

# 2019 SBA Fact Sheet

## BULGARIA

### Key points

#### **Past & future SME performance<sup>1</sup>:**

SMEs generate two thirds of total value added and three quarters of total employment in Bulgaria, far exceeding the respective EU averages of 56.4% and 66.6%. In 2014-2018, SMEs in the 'non-financial business economy' generated a substantial increase of 50.7% in SME value added. In contrast, SME employment rose only moderately, by 8.6%. More recently, in 2017-2018, SME value added continued to increase strongly, by 15.0%, whereas SME employment grew by only 1.6%.

#### **Implementing the Small Business Act for Europe (SBA):**

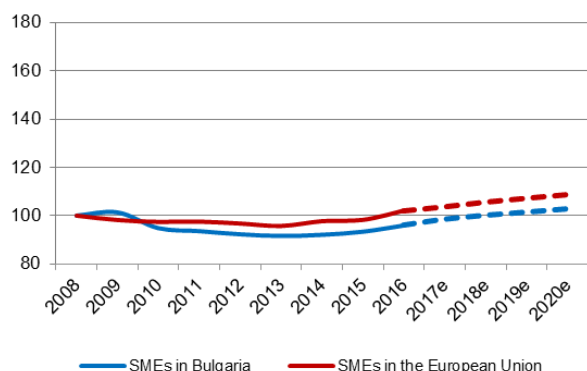
Overall, Bulgaria's performance is below the EU average. The only principle on which the country is performing above average is access to finance, which has improved substantially since 2008 and continued this trend last year. On State aid and public procurement and internationalisation, Bulgaria performs in line with the EU average. By contrast, on 'second chance', 'responsive administration', single market and environment Bulgaria performs below average. In addition, Bulgaria's performance is among the weakest in the EU for entrepreneurship and skills & innovation. During 2018 and the first quarter of 2019 (the reference period for this fact sheet), Bulgaria implemented 20 policy measures, addressing 6 of the 10 policy areas under the SBA.

#### **SME policy priorities:**

The main challenges for Bulgaria lie in upskilling its workforce, encouraging SME investments in innovation and fostering growth in entrepreneurship. Additional targeted and decisive policy measures are required to address these. Previous measures and initiatives taken so far in the context of SME policy have had only a limited effect. The administration's efforts need to be reinforced to generate a more tangible improvement in business conditions for SMEs through leaner and more efficient structures. These include modernising administrative services and reducing the substantial administrative burden for SMEs.

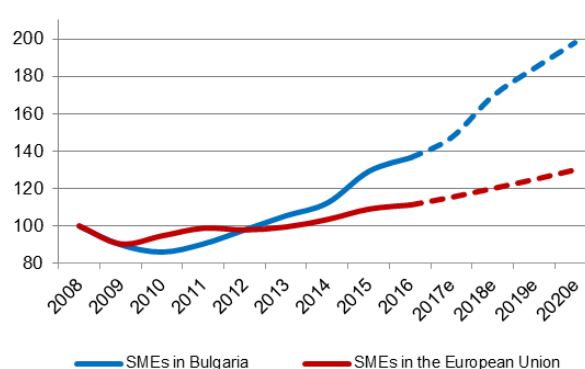
**Number of persons employed in SMEs**

(Index: 2008=100, estimates as from 2017 onwards)



**Value added of SMEs**

(Index: 2008=100, estimates as from 2017 onwards)



#### **About the SBA fact sheets:**

The Small Business Act for Europe (SBA) is the EU's flagship policy initiative to support small and medium-sized enterprises (SMEs). It comprises a set of policy measures organised around 10 principles ranging from entrepreneurship and 'responsive administration' to internationalisation. To improve the governance of the SBA, the 2011 review of it called for better monitoring. The SBA fact sheets, published annually, aim to improve the understanding of recent trends and national policies affecting SMEs. Since 2011, each EU Member State has appointed a high-ranking government official as its national SME envoy. SME envoys spearhead the implementation of the SBA agenda in their countries.

## Table of Contents

Key points .....	1
1. SMEs — basic figures.....	2
2. SBA profile .....	4
3. SBA principles.....	6
3.0 'Think Small First' .....	6
3.1 Entrepreneurship.....	7
3.2 'Second chance' .....	8
3.3 'Responsive administration' .....	9
3.4 State aid & public procurement .....	10
3.5 Access to finance.....	11
3.6 Single market.....	13
3.7 Skills & innovation .....	14
3.8 Environment.....	15
3.9 Internationalisation .....	16
4. Interesting initiative.....	17

## 1. SMEs — basic figures

Class size	Number of enterprises			Number of persons employed			Value added		
	Bulgaria		EU-28	Bulgaria		EU-28	Bulgaria		EU-28
	Number	Share	Share	Number	Share	Share	Billion €	Share	Share
Micro	315,410	91.8%	93.0%	616,012	30.6%	29.7%	6.5	21.6%	20.8%
Small	23,471	6.8%	5.9%	477,693	23.7%	20.1%	7.0	23.2%	17.6%
Medium-sized	4,248	1.2%	0.9%	432,689	21.5%	16.8%	6.1	20.5%	18.0%
<b>SMEs</b>	<b>343,129</b>	<b>99.8%</b>	<b>99.8%</b>	<b>1,526,394</b>	<b>75.7%</b>	<b>66.6%</b>	<b>19.6</b>	<b>65.3%</b>	<b>56.4%</b>
Large	623	0.2%	0.2%	489,587	24.3%	33.4%	10.4	34.7%	43.6%
Total	<b>343,752</b>	<b>100.0%</b>	<b>100.0%</b>	<b>2,015,981</b>	<b>100.0%</b>	<b>100.0%</b>	<b>30.0</b>	<b>100.0%</b>	<b>100.0%</b>

*These are estimates for 2018 produced by DIW Econ, based on 2008-2016 figures from the Structural Business Statistics Database (Eurostat). The data cover the 'non-financial business economy', which includes industry, construction, trade, and services (NACE Rev. 2 sections B to J, L, M and N), but not enterprises in agriculture, forestry and fisheries and the largely non-market service sectors such as education and health. The following size-class definitions are applied: micro firms (0-9 persons employed), small firms (10-49 persons employed), medium-sized firms (50-249 persons employed), and large firms (250+ persons employed). The advantage of using Eurostat data is that the statistics are harmonised and comparable across countries. The disadvantage is that for some countries the data may be different from those published by national authorities.*

SMEs play a very important role in the Bulgarian 'non-financial business economy'. They generate two thirds of total value added and three quarters of total employment, far exceeding the respective EU averages of 56.4% and 66.6%. SMEs in Bulgaria employ an average of 4.4 people, surpassing the EU average of 3.9. Annual SME productivity, calculated as value added per person employed, is approximately €12,800. In contrast, the EU average is almost 3.5 times higher, at €44,600. As in many EU countries, the most important SME sectors, in terms of both employment and value added, are *manufacturing, wholesale, and retail trade*.

In 2014-2018, SMEs in the 'non-financial business economy' generated a substantial increase of 50.7% in SME value added. Value added by micro and small firms rose most strongly, at 61.6% and 61.3%, respectively. In contrast, SME employment rose moderately, by 8.6%. More recently, in 2017-2018, SME value added continued to increase strongly, by 15.0%, whereas SME employment growth of only 1.6% represented a slowdown from previous years.

Although Bulgaria's economy is very service oriented<sup>2</sup>, the recent healthy growth of SME value added was partly

driven by *manufacturing*. SME value added in this sector rose by 41.1% in 2014-2018, whereas SME employment increased by 4.9%. However, large firms clearly outperformed SMEs in value added growth, with an increase of 82.1% over the same period. SME value added in the *other metal fabricated products* sub-sector rose by 36.2% in 2014-2018, contributing 11.3% of SME value added in *manufacturing* in 2018. Flourishing exports of *manufacturing* goods may partly explain this positive development<sup>3</sup>. Many Bulgarian firms have successfully integrated themselves into the European supply chains of large international automobile producers and Bulgaria's production of car parts and components is booming<sup>4</sup>. Within automobile supply chains, Bulgarian firms managed to move up the value chain from 'light' manufacturing to more high-tech manufacturing, which explains the sustained high value added growth in the sector<sup>5</sup>.

The *transportation and storage* sector has been one of the most dynamic sectors for SMEs in 2014-2018. Value added increased by 69.3% and employment by 16.2%, well above the growth generated by large firms, which rose by only 36.1% and 3.7% respectively in the same period. In the *post* sub-sector, SME value added grew by 59.9%, because of increasing demand for courier services driven by e-commerce<sup>6</sup>. Other factors contributing to this sector's dynamic growth include a rise in tourism, particularly from western European visitors<sup>7</sup>, as well as increasing demand for land, sea and air cargo services,

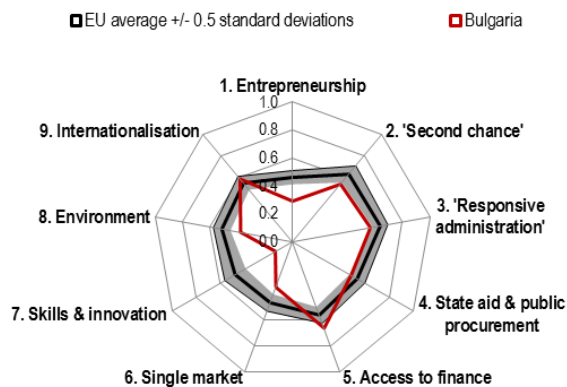
related to the manufacturing sector's role in international automobile supply chains<sup>8</sup>.

Business registrations fell slightly, by 0.1% in 2017-2018, totalling 52,739 registrations in 2018<sup>9</sup>. Deregistrations rose strongly, by 24.8%, over the same period<sup>10</sup>. However, the 2,684 businesses, which deregistered in 2018, is still small compared to the overall number of registrations in the same year<sup>11</sup>.

Many Bulgarian firms in the 'business economy' managed to scale up their operations. In 2016, 2,981 firms (11.2% of all firms in the 'business economy'<sup>12</sup> with at least 10 employees) were high-growth firms<sup>13</sup>. This is slightly higher than the EU average of 10.7%. High-growth firms are particularly prevalent in *transportation and storage*, where they account for 14.7%, and in the *information and communication* sector, with 13.7%. In 2018, Bulgarian SMEs in the specialised *knowledge-intensive services* and *high-tech manufacturing* sectors, both of which are usually R&D-intensive, generated 26.6% of SME value added in the manufacturing and services sectors. This is significantly lower than the EU average of 33.0%.

For Bulgarian SMEs, the outlook is positive, especially in terms of predicted value added growth, which is likely to rise by 16.8% in 2018-2020. In contrast, SME employment is expected to rise only moderately, by 2.6% in the same period, corresponding to approximately 4,400 new SME jobs by 2020.

## 2. SBA profile<sup>14</sup>



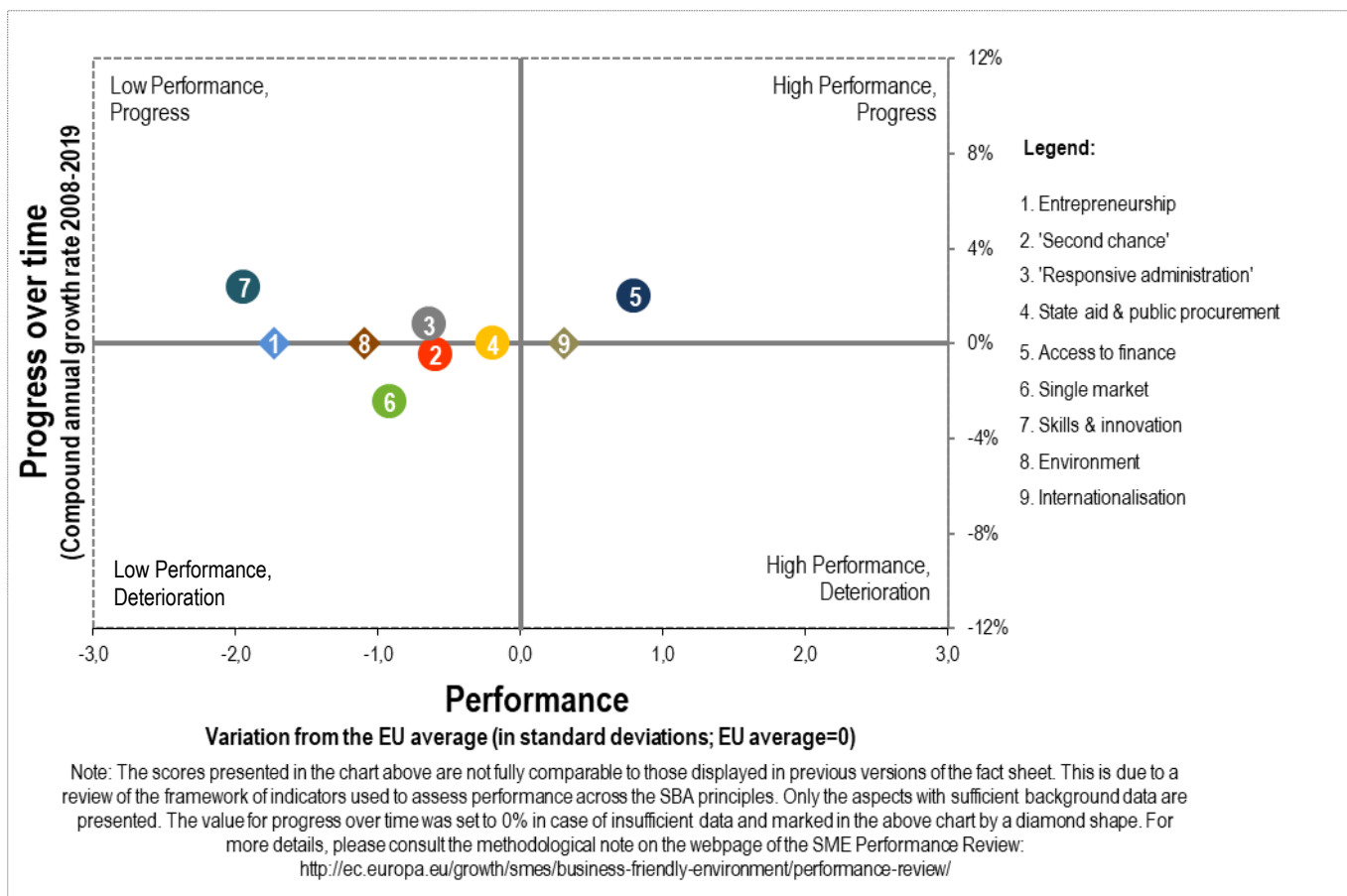
Overall, Bulgaria's performance is below the EU average. The only area performing above average is access to finance, which has improved substantially since 2008 and continued this trend last year. Access to finance is currently Bulgaria's best performing principle. 'Second chance', 'responsive administration', single market and environment are all below the EU average. 'Second chance', in particular, deteriorated substantially since last year and is now below the EU average. In addition, Bulgaria's performance is among the weakest in the EU for entrepreneurship and skills & innovation. More positively, State aid & public procurement and

internationalisation continue to perform in line with the EU average.

Since 2008, Bulgaria has progressively implemented the recommendations of the Small Business Act, and the current reference period is no exception. During 2018 and the first quarter of 2019, Bulgaria implemented 20 policy measures, addressing 6 of the 10 policy areas under the SBA. In addition, two new policy measures were announced: 'Promoting Entrepreneurship' (*Насърчаване на предприемачеството*), a project procedure under the Operational Programme Innovation and Competitiveness 2014-2020, and 'Education of tomorrow' (*Образование за утрешния ден*).

'Responsive administration' experienced the most significant policy progress during the current reference period, with seven measures adopted. In addition, four measures were adopted under access to finance and three under entrepreneurship. Two measures were adopted in each of skills & innovation. Just one measure was adopted on State aid & public procurement. No significant measures were adopted or announced under 'second chance', single market, environment and internationalisation.

## SBA performance of Bulgaria: state of play and development from 2008 to 2019<sup>15</sup>



## 3. SBA principles<sup>16</sup>

### 3.0 'Think Small First'

The 'think small first' principle is meant to be a guiding principle for all policy- and law-making activities. It requires policymakers to take SME interests into account at the early stages of the policy-making process. The principle also calls for newly designed legislation, administrative rules and procedures to be made simple and easy to apply.

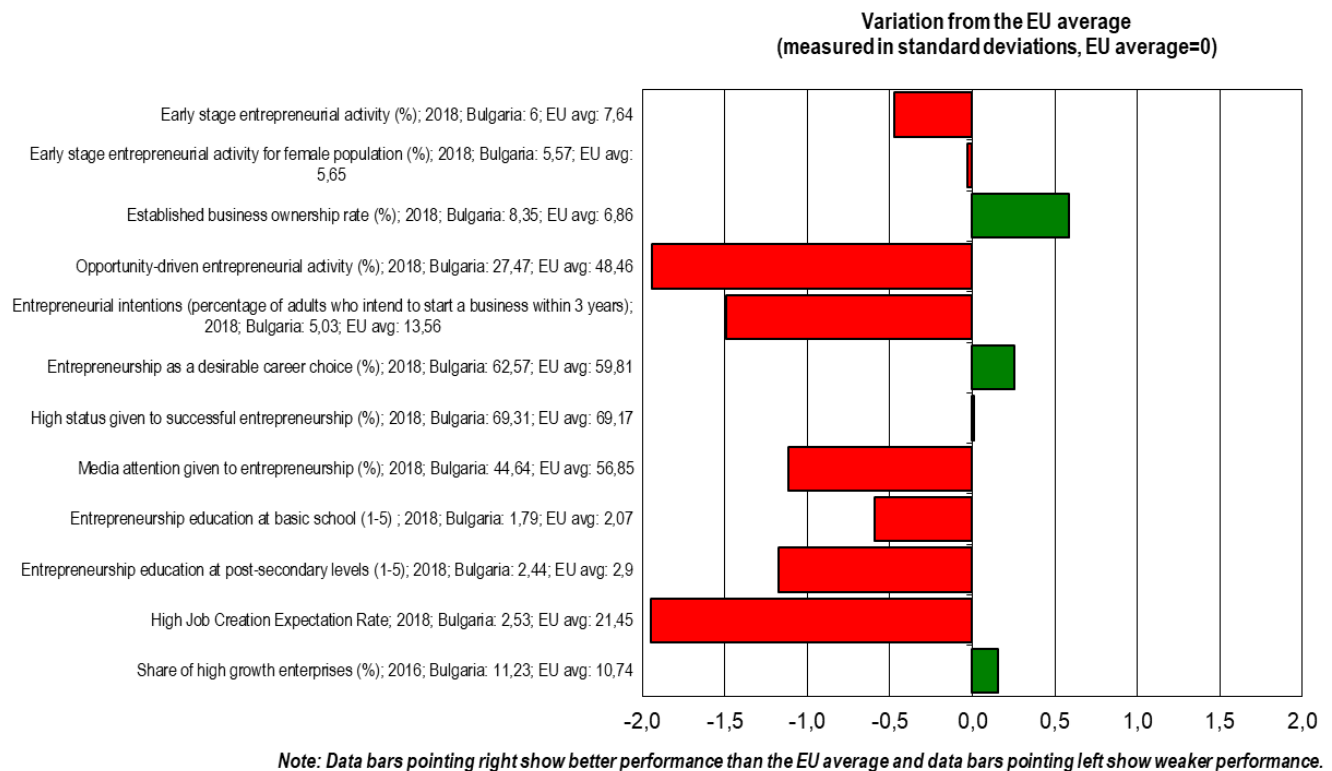
Since 2008, moderate progress has been achieved in implementing the SBA's recommendations under the 'think small first' principle. Efforts have mainly focused on reducing administrative burdens and simplifying administrative procedures through steps to introduce e-services and implementation of the 'only-once' principle through Decision No 338/2017 of the Bulgarian Council of Ministers<sup>17</sup>. The systematic efforts to implement the 'SME

Test' and revise the regulation on regulatory impact assessments show the willingness of the government to meet the needs of small businesses. However, these efforts have not produced visible results so far.

There is still room for improvement in the implementation of the 'think small first' principle. This could include strengthening the role of the SME Envoy and adopting a common commencement date for all new legislation and amendments relevant to SMEs.

During the current reference period, no additional significant measures were adopted or announced under 'think small first'.

## 3.1 Entrepreneurship



Bulgaria performs well below the EU average in entrepreneurship, with the lowest score of all Member States. Bulgaria has the lowest share in the EU of adults that aim to start a business within 3 years. Two indicators have improved since last year. Both are higher than the EU average — ‘Established business ownership rate’ and ‘Entrepreneurship as a desirable career choice’.

The newly introduced indicator on the high job creation expectation rate measures the percentage of enterprises involved in total early-stage entrepreneurial activity (TEA) who expect to create six or more jobs in the next 5 years. The rate has dropped from 13.4% in 2016 to 2.5% in 2018 and is now the lowest in the EU.

Since 2008, Bulgaria has implemented a number of measures addressing the SBA recommendations under Entrepreneurship. For instance, the Operational Programme Innovation and Competitiveness 2014-2020 and the Rural Development 2014-2020 programme promote entrepreneurship in non-agricultural sectors. In 2017, the Ministry of Education and Science adopted the subject ‘Technology and Entrepreneurship’ in the first and third grades at basic schools. Thus, from an early stage of education schoolchildren start learning the basics of entrepreneurship.

Despite these policy efforts, Bulgarian start-ups and SMEs continue to face a number of obstacles, particularly related to the lack of business transfers support.

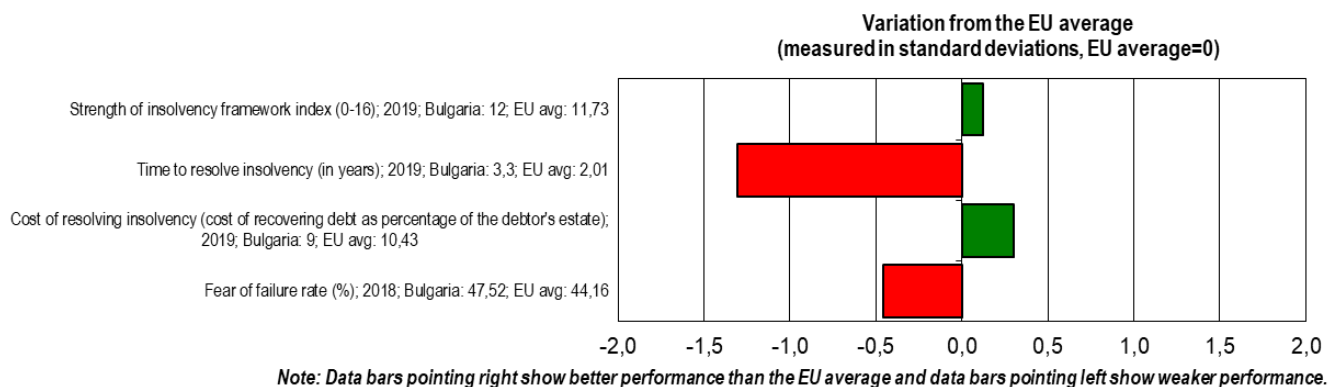
Several measures were adopted during the current reference period in the area of entrepreneurship.

- The “Promoting Entrepreneurship” measure (BG16RFOP002-2.024 *Насърчаване на предприемачеството*) was announced in 2018 under the Operational Programme Innovation and Competitiveness 2014-2020. The measure supports the establishment and development of new businesses in the priority sectors of the national strategy for the promotion of small and medium-sized enterprises 2014-2020.
- An online ‘Business Guide for Small and Medium-Sized Enterprises’ (*Бизнес наръчник за малки и средни предприятия*) aims to facilitate entrepreneurs’ search for information and legislation, and to help businesses deal with the most complicated administrative procedures in Bulgaria (see Section 4).



- 'Measure 6.4 of the Rural Development Programme 2014-2020 for financing non-agricultural activities in rural areas' (Мярка 6.4 на ПРСР 2014-2020 за насърчаване на неземеделските инвестиции) supports non-agricultural investments by farmers and micro companies from rural areas.
- The Social Enterprises and Solidarity Economy Enterprises Act (Закон за предприятията на социалната и солидарна икономика) aims to develop Bulgaria's social economy and thereby improve access to employment and training for vulnerable groups of people as a means to improve their living standards and reduce social inequalities.

### 3.2 'Second chance'



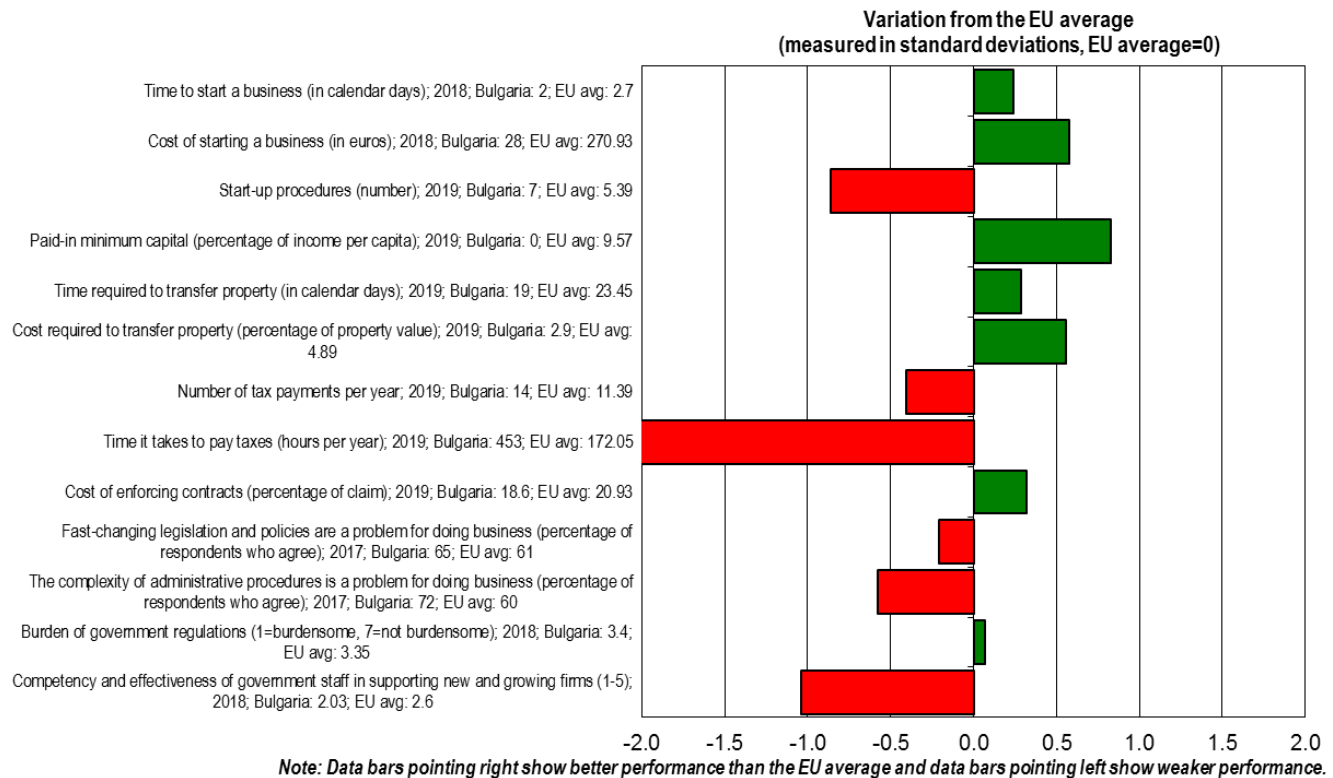
'Second chance' refers to ensuring that honest entrepreneurs who have gone bankrupt get a second chance quickly. Bulgaria's performance under 'second chance', the only area where it performed above the EU average during the previous reference period, has deteriorated considerably and is now below average. This is because, despite a positive trend over 2012-2017, the fear of failure rate increased significantly from 20% in 2017 to 47% in 2018. No significant movement has been registered across most indicators. For instance, no progress has been reported in reducing the time needed to resolve insolvency; at 3.3 years, it is one of the highest in the EU.

Since 2008, policy progress in this SBA area has been limited. Bulgaria still needs to address the length of time it takes to resolve insolvency. Moreover, additional policy efforts are needed to establish help desks to provide guidance to companies on how to prevent insolvency and to support those companies already in the process of bankruptcy.

During the current reference period, no new significant measures were adopted or announced under the 'second chance' principle.



### 3.3 'Responsive administration'



'Responsive administration' refers to public administration being responsive to the needs of SMEs. Bulgaria performs below the EU average in this area and has not progressed since the previous reference period. It takes SMEs 453 hours per year to pay taxes in Bulgaria, the highest among Member States. In addition, the total number of procedures required to register a firm is higher than the EU average. More positively, the cost of starting a business is still low, more than €240 below the EU average, and the paid-in minimum capital is zero.

Policy progress in 'responsive administration' has been achieved since 2008. In particular, steps have been taken in recent years to reduce the administrative burden on businesses. Alongside simplified requirements on minimum capital and start-up procedures, these developments explain Bulgaria's improved performance in this area. However, Bulgaria could use a full-service one-stop-shop to support SMEs and newly founded businesses.

During the current reference period, the following measures were adopted under 'responsive administration'.

- The Amendment to the Environmental Protection Act (*ЗИД на Закона за опазване на околната среда*) intends to facilitate access to information

on investment proposals, simplifies administrative procedures and updates complex permits.

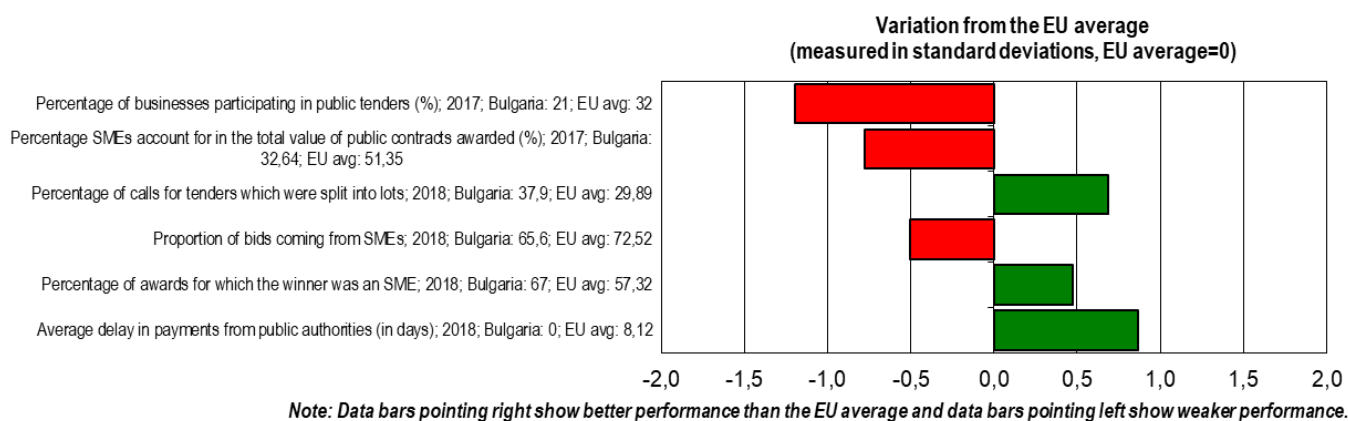
- The Amendment to the Labour Code (*ЗИД на Кодекса на труда*) aims to improve labour market conditions, addressing the shortage of workers through more flexible contracts.
- The Amendment to the Corporate Income Tax Act (*ЗИД на Закона за корпоративното подоходно облагане*) plans to improve Bulgarian tax legislation by eliminating ambiguities and making the legislation easier to apply in practice.
- The Amendment to the Administrative Procedure Code (*Закон за изменение и допълнение на Административнопроцесуалния кодекс*) aims to provide better access to justice, easier procedures and lower fees for individuals and businesses.
- The Amendment to the Value Added Tax Act (*Промени в Закона за данък върху добавената стойност*) proposes reducing administrative burdens for start-ups, providing the option of online VAT registration when the

initial registration at the Commercial Register takes place.

- The Amendment to the rules on the application of the Investment Promotion Act (*Промени в Правилника за прилагане на Закона за насърчаване на инвестициите*) intends to further reduce administrative burdens by simplifying e-services for investors.

- The Amendments to the Law on Tourism (*ЗИД на Закона за туризма*) aim to optimise the administrative procedures for providing services, guarantee the quality of tourism activities and ensure better protection of consumer rights.

### 3.4 State aid & public procurement



Important methodological changes have been introduced for this principle in this year's fact sheet. Three new indicators from the Tenders Electronic Daily (TED) database have been added and refer to procurement above EU thresholds:

- percentage of awards for which the winner was an SME;
- proportion of bids by SMEs;
- percentage of calls for tender, which were split into lots.

In addition, the indicator on e-procurement has been removed. Therefore, the overall performance in this area cannot be compared to last year's.

Bulgaria performs in line with the EU average in this area. Bulgaria is one of the best performers in the EU on payments by public authorities. Bulgarian public authorities pay on time according to their national payment terms, whereas EU administrations on average pay with a delay of 8 days. Despite the negative trend in the share of businesses participating in public tenders since 2008, the proportion of bids coming from SMEs

increased from 39.3% in 2016 to 65.6% in 2018. The same positive trend was reported in the percentage of awards for which the winner was an SME: this grew by 25 percentage points in the last 3 years, from 42% in 2016 to 67% in 2018. In addition, the percentage of calls for tender, which were split into lots, fell from 42.5% in 2016 to 37.9% in 2018.

Since 2008, moderate policy progress has been achieved on State aid & public procurement. E-procurement has been only partially introduced. In addition, the procurement process is still not sufficiently SME-friendly. Moreover, additional efforts are needed to promote SME participation in public procurement procedures. Some measures have been adopted, for instance the new law on public procurement that implements the 2014 EU Directive. However, the main priority of the National Strategy for Promotion of SMEs 2014-2020, to provide easier access for SMEs to public procurement, has not been achieved yet.

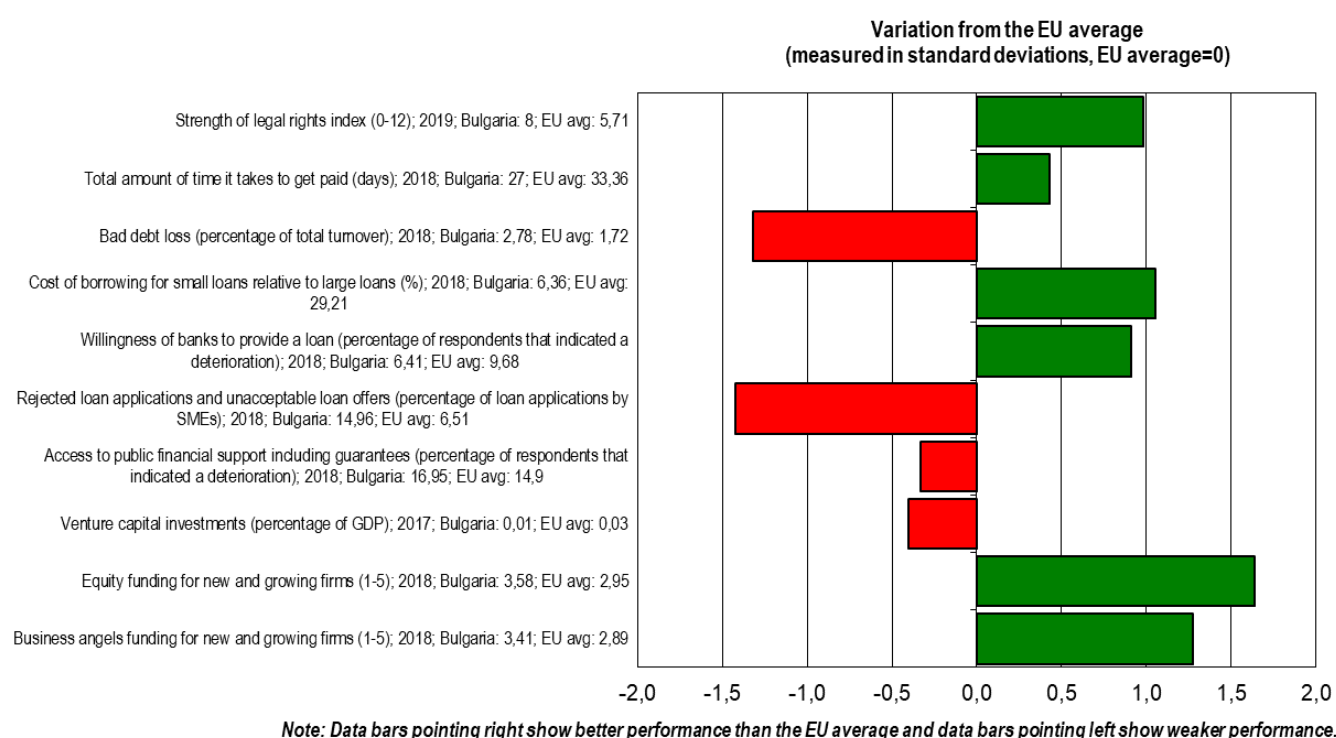
During 2018 and the first quarter of 2019, one new measure was adopted. The Amendment to the Public Procurement Act (*ЗИД на Закона за обществените*

поръчки) introduces part of the functionalities of the e-procurement platform. It provides following possibilities:

- preparation and publication of decisions, notices and procurement documents;
- preparation and receipt of inquiries;
- clarification, preparation and sending of invitations;

- preparation and submission of requests to participate in tenders;
- acceptance and processing of electronic invoices as part of the process of digitising public procurement.

### 3.5 Access to finance



Bulgaria performs above the EU average in 'Access to finance'. This area has improved since the last reference period and is now Bulgaria's best performing principle. The cost difference between borrowings for small loans relative to large loans is one of the lowest in the EU. In addition, the downward trend in the number of days it takes for a company to get its invoices paid continues, having fallen by 13 days since 2014. On the other hand, the number of rejected loan applications from SMEs and unacceptable loan offers to them doubled from the previous reference period.

Since 2008, numerous, mostly EU-financed measures have been implemented to improve access to finance for SMEs in Bulgaria. Various new financial instruments are now readily available for SMEs and measures to promote alternative sources of funding — business angels and crowdfunding — were adopted.

During the current reference period, several new measures were adopted to further improve access to finance for SMEs. The voucher scheme for the provision of securities-issuing services in the capital markets (*Ваучерна схема за предоставяне на услуги за емитиране на ценни книжа на капиталовите пазари*) provides SMEs with access to capital markets by connecting them with service providers in the field of securities issuance.

The Fund Manager for Financial Instruments in Bulgaria (FMFIB) announced several financial instruments to support SMEs' access to finance.

- The 'Risk-sharing micro-finance facility' (*Микрокредитуване със споделен риск*) is an instrument funded through the Operational Programme Human Resource Development

2014-2020, co-financed by the European Structural and Investment Funds. It provides micro loans of up to €25,000 to support the establishment and development of start-ups.

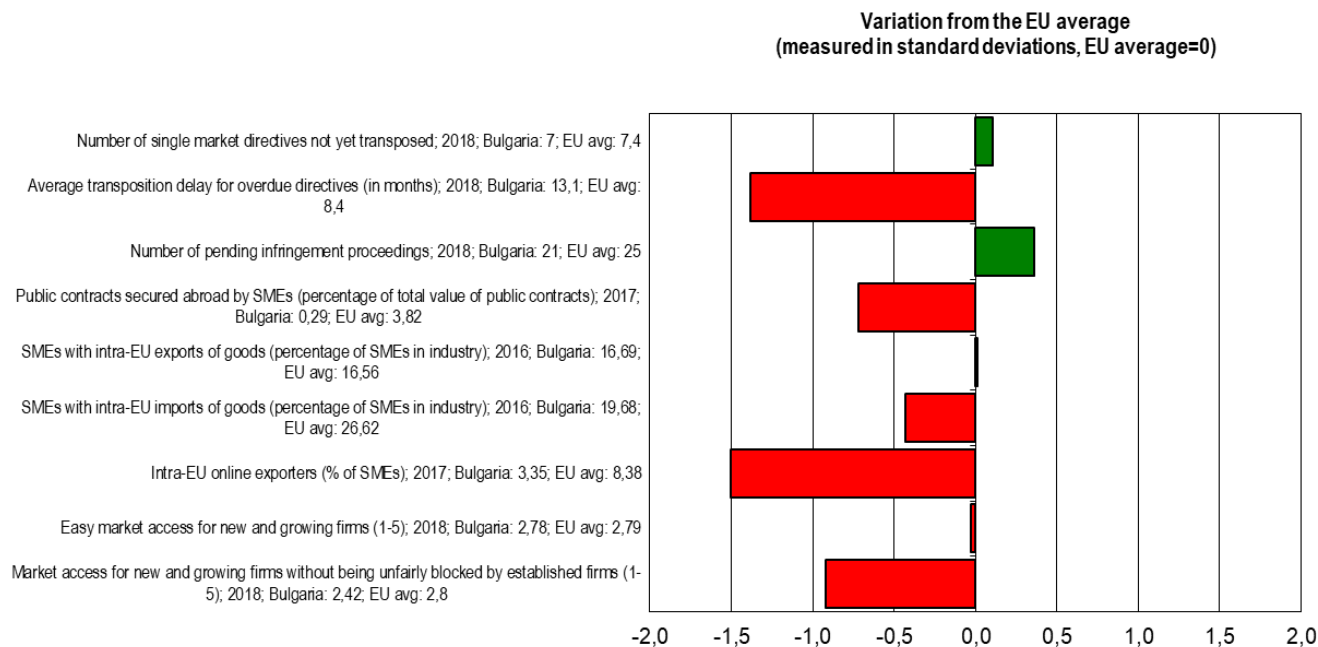
- The 'BrightCap Ventures capital fund' (*Брайткап венчърс фонд за рисково финансиране*). The fund is established under the EIF JEREMIE programme, through which JEREMIE invests €20 million and BrightCap Ventures raise additional private capital. The fund will invest in early-stage companies with the potential for significant growth in the global market. The investments will be in the range of €0.5 to €3 million. Part of the fund will be dedicated to supporting newly created companies (accelerator), where the investments will range from €50,000 to €200,000.
- The Venture Capital Fund (*Фонд за рисков капитал*) is making available €24.4 million in public funds for management under the Innovation and Competitiveness 2014-2020 Operational Programme, co-financed by the European Structural and Investment Funds. The Fund provides financial support to start-ups/SMEs during their first 5 years. The investment in each

selected start-up or SME will range from €750,000 to €3.5 million.

- Innovation Accelerator Bulgaria — accelerator and seed financing fund (*"Иновейшън Акселерейтър България"- фонд за ускоряване и начално финансиране*). The €15.6 million fund is supported by the Operational Programme Innovation and Competitiveness 2014-2020, co-financed by the European Structural and Investment Funds with the mandate to provide access to equity and quasi-equity funding to Bulgarian start-ups. The financing targets entrepreneurs at the earliest stages of developing their business ideas. Mentoring and strategic support to companies will be provided, enabling them to form and connect within business networks.

In addition, one further important measure was announced. The Fund for the support of innovative start-ups (*Фонд за подкрепа на иновативни стартиращи предприятия*) will provide financial support (equity and quasi-equity investments) and business support to early-stage entrepreneurs to develop their business.

## 3.6 Single market

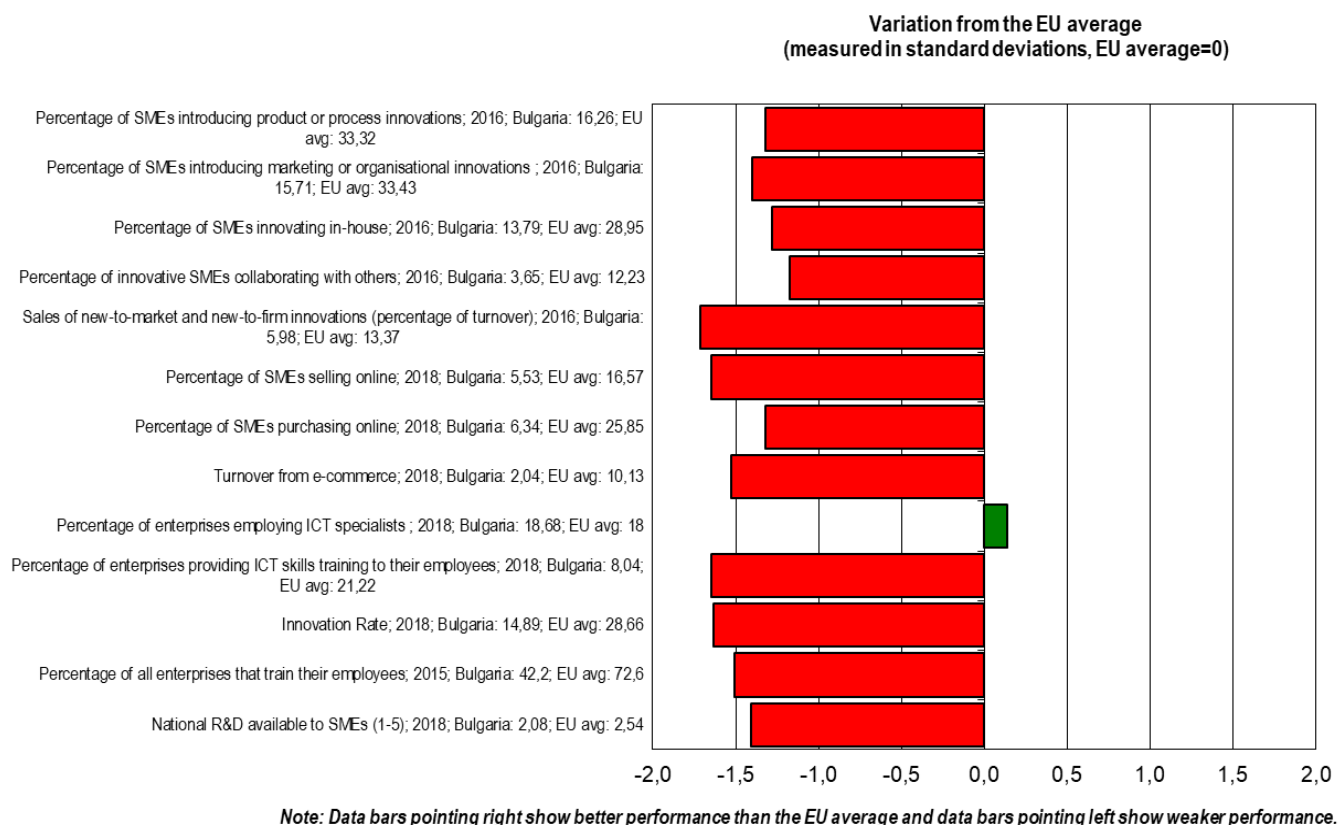


*Note: Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.*

Bulgaria continues to perform below the EU average in the area of the single market. It has one of the lowest proportions of SMEs importing and exporting online in the EU: 3% and 3.3%, respectively. In addition, since 2016, the average transposition delay for overdue directives has increased to the second longest in the EU. In contrast, although the number of pending infringement proceedings increased from 15 in 2017 to 21 in 2018, it is in line with the EU average. Progress has also been driven by a decrease in the number of single market directives not yet transposed (from 13 in 2017 to 7 in 2018). On this indicator, Bulgaria is back on track, having reduced its record deficit of 2016 by 60%.

Since 2008, moderate policy progress has been made. The government established a SOLVIT centre, which helps Bulgarian SMEs solve issues linked to their business activities within the EU single market. An important measure introduced was the national strategy for standardisation, developed by the Bulgarian Institute for Standardisation, which also established an SME portal. Since 2015, the SME portal has served as a one-stop-shop for SMEs on standards. However, SMEs still face difficulties in accessing patents and trademarks within the single market.

## 3.7 Skills & innovation



Bulgaria continues to perform well below the EU average on skills & innovation and is now the second-lowest performer in the EU. Its performance on the majority of indicators is among the lowest in the EU, despite slight improvements in some indicators. For instance, the proportion of SMEs introducing product or process innovations has increased since 2013 — but Bulgaria's performance is still the third lowest in the EU. Similarly, the proportion of SMEs innovating in-house has slightly increased since 2015, but here too the performance is still the third lowest in the EU. Bulgaria also has the third-lowest innovation rate. This newly introduced indicator shows that only 14.9% of all new and start-up entrepreneurs in Bulgaria claim that their product or service is new to customers.

Since 2008, moderate policy progress has been achieved nevertheless. Relevant policy measures put in place include R&D grant schemes, the development of new and enhanced technology centres, and greater support from Technology Transfer Offices.

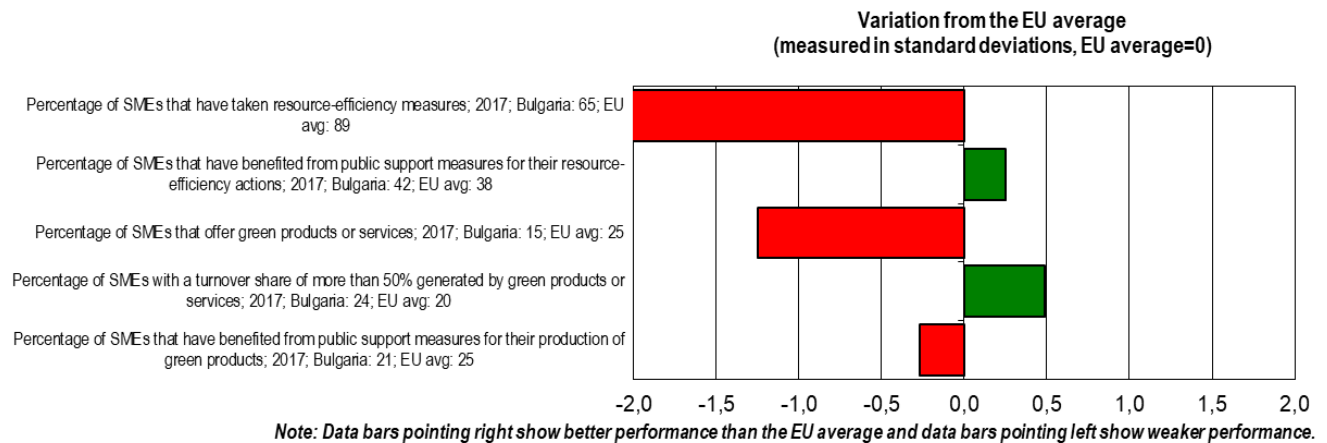
In addition, the 'Education of tomorrow' (BG05M2OP001-2.012 - Образование за утрешния ден) measure was

formally announced. This call for proposals aims to implement an e-platform for education in schools with reliable communication access for experts, teachers, students and parents.

The 'Voucher scheme for providing ICT services to SMEs' (Ваучерна схема за предоставяне на услуги за ИКТ услуги на МСП) is a measure adopted during the current reference period. It aims to boost the competitiveness of SMEs through digital transformation and the use of new ICT-based business models. The scheme intends to make it easier for SMEs to access digital know-how and technologies. It does so by providing incentives through a vouchers scheme for SMEs to connect with information and communications technology service providers in order to improve their use of ICTs. The specific objective is to promote the use of new ICT-based business models and enhance the digitisation of SMEs.

To encourage business innovation and digitisation, EU funds are financing four centres of excellence and nine centres of competences, as well as regional research projects outside Sofia.

### 3.8 Environment



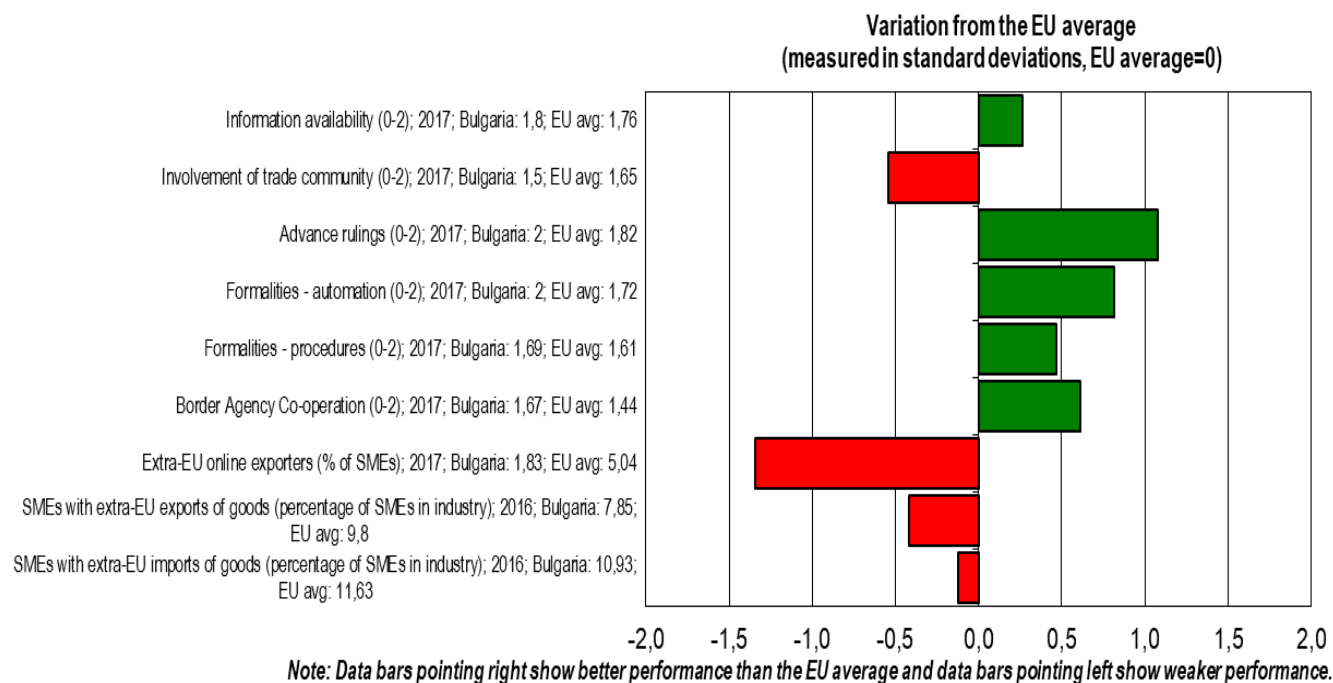
Bulgaria performs below the EU average on the environment principle. The share of SMEs that have benefited from public support measures for their resource-efficiency actions has dropped 6 percentage points since 2015. Indeed, Bulgaria has one of the lowest proportions of SMEs that have taken resource-efficiency measures. On the other hand, the proportion of SMEs that have benefited from public support measures for their production of green products increased by 9 percentage points over 2014-2018. Nevertheless, the proportion of SMEs that offer green products or services is among the lowest in the EU.

Since 2008, a limited number of initiatives have been implemented, mainly through the Operational Programme Innovation and Competitiveness 2014-2020 and the National Programme for Energy Efficiency, adopted in 2014. Public support has focused on improving energy efficiency and participation by SMEs in the green economy.

During 2018 and the first quarter of 2019, no significant new measures were adopted or announced.



### 3.9 Internationalisation



Overall, Bulgaria continues to perform in line with the EU average on internationalisation. Bulgaria performs above average on the two trade facilitation indicators: automated formality procedures and streamlined formality procedures. In addition, Bulgaria is one of the top performers in automation formalities and advanced rulings. Despite recent improvements, Bulgaria still has the EU's third-lowest proportion of SMEs with extra-EU online exports.

Since 2008, moderate policy progress has been achieved to support the internationalisation of Bulgarian SMEs.

Major policy initiatives include the establishment of the Bulgarian SME Promotion Agency (BSMEPA), which implements projects financed under the Operational Programme Innovation and Competitiveness 2014-2020, and the Bulgarian Export Insurance Agency (BAIA).

No further measures on internationalisation were announced during the current reference period.

## 4. Interesting initiative

Below is an example of initiatives from Bulgaria to show what governments can do to support SMEs

### **A Business Guide for SMEs**

At the beginning of 2019, the Bulgarian Ministry of Economy implemented a project called "Technical support for the preparation of the Small and Medium Enterprises Facility for Implementation of Regulatory Regimes". It was financed by the Structural Reform Support Programme of the European Commission and its result was the development of 'A Business Guide for SMEs'.

The main objective of the guide is to help reduce the administrative burden for SMEs and promote entrepreneurship in Bulgaria. It will also assist SMEs in better understanding and complying with most of the regimes and procedures.

The project was carried out in several stages. It involved conducting surveys and interviews with stakeholders with a special focus on SMEs to identify the most commonly applicable and complicated legal and regulatory rules affecting the activities of small companies in Bulgaria. With the help of data collection and analysis, the legislative acts that are most difficult to implement were identified.

The Business Guide contains summary information on a wide range of business operations. These include starting a business, administrative management, financial and accounting operations, commercial activities, personal data protection, participation in procedures under the Public Procurement Act, R&D, changes in the business structure and termination of business operations.

As well as helping SMEs deal with the most complicated administrative procedures, the guide has been specifically designed to make it easier for entrepreneurs and foreign investors to search for information and improve their access to relevant legislation.

References:

<https://www.mi.government.bg/en/pages/msp-info-220.html>

## Important remarks

The European Commission's Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs (DG GROW) produces the SBA fact sheets as part of the SME Performance Review (SPR), its main vehicle for economic analysis of SME issues. They combine the latest available statistical and policy information. Produced annually, they help to organise the available information to facilitate SME policy assessments and monitor SBA implementation. They take stock and record progress. They are not an assessment of Member State policies. Rather, they should be regarded as an additional source of information to improve evidence-based policy-making. For example, they cite only policy measures national SME policy experts consider relevant. They do not and cannot reflect all measures the government has taken over the reference period. There is more policy information on a database accessible from the SPR website.

SME Performance Review:

<http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/>

[grow-spr@ec.europa.eu](mailto:grow-spr@ec.europa.eu)

Small Business Act:

[http://ec.europa.eu/growth/smes/business-friendly-environment/small-business-act/index\\_en.htm](http://ec.europa.eu/growth/smes/business-friendly-environment/small-business-act/index_en.htm)

Entrepreneurship and SMEs:

<https://ec.europa.eu/growth/smes>

## Endnotes

<sup>1</sup> The two graphs below present the trend over time for the variables. They consist of index values for the years since 2008, with the base year 2008 set at a value of 100. As from 2017, the graphs show estimates of the development over time, produced by DIW Econ based on 2008-2016 figures from Eurostat's Structural Business Statistics Database. The data cover the 'non-financial business economy', which includes industry, construction, and trade and services (NACE Rev. 2 sections B to J, L, M and N). They do not cover enterprises in agriculture, forestry and fisheries or largely non-market service sectors such as education and health. A detailed methodology can be consulted at: <http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/>

<sup>2</sup> <https://www.ft.com/content/20600014-d6ce-11e7-ae3e-563c04c5339a>, last accessed 25.5.2019.

<sup>3</sup> <https://ime.bg/bg/articles/v-bylgariya-nishto-ne-se-proizvejda/>; <https://www.ft.com/content/20600014-d6ce-11e7-ae3e-563c04c5339a>, last accessed 25.5.2019.

<sup>4</sup> <https://www.novinite.com/articles/196691/The+Automobile+Sector+-+One+of+the+Stars+of+the+Bulgarian+Industry+in+Recent+Years>, last accessed 25.5.2019

<sup>5</sup> *Ibid.*

<sup>6</sup> [https://www.capital.bg/specialni\\_izdaniia/transport\\_spediciia\\_logistika/2017/01/01/2869691\\_putishta\\_s\\_prepiatstviia/](https://www.capital.bg/specialni_izdaniia/transport_spediciia_logistika/2017/01/01/2869691_putishta_s_prepiatstviia/), last accessed 25.5.2019.

<sup>7</sup> <https://www.monitor.bg/bg/a/view/ministryr-angelkova-planira-ryst-na-turistite-ot-5-za-2019-g-150780>, last accessed 25.5.2019.

<sup>8</sup> [https://www.capital.bg/specialni\\_izdaniia/transport\\_spediciia\\_logistika/2017/01/01/2869691\\_putishta\\_s\\_prepiatstviia/](https://www.capital.bg/specialni_izdaniia/transport_spediciia_logistika/2017/01/01/2869691_putishta_s_prepiatstviia/), last accessed 25.5.2019.

<sup>9</sup> [https://www.registryagency.bg/media/filer\\_public/2019/01/02/vidove\\_trgovtsi\\_2018-12.pdf](https://www.registryagency.bg/media/filer_public/2019/01/02/vidove_trgovtsi_2018-12.pdf), last accessed 25.5.2019.

<sup>10</sup> *Ibid.*

<sup>11</sup> *Ibid.*

<sup>12</sup> Due to data availability, the data on high-growth firms refers to the 'business economy' only, which covers sections B-N including section K (financial activities, except activities of holding companies). The 'non-financial business economy' excludes section K.

<sup>13</sup> In line with the Commission implementing regulation (EU) No 439/2014, high-growth enterprises are defined as firms with at least 10 employees in the beginning of their growth and average annualised growth in number of employees of over 10% per annum, over a 3-year period. The proportion of high-growth enterprises is the number of high-growth enterprises divided by the number of active enterprises with at least 10 employees. The source of the data on high-growth enterprises is Eurostat ([http://ec.europa.eu/eurostat/web/products-datasets/-/bd\\_9pm\\_r2](http://ec.europa.eu/eurostat/web/products-datasets/-/bd_9pm_r2), last accessed 15.4.2019).

<sup>14</sup> The 2019 SBA fact sheets benefited substantially from input from the European Commission's Joint Research Centre (JRC) in Ispra, Italy. The JRC made major improvements to the methodological approach, statistical work on the dataset and the visual presentation of the data.

<sup>15</sup> The quadrant chart combines two sets of information. Firstly, it shows current performance based on data for the latest available years. This information is plotted along the X-axis measured in standard deviations of the simple, non-weighted arithmetical average for the EU. Secondly, it shows progress over time, i.e. the average annual growth rates from 2008 to 2019. These are measured against the individual indicators, which make up the SBA area averages. Hence, the location of a particular SBA area average in any of the four quadrants provides information not only about where the country is located in this SBA area relative to the EU average at a given point in time, but also about the extent of progress made between 2008 and 2019. All SBA principles, with the exception of the 'think small first' principle, for which there is not enough statistical data available, are calculated as composite indicators following the OECD/JRC Handbook guide. A detailed methodology can be consulted at: <http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/>

<sup>16</sup> The policy measures presented in this SBA fact sheet are only a selection of the measures the government took in 2018 and the first quarter of 2019. The national SME policy expert that PwC (DG GROW's lead contractor for the 2019 SBA fact sheets) contracted made the selection. The experts were asked to select only the measures they considered the most important, i.e. the ones expected to have the highest impact in the SBA area in question. The complete range of measures the experts compiled in producing this year's fact sheets will be published alongside the fact sheets in the form of a policy database on the DG GROW website.

<sup>17</sup> The Ministry of Economy and other administrative bodies were involved in the reform including the Registry Agency, the Customs Agency, etc. The Council of Ministers Decision is available at: <http://www.strategy.bg/Publications/View.aspx?lang=bqBG&categoryId=&id=230&y=&m>