europe 2020” Strategy, due to their high potential for generating economic growth, job creation, and the trend for sustainable development<sup>6</sup>.

The development of economic connections, based on the cluster approach, will lead to increasing SME competitiveness and degree of internationalization, supporting the creation of sustainable competitive advantages, which will make the companies more competitive in the domestic and foreign markets.

**Second priority axis “Innovations”** is directed towards the increase of the innovation capacity of the enterprises and the development of the innovation infrastructure through support of existing and effective structures/organizations, while the accent is placed on the direct support for the business. The implementation of the envisioned indicative activities

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<sup>6</sup> For the period 2008 – 2011, CCI showed notable sustainability and preserved positive trend in their economic development, while during 2011 they formed 3.3 % of the total GDP and ensured 3 % of the total employment (6.7 million people) for EU.

aims at creation and strengthening the capacity of the Bulgarian enterprises to develop and introduce innovative products, service and business models, investments of R&D and development of conditions for implementing innovation activity and developing the cooperation between the business and the scientific communities. Thus the integration between the elements of the knowledge triangle (“education-science-business”) is encouraged. The implementation of the investment priority will provide opportunity to increase the added value along the value chain in all sectors of the economy. The encouragement of the synergic cooperation and interaction among all participants in the national innovation system, the undertaking of synchronized steps along the whole chain – from the occurrence of the idea, through its laboratory testing to the commercialization of the results, provides opportunity to mitigate the consequences from the market failures, accompanying the innovation process.

**The third priority axis “Green and energy-efficient economy”** is directed towards increasing the energy and resource efficiency. The reduction of the energy consumption and the increase in the utilization efficiency of the natural resources are among the main factors for improving the competitiveness of the Bulgarian economy. The introduction of eco-innovations, energy efficient and ecological production technologies, the introduction of production from renewable sources (RS) at the enterprises represent a powerful tool for solving specific issues, discovering new market opportunities, creation and development of higher rank competitive advantages, reduction of the resource and energy costs, reduction of the hazardous emissions, etc. They possess significant potential for the creation of new jobs, increase of labor productivity, income and living standard – i.e. leading to sustainability.

Compared with the remaining European countries, our economy is the most energy consuming and one of the most relying on import of energy resources. Therefore, the increase of the energy efficiency and the production of energy from renewable energy resources are of key importance for the guaranteeing of the energy security of the country. The achievement of success in this field requires systematic measures and actions along the whole chain: production – transmission – distribution – consumption. Significant potential for optimization of the processes along the whole chain exists in relation with the setting up of smart grids for measurement and reporting and smart distribution grids, allowing simultaneous transmission flexibility, control and participants’ awareness, as well as in relation with the use of highly efficient combined production of thermal and electrical energy (cogeneration).

The introduction of more effective and environmental technologies at SME, encouragement of RES usage and increase of the energy efficiency leads to saving (absolute and relative) of energy and natural resources, which is reflected in lower unit cost and prices, and hence into prerequisites for increasing the purchasing power of the consumers. In this way, the implementation of the investment priorities will help the creation of the necessary prerequisites to achieve employment, which will generate smart and sustainable economic growth.

Implementation of **“Financial Instruments”** is envisioned as an element of each of the first three priority axes. The use of financial engineering instruments is aiming at facilitating the enterprises access to financing in order to encourage the technological development and innovations, increase the enterprise competitiveness and productivity, energy and resource efficiency. The impeded access to external financing limits the opportunities for business starting, as well as the investments in innovations, new technologies and contemporary production capacities, and business expansion. The key role of the access to loan and share capital for turnover and investment purposes of the enterprises determines the accent on the financial engineering instruments, included in EU position for the new programming period.

The main advantages of the financial instruments are the opportunity for reusing the funds in the long run, the speed of funds absorption by the end beneficiaries, inclusive of reduced administrative burden of the procedures, the potential for mobilization of additional public or private investments to overcome the market imperfections in compliance with “Europe 2020” Strategy and the priorities of the cohesion policy.

The experience from the current programming period shows the significant importance of the access to funding, inclusive for the implementation of projects with grant financing. The financial engineering instruments are used to stimulate the investment of a larger volume of private resources in the specified directions. The financial resource, distributed through the financial engineering instruments, will support the above priority axes and will contribute to each one of the thematic objectives of the Common Strategic Framework, which are within the scope of OPIC 2014 – 2020.

**The fourth priority axis “Internationalization and business services”** is directed towards creation and development of efficient and sustainable systems for support and expertise at new and/or existing agencies, organizations and institutions through the development of modern and innovative services, which will contribute to the increase of the competitiveness of the enterprises in the country. SME in Bulgaria are characterized with lower degree of internationalization compared with the EU average. SME access to quality information and consultation services is of decisive importance for the development of the business environment, due to traditionally low level of managerial knowledge and skills in the companies. Compared to the other European countries, Bulgaria is experiencing significant delay with regard to the development of services for the business, mainly due to the limited access, the poor distribution and the low quality of the offered services. In this connection, in the Position of the Commission Services on development of Partnership Agreement and programs in Bulgaria for the period 2014-2020 an accent is laid on the support for the development of modern business services for SME and newly occurring enterprises.

The outlined activities and measures under the priority axes of OPIC 2014-2020 are in support of the implementation of the national objectives and priorities in the main strategic and programming documents at the national level: **National Development Program: Bulgaria 2020, National Reform Program 2011-2015 and Convergence Program 2012-2015.**

**The National Development Program: Bulgaria 2020** is a main strategic document, which outlines the objectives of the policies for development of Bulgaria by 2020 and ensures connection between EU priorities in the context of the “**Europe 2020**” **Strategy** and the national priorities. On the grounds of the socio-economic analysis and public discussions in the process of the development of the document the vision, objectives and country development priorities have been determined, as well as specific measures and activities for their implementation. The National Development Program: Bulgaria 2020 covers the full complex of interventions at national level in the field of socio-economic development and determines the place of the measures for achieving the national objectives, whose implementation is planned in the National Reform Program, the Convergence Program and all active strategic and programming documents. The National Reform Program: Bulgaria 2020 (NRG: BG 2020) establishes the framework, within which the priorities for public (national and European) funds investment will be determined, as well as the mobilization of private and other financing.

Within the context of the **vision for Bulgaria 2020** – a state with competitive economy, ensuring conditions for wholesome social, creative and professional realization of the

personality through smart, sustainable, inclusive and territorially balanced economic growth, **three objectives have been determined:**

1. Raising the living standard through competitive training and education, creation of conditions for quality employment and social inclusion and guaranteeing of affordable and quality health care.
2. Building infrastructure networks, ensuring optimal conditions for development of the economy and quality and healthy environment for the population.
3. Enhancing the competitiveness of the economy through ensuring of favorable business environment, encouraging the investments, implementing innovative solutions and improving the resources efficiency.

For the implementation of the objectives of the National Development Program: Bulgaria 2020 measures and activities in eight priority directions have been envisioned within the framework of detailed strategies by priorities. Operational Program **“Innovations and Competitiveness 2014-2020”** is one of the instruments for allocation of financial resource from the European funds and the necessary co-funding from the national budget, through which financing of specific measures envisioned in the National Reform Program: Bulgaria 2020 will be guaranteed. **Under this Operational Program measures and activities in priority directions will be supported – i.e. “Support for the innovation and investment activities to improve the competitiveness” (priority 5 of NRP: BG 2020) and “Energy security and improvement of the resource efficiency of the economy” (priority 7 of NRP: BG 2020).**

The indicative activities under **priority axis “Innovations”** are envisioned in response to the identified needs for the development of NRP: BG 2020. Within the framework of sub-priority “Improving the quality and efficiency of the research and innovations” concrete impact areas are envisioned to strengthen the integration between the elements of the “knowledge triangle”, the building of scientific and innovation infrastructure, partnership between the innovative enterprises and the carriers of the innovative potential, financing of the activities for research and development of the innovations of the enterprises, in this number SME.

The scope of **priority axis “Entrepreneurship and business development”** covers indicative activities, which are in support of investment activities for raising the competitiveness and productivity of the enterprises. Within the framework of NRP: BG 2020 as separate sub-priority is outlined the support for high-tech productions and services for improving the material base and production productivity and efficiency, as well as for encouraging employment in high-tech economic activities. In sub-priority for raising the competitiveness and viability mainly of SME, an impact area for promoting the implementation of standards is envisioned, mainly in SME.

Within the scope of **priority axis “Green and energy efficient economy”** indicative activities are envisioned, which are in support of the innovative and investment activities for raising the energy security and improving the resource efficiency of the economy. Within the framework of separate sub-priorities of NRP: BG 2020 impact areas are envisioned for introduction of low-carbon energy efficient and net-shape technologies, utilization and recycling of bigger waste quantities, improvement of the efficiency of energy consumption and encouragement of the investments in production technologies and energy consumption from RS in the enterprises, improving the energy production efficiency.

Through the implementation of “Financial Instruments” in direction of each one of the above mentioned three axes, one of the main challenges in front of the business in Bulgaria is addressed, which is also identified by NRP: BG 2020, while specifying the impact area for improving SME access to funding.

Within the scope of **priority axis “Internationalization and services for the business”** indicative activities are envisioned, which indirectly support the implementation of two priority directions of NRP: BG 2020, included in OPIC 2014-2020. Impact areas by separate sub-priorities of the national program are: creation of favorable innovation and investment business environment, internationalization of the innovation process, encouragement of the internationalization, mainly of SME, improving the quality of the tourist services and national tourist marketing. The development of services and measures for popularizing the energy efficiency and RES will indirectly support the implementation of the envisioned measures for ensuring the energy security and improving the resource efficiency.

**The National Reform Program 2011-2015** is developed in implementation of the approved by the European Council in June 2010 “Europe 2020” Strategy and in compliance with the new instrument for better coordination of the economic policies within the EU framework – the so called “European Semester”. **The Program is closely related to the Convergence Program of the Republic of Bulgaria (2011-2014) and directly addresses the recommendations in the conclusions of the report of the European Commission (EC) on the Annual Growth Survey.** The program is directed towards the key priority issues and derives from the current needs and challenges in front of a small and open economy like the Bulgarian, which, aiming to overcome the current crisis more quickly, should completely reorient its policy towards raising its competitiveness to take maximum advantage of the economic recovery of its main commercial partners.

The priority areas, having maximum contribution to the raising of the living standard as a final goal of the economic policy, are defined in the National Reform Program of the Republic of Bulgaria (2011-2015), namely: better infrastructure, competitive youth, better business environment and higher trust in the state institutions. These areas are supplemented by expedient activities for improving the efficiency of the public costs in support of the growth, ensuring the institutional and financial support for the enterprises and decreasing the unemployment among the most vulnerable social groups (youth, low qualified and discouraged persons, elderly people).

The measures in the latest program update (2012 based on the macroeconomic framework 2012–2015 and the evaluations of the potential growth by 2015) are directed towards overcoming of the existing challenges in front of growth and achieving the national objectives for smart, sustainable and inclusive growth. In 2010, the government of the Republic of Bulgaria adopted the following **national objectives**:

National objective 1 - Achieving 76% employment among the population aged 20–64 by 2020.

National objective 2 – Investments in R&D equal to 1.5% of GDP

National objective 3 – “Climate-Energy” - Reaching 16% share of the renewable energy resources in the gross final use of energy and improving the energy efficiency by 25% by 2020.”

National objective 4 – Share of the early school leavers from the educational system from 11% by 2020 and share of the 30–34 year olds with higher education – 36% by 2020.

National objective 5 – “Reducing the number of the people living in poverty by 260 thousand”

Concrete measures are included in the scope of **OPIC 2014-2020**, which are directly targeted to the implementation of the planned national objective for investments in R&D equal to 1.5% of GDP by 2020. (NO 2) and achieving 16% share of the renewable energy resources in the gross final use of energy improving the energy efficiency by 25% by 2020. (NO 3).

In NRP as priority directions for implementing the competitiveness policy are outlined: improving SME access to funding; support to activities, targeted at developing “green” economy; improvement of resource efficiency; supporting the entrepreneurship and infrastructure for SME development; positioning of the Bulgarian products and raising the attractiveness for investments. **In implementation of the policy in R&D field and the innovations**, encouragement of R&D and the innovations at the enterprises and the research institutions is envisioned, as well as investments in innovation and development infrastructure, which corresponds to the current concept of **OPIC 2014 – 2020**.

**The Convergence Program 2012-2015** outlines the key policies and priorities in connection with the achievement of the economic growth and restoration of the economy, preserving the macroeconomics and fiscal stability. The program complies with the “Europe 2020” Strategy, Integrated directions for the economic and employment policies of the member states, as well as with the conclusions of the Annual Growth Survey. The macroeconomic and the fiscal stability are of key importance for the development of entrepreneurship in the country. In this connection, the implementation of the **Convergence program 2012-2015** will create the necessary stability as a base for the implementation of OPIC 2014-2020.

**The energy strategy of Bulgaria** is an underlying document of the national energy policy and reflects the policy vision of the Government for European development of Bulgaria, accounting for the European framework of the energy policy and the world trends in the development of the energy technologies.

**The energy strategy is directed towards the overcoming of the major challenges in front of the Bulgarian energy sector** – high energy intensity of GDP, high dependence on energy resource import and need for ecological development. Five priority directions have been outlined in the strategy, which determine the vision of the government for energy sector development by 2020 – guaranteeing the security of energy supplies; achieving the renewable energy objectives; increasing energy efficiency; development of competitive energy market and policy, directed towards ensuring the energy needs, and protection of the consumers’ interests.

The scope of **OPIC 2014-2020** includes measures, which to the biggest extent contribute to the achievement of the national objective for reaching 16% share of the renewable energy sources in the gross final use of energy and increasing the energy efficiency by 25% as of 2020, which are in the form of two priority directions in the Energy strategy – achieving the renewable energy objectives and increasing the energy efficiency. The indicative activities in the **energy efficiency** direction within the framework of **priority axis “Green and energy efficient economy” of OPIC 2014-2020** are directed towards increasing the efficiency of energy consumption in the economy branches, encouraging the investments in technologies for production and energy consumption from RES at the enterprises, increasing the production (through cogeneration) and the energy transmission.

The development of **Innovation strategy for smart specialization of the Republic of Bulgaria by 2020 and of National strategy for promotion of SME development 2013-2020**” is under way, which represent preliminary conditions for OPIC 2014 – 2020 and are



decisive for the successful implementation of the funding priorities, specified in the “Position of the Commission Services on development of Partnership Agreement and programs in Bulgaria for the period 2014-2020”.

The development and implementation of the **Innovation strategy for smart specialization of the Republic of Bulgaria** represents an essential prerequisite for the creation of conditions for developing institutional environment, favoring the innovations and investments in productions and high value added services, in high technologies, as well as SME sector development. **The creation of favorable institutional environment** is one of the priority directions of NRP: BG 2020. Leading document for the development of **Innovation strategy for smart specialization of the Republic Bulgaria** is NRP: BG 2020. The Innovation strategy develops in-depth one of the priority directions of NRP: BG 2020 – Support to the innovation and investment activities to increase the competitiveness of the economy. This concept of the smart specialization strategy includes **four strategic priorities: management of the national innovation system, encouragement of the innovations in the enterprises, scientific research and creation of human capital**. The **Innovation strategy is developed in parallel with OPIC 2014-2020**, to ensure the necessary compliance and coordination between the two programming documents. The strategy has adopted an approach of sectoral specialization as means for conducting smart policy for achieving smart, sustainable and inclusive growth. Economic areas with high growth and export potential are prioritized with the aim to achieve significant economic effect at national level through the use of limited public resource. One of the instruments for the funding of the Innovation strategy for smart specialization of Bulgaria by 2020 is OPIC 2014 – 2020.

“**National strategy for promotion of SME development 2013-2020**” (Draft), also called “Small Business Act” presents the vision of the Government of the Republic of Bulgaria regarding the state support in the SME field in the country, **harmonizing its policy in this area with the policy of the European Union**. “National strategy for encouraging the development of the small and medium enterprises 2013-2020” aims at improving the status and development of the Bulgarian small and medium enterprises and the conditions, under which they operate and develop. **OPIC 2014-2020** is directed towards five of the priority areas of the National strategy for encouraging SME development – entrepreneurship, access to funding, skills and innovations, environment and internationalization. These are the areas, in which Bulgaria performance is the poorest, compared with the remaining EU-27 member states. The set in the present strategy concept quantitative objectives represent original indicator for the achieved progress in the relevant priority directions.

In the **Position of the Commission Services** on the Development of Partnership Agreement and Programs in Bulgaria for the period 2014—2020, the **need for discussing the structural and institutional problems in Bulgaria and its regions, as well as outside its borders in territorial and geographic context** is specified, inclusive pursuant to the EU Strategy for the Danube Region (EUSDR) to achieve maximum effect.

**EU Strategy for the Danube Region (Danube strategy)** lays a main emphasis on the **building of stronger synergic links between the authorities at all levels with the aim to optimize the impact of the activities and the funding**. The EU Strategy for the Danube Region unites the efforts of all stakeholders in the region, providing them with a tool for building a region of security, prosperity and equity for the population inside it. Four major **priority directions (pillars) are outlined in the strategy – connectivity of the Danube region; environmental protection within the framework of the region; creation of prosperity; strengthening the Danube region**. OPIC 2014-2020 envisions indicative

activities for popularizing the tourism at national and regional level, through which tourism development in the region will be supported – element of priority area “Building of links within the framework of the Danube region – transport, energy, culture and tourism”. Through the support for the development of innovation infrastructure and clusters under OPIC 2014-2020 the competitiveness of the enterprises (through research activity, education and technologies) will be assisted, inclusive of building of clusters and network development – one of the priority areas of the Danube Strategy.

**Table 1: Synthesized survey of the justification for the selection of thematic objectives and investment priorities.**

Selected thematic objective	Selected investment priority	Selection justification
<p><b>TO 3 „Increasing the competitiveness of the small and medium enterprises ”</b></p>	<p><b><u>Investment priority 1.1:</u></b>                      Provision of support to improve SME capacity for increasing their contribution to the economic growth and innovation process development.</p>	<ol style="list-style-type: none"> <li>1. During 2011, the costs for acquisition of tangible fixed assets in all sectors of the economy reached up to 24 % of GDP of Bulgaria compared with 46 % during 2007. The limitation on the investments in the economy leads to limitation on the opportunities to achieve economic growth. The operation of obsolete and amortized equipment worsens the production efficiency related to the natural, energy and human resources, which has negative impact on the competitiveness of the enterprises.</li> <li>2. Bulgaria is at a stage of its development, when it still has significant potential and need to increase the efficiency of the enterprises through implementation of technological solutions – new for the country and/or for the industry and/or for the enterprise.</li> <li>3. Bulgaria has the lowest labor productivity.</li> <li>4. In response to the identified needs under the development of NRP: BG 2020 impact areas are envisioned in separate sub-priorities to encourage investments in high-tech productions and services and the introduction of standards mainly at SME, which correspond to the indicative activities under this investment priority.</li> <li>5. Encouraging the development of cultural and creative industries is a priority direction within the framework of “Europe 2020”</li> </ol>
<p><b>TO 1 “Strengthening R&amp;D activity, the</b></p>	<p><b><u>Investment priority 2.1:</u></b>                      Encouraging the investments in R&amp;D</p>	<ol style="list-style-type: none"> <li>1. Development of the innovative sectors in Bulgaria is significantly lagging behind the EU-27 average. The costs for R&amp;D and innovations during</li> </ol>

<p><b>technological development and innovations”</b></p>	<p>and innovation activity and developing the connections between the scientific research centers, as well as provision of support for improved production opportunities and pilot production in key basic technologies.</p>	<p>2011 are 0.59 % of GDP, which is a sign for weak interaction between the education, R&amp;D units and the business in the country. In this connection and in compliance with “Europe 2020” Strategy and with the National Development Program: Bulgaria 2020, as a national objective in the National Reform Program a specified level of R&amp;D investments is determined, which is equal to 1.5 % of GDP by 2020;</p> <ol style="list-style-type: none"> <li>2. Low relative share of the high-tech sectors in the general export (3 % for 2011).</li> <li>3. In response to the identified needs for the development of NRP: BG 2020 a sub-priority “Increasing the quality and efficiency of the scientific research and the innovations” is outlined. Under it concrete impact areas to increase the integration between the elements of the “knowledge triangle” have been envisioned, development of scientific and innovation infrastructure, partnership between the innovative enterprises and the carriers of the innovation potential, funding of the activities for research and development of the innovations at the enterprises, inclusive of SME. The indicative activities under priority axis 1 of OPIC are in support of the above mentioned impact areas.</li> </ol>
<p><b>TO 4 “Support for the transition to low-carbon economy in all sectors”</b></p>	<p><b><u>Investment priority 3.1:</u></b> Promoting the energy efficiency and the use of energy from RS in the enterprises.</p>	<ol style="list-style-type: none"> <li>1. Irrespective of the long-term trend for improving the energy efficiency of the Bulgarian economy, measured through the total energy efficiency index ODEX, during 2011 Bulgaria occupied the last place with regard to energy efficiency at EU-27 level.</li> <li>2. In the “Position of the Commission Services on development of Partnership Agreement and programs in Bulgaria for the period 2014-2020” the excessive energy consumption of the Bulgarian production is one of the factors, limiting SME productivity and competitiveness in</li> </ol>

		<p>Bulgaria.</p> <ol style="list-style-type: none"> <li>3. National objective 3 integrated in NRP: “Reaching 16% share of the renewable energy sources in gross final use of energy and increasing of energy efficiency by 25% as of 2020”</li> <li>4. In response to the identified needs for the development of NRP: BG 2020 the sub-priority “Energy security and increasing the resource efficiency” has been outlined. By separate sub-priorities within its scope impact areas are envisioned to increase the efficiency of energy consumption and encourage the investments in the technologies for production and energy consumption from RES at the enterprises.</li> </ol>
<p><b>TO 4 “Support for the transition to low-carbon economy in all sectors”</b></p>	<p><b><u>Investment priority 3.2:</u></b> Development and setting of smart distribution grids of low and medium voltage.</p>	<ol style="list-style-type: none"> <li>1. One of the reasons for the level of the energy efficiency of the Bulgarian economy is the status of the energy infrastructure, which generates significant losses during the energy transmission and distribution. The energy system is facing deficits at the level of production, transmission and distribution, which imposes concrete measures in each of the directions. Significant potential for optimizing the management of the electricity transmission network of the country exists in relation with the building of smart grids and introduction of smart measurement/reporting.</li> <li>2. National objective 3 integrated in NRP: “Reaching 16% share of the renewable energy sources in the gross final use of energy and increasing the energy efficiency by 25% as of 2020”.</li> <li>3. In response to the identified needs for the development of NRP: BG 2020 sub-priority “Increasing the energy efficiency” has been outlined, within whose scope impact areas for increasing the energy transmission efficiency are envisioned.</li> <li>4. In the “Position of the Commission Services on development of Partnership Agreement and programs in Bulgaria for the period 2014-</li> </ol>

		2020” an emphasis is laid on the achievement of energy savings in the production and the local energy distribution, in this number through smart network and measurement devices.
<b>TO 6 “Protection of the environment and encouragement of the resource efficiency“</b>	<p><b><u>Investment priority 3.3:</u></b> Support for transition to resource efficient economy and green growth encouragement.</p>	<ol style="list-style-type: none"> <li>1. In the Innovation strategy for smart specialization of the Republic of Bulgaria by 2020, an emphasis is laid on the development of the eco-innovations as one of the main driving forces for sustainable and smart growth of the economy.</li> <li>2. In the “Position of the Commission Services on development of Partnership Agreement and programs in Bulgaria for the period 2014-2020” the emphasis is laid on the development of ecological and resource efficient economy.</li> <li>3. In response to the identified needs for the development of NRP: BG 2020 the sub-priority “Increasing resource use efficiency” has been outlined, in which measures for introduction of low-carbon, energy efficient and net-shape technologies are envisioned, as well as utilization and recycling of a large waste quantity.</li> </ol>
<b>TO 3 „Increasing the competitiveness of the small and medium enterprises ”</b>	<p><b><u>Investment priority 4.1</u></b> Provision of support for the creation and strengthening the capacity for product and service development.</p>	<ol style="list-style-type: none"> <li>1. Need for expanding the spectrum and increasing the quality of the services for the business, provided on the part of agencies, institutions and other organizations. Lagging behind with regard to the offering of modern and innovative services for the business, which hinders the development of entrepreneurship in the country.</li> <li>2. In the “Position of the Commission Services on development of Partnership Agreement and programs in Bulgaria for the period 2014-2020” the emphasis is laid on the support for the development of modern business services for SME and newly occurring enterprises.</li> <li>3. In response to the identified needs for the development of NRP: BG</li> </ol>

		<p>2020 as impact areas by separate sub-priorities are envisioned: creation of favorable innovation and investment business environment, internationalization of the innovation process, encouragement of the internationalization mainly of SME, improvement of the quality of the tourist services and national tourism marketing.</p>
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**2.2 \* Justification of the financial allocation – it will be developed additionally after the determination of the financial framework of the program.**

For the allocation of the funds by the separate operational programs, the following requirements for concentration should be taken into consideration:

- a. 10% of ERDF (EUR 387 million) – transition to low-carbon economy (4);
- b. 40% of ERDF (EUR 1 934 million) – encouraging the scientific activity (1), ICT (2), SME competitiveness, (3) transition to low-carbon economy (4);

Rules 1 and 2 represent the common rule 50% of ERDF to be invested in thematic objectives 1, 2, 3 and 4.;

- c. 5% of ERDF (EUR 193 million) – investments for urban development.

This rule refers to investments with territorial and not thematic focus – i.e. the investment objectives can coincide with the thematic objectives mentioned hereinabove, or can be others. (Investments for urban transport as a part of TO 4 simultaneously fulfill rules b and c).

- d. 20% of ESF (EUR 261.6 million) – social inclusion and combating poverty



**SECTION 3.A.<sup>7</sup> DESCRIPTION OF PRIORITY AXES, DIFFERENT FROM TECHNICAL ASSISTANCE (ARTICLE 87 (2) (C) OF THE GENERAL REGULATION).**

**PRIORITY AXIS 1 (title)**

**“ENTREPRENEURSHIP AND BUSINESS DEVELOPMENT”**

*The focus of priority axis 1 “Entrepreneurship and business development” encourages the creation and development of the enterprises in Bulgaria through support for improving the technologies and raising the competitiveness and productivity. The implementation of the envisioned for funding activities aims at providing support for the enterprises, targeted to the overcoming of their lagging behind and to their bringing closer to the technological achievements on European and international scale.*

*According to the ranking of the World Economic Forum, presented in the Global Competitiveness Report 2012-2013, Bulgaria has significantly improved its positioning, occupying 62<sup>nd</sup> place among 144 countries with a score of 4.3 points compared with 74<sup>th</sup> place (122 countries) with 3.98 points in 2006. Irrespective of that, only Romania is behind us from the EU member states. For the period 2006 – 2012, based on accomplished analyses according to the criteria of the World Economic Forum (Annual global competitiveness reports, SIF), Bulgaria falls into the group of the national economies, whose competitiveness is increasing with the increase in the labor force qualification, the markets development and the capability to implement new technologies. Bulgaria is in a stage of its development, when there it still has significant potential and needs to improve the efficiency of the enterprises through introduction of technological solutions – new for the country and/or the industry and/or the enterprise.*

*The operation of obsolete and amortized equipment worsens the production efficiency related to the natural, energy and human resources, which has negative impact on the competitiveness of the enterprises. The outmoded machine park in a big part of the Bulgarian enterprises is among the main problems of the business in Bulgaria, which predetermines the key importance of the technological modernization for the increase of the competitiveness of the Bulgarian economy. The technological modernization impacts the increase in the competitiveness of the enterprises through lower costs for raw materials, materials, fuels, energy and labor per unit of production. At the same time, the creation of new enterprises and the encouragement of entrepreneurship are of key importance for the restructuring of the economic sectors, which is predetermining for the economic development of the country.*

*With the aim to achieve maximum effect from the made investments within the framework of Priority axis, primacy will be given to activities for entrepreneurship and technological improvement in priority economic sectors<sup>8</sup> (mechatronics, ICT, transport and logistics, agriculture and FPI, health care, creative industries, automobiles and components, as well as more traditional sectors, such as tourism, furniture production, textile and sewing industry), but the support will not be limited only to them.*

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<sup>7</sup> This dsection has been developed according to Draft template and content guidelines for operational program as of April 2013.

<sup>8</sup> Sectors with growth potential according to the working version of the Smart Specialization Strategy of 28.05.2015

***INVESTMENT PRIORITY 1 OF PRIORITY AXIS 1 (title) (article 87 (2) (b) (i))***

Provision of support to improve SME capacity for increasing their contribution to the economic growth and development of the innovation processes.

**3.A.1. SPECIFIC OBJECTIVES, CORRESPONDING TO THE INVESTMENT PRIORITY AND EXPECTED RESULTS (ART. 87 (2) (B) (I)-(II))**

**SPECIFIC OBJECTIVE 1:** Raising SME competitiveness through improvement in the efficiency and productivity of the technologies and in the enterprise management.

**Expected results**

As a result of the indicative activities in support of the outlined specific objective, improvement of the material base of the enterprises will be obtained, aiming at increasing the productivity and efficiency of production, expansion of the production capacities, and improvement of the technologies and management of the enterprises. Therefore, opportunities will be created for increasing the quality of the manufactured production and penetration into new markets.

**3.A.2. ACTIVITIES, WHICH WILL BE SUPPORTED WITH THE FRAMEWORK OF THE INVESTMENT PRIORITY (BY INVESTMENT PRIORITY)**

**3.A.2.1. DESCRIPTION OF THE TYPES AND EXEMPLARY ACTIVITIES FOR FUNDING AND THEIR EXPECTED CONTRIBUTION TO THE RELEVANT SPECIFIC OBJECTIVES (INCLUSIVE OF WHERE APPROPRIATE IDENTIFICATION OF THE MAIN TARGET GROUPS, SPECIFIC TARGET TERRITORIES, TYPES OF BENEFICIARIES)**

**TYPES OF ACTIVITIES FOR FUNDING:**

It is envisioned the support within the framework of the priority axis to be concentrated, without being limited to the following indicative groups of activities:

- Consultation and investment support for newly occurring and/or starting enterprises in priority sectors;
- Renewal and improvement of the technologies with the aim to improve the productivity and increasing resource utilization efficiency through introduction of leading technological solutions;
- Investment support for introduction of new ICT-based services, production and distribution methods, applications for electronic trade, etc. at the enterprises;
- Improvement of the production processes through the introduction of internationally recognized standards;
- Support for meeting the quality certification requirements and the obtaining of internationally recognized certificates through certification vouchers;

- Support for introducing integrated systems for business management (ERP) and systems for automated design, engineering activity and production at the enterprises (CAD/CAM/CAE);
- Promoting the development of existing clusters and support to newly created such in case of justified need;
- Promoting cultural and creative industries;
- Vouchers for fast growing enterprises.

**Support to newly occurring and/or starting enterprises** – the measure unites in itself the provision of support for creation of enterprises (after coordination with OPHRD 2014-2020), which includes the provision of training on major skills and development of business plan, and afterwards (under OPIC 2014-2020) provision of investment and consultation support for the already created enterprises for the implementation of concrete business ideas and investment intentions. The creation of the enterprises can be oriented with regard to the concentration of the work force and SME in the relevant administrative districts and/or by planning regions.

**Renewal and improvement of the technologies, aiming at improving the productivity and increasing the efficiency of resource utilization through the introduction of leading technological solutions** – includes the provision of support for investments in modern technologies and equipment (tangible fixed assets and intangible fixed assets) for the development of new products and services with high value added and improvement of the production processes; support for provision of professional consultation services, related to the introduction of new products/processes/services.

**Investment support for the introduction of new ICT-based services, production and distribution methods, introduction of applications for electronic trade at the enterprises, etc.**, which aim at increasing production value added and lead to the increasing of the export share of the enterprises. It is directed towards enterprises from the production sector, suppliers/distributors and traders. The measure includes provision of support for building information infrastructure at the enterprises (connection in unified network of all subdivisions and locations of a given company); investments for introducing new ICT-based solutions in the production/ service delivery; investments in technologies and equipment (TFA and IFA) for electronic offer and supply of goods and services, which will ensure wider range of providers, will incur lower costs (automated processing of the offers and more effective price proposals), better quality of the offered goods and services and decreased supply prices.

**Meeting internationally recognized standards** – includes provision of professional advices and consultations for preliminary analysis, preparation, setting up and introduction of internationally recognized standards, aiming at improving the production infrastructure; provision of consultation services, directly related to the achievement of conformity with products with European/international standards, good production practices, services for certification of internationally recognized standards and/or of product conformity with European/international standards, and/or of introduction of good production practices.

**Certification vouchers** – directed towards the producers or the providers of a given service with the aim to meet the quality certification requirements and to obtain internationally recognized certificates. The support will be focused on the acquisition of certificates, which require relatively large investment, but would lead to serious increasing of the market of a

specific company. In order to receive funding, the companies should prove their need for the certificate to increase their export.

**Support for introduction of integrated systems for business management and systems for automated design, engineering activity and production at the enterprises** – the implementation of this measure is targeted towards the increase in the share of sectors, generating high added value, such as ICT and high-tech production. Promoting the introduction of technologies, equipment and TFA, linked into integrated systems for business management (ERP), will increase business productivity. The support for the introduction of ERP, CAD/CAM/CAE and of systems for quality measurement and control in the production enterprises, as well as in the enterprises, offering engineering services, will contribute to the higher competitiveness of the produced products and services.

**Support for cluster development** – the concrete activities in support of clusters will be determined, based on preliminary analysis and classification of the existing clusters into separate categories depending on the stage of development (e.g. developed, developing and newly created). For each separate category concrete measures and indicative distribution of the allocated financial resource will be offered. For example, 60 % of the funds will be allocated to the support of the most developed clusters with established positions and access to the international markets; 30% of the funds will be go to the less developed clusters and such, which are in a process of creation and still do not have access to the international markets, and 10% will be given to the newly created cluster associations to build the administrative body and other activities to support of the initial development stage.

**Promotion of cultural and creative industries** – the measure is directed towards the enterprises from the following industries: publishing industry, software industry, musical industry, media industry, movie industry, advertizing industry, design – industrial, furniture, fashion, graphic, media, web-design, architecture, incl. activities for internal design and landscaping, etc. The investment support for acquisition of equipment and technique (TFA an IFA), needed for the creation/introduction of high-tech and innovative products/services/contents; support for activities for protection of the intellectual property rights (purchasing of licenses, royalty, rental or lending rights, other copy rights and similar to them) on the produced and distributed products/services/content; support for the imposing of new products/services on external markets; investment support for digitalization of the created new author's products/services/contents; support for development of on-line platform, networks etc. forms of cooperation and partnership (incl. international) among the enterprises from the cultural and creative industries with the aim to popularize and commercialize the created products/services.

**Vouchers for fast growing enterprises** – the measure will be directed towards the concrete needs of fast growing technological enterprises there are around 1500 – 17000 fast growing SME (excluding the micro enterprises) in Bulgaria, which comprise only about 6% of SME, but create approximately 40% of SME value added). The vouchers are targeted towards the implementation of specific investment and/or other intention of these enterprises, thus ensuring higher sustainability of their growth.

#### **TYPES OF BENEFICIARIES**

Micro, small and medium enterprises, big enterprises, “mid-caps” (depending on the final provisions of the applicable Regulation); newly occurring and/or starting SME.

**3.A.2.3. PLANNED USE OF FINANCIAL INSTRUMENTS (ART. 87 (2) (C) (III) OF THE GENERAL REGULATION):**

Implementation of financial engineering instruments is envisioned with regard to this priority axis. Based on the analysis of the experience of the current programming period, accounting for the findings and recommendations of the business and its organizations an accent should be laid on guarantee products; instruments for provision of low-interest credits for turnover and investment needs of the enterprises; micro crediting and funds for initial financing.

Pursuant to the requirements of the EC regulations (Regulation of the European Parliament and of the Council, repealing Council Regulation (EC) No 1083/2006) preliminary evaluation of the financial instruments should be made as conditionality for the provision of support through financial engineering instruments during the new programming period. Following the submission of analysis and investment strategy for the effective implementation of the financial engineering instruments of the Operational Program “Innovations и Competitiveness” 2014 – 2020, according to the EC requirements, the set of instruments and the mechanism for their implementation will be finalized. The instruments, specified in this concept, are based mainly on the analysis of the experience from the current programming period.

**SECTION 3.A.<sup>9</sup> DESCRIPTION OF PRIORITY AXES, DIFFERENT FROM TECHNICAL ASSISTANCE (ARTICLE 87 (2) (C) OF THE GENERAL REGULATION).**

**PRIORITY AXIS 2**

*„INNOVATIONS”*

*The focus of priority axis “Innovations” is the enhancing of the innovation capacity at the enterprises and the development of innovation infrastructure through support of existing and efficient structures, while the accent is laid on the direct support for the business.*

*The world practice proves that the innovations are of key importance for the development of competitive economy. As of the present moment, Bulgaria is seriously lagging behind with regard to the general investments in innovations and R&D activity, compared with the leading world economies and the other EU member state. The country puts aside only 0.6% costs of GDP during the period 2010 – 2012 for similar type of activity.*

*In the private sector a big part of the enterprises, especially SME, do not have own technologies and opportunities for development of innovations of decisive importance for separate industries or groups of industries. Simultaneously, the enterprises face series of difficulties, related to the lack of staff with appropriate qualification, the access to funding: lack of credit history, of experience in the work with financial institutions, high requirements for collaterals and unclear long-term vision for business development. The low level of the costs for scientific studies and innovations at these enterprises, as well as tax incentives for investments, the poor connection between the scientific research and the needs of the production sector, are the main reasons for the unsatisfactory results in the area of “Innovations”.*

*Accounting for the relatively small number of innovative enterprises and the generally weak innovation activity in all sectors of the economy, horizontal approach to the support for innovation development and implementation is envisioned. Through the encouragement of starting innovative enterprises, well operating innovative firms to develop and implement innovative products, processes and business model, including marketing instruments, measures for increasing the integration between the elements of the “knowledge triangle” (education-science-business), measures for stimulating the cooperation of the enterprises, aiming at higher economic results, conditions will be created for competitive economy, based on knowledge and innovations, the optimization of the production chains and the sectors with high value added.*

**INVESTMENT PRIORITY 1 OF PRIORITY AXIS 2 (title) (article 87 (2) (b) (i))**

Encouraging the investments in R&D and innovation activity and development of the connections between the business and the research centers and provision of support for improved production capabilities and pilot production in key basic technologies.

<sup>9</sup> This dsection is developed according to Draft template and content guidelines for operational program as of April 2013

### **3.A.1. SPECIFIC OBJECTIVES, CORRESPONDING TO THE INVESTMENT PRIORITY AND EXPECTED RESULTS (ART. 87 (2) (C) (I)-(II)).**

**SPECIFIC OBJECTIVE 1:** Creation and strengthening the capacity of the Bulgarian enterprises for development and implementation of innovative products, processes and business models, as well as investments in R&D activity and innovations.

#### **Expected results**

As a result of the indicative activities in support of the specified objective enhancing of the innovation activity (acceleration of the innovation process) will be achieved, as well as introduction of innovative products and services at the enterprises.

**SPECIFIC OBJECTIVE 2:** Creation of conditions for implementation of innovation activity and development of cooperation between the business and the scientific communities.

#### **Expected results**

As a result of the indicative activities in support of the specified objective, intensification of the integration between the elements of the “knowledge triangle” (education –science-business) will be achieved, of the cooperation between the innovative companies, incl. between the firms and the non-governmental organizations (industrial, consultation organizations) and the needed innovation infrastructure for the development of the innovation activity of the enterprises will be created.

### **3.A.2. ACTIVITIES, WHICH WILL BE SUPPORTED WITHIN THE FRAMEWORK OF THE INVESTMENT PRIORITY (BY INVESTMENT PRIORITY)**

#### **3.A.2.1. DESCRIPTION OF THE TYPES AND THE EXEMPLARY ACTIVITIES FOR FUNDING AND THEIR EXPECTED CONTRIBUTION TO THE RELEVANT SPECIFIC OBJECTIVES (INCLUDING WHERE APPROPRIATE IDENTIFICATION OF THE MAIN TARGET GROUPS, SPECIFIC TARGET TERRITORIES, TYPES OF BENEFICIARIES)**

##### **TYPES OF ACTIVITIES FOR FUNDING**

- support to innovative enterprises for development and implementation of new products, processes and business models;
- encouraging the investments in R&D, inclusive of partnership with the R&D organizations and other enterprises;
- support to innovative starting enterprises;
- support to social innovations;
- support for the development of partnerships between the business and the scientific communities, promoting the setting up and development of networks, innovative platforms, international business cooperation and initiatives for research and innovations;
- provision of innovation vouchers to encourage the cooperation between the business and the scientific communities, for marketing and organizational innovations;
- support for developing infrastructure for innovations and studies:
  - *development of thematic focused certified and measuring laboratories;*

- *laboratories for testing and proving the concepts of testing samples and useful models;*
- *technological centers, specialized by sectors;*
- *support for development and building on the pilot project for technological park “Sofia Techpark”.*

**Support for innovative enterprises** – conducting of scientific studies at the enterprises will be supported, including studies of the implementability, industrial research and experimental developments, consultations, investments in tangible and intangible assets, training of the management and/or the staff, needed for the implementation of the product or process innovation in the production and the managerial practices of the enterprises – beneficiaries.

**Social innovations** – support for the creation, development and implementation of technologies to improve the quality of living and increase the work efficiency.

**Innovation vouchers** for encouraging the cooperation between the business and the scientific environments, and respectively, for using the results from scientific research – includes support for design services, product development, transfer of technologies, directed towards the country, innovation management, business process engineering, market surveys, intellectual property rights, testing, certification. The voucher schemes are characterized by facilitated process of application and accounting compared with the traditional schemes for grant funding.

**Support for the development of innovation infrastructure: creation and development of thematic focused certifying laboratories, concept proving laboratories, testing laboratories, technological centers** and other shared infrastructure in support of the innovation activity of the enterprises. The structures should share a main set of processes and equipment, reflecting the specifics of the given sectors/group of companies, for which they are designated, should have a number of specialists, including engineering staff, to provide technological assistance to the enterprises. Depending on the concrete situation and the identified business needs the building of new structures and/or the modernization of already operating ones is envisioned, in the cases when there is a good existing base.

#### TYPES OF BENEFICIARIES

Micro, small, medium and big enterprises, “mid-caps” (depending on the final provisions of the applicable Regulation), “Sofia Techpark”;



### **3.A.2.3. PLANNED USE OF FINANCIAL INSTRUMENTS (ART. 87 (2) (C) (III) OF THE GENERAL REGULATION):**

Implementation of financial engineering instruments is envisioned under this priority axis. Based on the analysis of the experience from the current programming period, accounting for the findings and the recommendations of the business and its organizations, an emphasis should be laid on guarantee products; instruments for provision of low-interest credits to the enterprises for turnover and investment needs; micro crediting and funds for initial financing.

According to the requirements of the EC regulations (Regulation of the European Parliament and of the Council, repealing Council Regulation (EC) No 1083/2006) ex ante assessment of the financial instruments should be carried out as a conditionality for provision of support through financial engineering instruments during the new programming period. After submission of analysis and investment strategy for the effective implementation of the financial engineering instruments of Operational Program “Innovations and Competitiveness 2014 – 2020”, pursuant to the EC requirements, the set of instruments and the mechanism for their implementation will be finalized. The instruments, specified in this concept of OPIC 2014-2020, are based mainly on the analysis of the experience from the current programming period.

**SECTION 3.A.<sup>10</sup> DESCRIPTION OF PRIORITY AXES, DIFFERENT FROM TECHNICAL ASSISTANCE (ARTICLE 87 (2) (C) OF THE GENERAL REGULATION).**

**PRIORITY AXIS 3 (title)**

**“GREEN AND ENERGY EFFICIENT ECONOMY”**

*The focus of priority axis 3 “Green and energy-efficient economy“ is the increase of energy and resource efficiency of the enterprises through introduction of low-carbon technologies, eco-innovations and measures in support of the increasing energy efficiency at the enterprises, efficiency of energy production and transmission.*

*The energy intensity of the Bulgarian economy exercises significant negative impact on its competitiveness. Despite the long term trend towards improvement of the energy efficiency of the Bulgarian economy, measured through the total energy efficiency index ODEX, during 2011 Bulgaria occupied last place with regard to energy efficiency at EU-27 level. The low energy efficiency is a result from: the outmoded energy infrastructure, which generates significant losses during the energy transmission and distribution; the out-of-date equipment and technologies of the Bulgarian enterprises; the absence of professional capacity and interest on the part of the enterprises for the implementation of innovative/green technologies; limited access to funding for renewal/modernization of the machine park of the Bulgarian enterprises (lack of own resources; impossibility for attracting external resources – different forms of crediting);. Increasing the energy efficiency of the Bulgarian economy is a function of the introduction of modern high-tech equipment and the operation of energy saving technologies – result from the development of R&D and the implementation of the innovations at the different stages of the production process.*

*The energy saving is the measure with the highest degree of readiness for implementation and secure way for attaining the target for 20-percent decreases of the greenhouse gas emissions by 2020. Additionally, this is the measure with the quickest and most efficient way for improving the air quality, especially in the densely populated regions.*

*Significant potential for optimizing the management of the electricity transmission grid of the country exists in relation with the setting up of smart grids and the introduction of smart measurement/reporting. SMART GRIDS or “smart distribution grids” denote the new generation electricity distribution grids, allowing simultaneously flexibility of the process, control and awareness for the participants. Through the setting up of smart distribution grids, achieving decrease of the losses during energy transmission and distribution will be achieved.*

*EC lays an emphasis on the development and implementation of eco-innovations as a main factor for achieving smart and sustainable growth.*

*The eco-innovations do not limit themselves to a particular industrial sector. They should not be viewed solely as an instrument for resolving specific problems, but also as a driver for the development of the economy within a given region and for the raising of the competitiveness of the economic branches. The introduction of eco-innovations creates new market opportunities, which ensure new job places and strengthen SME role through the provision of competitive advantages. The eco-innovations can lead to a change in the behavior and way of*

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<sup>10</sup> This dsection is developed according to Draft template and content guidelines for operational program as of April 2013.

*living of the citizens, improvement of the quality of life and of the health. The eco-innovations, technological or non-technological, lead to reduction of the raw materials and the energy costs of the companies in all sectors – i.e. they lead to sustainability.*

*The introduction of eco-innovations and eco technologies, the building and modernization of the ecological infrastructure, the encouragement of ecological economic activities and the creation of markets for ecological production contributes for the rational utilization of resources and energy, as well as for increasing the productivity of the economic branches. Thus, a prerequisite is created for the conquering of new market positions within the framework of the domestic, Common European market and the international markets.*

**3.A.0. WHERE APPROPRIATE, JUSTIFICATION FOR THE CHOICE OF PRIORITY AXES, COVERIUNG MORE THAN ONE CATEGORY REGIONS OR MORE THAN ONE THEMATIC OBJECTIVE [OR MORE THAN ONE FUND] (ARTICLE 87 (1) GENERAL REGULATION).**

Priority axis 3 “Green and Energy Efficient Economy” is directed towards support for transition to low-carbon economy in all sectors (Thematic objective 4 of the Common Strategic Framework for the period 2014-2020 for ESIF), environmental protection and encouraging of resource efficiency (Thematic objective 6 of the Common Strategic Framework for the period 2014-2020 for ESIF). The complex nature of the impact of the envisioned measures in support to the introduction of low-carbon technologies, eco-innovations, as well as the support for increasing the energy efficiency pursuant to energy production-transmission-consumption determines the addressing of two thematic objectives under this priority axis.

***INVESTMENT PRIORITY 1 OF PRIORITY AXIS 3 (title) (article 87 (2) (b) (i))***

Promoting energy efficiency and utilization of energy from RS in the enterprises

**3.A.1. SPECIFIC OBJECTIVES, CORRESPONDING TO THE INVESTMENT PRIORITY AND EXPECTED RESULTS (ART. 87 (2) (C) (I)-(II)).**

**SPECIFIC OBJECTIVE:** Introducing low-carbon technologies in the enterprises and improving the energy efficiency.

**Expected results**

As a result of the implementation of the envisioned activities within the framework of this investment priority, decrease of the primary and final energy intensity will be achieved, both at the level of separate enterprises, as well as for the overall economy. On the other hand, the optimization of the energy costs will raise the productivity of the enterprises.

**3.A.2. ACTIVITIES, WHICH WILL BE SUPPORTED WITHIN THE FRAMEWORK OF THE INVESTMENT PRIORITY (BY INVESTMENT PRIORITY).**

**3.A.2.1. DESCRIPTION OF THE TYPES AND THE EXEMPLARY ACTIVITIES FOR FUNDING AND THEIR EXPECTED CONTRIBUTION TO THE RELEVANT SPECIFIC OBJECTIVES (INCLUSIVE WHERE APPROPRIATE IDENTIFICATION OF THE MAIN TARGET GROUPS, SPECIFIC TARGET AREAS, TYPES OF BENEFICIARIES)**

**TYPES OF ACTIVITIES FOR FUNDING**

**Support for the increasing of the energy efficiency at the enterprises** – includes the preparation for energy efficiency audits, feasibility studies, technical specifications; implementation of technologies, which lead to improvement of the energy efficiency of the production, including the production and local energy distribution; modernization of grids; CIW leading to improvement of the energy characteristics of the building fund of the enterprises; introduction of systems for production of energy from renewable sources; introduction of energy management systems.

For the definition of the SME scheme parameters, building on the experience from the current programming period, in this number outsourcing the technical evaluation of the project proposals and verification of the activities to a specialized organization will be sought

***INVESTMENT PRIORITY 2 OF PRIORITY AXIS 3 (title) (article 87 (2) (b) (i))***

Development and creating of smart distribution grids of low and medium voltage

**3.A.1. SPECIFIC OBJECTIVES, CORRESPONDING TP THE INVETSMET PRIORITY AND EXPECTED RESULTS (ART. 87 (2) (C) (I)-(II))**

**SPECIFIC OBJECTIVE:** Optimization of the management of the electricity distribution grid of the country through support for development of smart grids and introduction of smart measurement/reporting.

**Expected results** – will be developed additionally, following specification and finalization of the activities under this investment priority.

**3.A.2. ACTIVITIES, WHICH WILL HELP EACH OTHER WITHIN THE RAMEWORK OF THE INVESTMENT PRIORITY (BY INVESTMENT PRIORITY).**

**3.A.2.1. DESCRIPTION OF THE TYPES AND THE EXEMPLARY ACTIVITIES ALSO FOR FUNDING AND THEIR EXPECTED CONTRIBUTION TO THE RELEVANT SPECIFIC OBJECTIVES (INCLUSIVE WHERE APPROPRIATE IDENTIFICATION OF THE MAIN TARGET GROUPS, SPECIFIC TARGET AREAS, TYPES OF BENEFICIARIES)**

**TYPES OF ACTIVITIES FOR FUNDING**

- feasibility studies, analyses and evaluations for developing energy saving systems and smart grids for efficient energy supply;
- investments in transformers and battteries, measurement devices and software products;

***INVESTMENT PRIORITY 3 OF PRIORITY AXIS 3 (title) (article 87 (2) (b) (i))***

Support for transition to resource efficient and green economy (supporting industrial transition towards a resource-efficient economy and promoting green growth)

**3.A.1. SPECIFIC OBJECTIVES, CORRESPONDING TO THE INVESTMENT PRIORITY AND EXPECTED RESULTS (ART. 87 (2) (C) (I)-(II))**

**SPECIFIC OBJECTIVE:** Increasing the share of SME with measures for optimizing the production processes and efficient resource utilization

**Expected results**

As a result of the indicative activities related to this investment priority a decrease in the quantity of the dumped unprocessed waste, increase in the quantity of recycled waste, reduction of the greenhouse gas emissions will be achieved.

**3.A.2. ACTIVITIES, WHICH WILL BE SUPPORTED WITHIN THE FRAMEWORK OF THE INVESTMENT PRIORITY (BY INVESTMENT PRIORITY)**

**3.A.2.1. DESCRIPTION OF THE TYPES AND THE EXEMPLARY ACTIVITIES ALSO FOR FUNDING AND THEIR EXPECTED CONTRIBUTION TO THE RELEVANT SPECIFIC OBJECTIVES (INCLUSIVE WHERE APPROPRIATE IDENTIFICATION OF THE MAIN TARGET GROUPS, SPECIFIC TARGET AREAS, TYPES OF BENEFICIARIES)**

**TYPES OF ACTIVITIES FOR FUNDING**

- introduction of high-tech solutions to optimize the production processes and reduce the use of raw materials;
- introduction of modern technologies for using the waste as a raw material in a new production and/or other alternative applications;
- introduction of modern net shape technologies;
- introduction of innovative production materials and increase in the use of recycled materials;
- introduction of technologies for “green products” manufacturing;
- consultancy services to identify measures for improving the resource efficiency and the sustainable use of the raw materials.

**TYPES OF BENEFICIARIES**

Micro, small and medium enterprises, big enterprises, “mid-caps” (depending on the final provisions of the applicable Regulation).

**3.A.2.3. PLANNED USE OF FINANCIAL INSTRUMENTS (ART. 87 (2) (C) (III) OF THE GENERAL REGULATION):**

Application of financial engineering instruments is planned under this priority axis. Based on the analysis of the experience from the current programming period, accounting for the findings and the recommendations of the business and its organizations an accent should be

laid on the guarantee products; instruments for provision of low-interest credits for turnover and investment needs of the enterprises; micro crediting and funds for initial financing.

Pursuant to the requirements of the EC regulations (Regulation of the European Parliament and of the Council, repealing Council Regulation (EC) No 1083/2006) preliminary evaluation of the financial instruments should be made as conditionality for the provision of support through financial engineering instruments during the new programming period. After the submission of analysis and investment strategy for the effective implementation of the financial engineering instruments of the Operational Program “Innovations и Competitiveness 2014 – 2020”, according to the EC requirements, the set of instruments and the mechanism for their implementation will be finalized. The instruments, specified in this concept, are based mainly on the analysis of the experience from the current programming period.

**SECTION 3.A.<sup>11</sup> DESCRIPTION OF PRIORITY AXES, DIFFERENT FROM TECHNICAL ASSISTANCE (ARTICLE 87 (2) (C) OF THE GENERAL REGULATION).**

**PRIORITY AXIS 4 (title)**

*„INTERNATIONALIZATION AND BUSINESS SERVICES”*

*The focus of priority axis 4 “Internationalization and business services” is creation and development of efficient and sustainable systems for support and expertise in new and/or existing agencies, organizations and institutions through the development of modern innovative services, which will contribute for the increasing of the competitiveness of the enterprises in the country.*

*The insufficient funding for renewal and development of the provided services to the business by the existing agencies, institutions and other structures/organizations leads to a delay of the development in this field and impossibility for ensuring adequate for the business need modern and quality services. Among the main problems of the organizations, which are related to the provision of services for supporting the business and the business environment, are the insufficiency of financial means from their delegated budgets for introduction of innovative technical solutions and methods, dissemination of the best international practices to the science, industry, society, expansion of the scope of the provided services, development of certification schemes, standardization systems, patenting and management of the intellectual property.*

*The promotion of the development of business support systems as one of the elements of the business environment provides an opportunity for ensuring better business awareness for taking justified and well-grounded decisions and improving the access of the enterprises to national and international markets.*

*SME access to quality information and consultation services is of decisive importance for the development of the business environment, due to traditionally low level of managerial knowledge and skills in the companies. Compared to the other European countries, Bulgaria is significantly lagging behind with regard to business services development, mainly due to the limited access, poor distribution and low quality of the offered services. In this connection, in the Position of the Commission Services on development of Partnership Agreement and programs in Bulgaria for the period 2014-202” an accent is laid on the support for the development of modern business services for SME and newly occurring enterprises.*

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<sup>11</sup> This dsection is developed according to Draft template and content guidelines for operational program as of April 2013.

***INVESTMENT PRIORITY 1 OF PRIORITY AXIS 4 (title) (article 87 (2) (b) (i))***

Provision of support for the creation and strengthening of capacity for the development of products and services

**3.A.1. SPECIFIC OBJECTIVES, CORRESPONDING TO THE INVESTMENT PRIORITY AND EXPECTED RESULTS (ART. 87 (2) (C) (I)-(II))**

**SPECIFIC OBJECTIVE 1:** Creation and development of efficient and sustainable systems for support and expertise in new and/or existing agencies, organization and institutions through the development of modern and innovative services, which will contribute to the increase in the competitiveness of the enterprises in the country.

**Expected results**

With the activities in support of the implementation of the stated specific objective, expansion of the range and improvement in the quality of the provided services by agencies, organizations and other institutions in favor of the enterprises in the country, strengthening the internationalization (improving the access to the international markets) of the enterprises and increasing the volume of attracted direct foreign investments (DFI) in the country, in this number the inclusion of Bulgarian companies in the international chains for value provision.

**3.A.2. ACTIVITIES, WHICH WILL BE SUPPORTED WITHIN THE FRAMEWORK OF THE INVESTMENT PRIORITY (BY INVESTMENT PRIORITY)**

**3.A.2.1. DESCRIPTION OF THE TYPES AND THE EXEMPLARY ACTIVITIES FOR FUNDING AND THEIR EXPECTED CONTRIBUTION TO THE RELEVANT SPECIFIC OBJECTIVES (INCLUSIVE WHERE APPROPRIATE IDENTIFICATION OF THE MAIN TARGET GROUPS, SPECIFIC TARGET AREAS, TYPES OF BENEFICIARIES)**

**TYPES OF ACTIVITIES FOR FUNDING**

Support within the framework of the priority axis is proposed to be concentrated but not limited to the following activities:

- provision of services in support of the business and internationalization;
- services and measures to popularize energy efficiency and RES;
- popularizing and marketing of tourism;
- horizontal measures.

**Provision of services in support of the business and internationalization** – programs for internationalization of the enterprises, support for national exhibitions of enterprises, aiming at popularizing the Bulgarian production and the access to new markets, consultation services and preparation for starting enterprises; services, related to the finding of export solutions for exporters, incl. novices (Bulgarian Small and Medium Enterprises Promotion Agency (BSMEPA)); programs for national and international popularization and marketing for industrial investments, advertizing and marketing of investment locations (Invest Bulgaria Agency (IBA)); programs in support of the attracting of foreign investors (IBA); development of schemes for certification of processes/products/services of the Bulgarian SME, encouragement and support of the



implementation of standards by the Bulgarian enterprises (Bulgarian Institute for Standardization (BIS)); provision of new and improved services in the field of the systems for standardization, support for maintaining the competence of the laboratories through accreditations and peer reviews, programs for dissemination of the knowledge for business representatives, support for development of innovative services for the business (as well as introduction of modern information and communication technologies, pilot internet-based calibration of funds for measurement in the field of the electric and other applicable measurements, creation and equipping of specialized laboratories for testing, checking, validating of measurement software, design and development of web pages with information on the control measurement devices in the non-harmonized area in connection with the application of the principle for mutual recognition of the results from the control (Bulgarian Institute of Metrology (BIM)), development of new services for the business, support for developing the mobility of the units for control performance (State Agency for Metrological and Technical Surveillance (SAMTS)), expansion of the scope of the e-services, provided by the Patent Office to the business; services for clustering, development of grids, technological transfer, development of the innovation capacity, etc.

**Services and measures for popularization of the energy efficiency and RES** – services and measures, related to the development and implementation of evaluation and the introduction of financial and other mechanisms in the field of energy efficiency and RES, as well as their popularization.

**Popularization and marketing of tourism** – tourist information services, statistical surveys and analysis, popularization and marketing of tourism (events, initiatives, campaigns) at national and regional level (State Agency for Tourism);

**Horizontal measures** – participation in European and international networks, projects and programs on territorial or thematic principle in compliance with the scope of OPIC 2014-2020; development of systems for monitoring and evaluation of the implemented policies, etc.

During the programming process, coordination between ESIF and other national and European funding instruments and EIB should be ensured. Within the framework of Operational Program “Innovations and Competitiveness” 2014-2020 it is necessary to ensure additionality and coordination with the measures, envisioned under the program “Horizon 2020” and the Program for the Competitiveness of Enterprises and SME (COSME).

As one of the programs of ESIF, OPIC 2014-2020 should assist the implementation of the Danube Strategy, since no concrete financial resource has been envisioned under the program. The achievement of its objectives and priorities will be accomplished through the implementation of specific projects under the programs, financed by ESIF. It is also envisioned that Bulgaria will apply for financing under the Connecting Europe Facility with projects, falling within the scope of the Danube Strategy, as well as to use the programs for European territorial cooperation.

The listing of concrete indicative activities will be possible when there will be more clarity for the programming process, for which the leading institution with regard to the Danube Strategy is the Ministry of Regional Development and Public Works (MRDPW), and with regard to “Horizon 2020” – MES.

**TYPES OF BENEFICIARIES**

Agencies and other organizations and institutions, which are related to the provision of services in support of the business and the business environment, etc.

As potential beneficiaries at this stage are identified BSMEPA, IBA, BIS, BIM, SAMTS, State Agency for Tourism (SAT), Patent Office and Sustainable Energy Development Agency (SEDA).