Key points

Past & future SME performance: SMEs are the backbone of the Bulgarian ‘non-financial business economy’. They account for 65.2% of value added and 75.4% of employment, well above the EU average of 56.8% and 66.4%, respectively. Bulgarian SMEs employ 4.4 people on average, against 3.9 in the EU as a whole. Bulgarian SMEs generated sharp value added growth of 60.5% in 2011-2017. The increase was especially strong in micro firms, with value added rising by 83.9% within the same period. After a prolonged downturn starting with the 2009 crisis, SME employment bottomed out in 2013, gradually rising afterwards, contributing to moderate overall growth of 4.1% in 2011-2017. Most recently, in 2016-2017, SME employment increased slightly, by 1.1%, and SME value added rose, by 3.6%. In 2017-2019, SME value added is forecast to increase by 15.1%. Likewise, SME employment is predicted to increase, by 3.1% within the same period, corresponding to around 46,500 new SME jobs.

Implementing the Small Business Act for Europe (SBA): Bulgaria’s SBA profile shows a performance that is below the EU average in several of the SBA areas. In particular, the results show that the country’s weakest performance is in the areas of entrepreneurship, ‘responsive administration’, environment and skills & innovation. State aid & public procurement, access to finance, single market and internationalisation perform in line with the EU average. However, Bulgaria’s strongest performance is in the area of ‘second chance’, where the country has scored above the EU average in both the current and previous reference period. Since 2008, the country’s performance in access to finance and ‘second chance’ has improved.

SME policy priorities: During the current reference period, Bulgaria strived to respond to the SBA recommendations, achieving promising, but still limited results. A number of measures have been implemented, particularly addressing administrative burdens affecting SMEs. However, many such measures are still in the initial stages of implementation or have yet to achieve expected results. Serious additional policy efforts are required to elevate the skill base of the Bulgarian workforce, to develop innovations, to promote entrepreneurship, to apply environmental policies and to continue implementing the principles of the single market.

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.
1. SMEs — basic figures

<table>
<thead>
<tr>
<th>Class size</th>
<th>Number of enterprises</th>
<th>Number of persons employed</th>
<th>Value added</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Bulgaria</td>
<td>EU-28</td>
<td>Bulgaria</td>
</tr>
<tr>
<td></td>
<td>Number</td>
<td>Share</td>
<td>Share</td>
</tr>
<tr>
<td>Micro</td>
<td>309 050</td>
<td>91.5%</td>
<td>93.1%</td>
</tr>
<tr>
<td>Small</td>
<td>23 734</td>
<td>7.0%</td>
<td>5.8%</td>
</tr>
<tr>
<td>Medium-sized</td>
<td>4 316</td>
<td>1.3%</td>
<td>0.9%</td>
</tr>
<tr>
<td>SMEs</td>
<td>337 100</td>
<td>99.8%</td>
<td>99.8%</td>
</tr>
<tr>
<td>Large</td>
<td>649</td>
<td>0.2%</td>
<td>0.2%</td>
</tr>
<tr>
<td>Total</td>
<td>337 749</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

These are estimates for 2017 produced by DIW Econ, based on 2008-2015 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 are the backbone of the Bulgarian ‘non-financial business economy’. They account for 65.2 % of value added and 75.4 % of employment, well above the EU average of 56.8 % and 66.4 %, respectively. Bulgarian SMEs employ 4.4 people on average, against 3.9 in the EU as a whole. Similar to most EU countries, the largest SME sectors are wholesale and retail trade and manufacturing. Average productivity of Bulgarian SMEs, calculated as value added per person employed, is 74.3 % lower than in the EU average.

Bulgarian SMEs generated sharp value added growth of 60.5 % in 2011-2017. The increase was especially strong in micro firms, with value added rising by 83.9 % within the same period. In contrast, growth in SME employment has been more subdued. After a prolonged downturn starting with the 2009 crisis, SME employment bottomed out in 2013, gradually rising afterwards, contributing to moderate overall growth of 4.1 % in 2011-2017. Most recently, in 2016-2017, SME employment increased slightly, by 1.1 %, and SME value added rose by 3.6 %. In this same period, the highest growth in SME value added was in micro firms, at 6.0 %.

In 2011-2017, as with the overall non-financial business economy, in terms of value added, SMEs in wholesale and retail trade grew strongly at 58.7 %. In contrast, SME employment declined by 2.7 %. Large companies significantly outperformed SMEs, with their value added and employment growth, increasing by 75.5 % and 17.0 % respectively. The large gains in value added in the sector as a whole are primarily thanks to the generally positive economic climate in Bulgaria, typified by rising...
incomes and consumer spending. For example, in 2017, per capita income in Bulgaria was 8.1% higher than in 2016. Nevertheless, the subdued development of employment in this sector, especially in SMEs, is largely related to the transformations currently taking place in the retail trade. Online retail, which is less labour intensive, is becoming more and more prevalent, although Bulgaria is still lagging behind the rest of Europe in terms of internet usage and online shopping. However, new technologies have also affected traditional in-store shopping: retail traders face consumer pressure to provide cashless and contactless payment options, as well as mobile device payment systems, all of which require access to payment networks. The operational and training costs of adopting this technology are more of a barrier for small and micro firms than for large retail firms. Nonetheless, these technological trends have the potential to pave the way for cost reductions and productivity gains for SMEs. However, they are likely to result in reduced demand for labour.

Information and communication has been one of the most dynamic sectors for SMEs in Bulgaria during recent years. This sector is responsible for the highest contribution — more than a third — to overall SME job creation in 2011-2017. Against its 2011 level, SME employment was 47.3% higher in 2017. SME value added growth was also remarkable, at 93.5% within the same period. Computer programming and consultancy, the most significant subsector, has also been a major driver of growth. International demand for Bulgarian IT services is still the main factor behind the sector’s success. By 2016, the proportion of ICT firms engaging in export activity had climbed to 70%. Moreover, in terms of the domestic economy, digital technologies (such as block chain and cloud technologies, enterprise resource planning and customer relationship management software) are increasingly being integrated into the production processes of a wide range of other sectors, including finance, insurance and healthcare.

Business registrations fell by 2.2% in 2016-2017, falling to 52,790 in 2017. Furthermore, deregistrations rose sharply, by 20.7%, within the same period. However, the number of businesses that deregistered in 2017 — 2,150 — is still small compared to the overall number of registrations in the same year.

At the same time, a relatively large proportion of Bulgarian firms has shown high growth in recent years. In 2015, 2,835 firms — 10.7% of all firms in the ‘business economy’ with at least 10 employees — were high-growth firms. By comparison, in the EU as a whole, only 9.9% of all firms were high-growth firms in the same year. In Bulgaria, the biggest proportion of high-growth firms is in transportation and storage, at 13.9%, exceeding the EU average of 12.0%. High-growth firms are also particularly prevalent in administrative and support services, at 13.2%. However, this is lower than the EU average of 14.0%.

The recent SME growth is expected to continue over the coming years. In 2017-2019, SME value added is forecast to increase by 15.1%. Likewise, SME employment is predicted to increase, by 3.1% within the same period, corresponding to around 46,500 new SME jobs.
2. SBA profile

Bulgaria’s SBA profile shows a low performance in several of the SBA areas. In particular, the results show that the country performs weakly in the areas of skills & innovation, entrepreneurship, environment, and ‘responsive administration’. Single market, state aid & public procurement, access to finance and internationalisation perform in line with the EU average. The country has improved in the access to finance and ‘second chance’ principles, while its performance under the single market principle has deteriorated since 2008. Bulgaria’s strongest performance is in relation to ‘second chance’, where the country scores above the EU average. Since 2008, Bulgaria has made policy progress in implementing the recommendations of the Small Business Act. During the current reference period of 2017 and the first quarter of 2018, 19 new policy measures were introduced addressing eight out of the 10 policy areas under the Small Business Act. No new policy measures were introduced during the current reference period in the country’s highest performing area, ‘second chance’.

The areas where the Bulgarian government was most active, also visible from the results, include the ‘Think Small First’ principle, responsive administration, access to finance and internationalisation. Efforts have also been made with regard to skills & innovation and entrepreneurship.
SBA performance of Bulgaria: state of play and development from 2008 to 2018

Legend:
1. Entrepreneurship
2. "Second chance"
3. "Responsive administration"
4. State aid & public procurement
5. Access to finance
6. Single market
7. Skills & innovation
8. Environment
9. Internationalisation

Notes:
The scores presented in the chart above are not fully comparable to those displayed in previous versions of the fact sheet. This is due to a review of the framework of indicators used to assess performance across the SBA principles. Only the aspects with sufficient background data are presented. The value for progress over time was set to 0% in cases of insufficient data and marked in the above chart by a diamond shape. For more details, please consult the methodological note on the webpage of the SME Performance Review.

3. SBA principles

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 consider SMEs’ interests at the early stages of the policymaking 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 made on the application of the ‘Think Small First’ principle. Efforts have mainly focused on reducing administrative burdens and simplifying administrative procedures through the introduction of e-services. In 2017, the Bulgarian Council of Ministers adopted a Decision (No 338/2017) which obliges all administrative bodies to propose follow up measures to reduce administrative requirements by implementing the once-only principle.

The introduction of measures for systematically implementing the ‘SME Test’ as a part of the impact assessment process are an encouraging sign that the government is trying to meet the needs of small businesses. However, the application of these measures is still limited. In this regard, the recent introduction of regulatory impact assessments of legislative and administrative acts has been a major achievement.

It is expected that the combined application of the regulatory impact assessment, improved e-services and the principle of tacit consent resulting from the changes in the Administrative Procedural Code will lead to significant improvements in the business environment.

Under the ‘National Strategy for Promotion of the SMEs’ 2014-2020, a new project has been started, aiming to provide tools for assisting SMEs in Bulgaria with regulatory compliance. The Structural Reform Support Service supports the project, the beneficiary is the Ministry of Economy and PwC will carry it out. Several outcomes have been provided already, but the main results are expected in April 2019.

However, SMEs remain in an unfavourable position in the dialogue between government, business and trade unions. SMEs, for example, are still not represented on the National Tripartite Cooperation Council. This is mainly because SMEs’ representative organisations currently do not meet the strict requirements in terms of the number of members to be considered nationally representative organisations.

To implement further the ‘Think Small First’ principle, Bulgaria needs to put more effort into promoting the role of the SME envoy among stakeholders. In addition, the country still needs to establish a common start date for all new legislation and amendments relevant to SMEs.

The combined application of the regulatory impact assessment, improved e-services and the principle of tacit consent resulting from the changes in the Administrative Procedural Code (adopted in June 2018) is expected to improve the business environment. In addition, as a result of an amendment to the Rules of Procedure of the Council of Ministers Administration a Regulatory (Scrutiny) Board has been established.

In 2018, the Report on the activity of the Administrative Reform Council for 2017 and the Annual report on Implementation of the Impact Assessments were published. Several meetings of the ongoing working groups that aim to support better SME evaluation within the impact assessment were held.

During 2017 and the first quarter of 2018 no additional significant measures were adopted or announced.
3.1 Entrepreneurship

Bulgaria performs well below the EU average in this area, with the lowest score of all the EU Member States. The opportunity-driven entrepreneurial activity performance is the lowest in the EU, having only just over half (28.5%) of the EU score (50.3%). Bulgaria’s performance in early stage entrepreneurial activity and early stage entrepreneurial activity for women has dropped since 2016 from 4.8% to 3.7% and 4.3% to 3% respectively, and is among the three lowest in the EU. The percentage of adults who intend to start a business within 3 years is also below the EU average, having a score of 5% against the EU average of 11.2%, the lowest in the EU. Since last year, the performance in these four indicators has declined, while between 2015 and 2016 Bulgaria showed an improvement. Bulgaria’s performance in entrepreneurship education in secondary schools also remains below the EU average.

Since 2008, Bulgaria has implemented many measures addressing most of the SBA recommendations under entrepreneurship. The Ministry of Economy has implemented two important multiannual initiatives that aim to promote entrepreneurship. The ‘TechnoStart’ initiative is in its third consecutive year, with a grant totalling BGN 248 251 (EUR 127 000). This grant scheme was specifically developed to fund young people without experience graduating from higher education and PhD students so they can start their own business. Approved business ideas cover a variety of activities from manufacturing and R&D, biotechnology and medicine to mechanical engineering, cosmetics, food and sports. The ‘stARTs’ initiative is in its fourth consecutive year and provides financial support to train high school and university students on starting a business, using trade marks in public and creating logos and product brands. The continued implementation of the ‘National Strategy for Promotion of the SME’ 2014-2020 and the Plan for Entrepreneurship 2020 aims to improve education at all levels and introduce the ‘technology and entrepreneurship’ subject in schools.

During the current reference period, two measures have been introduced under the entrepreneurship principle:

- ‘The Development of Social Entrepreneurship’ (Развитие на социалното предприемачество) funded by the Human Resources Development programme 2014-2020 (OP HRD) was adopted to facilitate access to employment, support social inclusion of vulnerable groups and create the right professional integration conditions within the social economy.

- The ‘Support for Entrepreneurship’ (Подкрепа за предприемачеството) measure, under the OP HRD, aims to provide tools to unemployed individuals to start a self-employed business. It assists individuals in developing
entrepreneurial ideas through training and services and helps them develop the necessary skills and knowledge to start a business.

Scale-ups are now receiving support to access commercial opportunities, and financing through operational programmes, low interest loans and guarantees provided by the National Guarantee Fund. However, despite these initiatives scale-ups still lack a critical mass of effectively interconnected ecosystems.

3.2 ‘Second chance’

Variation from the EU average (measured in standard deviations, EU average=0)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2018 Bulgaria</th>
<th>EU avg.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strength of insolvency framework index (0-16)</td>
<td>13</td>
<td>11.8</td>
</tr>
<tr>
<td>Time to resolve insolvency (in years)</td>
<td>3.3</td>
<td>2.01</td>
</tr>
<tr>
<td>Cost of resolving insolvency (cost of recovering debt as percentage of the debtor’s estate)</td>
<td>10.25</td>
<td>10.25</td>
</tr>
<tr>
<td>Fear of failure rate (%)</td>
<td>20.9%</td>
<td>38.01</td>
</tr>
</tbody>
</table>

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

‘Second chance’ refers to ensuring that honest entrepreneurs who have gone bankrupt get a second chance quickly. Bulgaria performs above the EU average in this area. This is also the area in which it performs the best out of all the SBA principles. Little or no movement has been registered across most indicators since the previous reference period. The time to resolve insolvency remains higher than the EU average with 3.3 years against 2 years in the EU. The fear of failure rate trend remains positive since it has dropped from 25 % in 2016 to 20.9 % in 2017, thus Bulgaria is ranked among the best-performing countries in the EU.

Since 2008, policy progress in this SBA area has been limited. The government adopted the ‘Amendment to the Commerce Law’ to stabilise companies before being declared insolvent. This amendment envisages the creation of pre-court insolvency procedures for companies in economic and financial distress. It aims to allow entrepreneurs to negotiate a restructuring of obligations, therefore creating the conditions necessary for their recovery.

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 support those companies already in the process of bankruptcy.

During the current reference period, no new significant measures were adopted under the ‘second chance’ area.
3.3 ‘Responsive administration’

‘Responsive administration’ means public administration being responsive to the needs of SMEs. Bulgaria’s performance is below the EU average in this area and it has declined slightly from the previous reference period. Bulgaria’s performance has remained stable in the case of almost half of the indicators. The time needed to pay taxes remains the highest among EU Member States, placing the country among the lowest performers in the EU. The expertise of government officials in supporting new firms remained low.

On a positive note, the score on the complexity of administrative procedures for doing business has slightly improved from the previous reference period — but is still below the EU average.

Since 2008, policy progress has been made under the SBA’s ‘responsive administration’ area. A number of measures have been taken in recent years to reduce the administrative burden on businesses. These measures have been focused on removing unnecessary barriers and assisting businesses in dealing with any unavoidable barriers. These developments, alongside simplified requirements on minimum capital and start-up procedures, have led to Bulgaria’s improved performance in this area. However, Bulgaria is still yet to provide a full-service one-stop-shop. Nevertheless, rural-based SMEs also face challenges in using e-services and the e-services provided by local authorities are limited.

During 2017 and the first quarter of 2018, two new measures were adopted in this area:

- The Decision 338/2017 of the Council of Ministers, ‘Reduction of Administrative Burden’ (Р Е Ш Е Н И Е No 338/2017 на Министерски съвет) intends to reduce further administrative burdens by withdrawing the requirement for presenting certified/notarised documents to the public administration.

- The ‘Strategic Action Plan 2017 e-Governance’ (‘Стратегически план за действие 2017 e-управление’) aims to define new and improved e-services.

In addition, the ‘Amendment to the Administrative Procedure Code’ (Закон за изменение и допълнение на Административнопроцесуалния кодекс) was formally announced during the current reference period. The measure intends to digitalise administrative proceedings.
3.4 State aid & public procurement

Bulgaria performs broadly in line with the EU average in this area. The country is one of the best performers in terms of payments from public authorities. Bulgarian public authorities pay on average one day before deadline. On a negative note, regarding the percentage of businesses participating in public tenders Bulgaria’s performance has dropped from 24% in 2015 to 21% in 2017.

Since 2008, limited policy progress has been achieved in facilitating SME access to public procurement. E-procurement has only been partially introduced. By 2018, the e-procurement platform is expected to be introduced. However, the procurement process is still not sufficiently SME-friendly. Moreover, greater efforts are needed by Bulgaria to promote SME participation in public procurement procedures.

Amendments to the Public Procurement Act are expected to lower administrative burdens, increase the confidence of businesses in public procurement, and further restrict corrupt practices.

The implementation of the e-procurement centralised platform also aims to address possible corruption in relation to public funding and contribute to increasing trust in public procurement.

During 2017 and the first quarter of 2018, a potentially significant measure was taken by the government: introducing the “Electronic Public Procurement” (CACS) (Разработване, въвеждане и поддържане на една национална електронна уеб-bazирана платформа: Централизирана автоматизирана информационна система ‘Електронни обществени поръчки’), which would fully enable the online submission of tender proposals. However, its implementation has been delayed and is not expected to be operational before 2020.
3.5 Access to finance

In this area, Bulgaria performs broadly in line with the EU average and has continuously improved since 2008. The main challenge for Bulgarian SMEs is addressing bad debt loss measured as a percentage of total turnover, which has increased from 3.6% in 2016 to 4.1% in 2017. In this indicator, the country performs well below the EU average and is one of the worst performing Member States. On a positive note, Bulgaria scores above the EU average in the ‘strength of legal rights’ indicator, being one of the best performers. It remains in line with the EU average regarding the time it takes to be paid, but has dropped since 2014.

The willingness of banks to provide loans has improved since the percentage of respondents that indicated deterioration dropped from 6.5% in 2016 to 4.1% in 2017. For this indicator, Bulgaria is the top performer of all EU countries. In terms of alternative funding, the country is lacking in business angels for new and growing firms and venture capital investments. Moreover, Bulgaria’s performance in equity funding for new and growing firms has declined since 2016 from 3.2 to 2.8 index points.

Since 2008, numerous measures have been taken and currently new financial instruments are readily available to SMEs. However, Bulgarian SMEs still face difficulties in obtaining public guarantees and the country’s risk capital remains limited. Moreover, SMEs are lagging behind in terms of accessing alternative sources of funding such as crowdfunding and business angels.

During the current reference period 2017 and the first quarter of 2018, several initiatives have been taken to improve SMEs’ access to finance:

- The ‘Law on Payment Services and Payment Systems’ (Закон за платежните услуги и платежните системи) creates a regulatory framework including specific requirements for payment service providers, especially online, to limit and control the risks associated with the security of payments.

- The ‘On-lending programme under the Juncker Plan’ (Он-лending програма по Плана ‘Юнкер’) intends to increase the possibilities for SMEs to access finance with a guarantee facility and counter-guarantee by the European Investment Fund Programme for the Competitiveness of Enterprises and Small and Medium-sized Enterprises (COSME).

- The ‘National Guarantee Fund 2017/2018 scheme’ (Схема на Национален Гаранционен Фонд 2017/2018) provides loan guarantees of up to BGN 1 million. Only new loans to SMEs, including start-ups, are eligible under the programme. These loans are granted for both working capital and investment needs. Loans for implementing projects under the operational programmes and the rural development programme 2014–2020 are also included.

- ‘Amendments to the Law on European Funds Management’ (ЗИД на Закона за управление на средствата от
европейските структурни и инвестиционни фондове) ensures the financial management principle is implemented for national co-financing programmes. It contributes to achieving better financial discipline, protection regarding public contributions and rationalising administrative practice.

3.6 Single market

Bulgaria continues to perform below the EU average regarding the single market principle. Its weakest point among this principle’s indicators is the low proportion of SMEs that export online intra-EU, which is well below the EU average and the second lowest value in the EU. Furthermore, this proportion has only increased from 1.2% in 2009 to 3.4% in 2017. The number of single market directives not yet transposed fell from 17 in 2016 to 13 in 2017. In addition, the number of pending infringement proceedings fell from 19 in 2016 to 15 in 2017. On a negative note, the average transposition delay has increased from 5.7 months in 2016 to 9 months in 2017, but remained in line with the EU average. Easy market access for new and growing firms remained in line with the EU average, but slightly increased since last year. 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. One of the most significant measures introduced was the national strategy for standardisation, developed by the Bulgarian Institute for Standards, which also established an SME portal. Since 2015, the SME portal has served as a one-stop-shop for SMEs on standards. Bulgarian SMEs can obtain information about existing EU standards as well as participate in their development.

During the current reference period, no new significant measures were adopted.
3.7 Skills & innovation

The country performs well below the EU average in this area. Overall, Bulgaria’s performance under this SBA principle has stagnated since 2008, and due to the rank of many indicators, Bulgaria is still among the three lowest performers in the EU. Nearly all scores are below the EU average, except in the percentage of people employed that have ICT specialist skills for which Bulgaria is in line with the EU average. However, the country improved in several indicators between 2016 and 2017. The percentage of SMEs selling online has slightly increased from 5.2 % in 2016 to 7.1 % in 2017. The turnover from e-commerce has also improved from 1.7 % in 2016 to 3.5 % in 2017. The national R&D available to SMEs has improved marginally since the previous reference period; however, the country’s performance is still below the EU average.

Since 2008, moderate policy progress has been made. Relevant policy measures include R&D grant schemes, the development of new and effective technology centres, and support from technology transfer offices.

During 2017 and the first quarter of 2018, four important new measures were introduced under the skills & innovation principle:

- The ‘Development of a modern industrial property system that supports the activities from the Patent Office’ (Развитие на модерна система за индустриална собственост чрез подкрепа за дейността на Патентно ведомство на Република България), under the Operational Programme 2014-2020, addresses the lack of resources SMEs have to cover the significant costs of registering and maintaining patents or other forms of intellectual property rights. It aims to develop an upgraded and integrated IT environment in the Patent Office for the benefit of businesses, which is expected to support the innovation capacity of SMEs.

- The ‘Introduction of credits in the vocational education and training system’ (Въвеждане на кредити в системата на професионалното образование и обучение) creates valuable educational programmes that are aligned with the European Credit Transfer and Accumulation System and the Vocational Education and Training.

- The ‘Development of innovative products and production’ (Разработване на продукти и производствени иновации) aims to increase the proportion of companies developing innovative products and production processes and the innovation capacity of companies.
The ‘Digital Transformation of Bulgarian Industry — Industry 4.0’ (Концепция за цифрова трансформация на българската индустрия (Индустрия 4.0)) is a national strategy that aims to foster the digitalisation of Bulgarian industry.

In addition, support for SMEs’ growth through the pilot implementation of voucher schemes by the Executive Agency for the Promotion of SMEs was formally announced during the current reference period. The objective is to increase SMEs’ capacity to compete in fast-growing and dynamic business markets.

### 3.8 Environment

The performance of Bulgaria under this SBA principle is below the EU average. In particular, the percentage of SMEs that have taken resource-efficiency measures in the current reference period has dropped significantly since 2015, from 78% to 65%, one of the lowest in the EU. The percentage of SMEs that have benefited from public support measures for their resource-efficiency activities has also declined since 2015 from 48% to 42%. Bulgaria is also well below the EU average, the third lowest in the EU, for the percentage of SMEs offering green products or services. However, the country has slightly improved in this indicator, from 13% in 2015 to 15% in 2017.

Since 2008, only a limited number of initiatives have been implemented — mainly through the support of the Operational Programme 2014-2020 and the National Programme for Energy Efficiency, adopted in 2014. Public support for improving SME resources, energy efficiency, green economy participation and promoting sustainable development are available.

During 2017 and the first quarter of 2018, the ‘Support for Pilot and Demonstration of Resource Efficiency’ (Подкрепа за пилотни и демонстрационни инициативи за ефективно използване на ресурсите) was adopted. This measure provides support for the implementation of technological and ICT solutions and methods for optimising production processes and for the lowering of the use of raw materials and waste generated.
3.9 Internationalisation

Bulgaria performs in line with the EU average for this principle. However, the country has one of the lowest proportions of SMEs with extra-EU online exports, having a score of only 1.8% against the EU average of 5% in 2017. Against this background, the slight increase from 0.4% since 2009 reflects merely meek growth. The trade performance of Bulgarian SMEs remains stable in traditional imports and exports which are both broadly in line with the EU average. On a positive note, Bulgaria is performing above the EU average in the two trade facilitation indicators of automated formality procedures and streamlined formality procedures. It is also one of the top performers in formalities — automation and advanced rulings.

Since 2008, moderate progress has been made in this area. Major policy initiatives include the establishment of the Bulgarian SME Promotion Agency (BSMEPA).

During the current reference period, two new initiatives were adopted:

- The ‘New Technologies to Support Internationalisation’ measure (Нови технологии в подкрепа на интернационализацията) supports SMEs in boosting their sustainable development and their successful integration into the European and global economy — while expanding their presence in priority markets. Additionally, when attempting to enter foreign markets, SMEs are supported by being accompanied on visits to other countries and international forums and on trade missions.

- ‘Creating conditions for sustainable development and successful integration of Bulgarian enterprises on European and international markets’ (Създаване на условия за устойчиво развитие и успешно интегриране на българските предприятия на европейските и международните пазари чрез подкрепа дейността на ИАНМСП’), which is to be implemented by BSMEPA with a total budget of EUR 5 million. It aims to increase the quality and quantity of internationalisation support services provided to Bulgarian firms in their export activities.

However, despite the support from BSMEPA, SMEs still face significant obstacles to becoming internationalised — including difficulties in meeting the requirements in foreign markets and in protecting their Intellectual property rights.
4. Interesting initiative

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

The Council of Women in Business in Bulgaria’s Leadership Academy

The Leadership Academy is an annual highly professional training programme that is organised and funded by companies on the Council of Women in Business in Bulgaria. The Academy pursues one of the Council’s objectives — to offer accessible programmes to promote the professional development of women in small and medium-sized businesses and to help them grow into management positions.

Those who are selected to study at the Leadership Academy include representatives of various economic sectors — banks, information and communication technologies, trade, consultancy, manufacturing, construction, tourism, state administration, etc. Most of the participants are representatives of SMEs.

The Academy is funded entirely by the Council’s companies and is completely free of charge for its members. Its six modules, taught by professional trainers, aim to develop leadership skills, encourage women to become entrepreneurs and encourage women to expand their business and take on more responsibility. Members of the Council of Women in Business and the Management Board of the organisation are involved in the training and they share their experiences, advice and guidance.

The fourth edition of the Leadership Academy gathered a record number of candidates from across the country. 48 women were selected to participate in the programme, which was supplemented in 2018 with a new module aimed at improving presentation skills.

References:

http://womeninbusiness.bg
http://youthub.bg/2017/06/liderska-akademiya-na-sveta-na-zhenite-v-biznesa-v-blgariya
Important remarks

The European Commission 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:
grow-spr@ec.europa.eu

Small Business Act:

Entrepreneurship and SMEs:
https://ec.europa.eu/growth/smes

Endnotes

1 The two graphs below present the trend over time for the variables. They consist of indicators of the world economy, which includes industry, construction, trade and services (NACE Rev. 2 sections B to J, L, M and N). 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.

2 Доходи, разходи и потребление на домакинствата през 2017 година, National Statistical Institute press release, published 18.04.2018; available at http://www.nsi.bg/bg/content/16096/%D0%B0%B1%D0%B8%D5%0D%81%D1%81%8A%D0%8E%D0%B1%81%81%89%80%85%8D%80%88%80%85%8D%84%80%8E%81%85%8D%8E%80%84%80%88-%80%88%80%80%88%87%81%85%80%8E%80%84%80%8B-%8D%80%88-%80%80%8B-%80%80%8B-%80%88%80%88%80%88%80%8B-%80%88%80%88%80%88%80%8B-%80%88%80%88%80%88%80%8B-%80%88%80%88%80%88%80%8B-%80%88%80%88%80%88%80%8B-%80%88%80%88%80%8B-%80%88%80%88%80%8B-%80%88%80%88%80%8B-%80%88%80%88%80%8B-%80%88%80%88%80%8B-%80%88%80%88%80%88%80%8B-%80%88%80%88%80%8B-%80%88%80%88%80%8B-%80%88%80%88%80%8B-%80%88%80%88%80%8B-%80%88%80%88%80%8B-%80%88%80%88%80%8B-%80%88%80%88%80%8B-%80%88%80%88%80%8B-


4 Ibid.


7 18 % ръст на оборота в услугите в ИКТ сектора за 2017 г., article on 3E-News, published 30.03.2018; available at: http://3e-news.net/%D1%82%20%D0%B5%20-%D0%B3%20-%D0%BE%20-%D0%BB%20-%D0%B3%20-%D0%B8%20-%D0%BE%20-%D0%B1%82%20-%D0%B0-%D0%B2-%D1%83%20-%D0%BB%20-%D0%B1%82%20-%D0%B0-%D0%B2-%D1%83%20-%D0%BB%20-%D0%B1%82%20-%D0%B5-%D0%B2-%D0%BB%20-%D0%BA%D1%82-


9 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.

10 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 greater than 10 % per annum, over a 3-year period. The share of high-growth enterprises is the number of high growth enterprises divided by the number of active enterprises with at least 10 employees. Source of the data on high-growth enterprises is Eurostat (http://ec.europa.eu/eurostat/web/products-datasets/-/bd_9pm_r2, last accessed 13.04.2018).

11 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-28. Secondly, it shows progress over time, i.e. the average annual growth rates from 2008 to 2018. 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 2018. 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/.

12 The policy measures presented in this SBA fact sheet are only a selection of the measures the government took in 2017 and the first quarter of 2018. The national SME policy expert that PwC (DG GROW’s lead contractor for the 2018 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.

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