

**AFFIRMED BY:
ZDRAVKO DIMITROV
MAYOR OF PLOVDIV MUNICIPALITY**

**METHODOLOGY FOR ASSESSMENT OF THE COMPLIANCE OF INVESTMENT
PROJECTS FOR WHICH A MEASURE HAS BEEN REQUESTED UNDER THE
ORDINANCE FOR PROMOTION OF INVESTMENTS IN THE PLOVDIV
MUNICIPALITY**

Part A. Purpose and subject of the Methodology

This Methodology for assessment of the conformity of investment projects determines the manner of assessment of the documents under Art.12 of the Ordinance for promotion of investments in the Plovdiv Municipality.

The documents under Art.12 of the Ordinance for promotion of investments in the Plovdiv Municipality are the application for issuance of a certificate for Class B, according to a sample, together with the documents specified therein, and the investment project.

The purpose of the inspection is to establish that:

- an investment project for implementation of an investment in tangible and intangible fixed assets is presented, which is eligible for support under the Investment Promotion Act, the Regulations for implementation of the Investment Promotion Act, and the Ordinance for promotion of investments in the Plovdiv Municipality;
- there is an incentive effect for the investment from the receipt of the aid;
- for the Investor, as a recipient of the aid, the circumstances under Art.8 and Art.9 of the Ordinance for promotion of investments in the Plovdiv Municipality are not present;
- the investment meets the requirements of Art.7, para.2 in conjunction with Art.10, para.2 and para.3 of the Ordinance for promotion of investments in the Plovdiv Municipality.

The inspection is carried out by the Commission under Art.16 of the Ordinance for promotion of investments in the Plovdiv Municipality – upon considering and evaluating an application for issuance of a Class B Investment Certificate. The Commission should check the received documents and assess the investment project. The investment project is assessed according to the current methodology, which is in accordance with the one approved by the Minister of Economy. In case discrepancies or incompleteness are found during the inspection of the documents, the Investor shall be notified, giving him or her a term for elimination of the irregularities. After the documents are checked and the investment project is assessed, the Mayor shall send to the municipal council a proposal for issuance of a certificate. The proposal shall be sent to the municipal council within 30 days from the submission of the application or from the elimination of the irregularities.

Refusal to issue a certificate shall be issued when any of the following circumstances exist:

- the existence of discrepancies between the investment project and the requirements for Class B investment;
- the presence of discrepancies and/or incompleteness in the documents submitted with the application for issuance of a certificate, which have not been eliminated within 6 months from the date of submission of the application;
- incompatibility of the person presenting the investment project with the legal requirements specified in Art.13 of the Investment Promotion Act.

Part B. Criteria and manner of carrying out inspection upon application for issuance of Class B Investment Certificate

No	Criteria	YES	NO	Source of information
1	<p>The project falls into at least one of the following investment categories:</p> <ol style="list-style-type: none"> 1. creation of a new enterprise; 2. expansion of an existing enterprise/activity; 3. diversification of the production of the enterprise/activity with new products; 4. significant change in the overall production process of an existing enterprise/activity. <p>Note: Investments in tangible and intangible fixed assets for the creation of a new enterprise, expansion of an existing enterprise/activity, diversification of the production of the enterprise/activity with new products or significant change in the overall production process of an existing enterprise/activity under Art.12, para.2, item 1 of the Investment Promotion Act shall be encouraged by the order of the law and the Ordinance for promotion of investments in the Plovdiv Municipality by taking into account the term “establishment” in the sense of Art.2, item 49, letter “a” of Regulation (EU) No 651/2014, respectively the term “business site” in the official translation into Bulgarian of Art.2, point 49 (a) of Regulation (EU) No 651/2014, provided that it relates to the investment (investment project) subject to provision of aid.</p> <p>The terms “enterprise” and “undertaking” within the meaning of Art.2, items 2, 18 and 24 of Regulation (EU) No 651/2014, with</p>	<input type="checkbox"/>	<input type="checkbox"/>	<p>Application under Art.12 of the Ordinance for promotion of investments in the Plovdiv Municipality:</p> <ul style="list-style-type: none"> - Section I, Section 1A, item 6, “Brief information on the economic activity of the applicant”; - Section III, Section 1.

	<p>their respective translation into Bulgarian as “enterprise” and the term “undertaking” within the meaning of Art.3, paragraph 2 of Regulation (EU) No 1407/2013, with its corresponding translation into Bulgarian as “enterprise” refer to the entity receiving the aid and are distinguished from the concept of “enterprise” under Art.12, para.2, item 1 of the Investment Promotion Act, representing the object of support.</p>			
2	<p>The main activity of the Investor or the activity for which he applies for financing is not in any of the following areas:</p> <p>2.1. in the fisheries and aquaculture sector covered by Regulation (EU) No 1379/2013;</p> <p>2.2. in the primary production and trade of agricultural products;</p> <p>2.3. in the coal sector;</p> <p>2.4. in the steel sector;</p> <p>2.5. in the shipbuilding sector;</p> <p>2.6. in the production of synthetic fibers;</p> <p>2.7. in the transport sector and related infrastructure and the transport of goods by pipeline;</p> <p>2.8. in the production and distribution of electricity and energy infrastructures, production and distribution of gas, steam and air conditioning;</p> <p>2.9. the closure of uncompetitive coal mines in accordance with Council Decision 2010/787/EU (OJ L 336, 21.12.2010);</p> <p>2.10. for the execution of concession contracts for extraction of natural resources under the Concessions Act or for extraction of mineral resources under the Mineral Resources Act, including activities in the mining industry according to section B of</p>	<input type="checkbox"/>	<input type="checkbox"/>	<p>Application under Art.12 of the Ordinance for promotion of investments in the Plovdiv Municipality – Section III, Part 5, item 4 “Economic activity and manufactured products”.</p>

	NACE Rev. 2; 2.11. for implementation of privatization contracts under the Privatization and Post-Privatization Control Act; 2.12. during implementation of compensatory (offset) agreements.			
3	The Investor does not carry out activity (main or additional) in the above sectors under item 2 and will keep separate accounting records in order to ensure the separation of activities and/or the differentiation of costs.	<input type="checkbox"/>	<input type="checkbox"/>	Accounting policy of the company. References from the Annual Activity Report under the Statistics Act/the Accountancy Act. Extracts from the accounting policy of the Investor regarding the method of reporting the costs of the various activities (if applicable so far) – for staff remuneration, for administrative and overhead costs, for raw materials, for tangible and intangible fixed assets related to the respective activity, etc. Draft chart of accounts, approved by the management of the enterprise with separate accounting accounts /sub-accounts/ included therein, specially opened for the project.
4	The investment project is related to the acquisition of tangible and intangible fixed assets and related work places and is not directly related to exported quantities, the construction and operation of a distribution network, or other current costs of the Investor in connection with exports.	<input type="checkbox"/>	<input type="checkbox"/>	Application under Art. 12 of the Ordinance for promotion of investments in the Plovdiv Municipality: - Section III “Investment Project”; - Section IV “Incentives”
5	The implementation of the investment project is not made dependent on the use of local at the expense of imported goods.	<input type="checkbox"/>	<input type="checkbox"/>	Application under Art.12 of the Ordinance for promotion of investments in the Plovdiv Municipality: - Section IV “Incentives”
6	The applicant is not an enterprise, for which public obligations have been established.	<input type="checkbox"/>	<input type="checkbox"/>	Certificate for the presence or absence of obligations from the NRA under Art.87, para.6 of the Tax Insurance Procedure Code.

7	<p>The applicant is not a company in difficulty and none of the following circumstances has been met:</p> <p>7.1. In the case of a joint-stock company, limited liability company, limited partnership with shares or cooperatives or other companies listed in Annex I to Directive 2013/34/EU (which is not a small and medium-sized enterprise that has existed for less than three years), its subscribed share capital has decreased by more than half due to accumulated losses. This is the case when the deduction of accumulated losses from reserves (and all other elements that are generally considered part of the company's equity) leads to a negative cumulative result that exceeds half of the subscribed share capital. For the purposes of this provision, the term "limited liability company" means in particular the types of companies listed in Annex I to Directive 2013/34/EU, and the term "share capital" includes, where appropriate, share premiums.</p> <p>7.2. In the case of a general partnership, limited partnership, sole trader or other persons listed in Annex II to Directive 2013/34/EU (which is not a small and medium-sized enterprise that has existed for less than three years), the capital entered in the company's balance sheet, has decreased by more than half due to accumulated losses. For the purposes of this provision, the term "company in which at least some of the partners have unlimited liability for the obligations of the company" means in particular the types of companies listed in Annex II to Directive 2013/34/EU.</p> <p>7.3. An enterprise is in insolvency</p>	<input type="checkbox"/>	<input type="checkbox"/>	<p>Application under Art.12 of the Ordinance for promotion of investments in the Plovdiv Municipality:</p> <p>- Section V, item 1. Income and Expenditure Statement and Balance Sheet; Answers of the European Commission regarding the calculation under item 1: http://stateaid.minfin.bg/bg/page/475</p>
---	---	--------------------------	--------------------------	---

	<p>proceedings or meets the criteria of its domestic law to be subject to insolvency proceedings at the request of its creditors.</p> <p>7.4. The entity has received rescue aid and has not yet repaid the loan or terminated the guarantee, or has received restructuring aid and is still subject to a restructuring plan.</p> <p>7.5. The company has not been a small and medium enterprise in the last two years:</p> <p>(aa) the enterprise's liabilities/equity ratio has been greater than 7.5; and</p> <p>(bb) the enterprise's interest rate ratio, calculated on the basis of EBITDA, has been below 1.0.</p>			
8	<p>The applicant is a micro-, small- or medium-sized enterprise in accordance with the Small and Medium-sized Enterprises Act and Annex I of Regulation (EU) No 651/2014.</p>	<input type="checkbox"/>	<input type="checkbox"/>	<p>Declaration of the circumstances under Art.3 and Art.4 of the Small and Medium-sized Enterprises Act.</p>
9	<p>Work on the project did not start before the application for a certificate was submitted.</p> <p>Additional guidance: Recital 18 in the preamble to Regulation (EU) No 651/2014</p>	<input type="checkbox"/>	<input type="checkbox"/>	<p>Application under Art.12 of the Ordinance for promotion of investments in the Plovdiv Municipality:</p> <p>- Section V, item 4.</p> <p>Extracts from the Investor's accounting system in respect of construction costs incurred at the location of the investment, order of equipment or other activities in the period prior to the submission of the application.</p> <p>On-site inspection, if necessary.</p>
10	<p>The application under Art.12 of the Ordinance for promotion of investments in the Plovdiv Municipality is filled in and contains:</p> <p>10.1 name and size of the enterprise;</p> <p>10.2 a description of the project, including its start and end dates;</p> <p>10.3 location of the project;</p> <p>10.4 list of project costs;</p> <p>10.5 type of incentive measure.</p>	<input type="checkbox"/>	<input type="checkbox"/>	<p>Application under Art.12 of the Ordinance for promotion of investments in the Plovdiv Municipality:</p> <p>- Section I, Sections 1A, 1B and 6;</p> <p>- Section III, Section 5, items 5 and 7;</p> <p>- Section III, Section 8;</p> <p>- Section III, Section 5, items 1 and 2 and Section 6, item 4;</p>

				- Section IV.
11	The application is filled in and it can determine the expected amount of costs for the supported investment project, before deduction of taxes and other fees, which can be accounted for with clear and specific documentary evidence, clearly distinguishing the cost elements forming: - investment costs for tangible and intangible assets; - costs related to employees;	<input type="checkbox"/>	<input type="checkbox"/>	Application under Art.12 of the Ordinance for promotion of investments in the Plovdiv Municipality: - Section III, Sections 2 and 5.
12	The total cost of the investment project (for the creation of a new enterprise, expansion of an existing enterprise/activity, diversification of the production of the enterprise/activity with new products, significant change in the overall production process of an existing enterprise/activity) does not exceed BGN 2 million and is not less than BGN 1 million, and the employees are not less than 25 and not more than 50 people.	<input type="checkbox"/>	<input type="checkbox"/>	Application under Art.12 of the Ordinance for promotion of investments in the Plovdiv Municipality: Verification in the Commercial Register or other available legal information systems whether the group owns other companies operating in the country.
13	If the project is for a change in the production process, the eligible costs should exceed the tax depreciation of the assets related to the activity to be modernized.	<input type="checkbox"/>	<input type="checkbox"/>	Extracts from the Investor's accounting system for tax depreciation for assets related to the activity to be modernized.
14	The eligible costs of the investment project are related to the acquisition of tangible and/or intangible fixed assets, which are new and will be purchased by third parties unrelated to the Investor.	<input type="checkbox"/>	<input type="checkbox"/>	Application under Art.12 of the Ordinance for promotion of investments in the Plovdiv Municipality: - Section III, Section 1 and Section 5, item 2. Data of persons holding more than 10% of the applicant's capital under Section I and Section 2 of the

				application and verification in the Commercial Register or other available legal information systems whether the group owns other companies operating in the country; Data of the group Section I and Section 5 of the Application and verification in the Commercial Register or other available legal information systems whether the group owns other companies operating in the country.
15	If the project is for the diversification of an existing enterprise, the eligible costs must exceed by at least 200 percent the book value of the assets that are reused, as accounted for in the financial year before the start of work on the project.	<input type="checkbox"/>	<input type="checkbox"/>	Extracts from the Investor's accounting system in respect of the carrying amount of reusable assets.

In order to approve in principle the use of an incentive measure with the issuance of a Class B Investment Certificate, it is necessary that the verification has shown a result on the basis of which all points are marked with the answer "YES".

In addition to the above, the Commission checks whether the applicant has submitted all the required documents.