

# SBA Fact Sheet 2010/11

## BULGARIA

### Bulgaria's Fact Sheet in a nutshell:

- ✓ *The development of Bulgaria's SME sector was temporarily dampened by the crisis but economic trends are positive.*
- ✓ *Bulgaria's SME sector is similar to the EU average, but its role in providing jobs and contributing to value added is even more important in Bulgaria.*
- ✓ *Overall Bulgaria is, around or below the EU average across most SBA areas. But with time there seems to be progress in most SBA areas.*
- ✓ *Bulgaria has recently targeted eight out of ten SBA areas with dedicated policy measures.*

### The SBA Fact Sheets<sup>1</sup>:

The Small Business Act (SBA) is the EU's flagship policy initiative to support small and medium-sized enterprises (SMEs).

The aim of the annually updated Fact Sheets is to improve understanding of recent trends and national policies affecting SMEs.

## 1. SMEs in Bulgaria — basic figures

	Number of Enterprises			Employment			Value added		
	Bulgaria		EU27	Bulgaria		EU27	Bulgaria		EU27
	Number	Share	Share	Number	Share	Share	Billion €	Share	Share
Micro	250.818	89,9%	92,1%	536.863	27,5%	29,8%	4	16,4%	21,6%
Small	22.960	8,2%	6,6%	459.983	23,5%	20,4%	5	21,1%	18,9%
Medium-sized	4.491	1,6%	1,1%	438.412	22,4%	16,8%	5	21,7%	17,9%
<b>SMEs</b>	<b>278.269</b>	<b>99,7%</b>	<b>99,8%</b>	<b>1.435.259</b>	<b>73,5%</b>	<b>66,9%</b>	<b>14</b>	<b>59,2%</b>	<b>58,4%</b>
Large	715	0,3%	0,2%	518.421	26,5%	33,1%	9	40,8%	41,6%
<b>Total</b>	<b>278.984</b>	<b>100,0%</b>	<b>100,0%</b>	<b>1.953.679</b>	<b>100,0%</b>	<b>100,0%</b>	<b>23</b>	<b>100,0%</b>	<b>100,0%</b>

*Estimates for 2010, based on 2002-2007 figures from the Structural Business Statistics Database\_revised (Eurostat). The estimates have been produced by Cambridge Econometrics. The data cover the 'business economy' which includes industry, construction, trade, and services (NACE Rev. 1.1 Sections C to I, K). The data does not cover the enterprises in agriculture, forestry, fishing or the largely non-market services such as education and health. The advantage of using Eurostat data is that the statistics from different countries have been harmonised and are comparable across countries. The disadvantage is that for some countries these data may be different from data published by national authorities.*

The structure of the Bulgarian SME sector is somewhat skewed towards small, medium-sized and large enterprises, compared to the EU average, with these sectors accounting for a higher relative share of the total number of enterprises. The average Bulgarian SME also employs 5.2 persons, which is one person more than the EU average SME. However, at the overall SME level, the distribution between SMEs and large enterprises resembles the EU average while the tendency towards a somewhat larger average firm size may be due to historical reasons. The relative strength of the small and medium-sized segment is also clear in terms of employment and contribution to value added, although large enterprises employ proportionally fewer persons and contribute below par to value-added creation, possibly reflecting lower productivity in this segment.

Interestingly, half of all Bulgarian enterprises are active in trade, which is well above the EU average of slightly less than one third. On the other hand, there is obviously still

room for expansion of the services sector, which currently accounts for only 35% (EU average: 44%). However, the picture is different when looking at employment and value-added creation, as the trading sector represents only one third, while the services and manufacturing sectors together account for more than 50%.

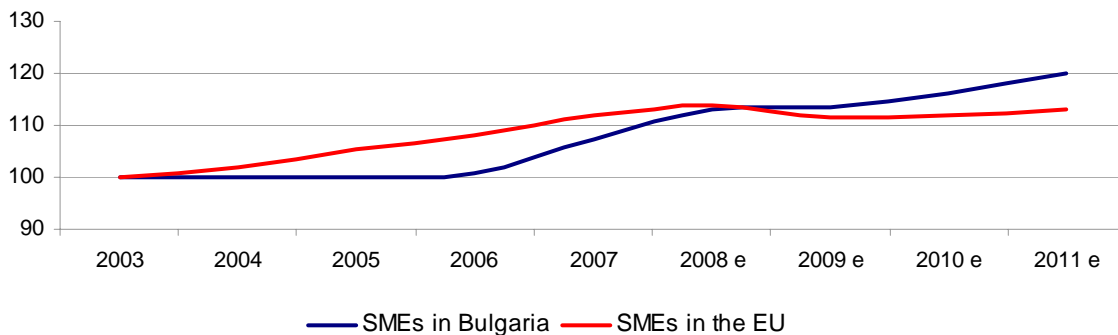
Statistical trends since 2003 clearly demonstrate vigorous development of Bulgaria's SME sector in recent years. The growth in the number of Bulgarian enterprises was only temporarily dampened by the crisis, with growth levels picking up again relatively quickly. This development was particularly driven by small and medium-sized enterprises. The picture is slightly less positive when looking at employment figures, as Bulgarian SMEs were forced to lay off staff due to the crisis and these persons are only gradually finding their way back to the labour market. Nevertheless, SME employment figures are thought to be on their way to full recovery, again mostly driven by small and medium-sized enterprises. Most

spectacular has been the development in value-added creation. Compared to 2003 levels, Bulgarian SMEs are expected to have more than quadrupled their contribution

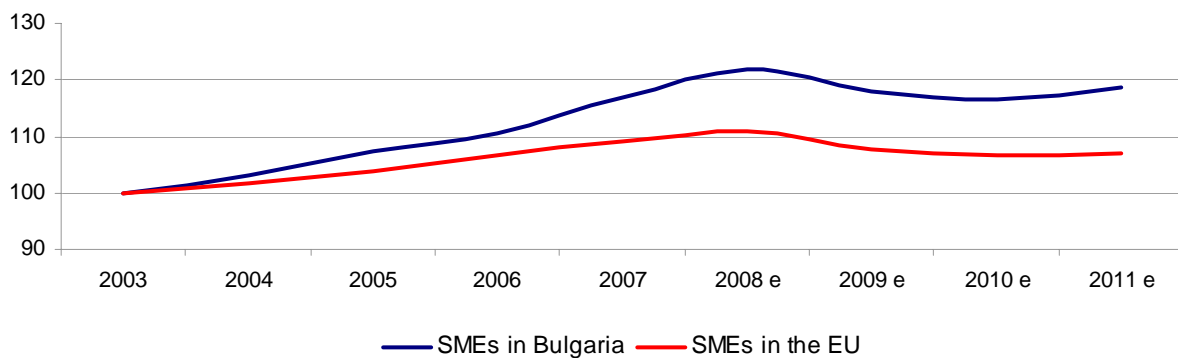
to value added by 2011. The crisis only temporarily affected growth figures, which then very quickly picked up again.

### SME trends over time in Bulgaria<sup>2</sup>

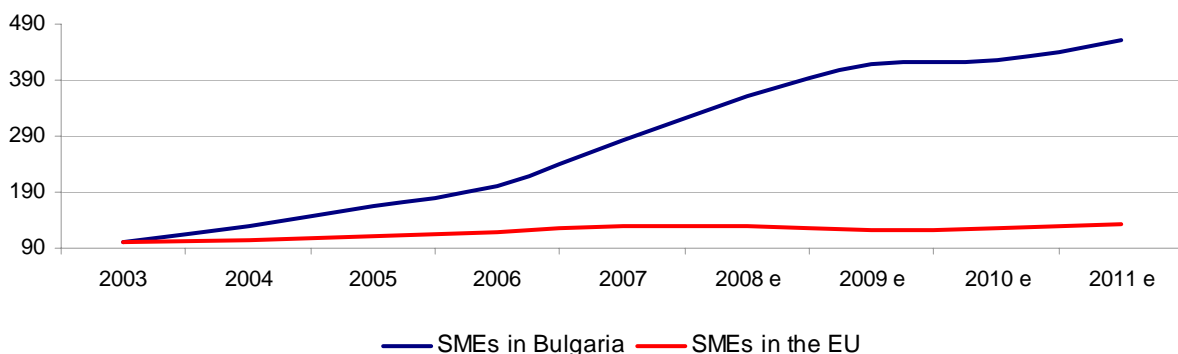
**Number of enterprises**  
(Index: 2003=100, estimations as from 2008 onwards)



**Employment in enterprises**  
(Index: 2003=100, estimations as from 2008 onwards)

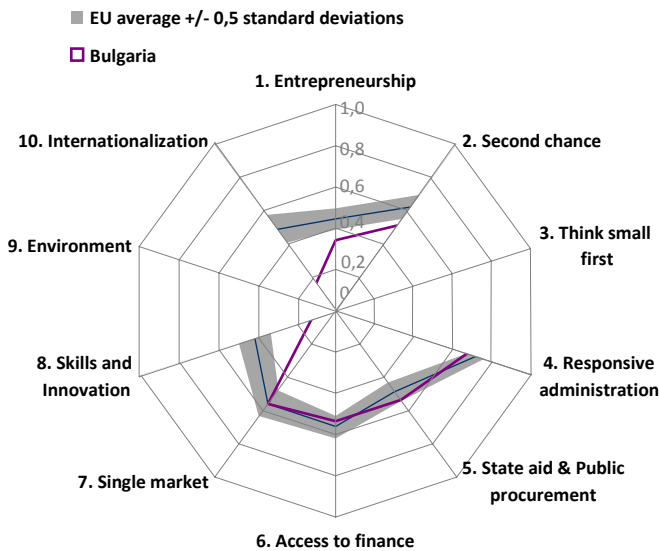


**Value added of enterprises**  
(Index: 2003=100, estimations as from 2008 onwards)



## 2. Bulgaria's SBA profile

Bulgaria's performance against the EU average by SBA area<sup>3</sup>



Overall, the available SME-relevant statistics present an SBA profile for Bulgaria behind the EU average. The figures show that Bulgaria is performing in line with its EU peers on four of the eight SBA principles for which averages are available for Bulgaria (the area average for

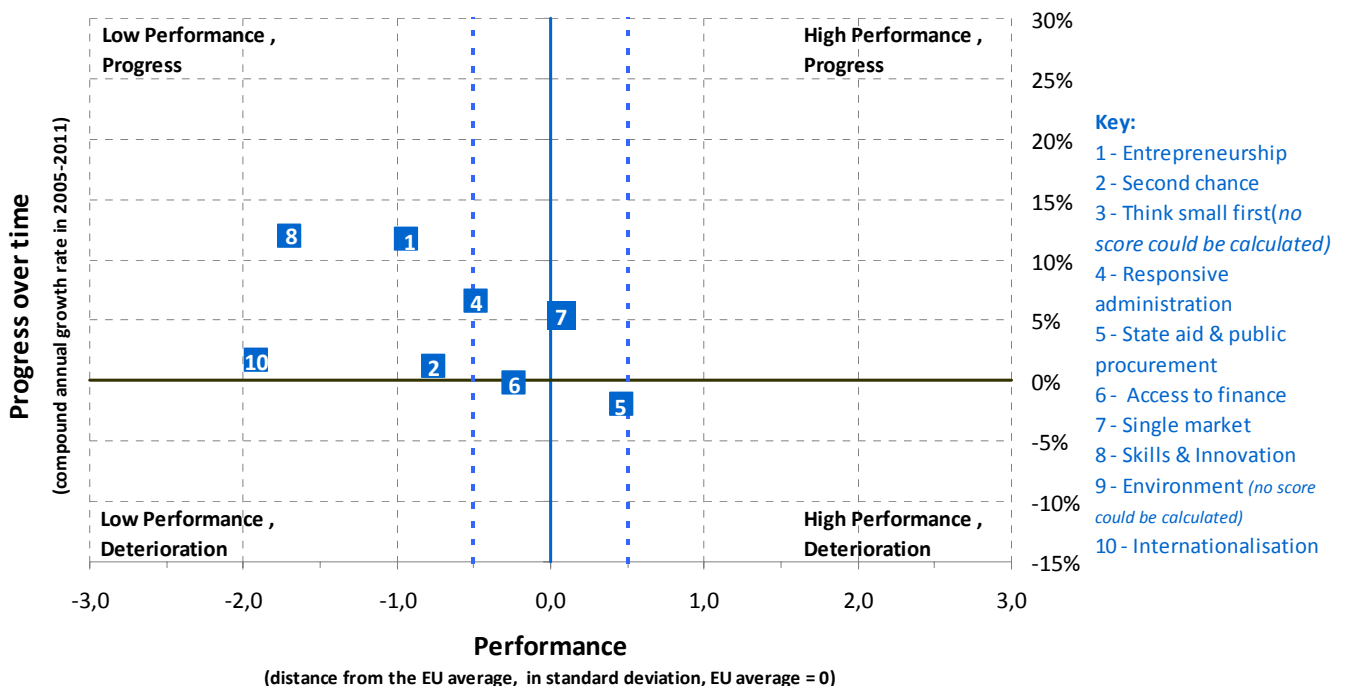
principle 9 'Environment' is missing for all countries owing to lack of data, and for the SBA area 'Think Small First', there is only one indicator available for Bulgaria), namely Responsive administration, Public procurement and state aid, Access to finance and the Single market.

For the remaining four principles, Bulgaria is behind the European average.

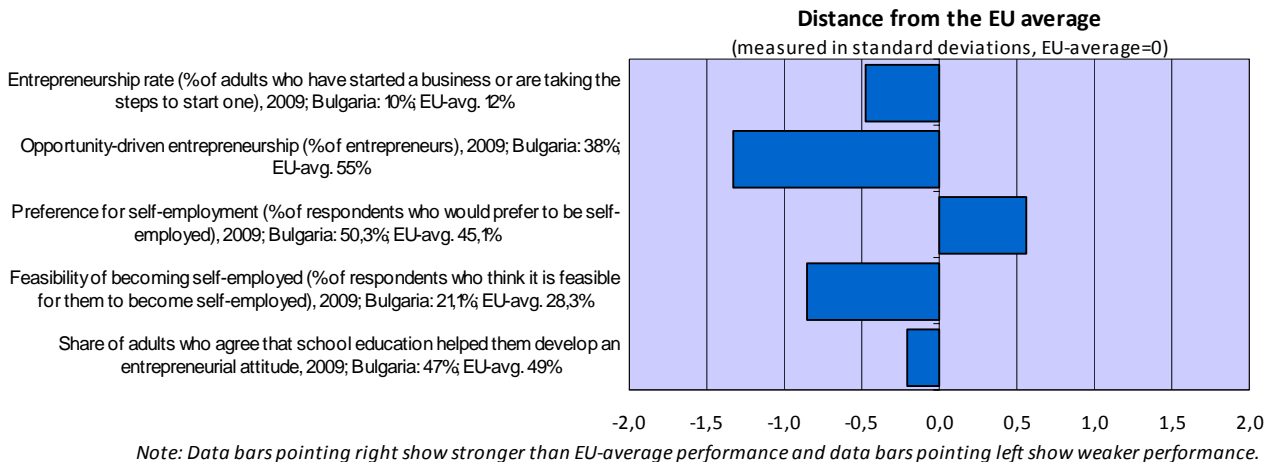
When analysing the development over time, and also compared with other EU Member States, Bulgaria seems to be progressing in most SBA areas. Although most indicators are around or below the EU average, many areas have witnessed performance improvements over the last few years. Especially in the vital areas of 'Entrepreneurship' and 'Skills and innovation', progress has been considerable. These improvements should already have translated into a better business climate in Bulgaria.

To get a fuller picture, Bulgaria's policy record<sup>4</sup> was analysed. It shows that Bulgaria has recently been active in seven out of the ten areas of the Small Business Act (all except Second chance, Responsive administration and Internationalisation).

### Bulgaria's SBA performance: Status quo and development over time 2005-2011<sup>5</sup>



## I. Entrepreneurship

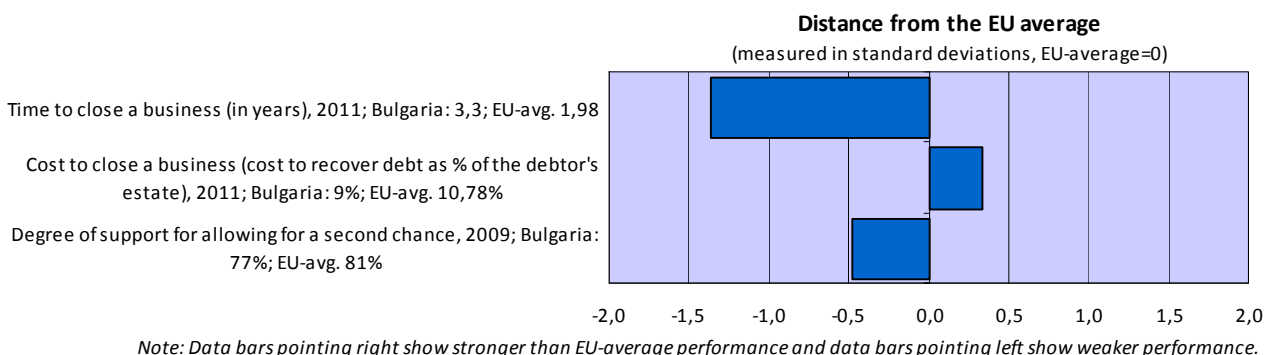


The indicators available on entrepreneurship show that Bulgaria is lagging behind its European peers in this area. While the general entrepreneurship rate in Bulgaria matches the EU average, the share of opportunity-driven entrepreneurship is significantly lower (only 38% in Bulgaria, compared to 55% on average in the EU), suggesting that a non-negligible share of Bulgaria's entrepreneurs started a business because they had to, in order to make a living. Although many Bulgarians would, after all, prefer self-employment, a lower share than in EU peer countries feel that it would be feasible for them to do

so (21% compared to the EU average of 28%), possibly indicating that there are still practical obstacles involved in starting a business in Bulgaria.

**On the policy front**, a scheme aimed at developing key competences for life-long-learning was launched by the Ministry of Education, Youth and Science in 2010. It involves updating school programmes with entrepreneurship curricula and training the teachers who will introduce entrepreneurship training in 100 pilot schools.

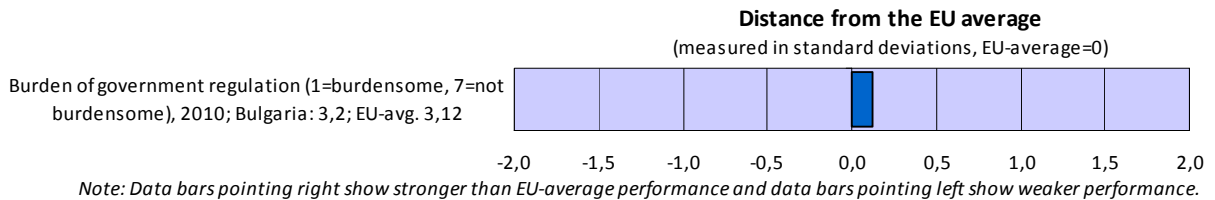
## II. Second chance



Overall, Bulgaria falls behind the EU average in this area. This is due mostly to poor performance in just one of the three indicators: the time to close a business. In Bulgaria, this takes more than one year longer than in EU peer countries. The associated cost, however, remains close to the EU average and so does the Bulgarians' degree of support for allowing for a second chance.

**On the policy front**, no significant measures were reported in Bulgaria in this area in 2010 or in the first quarter of 2011.

### III. Think Small First



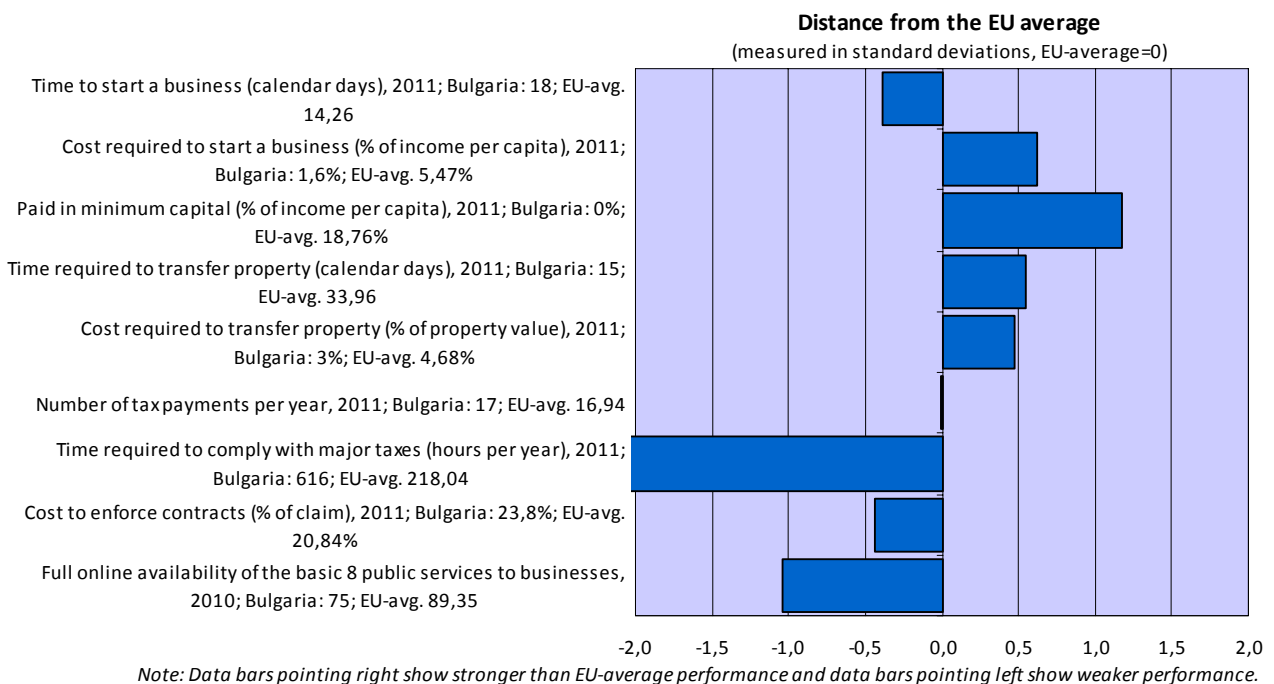
In the area of Think Small First, there is only one indicator available for Bulgaria, namely the perceived burden of government regulation, which matches the EU average. But owing to the lack of data, it is not possible to draw any general conclusions on this basis.

**On the policy front**, in 2010 Bulgaria introduced an Action Plan for the reduction of the administrative burdens by 20 % by the end of 2012. The Action Plan included 135 measures; approximately 30 of them have already been

adopted and around the same number are being implemented.

Moreover, in 2010 Bulgaria set up a public consultation portal (strategy.bg) presenting all draft legislative and strategic acts for discussion,. It allows government institutions to put new or amended legislation out for public consultation. The portal also gives access to discussion forums under the heading – ‘Today Society Decides’.

### IV. Responsive Administration

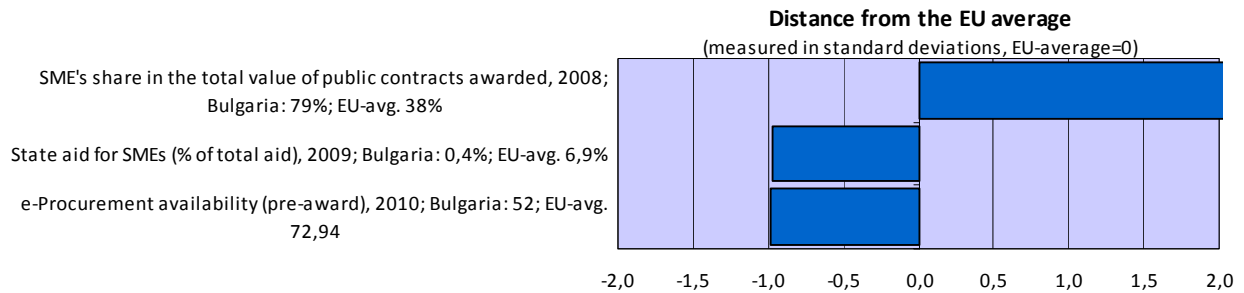


Bulgaria gets an average score for this SBA principle, but there are some marked disparities if one looks at the individual indicators. On the positive side, it seems to be cheaper, in relative terms, to set up and launch an enterprise in Bulgaria than in EU peer countries<sup>6</sup>. On the other hand, the procedures linked to complying with major taxes are substantially more time-consuming in Bulgaria,

requiring almost 8 entire working days, compared to less than 3 in the EU on average. The online availability of basic public services could also still be improved in Bulgaria.

**On the policy front**, no significant measures were reported in Bulgaria in 2011 or the first quarter of 2011.

## V. State aid and Public procurement



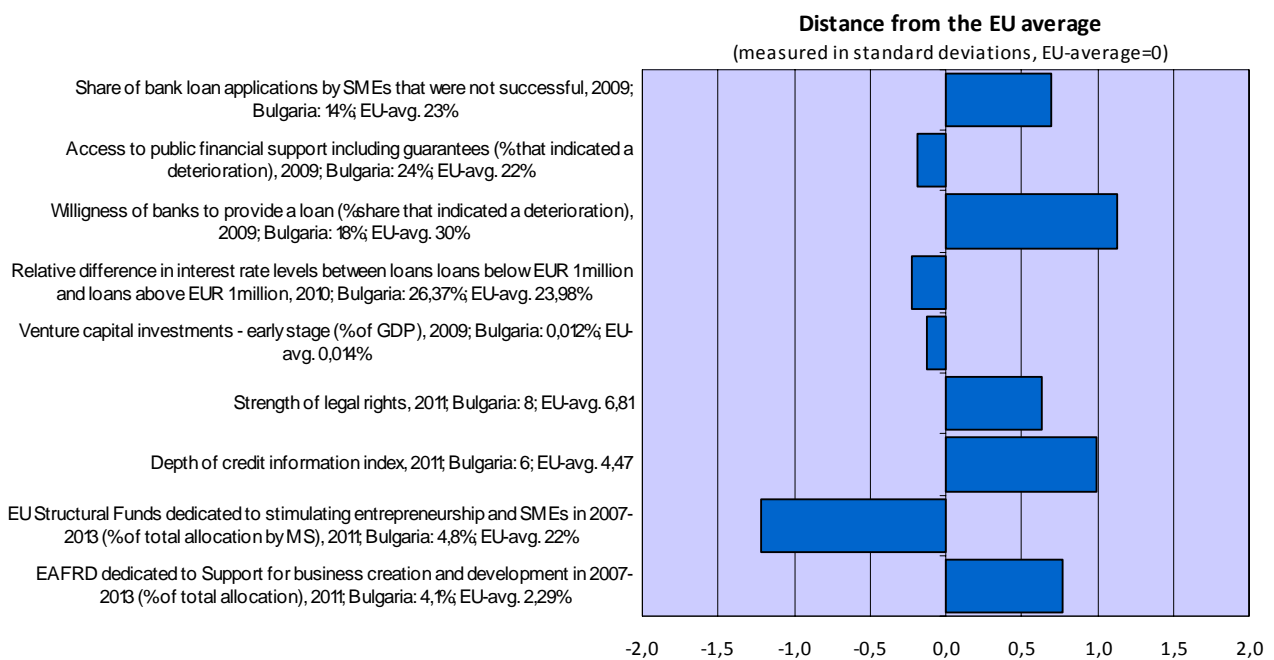
Note: Data bars pointing right show stronger than EU-average performance and data bars pointing left show weaker performance.

On the whole Bulgaria scores around the EU average for this SBA area, but there are disparities between the individual indicators. Pre-award e-procurement availability is lower in Bulgaria than in EU peer countries, but Bulgaria's SMEs still seem to find their way to this market. On the other hand, Bulgaria allocates a much smaller share of State aid to SMEs, compared to other EU countries.

**In terms of policy**, under the EU Structural Funds' Operational Programmes 'Development of the Competitiveness of the Bulgarian Economy 2007-2013', there is a clear focus on SME support measures based on the de minimis Regulation and the General Block

Exemption Regulation (GBER). Hence, in 2010 and early 2011, the following grant (aid) schemes were launched: 'Technology Modernisation for SMEs' and 'Introduction of International Standards'. Although not yet delivering results for Bulgaria's SMEs, the schemes are focused specifically on them and are expected to provide a variety of aid to micro, small and medium companies in terms of aid intensities. The absorption rate under the OP 'Competitiveness' is still low, but the focus on SMEs is obvious in the grant schemes launched.

## VI. Access to finance



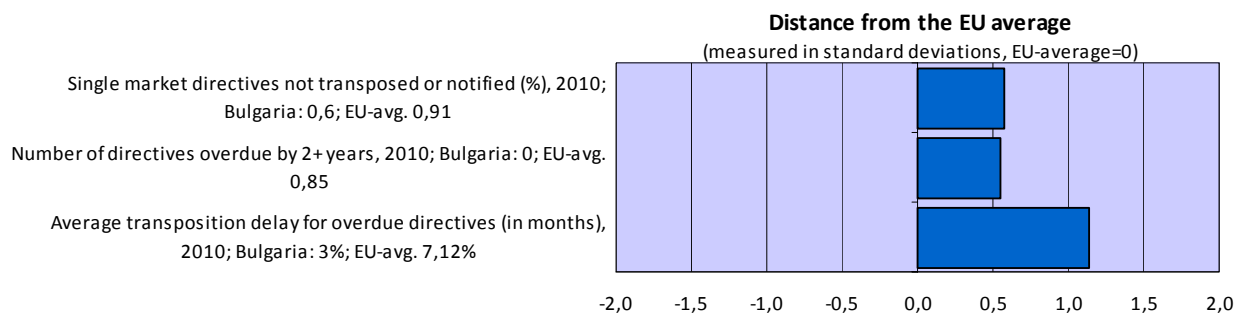
Note: Data bars pointing right show stronger than EU-average performance and data bars pointing left show weaker performance.

Bulgaria is situated around the EU average in this area, although slightly below it. Among the indicators directly under policy control, both the relative depth of credit information and the strength of legal rights are above the EU average. Bulgaria's share of the European Agricultural Fund for Rural Development (EAFRD) support for business creation and development also exceeds the EU average. On the other hand, in terms of the EU Structural Funds' allocation to stimulate entrepreneurship and SMEs, the Bulgarian share is less than one fourth of EU peers (4.8% compared to EU average of 22%). Looking at the indicators measuring access to finance offered by banks, the perceived deterioration of banks' willingness to provide loans was smaller in Bulgaria than in the EU on average, and fewer loan applications are also unsuccessful in Bulgaria than in other EU countries, possibly due to strict

collateral requirements. Venture capital investments make a limited contribution to SMEs' access to finance in Bulgaria, but they are on a par with the EU average.

**Looking at policy**, in 2010 several expressions of interest (Eols) were launched under the Joint European Resources for Micro to Medium Enterprises (JEREMIE) Initiative in Bulgaria. These Eols (to implement the financial instruments 'Risk Capital Funds', 'First Lost Portfolio Guarantee', 'Growth Capital Funds' and 'Mezzanine Funds') are evaluated by the European Investment Fund (EIF). The measures under the JEREMIE initiative should take effect in 2011, as 200 MEUR have already been transferred to the EIF and that amount is considered absorbed by the OP Competitiveness.

## VII. Single market



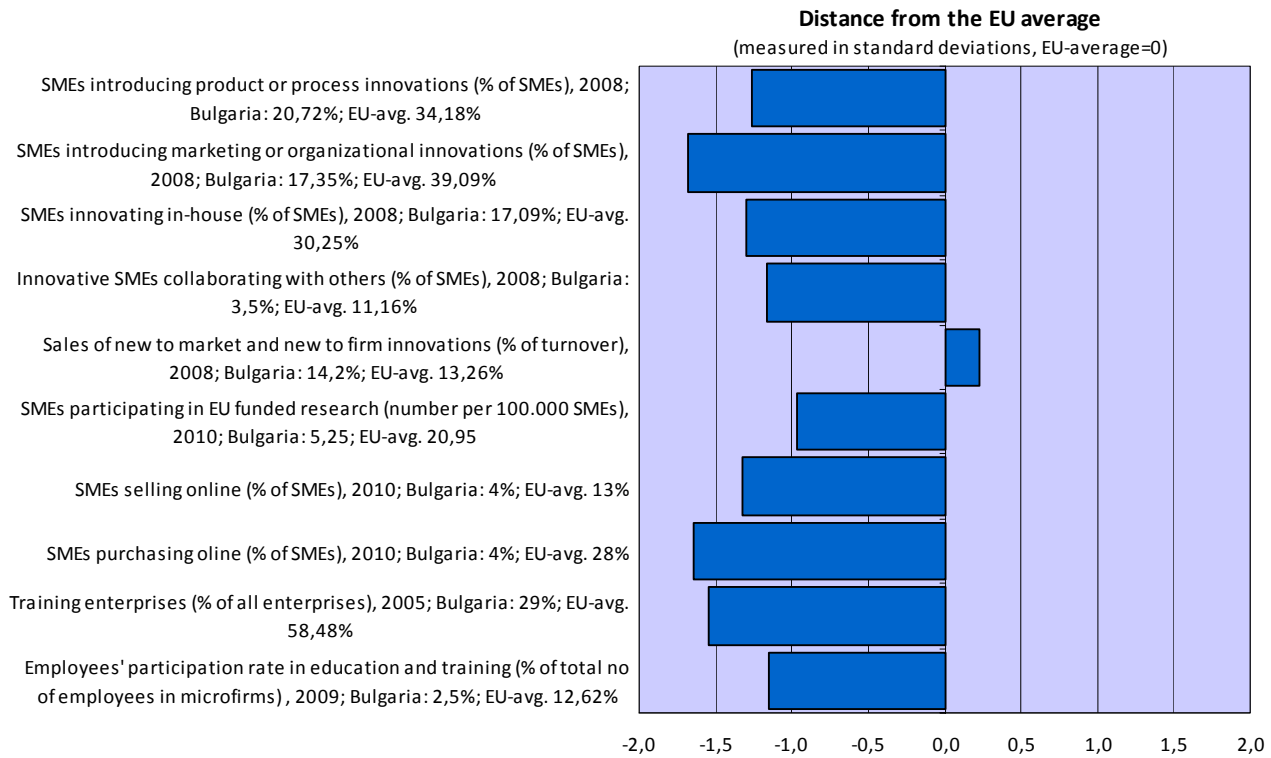
*Note: Data bars pointing right show stronger than EU-average performance and data bars pointing left show weaker performance.*

The three indicators available for Bulgaria in this area hint at a performance above the EU average. Nevertheless, since no data are available on the actual extent of intra-EU trade, the figures need to be interpreted with care. Having said that, the average transposition delay for overdue directives in Bulgaria is, at 3 months, less than half the EU average. Also the other indicators relating to internal market legislation and the transposition of EU legislation into national law score above par.

**On the policy front**, under EU Structural Fund Operational Programmes 'Development of the Competitiveness of the Bulgarian Economy 2007 – 2013', a grant scheme entitled 'Introduction of International

Recognised Standards' was launched. The objective is to provide support to enterprises for introducing management systems, complying with European and international standards, introducing good production practices and creating products with high value added. The formal procedure was launched in July 2010 with a deadline for applications of 30 September 2010. Invitations to sign a contract were sent out to the successful candidates in April 2011, but it is still too early to assess the future effects of these measures.

## VIII. Skills and innovation



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

Bulgaria is below the EU average in this broad SBA area, covering both skills and innovation. In fact, for all but one of the ten indicators, Bulgaria is behind EU peer countries. A relatively small share of Bulgarian SMEs is involved in innovation, be it product / process or marketing / organisational innovation. The share of the latter is less than half the EU average (17% vs EU average 39%). It also follows that the Bulgarian share of innovative SMEs cooperating with others is at sub par levels. Beyond the core innovation indicators, Bulgarian SMEs also seem less reliant on IT solutions for trading, with fewer than 5% involved in online trade, a figure substantially below the EU average. In Bulgaria, there is also room for improvement in terms of the performance linked to skills development, an area in which Bulgaria is also significantly trailing the EU average for the two available indicators.

**On the policy front**, encouragingly there has been some recent development addressing this SBA area. In 2010, under the EU Structural Fund Operational Programme 'Development of the Competitiveness of the Bulgarian Economy 2007-2013,' three grant schemes were launched to support the Skills and Innovation aspect of the SBA:

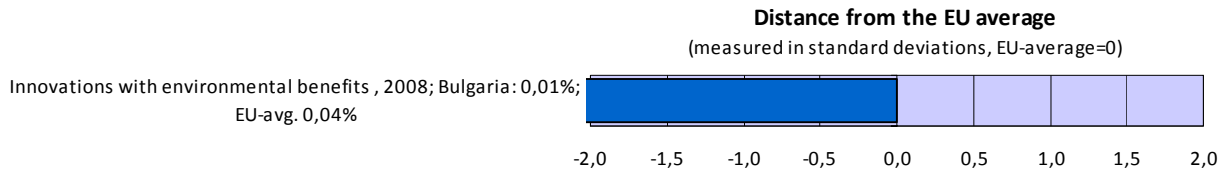
1) Support for the Transfer of Knowledge to Enterprises — This scheme aims to stimulate market-oriented research and development activities and the transfer of knowledge to SMEs.

2) Development of Start-up Innovative Enterprises through Support for Introduction of Innovative Products Processes and Services — The objective is to provide integrated consultancy and investment support to innovative Bulgarian start-up enterprises in carrying out successful projects for innovations in the production process and market realisation of innovative products, processes and services with value added.

3) Support for clusters development — This scheme encourages the establishment and development of clusters. Support is provided for developing the clusters' administrative and the management capacity, developing new products and services, expanding markets, attracting new members of the cluster and promoting investment in modern technologies.

The above measures under OP Competitiveness were launched very recently, so it is still not possible to assess their effect.

## IX. Environment



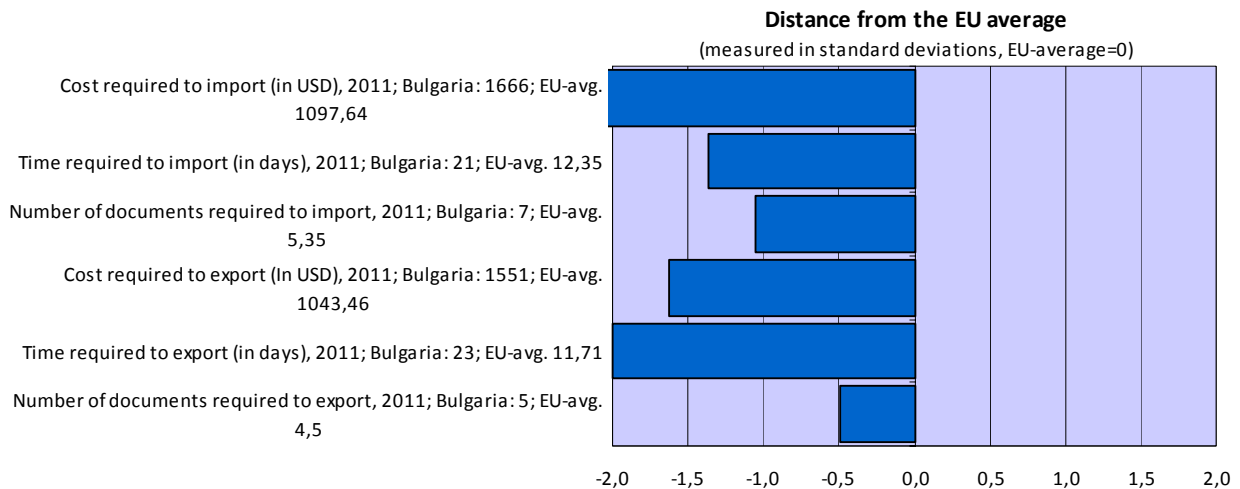
*Note: Data bars pointing right show stronger than EU-average performance and data bars pointing left show weaker performance.*

In the area of environment, there is only one indicator available, namely the share of small and medium-sized enterprises that produce innovations with environmental benefits for the enterprise and/or end-user. It is therefore not possible to draw any general conclusions on this basis.

**On the policy front**, in February 2011 a memorandum of understanding was signed between the Ministry of Economy, Energy and Tourism and the European Bank for

Reconstruction and Development (EBRD) for the financing of projects for SMEs in the area of energy efficiency and green economy. The budget consists of €200 million from the EU Structural Fund Operational Programme 'Competitiveness', and another €150 million as a credit line from the EBRD. However, the project is still at a preparatory stage, so it cannot be fully assessed how it will improve the SMEs' situation regarding energy efficiency.

## X. Internationalisation



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

The figures show that Bulgaria is falling behind the EU average across all available indicators, as it is both more costly and more time-consuming to trade in Bulgaria than in EU peer countries, on average. The time required to export is more than twice as long in Bulgaria, taking more

than three weeks as compared to less than 12 days on average.

**On the policy front**, no significant measures were reported in Bulgaria in this area in 2010 or the first quarter of 2011.

## Good practice

To show what the government actually does to promote SMEs, we include an example of good practice.

*The public consultation portal (strategy.bg), where all draft legislative and strategic acts are presented for discussion, is considered to be a best practice. The portal is managed by the Bulgarian Council of Ministers and provides key information about past and current public consultations on draft strategic documents and pieces of legislation. The public consultation portal allows every government institution to publish planned new or amended legislation. Everyone can comment on the documents presented, which cover both national and regional/local legislation. The portal also gives access to discussion forums for the proposals under the heading 'Today Society Decides'. The aim of the portal is to increase the awareness of business and citizens and to encourage them to take an active part policy formulation. The portal should also stimulate cooperation between NGOs, business, citizens and experts from state institutions in developing legislative frameworks and initiatives.*

## About the SBA Fact Sheets

The Small Business Act (SBA) Fact Sheets are produced by DG ENTR as part of the SME Performance Review (SPR), which is its main vehicle providing economic analysis of SME issues. They combine the latest available statistical and policy information for the 27 EU Member States and another 10 non-Member States which also contribute to the EU's [Competitiveness and Innovation Framework Programme](#) (CIP). The Fact Sheets — produced annually — help to organise the available information to facilitate SME policy assessments and monitor SBA implementation. They document the status quo and progress. They are not an assessment of Member State policies but should be regarded as an additional source of information designed to improve evidence-based policy making. For example, the Fact Sheets cite only those policy measures deemed relevant by local SME policy experts. They do not, and cannot, reflect all measures taken by the government over the reference period. More policy information can be found on a database accessible from the SPR website. Please see the end notes overleaf.

## For more information

SME Performance Review:

[http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/index\\_en.htm](http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/index_en.htm)

Small Business Act:

[http://ec.europa.eu/enterprise/policies/sme/small-business-act/index\\_en.htm](http://ec.europa.eu/enterprise/policies/sme/small-business-act/index_en.htm)

The European Small Business Portal:

[http://ec.europa.eu/small-business/index\\_en.htm](http://ec.europa.eu/small-business/index_en.htm)

[Entr-SPR@ec.europa.eu](mailto:Entr-SPR@ec.europa.eu)

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<sup>1</sup> The SBA Fact Sheets 2010-2011 benefited substantially from input by 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 visual presentation of the data. The full data set including sources is available at: [http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/index\\_en.htm](http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/index_en.htm).

<sup>2</sup> The three graphs below describe the trend over time for the variables. They consist of index values for the years since 2003, with the base year 2003 set at a value of '100'. As from 2008, the graphs show estimates of the development over time, based on 2003-2007 figures from the Structural Business Statistics Database (Eurostat). The estimates were produced by Cambridge Econometrics. The data cover the 'business economy' which includes industry, construction, trade, and services (NACE Rev. 1.1 Sections C to I, K). The data do not cover enterprises in agriculture, forestry, fishing or largely non-market services, such as education and health. A detailed methodology can be consulted at: [http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/index\\_en.htm](http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/index_en.htm).

<sup>3</sup> The SBA radar chart plots for the different SBA areas the relative position of an individual country vis-à-vis the EU average. The individual values represent averages across all available indicators for this area. The scale is from '0' (minimum or 'worst in the EU-27 class') to '1' (maximum or 'best in class'). The EU average is located between those extremes and plotted as a grey band in the chart. The area average for principle 9 ('environment') is missing for all countries due to a lack of data.

<sup>4</sup> The policy measures presented in this SBA Fact Sheet may only be a selection of the measures taken by the Government in 2010 and the first three months of 2011. The selection was made by the SME policy country expert contracted by Ecorys (DG ENTR's lead contractor for the 2010-2011 Fact Sheets). The experts were asked only to select those measures that, in their view, were the most important, i.e. were expected to have the highest impact in the specific SBA area. The complete range of measures that the experts compiled in the framework of producing this years' Fact Sheets will be published in the form of a policy database on the DG ENTR website alongside the Fact Sheets.

<sup>5</sup> The quadrant chart combines two sets of information: firstly it shows the status quo 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 EU-27. The vertical corridor marked by the dotted lines defines the EU average. Secondly, it reveals the progress over time, i.e. average annual growth rates for the period 2005-2011. The growth rates are those of the individual which the different SBA area averages are made up of. Hence, the location of a particular SBA area average in any of the 4 quadrants provides not only status quo information about where the country is located in this SBA area relative to the rest of the EU at a given point in time, but also the extent of progress made in the period 2005-2011.

<sup>6</sup> The start-up indicators are based on World Bank data. For methodological details, please consult the Doing Business 2011 report at <http://www.doingbusiness.org/>. It should be noted that these findings may differ from corresponding figures obtained directly from Member States through a self reporting exercise, according to which, in 2010, it took 3-7 days and cost 56 Euros to start a business in Bulgaria. For more details please see: [http://ec.europa.eu/enterprise/policies/sme/business-environment/start-up-procedures/index\\_en.htm](http://ec.europa.eu/enterprise/policies/sme/business-environment/start-up-procedures/index_en.htm).