



## 2022 SME COUNTRY FACTSHEET'S EVIDENCE BACKGROUND DOCUMENT



# Bulgaria



This document faithfully reproduces evidence from various relevant sources, thus providing SME-focused “pure facts” in the form of concise facts. This factual information arises from national evidence, data and insights, such as the SME-relevant recent national studies, surveys, publications, policy measures, etc. (including those published only in the national language) as well as relevant international studies and other relevant sources, indicators and statistics.


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Factual SME-related evidence	Source
<b>KEY NOWCASTS &amp; FORECASTS</b>  <b>KEY NOWCASTS &amp; FORECASTS</b>	
<p>With the outbreak of the COVID-19 pandemic, SMEs in Bulgaria experienced a decline in 2020, with employment falling by 4.0% and value added by 2.6%. In 2021, SMEs fully recovered in terms of value added, with value added increasing by 7.4%, while employment only partially recovered with a growth rate of 1.4%.</p>	<p>Estimates produced by JRC, based on figures from the Structural Business Statistics Database as well as provisional data for 2020-2021 from the National Accounts Database and the Short-Term Business Statistics Database.</p>
<p>While most ecosystems followed a similar pattern of negative growth rates in 2020 and recovery in 2021, the <i>retail</i> ecosystem was particularly hard hit. While SME value added declined by 10.2% in 2020, the <i>retail</i> ecosystem recovered by only 0.9% in 2021. Moreover, SME employment in SMEs fell steadily, by 6.5% in 2020 and by 0.9% in 2021.</p>	<p>Estimates produced by JRC, based on figures from the Structural Business Statistics Database as well as provisional data for 2020-2021 from the National Accounts Database and the Short-Term Business Statistics Database.</p>
<p>The <i>digital</i> ecosystem grew significantly in both 2020 and 2021. SME employment increased by 5.0% and 8.2% in 2020 and 2021, while SME value added increased by 9.8% and 8.9%, respectively.</p>	<p>Estimates produced by JRC, based on figures from the Structural Business Statistics Database as well as provisional data for 2020-2021 from the National Accounts Database and the Short-Term Business Statistics Database.</p>
<p>Based on data from early 2022, it was expected that SME value added and SME employment in Bulgaria would continue to grow by 10.7 % and 1.6% respectively, but Russia's war of aggression against Ukraine will affect these estimates.</p>	<p>Estimates and forecasts produced by JRC, based on figures from the Structural Business Statistics Database, provisional data for 2020-2021 from the National Accounts Database and the Short-Term Business Statistics Database and forecasts from the AMECO database.</p>
<p>In 2021, SMEs accounted for 74.2% of employment and 63.4% of value added, well above the EU averages of 64.4% and 51.8% respectively.</p>	<p>Estimates produced by JRC, based on figures from the Structural Business Statistics Database as well as provisional data for 2020-2021 from the National Accounts Database and the Short-Term Business Statistics Database.</p>
<b>ENVIRONMENTAL ASPECTS OF SUSTAINABILITY</b>  <b>ENVIRONMENTAL ASPECTS OF SUSTAINABILITY</b>	
<p>The new Strategy for SMEs 2021-2027 sets a special focus on environment (6 – Environment with measures). It cross-references key European strategic documents such as the European Green Deal, the EU Circular Economy Action Plan and the SMEs Strategy for a sustainable and digital Europe. The strategy aims to support the improvement of energy and resource efficiency of SMEs, the adoption of EMAS and renewable energy sources by SMEs and the transition of SMEs to circular and low-carbon economy.</p>	<p>National strategy for SMEs of Bulgaria 2021-2027: <a href="https://www.mi.government.bg/bg/themes/nacionalna-strategiya-za-malki-i-sredni-predpriyatiya-msp-v-balgariya-2021-2027-g-2194-285.html">https://www.mi.government.bg/bg/themes/nacionalna-strategiya-za-malki-i-sredni-predpriyatiya-msp-v-balgariya-2021-2027-g-2194-285.html</a></p> <p>SME Strategy 2021 – 2027, p.113  <a href="https://www.mi.government.bg/files/useruploads/files/sme/FINAL_DG_Reform_SME%20Strategy_Technical%20Report_2020-04-27.pdf">https://www.mi.government.bg/files/useruploads/files/sme/FINAL_DG_Reform_SME%20Strategy_Technical%20Report_2020-04-27.pdf</a>  <a href="https://www.pwc.com/c1/en/future-of-government-ee/entrepreneurship-and-smes-in-CEE/supporting-smes-in-bulgaria.html">https://www.pwc.com/c1/en/future-of-government-ee/entrepreneurship-and-smes-in-CEE/supporting-smes-in-bulgaria.html</a></p> <p>Technical report including in-depth analysis of SMEs in Bulgaria PWC, p.152  <a href="https://www.pwc.com/c1/en/future-of-government-ee/entrepreneurship-and-smes-in-CEE/supporting-smes-in-bulgaria.html">https://www.pwc.com/c1/en/future-of-government-ee/entrepreneurship-and-smes-in-CEE/supporting-smes-in-bulgaria.html</a></p>
<p>Bulgaria is also among the worst performing member states in the implementation of measures in the field of the circular economy, in accordance with the European Action Plan on the circular economy. According to a report by Ecopreneur from 2019, Bulgaria ranks 27th in</p>	<p>Circular economy update overview of circular economy in Europe, 2019, p.22, <a href="https://ecopreneur.eu/wp-content/uploads/2020/09/Ecopreneur-Circular-Economy-Update-report-2019.pdf">https://ecopreneur.eu/wp-content/uploads/2020/09/Ecopreneur-Circular-Economy-Update-report-2019.pdf</a></p>


eco-innovation related to resource efficiency, 24th in the circular economy index on the Politico scale, 18th in waste reduction in the activity of SMEs and in 22nd place in terms of circular use of primary raw materials.	
At 55.7%, a majority of Bulgarian SMEs have benefitted from public support measures for the production of green support.	Eurobarometer survey of SMEs and the environment, 2021: <a href="http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/index_en.html">http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/index_en.html</a>
<b>SOCIAL ASPECTS OF SUSTAINABILITY</b>  <b>SOCIAL ASPECTS OF SUSTAINABILITY</b>	
In Bulgaria, around 3 700 economic entities could be considered social enterprises, according to the EU operational definition. These social enterprises account for less than 1% of all the enterprises in the country and employ around 1.6% of all the employed. These enterprises offer essential services and tackle problems in society such as food poverty, housing or environmental issues.	Social Enterprises and Their Ecosystems In Europe, Country Report Bulgaria, Maria Jeliaskova p.48 - <a href="https://ec.europa.eu/social/main.jsp?catId=738&amp;langId=en&amp;pubId=8274&amp;furtherPubs=yes">https://ec.europa.eu/social/main.jsp?catId=738&amp;langId=en&amp;pubId=8274&amp;furtherPubs=yes</a>
Over 24 million BGN has been allocated in the Bulgarian Recovery and resilience plan for "Development of regional administrative capacity for the modernization of social enterprises, solidarity economy and introduction of individualized solutions".  The main priorities of HRD 2021-2027 are related to labour market measures and social inclusion of people at risk of poverty. The planned budget for measures related to the promotion of employment and skills development is over BGN 2.2 billion, and for social inclusion and equal opportunities, over BGN 1 billion.	Bulgarian Recovery and Resilience Plan: <a href="https://ec.europa.eu/info/business-economy-euro/recovery-coronavirus/recovery-and-resilience-facility/recovery-and-resilience-plan-bulgaria_en">https://ec.europa.eu/info/business-economy-euro/recovery-coronavirus/recovery-and-resilience-facility/recovery-and-resilience-plan-bulgaria_en</a>  Webinar on HRD for funding opportunities in the period 2021-2027, p.1 <a href="https://archiv.naso.bg/13-news-naso-bg/3498-2021-2027">https://archiv.naso.bg/13-news-naso-bg/3498-2021-2027</a>
<b>DIGITALISATION</b>  <b>DIGITALISATION</b>	
Bulgaria ranks last among EU countries in integrating digital technologies into enterprises per the European Commission's Index on the Entry of Digital Technologies into the Economy and Society (DESI) for 2021.  Only 8% of Bulgarian small and medium-sized companies sell online and only 3% of the turnover is from the online segment. This gap can also be seen in areas such as enterprises having a website (51%) and sending e-invoices (10%) compared with the EU average of 76% and 35%.	Digital Economy and Society Index 2021 EC Report p.44 <a href="https://www.economy.bg/business/view/48382/Bylg-ariya-ostava-na-opashkata-v-ES-po-digitalizaciya-na-biznesa">https://www.economy.bg/business/view/48382/Bylg-ariya-ostava-na-opashkata-v-ES-po-digitalizaciya-na-biznesa</a>  Eurostat, Integration with customers/suppliers and SCM & Websites and functionalities, 2020: <a href="https://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=isoc_bde15disc&amp;lang=en">https://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=isoc_bde15disc&amp;lang=en</a> <a href="https://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=isoc_ciweb&amp;lang=en">https://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=isoc_ciweb&amp;lang=en</a>
Bulgaria has an average level of digitalisation compared to data from 2020. The increase in this indicator is 5 percentage points (59%), and the average level of digitalisation for the EU in the last year has increased by only 1 point (72%).	"Benchmark for e-Government 2021" of the European Commission <a href="https://e-gov.bg/wps/portal/agency/news/news-details/Benchmark1">https://e-gov.bg/wps/portal/agency/news/news-details/Benchmark1</a>
Only 33% of small and medium-sized enterprises (SMEs) have at least a basic level of digital intensity (while in the EU this is an average of 60% of SMEs). Only 8% of Bulgarian SMEs sell online (below the EU average of 17%). Only 3% of SMEs make cross-border sales online (compared to 8% in the EU) and only 3% of turnover is from the online segment (compared	Bulgaria remains in the queue in the EU for digitalization of business, 2021: <a href="https://www.economy.bg/business/view/48382/Bylg-ariya-ostava-na-opashkata-v-ES-po-digitalizaciya-na-biznesa">https://www.economy.bg/business/view/48382/Bylg-ariya-ostava-na-opashkata-v-ES-po-digitalizaciya-na-biznesa</a>



to 12% for the EU). 6% of enterprises use large information arrays.	
Bulgarian SMEs lag behind when it comes to digitalisation. Even though the share of Bulgarian SMEs employing an ICT specialist is in line with the EU average of 19%, small firms seem to make very little use of digital and online tools, which can be as an important avenue to develop a market presence. Only 6% of SMEs allow online sales, the lowest share in EU (where the average is 17%).	Bulgaria Country Diagnostic by EBRD, p.18 <a href="https://www.google.com/search?q=Bulgaria+Country+Diagnostic+by+EBRD&amp;oq=Bulgaria+Country+Diagnostic+by+EBRD&amp;aqs=chrome.69i59.544j0j7&amp;sourceid=chrome&amp;ie=UTF-8">https://www.google.com/search?q=Bulgaria+Country+Diagnostic+by+EBRD&amp;oq=Bulgaria+Country+Diagnostic+by+EBRD&amp;aqs=chrome.69i59.544j0j7&amp;sourceid=chrome&amp;ie=UTF-8</a>
<b>INNOVATION</b>  <b>INNOVATION</b>	
In 2020, the Council of Ministers adopted a concept for the development of artificial intelligence in Bulgaria until 2030, identifying priority areas for implementation, such as infrastructure, data, research and development capacity, knowledge and skills as well as building trust in society.	Bulgaria remains in the queue in the EU for digitalisation of business, 2021 <a href="https://www.economy.bg/business/view/48382/Bylq-ariya-ostava-na-opashkata-v-ES-po-digitalizaciya-na-biznesa-">https://www.economy.bg/business/view/48382/Bylq-ariya-ostava-na-opashkata-v-ES-po-digitalizaciya-na-biznesa-</a>
A total of 730.77 million BGN has been allocated for Innovation and Growth Priority of the new Programme "Competitiveness and innovation in enterprises" for the period 2021 – 2027 for R&D, introduction of innovations by the enterprises, intellectual property rights.	European Regional Development Fund: <a href="https://opik.bg/opik/nov-programen-period-2021-2027-g">https://opik.bg/opik/nov-programen-period-2021-2027-g</a>
NSI data shows that the total expenditure for R&D for 2020 is 1 023 790 thousand BGN from which the contribution of Bulgarian enterprises is 691 077 thousand BGN which means 67.5% (44.59% are SMEs expenditure).	R&D expenditure by type and sector, 2021: <a href="https://nsi.bg/bg/content/2682/%D1%80%D0%B0%D0%B7%D1%85%D0%BE%D0%B4%D0%B8-%D0%B7%D0%B0-%D0%BD%D0%B8%D1%80%D0%B4-%D0%BF%D0%BE-%D0%B2%D0%B8%D0%B4%D0%BE%D0%B2%D0%B5-%D0%B8-%D1%81%D0%B5%D0%BA%D1%82%D0%BE%D1%80%D0%B8">https://nsi.bg/bg/content/2682/%D1%80%D0%B0%D0%B7%D1%85%D0%BE%D0%B4%D0%B8-%D0%B7%D0%B0-%D0%BD%D0%B8%D1%80%D0%B4-%D0%BF%D0%BE-%D0%B2%D0%B8%D0%B4%D0%BE%D0%B2%D0%B5-%D0%B8-%D1%81%D0%B5%D0%BA%D1%82%D0%BE%D1%80%D0%B8</a>
Efforts to boost science are undermined by a lack of funds meaning scientific outputs are lagging behind regional peers. The country devotes only 0.8% of GDP to R&D, far behind OECD comparators (2.4%). Science articles (per 1000 people) are only 0.4 in Bulgaria, far behind OECD comparators (1.4). Intellectual property rights are also significantly below the state in OECD comparators, although the situation has somewhat improved in the recent years (as per the Index of Economic Freedom)	Bulgaria Country Diagnostic by EBRD, p.17 <a href="https://www.ebrd.com/publications/country-diagnostics">https://www.ebrd.com/publications/country-diagnostics</a>
<b>SKILLS</b>  <b>SKILLS</b>	
The 2019-2020 PWC survey indicates that the majority of SMEs consider the level of qualifications of their employees good enough as well as their awareness of the good practices in the sector – 70.2% and 76.8% respectively.	Technical report including in-depth analysis of SMEs in Bulgaria PWC, p.116 <a href="https://www.mi.government.bg/files/useruploads/files/sme/FINAL_DG_Reform_SME%20Strategy_Technical%20Report_2020-04-27.pdf">https://www.mi.government.bg/files/useruploads/files/sme/FINAL_DG_Reform_SME%20Strategy_Technical%20Report_2020-04-27.pdf</a>
A significantly greater share of self-employed in Bulgaria started their business out of "necessity" relative to the EU average (30.2% vs 19.2%) (Figure 1.11). Necessity entrepreneurship was particularly strong among self-employed women (32.5% vs 21.1%) and seniors (34.0% vs 23.7%). This is consistent with the growing skills	Bulgaria Country Diagnostic by EBRD, p.17 <a href="https://www.ebrd.com/publications/country-diagnostics">https://www.ebrd.com/publications/country-diagnostics</a>

gaps observed in the labour market and the need to boost productivity and innovation among micro and small firms.	
Despite its relatively strong economic performance, Bulgaria has been slow to catch up with the rest of the EU. GDP per capita, at 50% of the EU average in 2017, has grown only slightly faster than the EU average since 2011. The growth may be hampered by negative demographic trends and the increasing scarcity of skilled workers, as well as by increasing regional disparities. Investment in skills, social cohesion, infrastructure, research and innovation is needed to support competitiveness and the process of catching up with the rest of the EU (EC, 2019). That said, the gap is closing in some areas of digital skills with Bulgaria only 3% behind the EU average in terms of the percentage of enterprises employing persons with ICT specialist skills.	Inclusive Entrepreneurship Policies, Country Assessment Notes, 2021: <a href="https://www.oecd.org/cfe/smes/Bulgaria-IE-2020.pdf">https://www.oecd.org/cfe/smes/Bulgaria-IE-2020.pdf</a>  Eurostat, Community survey on ICT usage and eCommerce in enterprises, 2020: <a href="http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=isoc_ske_itspen2&amp;lang=en">http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=isoc_ske_itspen2&amp;lang=en</a>
The people in Bulgaria, who responded "yes" to the question "Do you have the knowledge and skills to start a business?" are about 4 p.p. less than the EU average for the period 2015-19. Nevertheless, one of the most significant weaknesses of the SME sector in the country is associated with insufficient entrepreneurial skills due to low quality of entrepreneurship education in primary and secondary schools	Inclusive Entrepreneurship Policies, Country Assessment Notes, 2021: <a href="https://www.oecd.org/cfe/smes/Bulgaria-IE-2020.pdf">https://www.oecd.org/cfe/smes/Bulgaria-IE-2020.pdf</a>
One of the most significant weaknesses of the SME sector in the country is associated with insufficient entrepreneurial skills due to low quality of entrepreneurship education in primary and secondary schools. The inclusion of entrepreneurship classes in the compulsory curricula of schools in the 2016-17 is a step in the right direction, but the lack of adequate training and experience in the field for most teachers does not allow the development of its potential (Andonova and Krusteff, 2017).	Inclusive Entrepreneurship Policies, Country Assessment Notes, 2021: <a href="https://www.oecd.org/cfe/smes/Bulgaria-IE-2020.pdf">https://www.oecd.org/cfe/smes/Bulgaria-IE-2020.pdf</a>
By 2030, the labour force in Bulgaria will have decreased by 10%, with the largest contraction (by 26.7% by 2030) expected in the age group 25 - 49 years (average economic activity rate of 86%). This reduction could jeopardize sustainable future growth. Positive results can be achieved through measures aimed at reducing the outflow of the working age population (15 - 64 years) by helping them find work and increase the skills and productivity of the workforce.	Annual report of the European Commission for Bulgaria in the framework of the European Semester, 2020: <a href="https://ec.europa.eu/info/sites/default/files/2020-european-semester-country-report-bulgaria_en.pdf">https://ec.europa.eu/info/sites/default/files/2020-european-semester-country-report-bulgaria_en.pdf</a>
<b>ADMINISTRATIVE BURDEN</b>  <b>ADMINISTRATIVE BURDEN</b>	
SMEs continue to experience the business environment with regulatory burdens that not conducive to their growth and efficient business operations. More than ¾ of SME representatives said that administrative procedures and bureaucracy impede the activities of their business, while 2/3 share the opinion that the regulatory regimes and legislation create difficulties to their business.	Technical report including in-depth analysis of SMEs in Bulgaria PWC, p.139 <a href="https://www.mi.government.bg/files/useruploads/file/sme/FINAL_DG_Reform_SME%20Strategy_Technical%20Report_2020-04-27.pdf">https://www.mi.government.bg/files/useruploads/file/sme/FINAL_DG_Reform_SME%20Strategy_Technical%20Report_2020-04-27.pdf</a>


Weak institutions are driving down the country's score in Global Competitiveness Index. Bulgaria was ranked 49th in the latest 2019 Global Competitiveness Report, an improvement from the 79th position ten years ago. The country scores poorly on the innovation capability, product market and quality of institutions all of which have a detrimental effect on SME prospects.	Bulgaria Country Diagnostic by EBRD, p.17 <a href="https://www.ebrd.com/publications/country-diagnostics">https://www.ebrd.com/publications/country-diagnostics</a>
According to the EC's latest reports, public administration reform has been slow and has yielded little concrete change. Due to the fact that all recent governments have been either coalition or minority ones, informal coordination among ministries plays a vital role. This affects businesses of all sizes including SMEs.	Bulgaria Country Diagnostic by EBRD, 2019, p.18 <a href="https://www.ebrd.com/publications/country-diagnostics">https://www.ebrd.com/publications/country-diagnostics</a>
<b>REGULATORY OBSTACLES</b>  <b>REGULATORY OBSTACLES</b>	
According to the latest World Bank Doing Business 2020 report, Bulgaria ranked 61st out of 190 economies, dropping two places from the previous report and being below most of its regional peers. Procedures for getting electricity, starting a business and paying taxes remain burdensome.	Bulgaria Country Diagnostic by EBRD, 2019, p.17 <a href="https://www.ebrd.com/publications/country-diagnostics">https://www.ebrd.com/publications/country-diagnostics</a>
The country's multi-level governance structure is well defined by laws, but remains problematic due to large regional disparities, depopulation of rural areas, and poor administrative capacity. Public administration is highly centralised with over 75% of the general government employment being within central government.	Bulgaria Country Diagnostic by EBRD, 2019, p.19 <a href="https://www.ebrd.com/publications/country-diagnostics">https://www.ebrd.com/publications/country-diagnostics</a>
Regulatory quality has the highest score, reflecting implementation of the EU acquis, rather than the capacity of the regulators. As a matter of fact, several private sector interlocutors point to obstacles to market access in certain sectors, as well as lack of a level playing field, as some of the factors hindering economic activity in Bulgaria. Bulgaria ranks 13th out of 38 EBRD countries of operation in the Competitive quality index. As in other EU member states, Bulgaria's market structures and institutions overall offer a well-functioning regulatory environment where enterprises, including SMEs, can prosper, meet international standards and access international markets. In contrast, larger gaps (and greater challenges) can be identified in the country's capacity to generate value added and innovate	Bulgaria Country Diagnostic by EBRD, 2019, p.19 <a href="https://www.ebrd.com/publications/country-diagnostics">https://www.ebrd.com/publications/country-diagnostics</a>
<b>ACCESS TO FINANCE</b>  <b>ACCESS TO FINANCE</b>	
The government allocated BGN 200 million (€102 million) to the Bulgarian Development Bank (BDB) for guaranteeing non-interest consumer loans up to BGN 1,500 (€765) for employees who have gone on unpaid leave. To support liquidity for firms, an increase of BGN 700 million is provided to the BDB's capital, which includes BDB portfolio guarantees in the amount of BGN 500 million (€255 million), in order to provide them to commercial banks to allow them to give more	An in-depth analysis of one year of SME and entrepreneurship policy responses to COVID-19, 2021: <a href="https://www.oecd-ilibrary.org/economics/an-in-depth-analysis-of-one-year-of-sme-and-entrepreneurship-policy-responses-to-covid-19_6407deee-en">https://www.oecd-ilibrary.org/economics/an-in-depth-analysis-of-one-year-of-sme-and-entrepreneurship-policy-responses-to-covid-19_6407deee-en</a>





flexible conditions for business loans. With the funds given to BDBs, the business and citizens will be able to acquire credits at the amount up to BGN 2.5 billion (€1.27 billion).	
On 24 April 2020, a €150 million support scheme for SMEs was approved by the European Commission. The scheme, which will be open to SMEs active in all sectors with certain exceptions, aims at enhancing access to liquidity by those companies, which are most severely affected by the economic impact of the coronavirus outbreak, thus helping them to continue their activities, start investments and maintain employment. The support will not exceed 800,000€ per company.	An in-depth analysis of one year of SME and entrepreneurship policy responses to COVID-19, 2021: <a href="https://www.oecd-ilibrary.org/economics/an-in-depth-analysis-of-one-year-of-sme-and-entrepreneurship-policy-responses-to-covid-19_6407deee-en">https://www.oecd-ilibrary.org/economics/an-in-depth-analysis-of-one-year-of-sme-and-entrepreneurship-policy-responses-to-covid-19_6407deee-en</a>
<b>LATE PAYMENTS</b>  <b>LATE PAYMENTS</b>	
Bulgaria has seen big increases in the use of trade credit and overdue invoices. B2B sales transacted on credit in Bulgaria increased by 27% compared with last year and longer payment terms were reported by 50% of businesses. Perhaps inevitably, the country also saw an increase in total value of overdue B2B invoices (38%, up from 23% last year).	Bulgaria: rise in overdue payments due to pandemic clouds 2021 outlook Atradius Payment Practices Barometer, p.3 <a href="https://atradius.bg/reports/payment-practices-barometer-bulgaria-2020-rise-in-late-payments-due-to-pandemic-clouds-2021-outlook.html">https://atradius.bg/reports/payment-practices-barometer-bulgaria-2020-rise-in-late-payments-due-to-pandemic-clouds-2021-outlook.html</a>
Penalties for late payments to private entities have been temporarily abolished, as well as non-monetary penalties, such as contract termination and seizure of property. A package of measures worth €4.76 billion was announced by the Bulgarian National Bank which aims to maintain the resilience of the banking system in Bulgaria.	An in-depth analysis of one year of SME and entrepreneurship policy responses to COVID-19, 2021: <a href="https://www.oecd-ilibrary.org/economics/an-in-depth-analysis-of-one-year-of-sme-and-entrepreneurship-policy-responses-to-covid-19_6407deee-en">https://www.oecd-ilibrary.org/economics/an-in-depth-analysis-of-one-year-of-sme-and-entrepreneurship-policy-responses-to-covid-19_6407deee-en</a>
For 50% of the businesses polled in Bulgaria, payment terms are longer than before the pandemic (45% reported no change and 6% shortened payment terms). Respondents to our survey told us this approach would also be applied over the next six months, indicating a clear trend in favour of more lenient trade credit policies among the country's business community.	Bulgaria: rise in overdue payments due to pandemic clouds 2021 outlook Atradius Payment Practices Barometer, p.4 <a href="https://atradius.bg/reports/payment-practices-barometer-bulgaria-2020-rise-in-late-payments-due-to-pandemic-clouds-2021-outlook.html">https://atradius.bg/reports/payment-practices-barometer-bulgaria-2020-rise-in-late-payments-due-to-pandemic-clouds-2021-outlook.html</a>
<b>ACCESS TO MARKETS</b>  <b>ACCESS TO MARKETS</b>	
<b>START-UP ENVIRONMENT</b>  <b>START-UP ENVIRONMENT</b>	
Data from the Global Entrepreneurship Monitor suggest that there are approximately 206,000 early-stage entrepreneurs (i.e. the number of people involved in starting a business or managing one that is less than 42 months old). The share of people involved in early-stage entrepreneurship over the period 2015-19 was below the European Union (EU) average (4.6% vs. 6.5%). This gap relative to the EU average was sizable across most population groups, notably youth (4.9% vs. 7.9%) and seniors (2.5% vs. 4.4%). However, the gender gap in early-stage entrepreneurship was small over this period and women were about as likely as the EU	Inclusive Entrepreneurship Policies, Country Assessment Notes, Bulgaria 2020, p. 5 <a href="https://www.oecd.org/cfe/smes/Bulgaria-IE-2020.pdf">https://www.oecd.org/cfe/smes/Bulgaria-IE-2020.pdf</a>

average to be involved in creating and managing new businesses.	
Eliminating all of the gaps in entrepreneurship activity rates across population groups would (i.e. applying the early-stage entrepreneurship rate of men who are 30-49 years old to the whole population) result in an additional 106,000 entrepreneurs. About 60% of these "missing" entrepreneurs are female, nearly 60% are over 50 years old and another 15% are youth (20-29 years old).	Inclusive Entrepreneurship Policies, Country Assessment Notes, Bulgaria 2020, p. 5 <a href="https://www.oecd.org/cfe/smes/Bulgaria-IE-2020.pdf">https://www.oecd.org/cfe/smes/Bulgaria-IE-2020.pdf</a>
There are currently few inclusive entrepreneurship policies and programmes. Entrepreneurship support consists of general financing and training schemes that are typically open to everyone, including disadvantaged groups. However, a small number of tailored entrepreneurship support schemes are in place and European Structural and Investment Funds remain a critical support for policies and programmes in this area. There is a fairly comprehensive support system for young entrepreneurs. Tailored training and mentoring is also available for women entrepreneurs, however the Strategy for Promoting Women Entrepreneurship was postponed to the next programming period (2021-27).	Inclusive Entrepreneurship Policies, Country Assessment Notes, Bulgaria 2020, p. 5 <a href="https://www.oecd.org/cfe/smes/Bulgaria-IE-2020.pdf">https://www.oecd.org/cfe/smes/Bulgaria-IE-2020.pdf</a>
<b>SCALE-UP ENVIRONMENT</b>  <b>SCALE-UP ENVIRONMENT</b>	
The share of scale-ups among Bulgarian enterprises is 1% in total, similar to those in Nordic countries measured by the adapted criteria. The total number of scale-ups in Bulgaria is 275. The main sectors of scale-ups activities are: ICT, construction, trade, transport, real estate, gambling, and betting activities, manufacture of food products, production of clothing, manufacture, repair and installation of machinery and equipment, consultancy, architectural and engineering activities, technical testing and analysis and health.	Technical report including in-depth analysis of the SMEs in Bulgaria and preliminary recommendations for the directions of action of the new strategy, EC, 2020 <a href="https://www.mi.government.bg/files/useruploads/file/s/sme/FINAL_DG_Reform_SME%20Strategy_Technical%20Report_2020-04-27.pdf">https://www.mi.government.bg/files/useruploads/file/s/sme/FINAL_DG_Reform_SME%20Strategy_Technical%20Report_2020-04-27.pdf</a>
Based on Scale-Up Index, Bulgaria is positioned in the group of EU countries with fair framework conditions for the growth of enterprises with Scale-up scores well below the EU average. The countries in this group lag in market conditions, access to human capital, culture and institutions, creation of knowledge and networking.	Technical report including in-depth analysis of the SMEs in Bulgaria and preliminary recommendations for the directions of action of the new strategy, EC, 2020: <a href="https://www.mi.government.bg/files/useruploads/file/s/sme/FINAL_DG_Reform_SME%20Strategy_Technical%20Report_2020-04-27.pdf">https://www.mi.government.bg/files/useruploads/file/s/sme/FINAL_DG_Reform_SME%20Strategy_Technical%20Report_2020-04-27.pdf</a>
<b>IMPACT OF THE COVID-19 CRISIS</b>  <b>IMPACT OF THE COVID-19 CRISIS</b>	
Based on responses from the businesses polled in Bulgaria, credit sales to B2B customers increased slightly to 42% of all B2B sales, up from 40% last year. Trade credit was offered most often to stimulate sales growth and encourage repeat business.	Bulgaria: ongoing impacts of pandemic cloud outlook <a href="https://atradiuscollections.com/global/reports/payments-practices-barometer-bulgaria-2021-ongoing-impacts-of-pandemic-cloud-outlook.html">https://atradiuscollections.com/global/reports/payments-practices-barometer-bulgaria-2021-ongoing-impacts-of-pandemic-cloud-outlook.html</a>
42% of the total value of B2B invoices were reported overdue this year, a small increase on last year's 37%. Long overdue invoices (more than 90 days late) also increased year-on-year	



from 4% last year to 6% this year. Write-offs were also recorded at 6%, up from 2% last year.	
The broader economic and social effects from the COVID-19 pandemic were substantial. Unemployment jumped to 9% in May 2020 followed by a gradual decrease. There were 48,150 infected and 1,225 deaths until October 30, 2020; A sharp economic downturn 8.5% contraction of GDP in the second quarter of 2020.	Unified Information Portal, 2021: <a href="https://coronavirus.bg/bg/news">https://coronavirus.bg/bg/news</a>
<b>NATIONAL RECOVERY AND RESILIENCE PLAN</b>  <b>NATIONAL RECOVERY AND RESILIENCE PLAN</b>	
Bulgaria has requested a total of €6.6 billion in grants under the RRF. The Bulgarian plan is structured around four pillars: Innovative Bulgaria, Green Bulgaria, Connected Bulgaria and Fair Bulgaria. The plan includes measures in areas such as decarbonisation of the economy, education and skills, research and innovation, smart industry, energy efficiency, sustainable agriculture, digital connectivity, social inclusion and healthcare. Projects in the plan cover the entire lifetime of the RRF until 2026. The plan proposes projects in all seven European flagship areas.	NextGenerationEU: Bulgaria submits official recovery and resilience plan: <a href="https://ec.europa.eu/commission/presscorner/detail/en/IP_21_5264">https://ec.europa.eu/commission/presscorner/detail/en/IP_21_5264</a>
Fund 2, "Green transition" of the National Recovery and Resilience Plan, envisages provision of support for optimization and implementation of environmental solutions and technologies for SMEs from the carbon-intensive sectors of the Bulgarian economy implementation of environmental solutions and technologies for SMEs from the carbon-intensive sectors of the Bulgarian economy.	National Recovery and Resilience Plan, p.49: <a href="https://www.nextgeneration.bg">https://www.nextgeneration.bg</a>
The third fund will provide support for implementation of solutions from the initial two stages of digitalization (first level "Computerization" and second level "Connectivity"), as well as support for the implementation of measures to ensure adequate cyber security of enterprises. Support will be provided to SMEs from all economic sectors, in the form of vouchers. Fund 3 will support the creation of digital innovation hubs, complementing the development of the European Network of Innovation Hubs by establishing a local regional network.	National Recovery and Resilience Plan, p.49-51: <a href="https://www.nextgeneration.bg">https://www.nextgeneration.bg</a>
Bulgarian SMEs face a number of serious challenges to their economic development and potential realization, which has only been exacerbated by the COVID-19 pandemic. They rank lower in competitiveness than their European peers and have an insufficient share in high-tech industries and knowledge-intensive services compared to the EU average.	Supporting SMEs in Bulgaria, 2021, PWC: <a href="https://www.pwc.com/c1/en/future-of-government-CEE/entrepreneurship-and-smes-in-CEE/supporting-smes-in-bulgaria.html">https://www.pwc.com/c1/en/future-of-government-CEE/entrepreneurship-and-smes-in-CEE/supporting-smes-in-bulgaria.html</a>
The forecasts of various national and international financial organizations and institutions assume that economic growth in Bulgaria will be in the range between 3.8% and 4.5% in 2021 and between 3.8 and 4.6% in 2022.	Association of Bulgarian banks, 2021 Q3 Review BG, p.5: <a href="https://abanksb.bg/downloads/quarterly-information/2021-Q1-Review-BG.pdf">https://abanksb.bg/downloads/quarterly-information/2021-Q1-Review-BG.pdf</a>

In September 2021, unemployment, measured as part of the workforce, fell to 5.5% from 5.6% at the end of the second quarter of 2021. Unemployment in the country is lower than the EU average, with Bulgaria ranking 14 <sup>th</sup> among EU Member States with the lowest unemployment rates in September and sixth among the countries in the Central and Eastern Europe (CEE) region.	Association of Bulgarian banks, 2021 Q3 Review BG, p.7: <a href="https://abanksb.bg/downloads/quarterly-information/2021-Q1-Review-BG.pdf">https://abanksb.bg/downloads/quarterly-information/2021-Q1-Review-BG.pdf</a>
<b>NATIONAL INDUSTRIAL ECOSYSTEMS*</b>  <b>NATIONAL INDUSTRIAL ECOSYSTEMS</b>	
<p>In the NRRP, there will be the following reforms and/or investments:</p> <ul style="list-style-type: none"> <li>- Updating the strategic framework of the industrial sector;</li> <li>- Building a mechanism to attract industrial investments and develop industrial ecosystems;</li> <li>- Introducing a programme for public support for the development of industrial parks and improvement of their infrastructural connectivity.</li> </ul> <p>The reform provides for amendments to the national regulatory framework and regulating in a special act the Government support for attracting investments and developing industrial ecosystems.</p>	National Recovery and Resilience Plan, p.45–48, <a href="https://www.nextgeneration.bg">https://www.nextgeneration.bg</a>
<b>OTHER RELEVANT TOPICS</b>  <b>OTHER RELEVANT TOPICS</b>	
SMEs play an essential role in the country. However, the score of the adjusted EBRD SME index reveals that non-bank financing and business skills and standards for SMEs are areas that should be strengthened.	Bulgaria Country Diagnostic by EBRD, p.30 <a href="https://www.google.com/search?q=Bulgaria+Country+Diagnostic+by+EBRD&amp;oq=Bulgaria+Country+Diagnostic+by+EBRD&amp;aqs=chrome.69i59.544j0j7&amp;sourceid=chrome&amp;ie=UTF-8">https://www.google.com/search?q=Bulgaria+Country+Diagnostic+by+EBRD&amp;oq=Bulgaria+Country+Diagnostic+by+EBRD&amp;aqs=chrome.69i59.544j0j7&amp;sourceid=chrome&amp;ie=UTF-8</a>

\* "National industrial ecosystems" refer to the national aspects of the industrial ecosystems as defined by the EC.

<https://op.europa.eu/en/publication-detail/-/publication/6355326c-ae95-11eb-9767-01aa75ed71a1/language-en>