METHODOLOGY AND CRITERIA FOR SELECTION OF OPERATIONS

1. Basic parameters	
Managing Authority	Directorate-General for European Funds for Competitiveness, Ministry of Innovation and Growth
Programme	Competitiveness and Innovation in Enterprises Programme 2021-2027 (CIP)
Priority	Priority: 1. Innovation and growth Priority: 2. Circular economy
Specific objective	Specific objective: RSO1.1. Developing and strengthening research and innovation capacities and the deployment of advanced technologies (ERDF) Specific objective: RSO2.6. Promoting the transition to a circular and resource-efficient economy (ERDF)
Name of procedure(s)	**"Deployment of innovation in SMEs in the territory of Local Action Groups (LAGs)"**
Objective	The main objective of the procedure is to provide support to SMEs in LAG territories with approved complementary funding under the IPPC[1] for **the deployment of innovations based on new or improved products and/or business processes,** thereby increasing their innovation activity and competitiveness. The IPPC support aims to contribute to the objectives of the Community-Led Local Development (CLLD) approach related to improving the living conditions in the territories of local communities, creating a dynamic living environment and improving the quality of life, increasing the competitiveness of local economies and opportunities for local business development. The introduction of modern technologies and innovation by businesses at local level have a key role to play in achieving these objectives.
Justification	According to the Partnership Agreement, under the European Regional Development Fund (ERDF), a financial resource of 2% has been allocated to implement the CLLD approach, including from the IPPC. In the 2021-2027 programming period, the CLLD approach is implemented in a single fund, with funding from the European Agricultural Fund for Rural Development (EAFRD) through the Strategic Plan for Agriculture and Rural Development 2023-2027 (SPZR). The IPPC, the Environment Programme (EIP), the Human Resources Development Programme (HRDP) and the Education Programme (EIP) will provide **complementary funding in the form of grants to** eligible beneficiaries **in the territories of the** LAG within the approved budget. To the extent that new technologies, innovation and sustainable development have a transformative role in the development of modern business and act as a key driver for growth and competitiveness, additional funding under the IPPC is directed in this direction.

[1] According to the Decision approving the local development strategy with complementary funding under the IPPC, issued by the Head of the Managing Authority of the Strategic Plan for Agriculture and Rural Development for the period 2023-2027 on the basis of Article 31(5) to (6) of Decree № 494 of the Council of Ministers of 30 December 2024 laying down rules for the implementation of the community-led local development approach for the period 2021-2027 (Council of Ministers Decree № 494/2024). Decisions will be annexed to the procedural documents.

According to the European Innovation Scoreboard 2025, in 2025 Bulgaria continues to be among the 'emerging innovators' with an aggregated innovation index of 45.8%. Bulgaria's innovation landscape reveals a polarised structure, with a relatively low share of companies actively innovating, while nearly half (49.6%) of them fall into the category of non-innovators with no propensity to innovate, which is significantly above the EU average of 30.6%. Data on resource productivity and the circular material use rate according *to the 2025 EU Environmental Implementation Report for Bulgaria*[2] *also* put Bulgaria at the bottom of the ranking per Member State.

Bulgaria's poor performance in the field of innovation and sustainable use of resources, and in view of the potential these areas have in terms of the development of Bulgarian enterprises, also determine the scope of complementary funding under the IPPC. The same applies to the deployment of innovation under the thematic areas of the Innovation Strategy for Smart Specialisation 2021-2027 (ISIS), including in the area of Clean Technologies, Circular and Low-Carbon Economy. Innovation should involve the deployment of new or improved products (goods or services) or business processes, with the Programme resource provided under the following priorities and specific objectives:

• **Priority 1 "Innovation and Growth", Specific Objective RSO 1.1. 'Developing and enhancing research and innovation capacities and the deployment of advanced technologies' (for** projects falling under the ISIS Informatics and ICT areas; "Mechatronics and microelectronics"; "Industries for a Healthy Life, Bioeconomy and Biotechnology" or "New Technologies in Creative and Recreative Industries") *and*

• **Priority 2 Circular Economy, Specific Objective RSO 2.6. "Promoting the transition to a circular and resource-efficient economy"** (for projects in the field of "Clean Technologies, Circular and Low-Carbon Economy" of the ISIS).

In accordance with the CLLD approach, procedure BG06AFSP001-01.001 'Implementation of operations, including cooperation activities and their preparation, selected within the framework of the local development strategy' was launched on 26 February 2025 by the Managing Authority of the SPRZSR. An **analysis of the needs and identified needs of the territory related to innovation activity and the implementation of innovation in enterprises**[3] **is presented in the Supplementary Financing Annex of the IPPC to the** Local Development Strategies. The annex lists the local specificities and problems targeted by the additional funding under the IPPC, the expected effect of the support to the local community and the necessary funding per priority.

This procedure is aimed at SMEs in LAG territories with approved complementary funding under the IPPC to solve the identified problems and provide financing and contribution to the development of local potential identified as priorities in local development strategies. SMEs in LAG territories often play a dual role, on the one hand as carriers of new business models and technologies and on the other hand as a key source of employment, especially in rural areas. In this regard, support for investment in local SMEs ensures a holistic approach that combines economic growth, technological innovation and social responsibility, contributing to the sustainable development of the local economy, increasing productivity and retaining the labour potential of the territories.

In response to the above, the complementary funding under this procedure will support SMEs in the territories of the LAG to implement projects aimed at the deployment of innovations and is

[2] https://ec.europa.eu/transparency/documents-register/detail?ref=SWD(2025)302&lang=en

3 The application has been developed on the basis of Guidelines with requirements regarding the provision of complementary funding in the form of grants for the implementation of the CLLD approach under the PKIP (Annex 16 under procedure BG06AFSP001-01.001), approved by the Head of the Managing Authority of the PKIP, in accordance with Article 10 of Council of Ministers Decree № 494/2024.

	expected to solve the identified problems in local development strategies and reduce the significant backlog of Bulgarian SMEs from European ones in this area, especially in rural territories.
Expected results	At the end of the project implementation, **enterprises should implement at least one innovation related to offering new or significantly improved products (goods and/or services) and/or processes falling under the thematic areas of the ISIS,** which is expected to increase their innovation capacity and competitiveness. The implementation of such projects will create the conditions for the local deployment of smart and technology-oriented solutions in SMEs. In addition, insofar as the projects will be implemented on the territory of the LAG, the expectations are to finance business initiatives that meet local needs, create and maintain employment for the local population and benefit small local businesses. They create better economic, social and environmental conditions for living in small settlements, support the multisectoral development of local economies and slow down and neutralize the process of their depopulation.
Duration of the procedure(s)	2026-2030
Territorial scope	The CLLD approach is implemented on a territorial basis at sub-regional level – municipal level, part of a municipality or a group of neighbouring municipalities, with a population coverage between 10 000 and 150 000 inhabitants, according to data from the National Statistical Institute as of 31 December 2020. The territory of each LAG has continuous boundaries and includes at least one rural municipality as per Annex № 2 of Council of Ministers Decree № 494 of 2024. Projects should be implemented by SMEs in LAG territories with approved funding. In the documents under the procedure will be attached a List of settlements with registration in the Unified Classifier of Administrative-Territorial and Territorial Units (ECATTE), which are within the scope of the respective territory of the LAG.
Budget (ERDF and national)	The total amount of the grant under the procedure corresponds to the amount of additional funding under the PKIP included in the approved strategies of the LAG and amounts to **EUR 19 976 187.59,** broken down by region and by priority as follows:

Priorities **ERDF + national co-financing** **EUR**	**Transition region** **South-West Region (SWR) 9 CLLD** **EUR**	**Less developed regions** **EUR**	**Less developed regions Severozapaden (SWR), Severen tsentralen (SVR), Severoiztochen (SVR) EUR**	**Less developed regions South-East (SEE) and South-Central (SEE) regions** **EUR**	**Total** **ERDF + national co-financing** **EUR**
Priority 1 "Innovation and Growth"	974 639.92	9 570 220.83	6 671 342.09	2 898 878.74	10 544 860.75

	Priority 2 "Circular economy" | 974 639.92 | 8 456 686.92 | 5 751 186.96 | 2 705 499.96 | 9 431 326.84 **Total** | 1 949 279.84 | 18 026 907.75 | 12 422 529.05 | 5 604 378.70 | 19 976 187.59 ***A List of Approved Strategies will be attached in the documents under the procedure, indicating the additional funding under the IPPC for each LAG and its distribution by priority.*** *The Managing Authority reserves the right, in case of applicants who have successfully passed the stage of evaluation of project proposals, but for whom funding is lacking, to provide additional resources up to the amount of funds provided for complementary financing of the CLLD approach under the IPPC, which have not been requested and/or approved within the framework of the strategy selection process.*
State/minimum aid scheme	The procedure will be carried out in accordance with the de minimis rules under Commission Regulation (EU) 2023/2831 of 13 December 2023 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid, which replaces Regulation (EU) № 1407/2013. The maximum amount of aid for the same undertaking under the de minimis scheme applied for, together with the other de minimis aid received by the applicant, may not exceed EUR 300 000 over any period of three previous years from the date on which the aid was granted.
2. Methodology and criteria for selection of operations	
Type of grant award procedure	Grants are awarded through procedures for the selection of project proposals under the terms and conditions of the Act on the Management of European Funds under Shared Management (ZUSEFSU) and the Decree of the Council of Ministers № 23 of 2023 laying down detailed rules for the provision of grants under programmes financed by the European Funds under shared management for the 2021-2027 programming period (Council of Ministers Decree № 23/2023). A selection procedure for project proposals will be applied in accordance with Article 25(1)(1) and Article 29(1) of the Act on the Management of European Funds under Shared Management (ZUSEFSU). The selection procedure is intended to have two deadlines for applications, in compliance with the requirements of Article 12(4) of Council of Ministers Decree 23/2023.
Eligible applicants	**The main target groups of the LAG territories under the IPPC are micro, small and medium-sized enterprises under the Small and Medium-sized Enterprises Act, listed as an eligible category in the relevant local development strategy.** 1) To be traders within the meaning of the Commercial Act or the Cooperatives Act. 2) To be registered no later than 31.12.2023. 3) Be micro, small and medium-sized enterprises within the meaning of Articles 3 and 4 of the Small and Medium-sized Enterprises Act and Commission Recommendation of 6 May 2003 (OJ L 124, 20.5.2003, p.

	4) To have generated net sales revenue for the respective category of enterprise in an amount as specified in the Terms of Application. 5) To carry out their activities on the territory of the LAG and to have requested support for activities to be carried out on that territory. ***IMPORTANT:*** *Only applicants from LAG territories that have approved strategies including top-up funding under the PKIP are eligible for support under the procedure.*
Requirements for partners *(if applicable)*	Not applicable
Eligible projects/activities	**I. Eligible projects:** **1) Projects must aim at implementing at least one innovation at enterprise level related to the production of a new or improved product (good or service) or business process.** For the purpose of this procedure, the definition of innovation is based on the Oslo Manual 2018: Guidelines for Collecting, Reporting and Using Data on Innovation, 4th Edition, OECD/Eurostat (2018), © OECD, European Union, 2018. ***Innovation is*** *the introduction of at least one new or improved product (good and/or service) or process (or a combination of both) that is significantly different from the previous products or processes of the enterprise and that has been made available to potential users (product) or put into use by the enterprise (process).* **2) Projects should fall under ONE of the following thematic areas of ISIS 2021-2027:** • Thematic area 'Informatics and ICT'; • Thematic area 'Mechatronics and microelectronics'; • Thematic area 'Industry for a healthy life, bioeconomy and biotechnology'; • Thematic area 'New technologies in creative and recreational industries'; • Thematic area 'Clean technologies, circular and low-carbon economy'. **3) Projects should lead to the achievement of the objective of the procedure.** **4) Projects should be implemented in LAG territories that have approved strategies with additional funding included under the IPPC.** **(5) Projects should comply with the horizontal principles under Article 9 of Regulation (EU) 2021/1060, as well as with the 'do no significant harm' principle.** **II. Eligible activities:** Eligible under the procedure are project proposals including **the following mandatory activity:** **Activity 1. Introduce business innovations related to new or improved products (goods and/or services) and/or business processes.**
Eligible costs	The following types of costs are eligible for the procedure:

	1) Costs for acquisition of fixed tangible assets (FTE) - machines, facilities and equipment necessary for the implementation of the innovation. 2) Acquisition costs of intangible fixed assets (ITAs) – software, patents, utility models, industrial designs and licences needed to implement the innovation.
Minimum aid amount	EUR 15 000
Maximum aid amount	102 500[4] euro
Aid intensity	up to 75%
Cross-financing *(if applicable)*	Not applicable
Selection/conformity assessment criteria	

I. Innovation and applicability of the supported innovation:	**38**
1. Degree of protection of the innovation implemented by the project	8
2. Technological readiness of the applicant for the implementation of the innovation under the project	10
3. Market impact and viability of the goods/services related to the innovation implemented under the project	10
4. Contribution of the innovation deployed to solving specific problems on the territory of the LAG	10
II. Financial strength of the applicant before the implementation of the project:	**30**
1. Weighted profitability ratio of EBITDA for 2023, 2024 and 2025	10
2. Comparability between the weighted EBITDA for 2023, 2024 and 2025 and the value of the total eligible project costs.	5
3. Weighted gross value added factor for the years 2023, 2024 and 2025	10
4. Weighted tax expense factor vs. realised revenue for 2023, 2024 and 2025	5
III. Prioritisation of projects:	15
1. Regional prioritization of projects on the territory of the LAG according to ISIS 2021-2027.	10

[4] The MA reserves the right to announce the procedure also with a higher maximum aid amount in case this is subject to change as a result of the public consultation on the procedure

	2. Prioritisation under the National Strategy for Small and Medium-sized Enterprises 2021-2030	5
	IV. Project budget:	**5**
	1. Project budget	5
	Total points	**88**
Indicators	**RESULT INDICATORS**: 1) Private investments complementing public support (including: grants, financial instruments) – indicator applicable to ALL applicants. (2) Small and medium-sized enterprises (SMEs) introducing innovation in a product or process, an indicator applicable to applicants whose projects lead to the introduction of innovation in the thematic areas of Informatics and ICT, Mechatronics and Microelectronics, Healthy Life Industries, Bioeconomy and Biotechnology or New Technologies in Creative and Recreative Industries; (3) SMEs that have introduced product or process innovation in the field of Clean Technologies, Circular and Low-Carbon Economy, an indicator applicable ONLY to applicants whose projects lead to the deployment of innovation in the thematic area of Clean Technologies, Circular and Low-Carbon Economy of ISDS 2021-2027. **END PRODUCT INDICATORS:** 1) Supported enterprises (including: micro, small, medium, large enterprises) - an indicator applicable to ALL applicants. 2) Grant-supported enterprises - indicator applicable to ALL . applicants	