NATIONAL STRATEGY
FOR THE PROMOTION OF SMALL AND MEDIUM-SIZED ENTERPRISES
2014 – 2020

Ministry of Economy and Energy
2013
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PREAMBLE

The present “National Strategy for the Promotion of the Small and Medium-sized Enterprises 2014-2020” (hereinafter referred to as the “Strategy”), has been set up in implementation of Art. 5, para. 1 of the Small and Medium-sized Enterprises Law. It is a political document embodying the medium-term vision of the Government of the Republic of Bulgaria for the state policy to support the small and medium-sized enterprises (SMEs) in the country. The strategy has been developed in compliance both with the government programme “Statehood, Development, Justice” and with the policy of the European Union in this area.

The Strategy is focused on the small and medium-sized enterprises in the extractive and processing industry sectors and in the services (the non-financial enterprises in the sectors from B to M according to the Classification of Economic Activities – NACE.BG-2008). The status of the enterprises as microenterprises, small or medium-sized enterprises is determined in accordance with Art. 3 and Art. 4 of the Small and Medium-sized Enterprises Law.

The implementation of the Strategy is based on Annual Programmes approved by the Minister of Economy and Energy (Art. 5, para. 2, item 4 of SME Law). The Annual Programmes include measures aimed at promoting the development of SMEs. The main financial instruments to carry out the formulated measures are the European funds and the national budget.

This Strategy harmonize the priorities of Bulgaria for SMEs with those of the European Union. This will allow to make an assessment of the Strategy implementation which is commensurable with the results of other Member States in this area.

The content of this document includes:

- Brief SWOT analysis;
- Review of the status quo and development of SMEs in general for the past 7 years (the previous period of the Strategy operation 2007-2013);
- Review of the status quo in the SME sectors (sector analysis) for the period of the global financial and economic crisis 2008-2011;
- Priority areas in the SME policy together with the present situation in Bulgaria and the objectives which Bulgaria has to pursue;
- Binding the sector analysis to the Small Business Act.

VISION

The overall strategic objective of the National Strategy for the promotion of the small and medium-sized enterprises is to increase competitiveness of the small businesses by supporting the efforts of the start-ups and the viable small and medium-sized enterprises to be innovative, environmentally friendly and export-oriented, by creating favourable conditions for their development and improving their access to finance, by promoting entrepreneurship and improving the entrepreneurial skills, and by simplifying the administrative and the regulatory requirements, placed particularly on the small and micro-enterprises.
SWOT Analysis of the Situation in the SME Sector in Bulgaria
Strengths and Weaknesses,
Possibilities for Development and Threats to the Bulgarian SMEs

Strengths

- In the priority areas under the Small Business Act of the European Commission for the period 2010-2012 the Republic of Bulgaria achieved best and above the EU average performance in the areas “Access to Finance” and “State Aid and Public Procurement” compared to the other priorities. Nevertheless, the SMEs experience a number of difficulties in accessing finance such as: high-interest rates and high guarantees in granting bank loans, deteriorated credit history and/or high level of current indebtedness of SMEs. According to the European Commission, despite the stability of the financial sector in the country, the weak economic recovery has a negative effect on crediting the real economy. The bank loans are more readily accessible for the larger enterprises than for the small and the start-ups which do not have a long history. The large and the export-oriented enterprises according to the Council do not have serious difficulties in obtaining credits and our country has made some limited progress in increasing the access for SMEs to crediting. ¹

- In the priority area “Responsive Administration” under the Small Business Act of EC for the period 2010-2012 R. Bulgaria shows growth. Considering that in this area Bulgaria is at the average EU level, the demonstrated growth provides a reason for optimism that this is a continuing positive trend and that “Responsive Administration” may soon become the third area in which Bulgaria is above the average EU level.

- After the first and strongest wave of the crisis from 2009-2010, the Bulgarian SMEs emerged on higher levels in terms of number of enterprises, employment and added value, compared to the average EU level for the SME sector in 2005 – accepted as the base year before the crisis. In a number of EU

Weaknesses

- Despite the various measures taken in each priority area of the Small Business Act Bulgaria is still lagging behind in 5 of them: “Entrepreneurship”; “Skills and Innovation”; “Internationalization”; “Environment”; “Second Chance”.

- In the areas “Entrepreneurship” and “Skills and Innovation” Bulgaria occupies the last place in EU. Similar is the situation in the area “Environment” – 26th place.

- The sector in which the Bulgarian SMEs are most active is the retail trade (more than 30% of the Bulgarian SMEs compared to about 17% in EU), and not the business services as is the situation in EU.

- The labour productivity in all sectors in Bulgaria is below the EU average.

- The Bulgarian SMEs in the high-technology and medium high-technology industries are only 0.8% (2% in EU) and only 16% in the knowledge-intensive services (28% in EU). This indicates the presence of unskilled labour, which is incapable of creating added value in the high-tech industries and services. This is also due to the absence of training programmes in the SMEs, which makes difficult the transition to more high-tech levels of labour and industrial production.

- The dismissed workers (about 97 000) during the crisis can hardly find again their way to the labour market.

- The micro-enterprises have a very low level of innovation, which places them under a strong competitive pressure with respect to prices and products offered on the market.

- Low share of the fast-growing small and medium-sized enterprises (with over 20% annual turnover growth), which account for about 6% of all SMEs and create 40% of the added value.³


3 According to data from Innovation strategy for smart specialization of the Republic of Bulgaria 2014-2020, page 32

National Strategy for the Promotion of SMEs – 2014-2020
Member States, the situation of SMEs after the crisis is worse than in 2005.
- Despite the slowdown during the financial and economic crisis, the SMEs remain the main driver of the economic growth in Bulgaria.
- The SMEs in Bulgaria account for 75% of the employment (68% in EU) and 62% of the added value (58% in EU).
- In the period from 2002 until 2011 the SMEs in Bulgaria have increased their contribution to the added value more than 4 times.
- According to data from analysis of BSMEPA, more than half of the entrepreneurs have university education. The share of entrepreneurs speaking foreign languages, using internet and having computer skills is also high. The proportion of female entrepreneurs rose to 45% in 2011.
- Preserving the financial and economic stability in the country regardless of the crisis, the external and internal economic shocks.
- Low level of internationalization of the SME activity and difficult access to international markets.
- Poor participation of Bulgarian enterprises in international programmes such as “EUREKA” and “EUROSTARS” and Enterprise Europe Network.
- There is no standardization of the provided administrative services in terms of procedures, documentation and time limits.
- Underdeveloped information environment with respect to the possibilities for providing accessible services or project funding (from BSMEPA, from the Bulgarian Development Bank, under operational and other programmes).
- The communication infrastructure (roads, access to internet, etc.) in a number of settlements is underdeveloped, which is an obstacle for the development of the SMEs.
- A lot of procedures related to obtaining administrative services by the SMEs can be defined as cumbersome.
- According to the analysis of BSMEPA, there is no single document bringing together all initiatives and documents stimulating the entrepreneurship.
- Limited possibility to use electronic administrative services.
- Capital funding is limited since the capital markets do not play their full role of intermediary between savings and productive investments.
- The SME support programmes, funded by EU, remain to a large extent unabsorbed.

Possibilities for Development

- In the areas “Responsive Administration” and “Single Market” Bulgaria is at the average EU level but it has considerable potential for development.
- Although Bulgaria occupies the 27th place in the area “Skills and Innovation”, for the period 2010-2012 the country demonstrated accelerated growth: the most intensive

Threats

- The lack of sufficient data about the performance of Bulgaria in the area “Think Small First” can be recognised as a fact that Bulgaria is not making enough efforts to provide administrative support for SMEs
- In the area “State Aid and Public Procurement” Bulgaria ranks 10th in EU, but no major improvements have been made

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2 “Survey of entrepreneurship and the prospects for development of innovations in SMEs during the period 2012-2013”, BSMEPA, Sofia 2013, page 106
4 Ibid., page 34
5 …

National Strategy for the Promotion of SMEs – 2014-2020
growth of the country among all remaining 9 areas of the Small Business Act and one of the highest in EU, but still inadequate to “unstick” Bulgaria from the last place.

- The progress in the area “Entrepreneurship” for the same period is tentative, but the potential for growth here is very high. The same is valid for the areas “Second Chance” and “Single Market”.
- Although most indicators are around or below the average EU value, certain improvement of the results can be noticed in many areas during the past few years.
- There are possibilities for expanding the business services and the industry sectors in Bulgaria.
- Use of ICT in enhancing the efficiency of corporate management, in product innovations and in introducing new business models such as e-commerce and e-business.
- Improvement of the quality of entrepreneurship and innovation education. In this respect, the government has set a strategic objective to introduce dual education, which will have a positive impact on SMEs.
- The training institutions and the training centers in Bulgaria have a potential to bring their training programmes more in line with practical knowledge and skills in relation to the specific needs of the businesses.
- Development of e-management and e-government.
- Expanding the opportunities for SMEs to access finance (through BDB, capital markets, risk finance, operational programmes). Additional opportunity will be provided in the event of implementing the National Public Investment Programme “Regional Growth and Sustainable Development”.
- Priorities in the economic policy of closer cooperation with business organizations.
- Pursuing adequate policy to reduce the macroeconomic imbalances.

Source: The analysis was made on the basis of the data from the SBA Fact Sheet 2010-2011 and 2012 for Bulgaria.

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7 “Survey of entrepreneurship and the prospects for development of innovations in SMEs during the period 2012-2013”, BSMEPA, Sofia 2013, page 108
9 See Annex 2

National Strategy for the Promotion of SMEs – 2014-2020
 Status quo in the SME sector:

The previous National Strategy for the promotion of the SMEs was in place for the period 2007-2013, while its preparation started as early as 2006. The available statistical data at that time were obtained from 2004, just as today (the second quarter of 2012) the available data refer to 2010-2011. What has changed during the period 2004-2011?

The number of SMEs\textsuperscript{10} In 2004 the number of SMEs was 221 000\textsuperscript{11}. Despite the concerns of many analysts that the membership in the EU would lead to mass closure of enterprises due to introducing a number of new requirements to the Bulgarian enterprises, which they would be unable to fulfil according to expectations, the number of SMEs increased by 12.7% (279 180 SMEs in 2008 as compared to 306 367 SMEs in 2011). The number of SMEs in 2011 as compared to 2007, when R. Bulgaria joined the EU, increased and the Bulgarian entrepreneurs adapted to the new conditions and to the predictability created by the EU and the Single Market. According to preliminary data of NSI for 2012, the number of SMEs was 309 017, i.e. the increase compared to the previous year was by 0.9\textsuperscript{12}.

The balance between the micro and the small enterprises changed. While in 2004 the share of the micro-enterprises was 90% of all enterprises, in 2011 it was 92% which makes 81 000 micro-enterprises more. This shows that while during the pre-crisis years the share of the small enterprises experienced growth, i.e. the micro-enterprises were able to employ new staff and to enter the small enterprises sector, there is a reverse trend now. At the same time, about half of the micro-enterprises are firms consisting of one person. The situation is similar throughout the EU, which means that Bulgaria is not an exception in this respect. The present structure and tendency in increasing the share of the micro-enterprises, the SME sector in Bulgaria is moving away from countries such as Germany, Denmark, Austria and Estonia, where the share of the small enterprises according to data of EC is more than 10% of all enterprises. According to data for 2011, this share is 7.2% in our country. The impact of various factors should be taken into account, but it seems that countries with larger share of the small enterprises endure the crisis years in a more sustainable way than the others. Such examples include Greece, Portugal and Spain, which have respectively 3.1%, 3.9% and 6% share of the small enterprises.

The share of the medium-sized and large enterprises in Bulgaria remains stable during these years. The provisional data for 2012 show a continuing tendency for transformation of the enterprises from medium-sized to small and from small to micro. In 2010 compared to 2009 the number of medium-sized enterprises decreased by 8.3%, of the small – by 7.7% and of the micro – by 0.7%. At the same time, the number of the start-up enterprises was 36.2% less in 2010 compared to 2009. In 2011 the number of closures compared to 2010 was 51.6% more while in 2012 it was 1% less than in 2011. The SME closure rate was highest in the extractive industry\textsuperscript{13}.

\textsuperscript{10} Non-financial enterprises per economic sectors from B to M according to the Classification of Economic Activities – 2008 (NACE.BG-2008)

\textsuperscript{11} According to NACE.BG-2003 and methodology employed for structural business statistics. The data have been recalculated according to equivalent of underemployment.

\textsuperscript{12} Non-financial enterprises per economic sectors from B to M according to the Classification of Economic Activities – 2008 (NACE.BG-2008)

\textsuperscript{13} According to data of NSI. Closures during a given year (t) are those enterprises which have submitted annual report in NSI for the year (t-1) or for the year (t).
Still, another structure has important implications: the distribution of SMEs per sectors of high-technology and low-tech industrial manufacturing, as well as knowledge-intensive and less knowledge-intensive services\textsuperscript{14}.

If we compare Bulgaria with 9 other EU Member States (in Eastern Europe), Bulgaria has currently the lowest rate of enterprises in high-tech manufacturing – 0.1% versus 1% for Slovenia. Bulgaria has the second lowest rate also in the knowledge-intensive services – 15.6% of the SMEs are in those sectors versus 32.4% for Estonia. Bulgaria has the highest rate of the less knowledge-intensive services – 73.3% versus 55.2% in Hungary.

Although the share of the knowledge-intensive services in Bulgaria is growing in recent years, the growth is slow and the start-ups created during the crisis years are again chiefly in the less knowledge-intensive services. A realistic explanation would be – absence of sufficient number of qualified staff, capable of meeting high-level requirements. For this reason, undertaking steps such as training of the staff, technological upgrades, but above all improving the access to venture capital and creating modern business incubators, particularly technological ones, combined with changing the focus of education in schools, will be able to make a lasting impact and alter the alarming results.

**During the period under consideration the employment in SMEs** continued its growth. Despite the crisis drop in 2008-2011, the sector currently employs 195 000 persons more than in 2004, exceeding a share of ¼ of the people employed in the enterprises and representing about half of the people employed in the economy at large. Seven years ago their share was higher – nearly 78% of the people employed in the enterprises, but for the same period the number of people employed in the large enterprises also increased by 92 300 persons. The highest growth rate in employment – almost 35% – belongs to the micro-enterprises\textsuperscript{15}.

It is obvious that for Bulgaria both the SMEs and the large enterprises are an important source of jobs. It is positive that the share of the large enterprises is established at about 0.2%-0.3% of all enterprises, which places Bulgaria at the EU average level with respect to the size of the sector in terms of the share of large enterprises. It is a fact that countries like Germany and Great Britain maintain a level of large enterprises at the respective rates of 0.5% and 0.4%, which, in the scale of their economies, means a gigantic sector of large enterprises. This provides enough opportunities for partnership with tens of thousands SMEs. It is alarming for us that while the largest enterprises in Germany are engaged in sectors such as automobile industry, mechanical industry, electronics, etc., in Bulgaria they are engaged in the energy, communications and finance sectors. In countries like Greece and Spain the percentage of large enterprises is below or about 0.1%, suggesting in critical situations a collapse in the number of SMEs and an increase of unemployment, perhaps also due to the fact that there is an insufficient number of SMEs linked in their activities to large enterprises.

For the period 2004-2011 **labour productivity in the SMEs** increased by 126%, and in the large enterprises – by 104%. The difference between the large enterprises and the SMEs for this indicator has narrowed from 2.5 to 2.3 times. The highest growth in labour productivity belongs again to the micro-enterprises. Bulgaria continues to make up for lagging with this indicator behind the other Member States but despite the highest growth rate in labour productivity in the EU, the Bulgarian SMEs leave behind only the Romanian SMEs for this indicator.

The main **source of funding in support of SMEs** for the seven-year programme period is the Operational Programme “Competitiveness” at the Ministry of Economy and Energy. Simplifying the application procedures will be one of the most important tasks in supporting

\textsuperscript{14} According to Eurostat classification

\textsuperscript{15} The data have been recalculated according to equivalent of underemployment.
the SMEs during the next programme period. Except for the agreed funds under the JEREMIE Programme, the funding will be biggest under the schemes for technological upgrades – a total of 515 contracts for a value of more than BGN 370 000 000 and 659 contracts for introducing internationally recognized standards for a value of BGN 65 000 000 (until completing this part of the Strategy editorially) – utterly inadequate for a substantial impact on any of the priorities under the Strategy. Therefore, the main tasks in programming the period 2014-2020 should be measures with stronger multiplier effect – following the example of the JEREMIE Programme or creating business incubators and other innovative infrastructure in the country, which will continue to have effect also after the end of the public funding.

The meaning of the operational programmes with public financing does not lie in the quantity of funds or in “piecemeal” funding, but in the initial impetus of projects, which will be taken up later and further developed by the private sector, benefiting also itself. One billion euro for a 7-year period (a resource available to OP “Competitiveness”) even if fully absorbed for the intended purpose cannot be compared to the EUR 24 billion invested by the SMEs in Tangible Fixed Assets (TFA) for the same period. Adding another EUR 9 billion for the same period, invested in TFA by the large enterprises, how can we expect to have effect from EUR 1 billion against EUR 33 billion, if this 1 billion is not invested in a focused and wise manner, in order to bring the desired effect, investing the funds of the Bulgarian and European taxpayers?

Aiming for efficiency, we have created this Strategy, adapting it to the Small Business Act, and will pursue through it progress for the Bulgarian SMEs by balancing between reasonable administrative reforms, when necessary, and direct financing, where necessary.

Each year, under the SME Law, the Ministry of Economy and Energy will make an Annual Programme, which will describe the most urgent measures to be undertaken in compliance with the results under the Small Business Act. With the measurability and comparability of these results we will be able to give always specific data, showing if an implemented measure is successful, does it produce results and if such results are unsatisfactory, what else is still necessary to be undertaken for improving the situation in which the Bulgarian enterprises are working and developing.
The SME Sector:  
during the global financial and economic crisis  
2008-2011

For the period 2008-2011 the number of enterprises increased by just over 27 000 (or by about 10%). The start-ups, however, were chiefly in the retail trade sector, while the enterprises in the processing industry decreased by 796 only for the last year (2.6% of the industrial enterprises have disappeared).

TOP 10  
of sectors per number of SME start-ups  
in 2011

1. Retail trade – 10 608  
2. Wholesale trade – 3 540  
3. Restaurant industry – 3 070  
4. Real estates – 2 537  
5. Land transport – 1 893  
6. Wholesale and retail trading in motor vehicles, motorcycles, etc. – 1 228  
7. Specialized construction activities – 1 073  
8. Other professional activities (design, photography, translations) – 1 007  
9. Legal and accounting activities – 818  
10. Construction of buildings – 792

The first three industrial sectors with the highest number of start-ups are in the following industries: manufacture of wearing apparel, foods and metal products, ranking respectively 14th, 15th and 22nd, with 457, 449 and 214 start-ups.

In the period 2008-2011 employment in SMEs decreased by 97 000 persons or by about 7%. The turnover declined by more than BGN 2.4 billion or by about 2%. Half of the decline in turnover was in the industry. Labour productivity fell by BGN 1 000 added value per one employee (7%). The profit margin decreased from 10% to 7.8%. Investments in TFA per one SME dropped by 50%. The overall situation has deteriorated, but still, some positive results can be seen in depth. Alongside with the increased employment in the retail trade, restaurant and hotel industry, waste treatment, etc., such a trend can be seen also in the knowledge-intensive sectors such as research and development activity (43% growth of employment pъст for 2011 compared to 2008), motion picture and television programme production (34%), and information technologies (18%).

Growth in turnover is noted in the production of foods, chemical industry, manufacture of basic metals, hotel and restaurant industry, information technologies, film industry and information services.

Growth in labour productivity is reported in the above sectors and particularly in the information technologies, film industry and information services.

Among the industrial sectors showing growth in labour productivity are computer, electronic and optical products, automobile industry, production of other motor vehicles, etc. However, this is due chiefly to the reduced staff and to a lesser extent to optimization and innovation in manufacturing.

The growth in salaries per one employee amounts to more than BGN 1 400 per year for one person employed in an SME, valid for all sectors in the period 2008-2011. Particularly high is
the salaries growth in the motion picture production (by 50%), in the information technologies (by 20%) and in the air transport services (by 25%).

**TOP 20**
in industrial production
and in knowledge-intensive services
with highest labour productivity
in 2011

<table>
<thead>
<tr>
<th>Rank</th>
<th>Industry Description</th>
<th>Revenue (BGN)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Radio and television activity</td>
<td>58 000</td>
</tr>
<tr>
<td>2.</td>
<td>Research and development</td>
<td>45 000</td>
</tr>
<tr>
<td>3.</td>
<td>Information technologies</td>
<td>32 000</td>
</tr>
<tr>
<td>4.</td>
<td>Manufacture of pharmaceuticals</td>
<td>29 000</td>
</tr>
<tr>
<td>5.</td>
<td>Central offices, consulting</td>
<td>28 000</td>
</tr>
<tr>
<td>6.</td>
<td>Computer, electronic and optical products</td>
<td>27 000</td>
</tr>
<tr>
<td>7.</td>
<td>Film and television industry, sound recording</td>
<td>27 000</td>
</tr>
<tr>
<td>8.</td>
<td>Architectural and engineering activities</td>
<td>23 000</td>
</tr>
<tr>
<td>9.</td>
<td>Manufacture of chemical products</td>
<td>22 000</td>
</tr>
<tr>
<td>10.</td>
<td>Motor vehicles other than cars</td>
<td>21 000</td>
</tr>
<tr>
<td>11.</td>
<td>Advertising and market research</td>
<td>21 000</td>
</tr>
<tr>
<td>12.</td>
<td>Information services</td>
<td>19 000</td>
</tr>
<tr>
<td>13.</td>
<td>Manufacture of basic metals</td>
<td>18 000</td>
</tr>
<tr>
<td>14.</td>
<td>Mechanical industry</td>
<td>17 000</td>
</tr>
<tr>
<td>15.</td>
<td>Printing industry and recorded media</td>
<td>17 000</td>
</tr>
<tr>
<td>16.</td>
<td>Postal and courier activities</td>
<td>16 000</td>
</tr>
<tr>
<td>17.</td>
<td>Legal and accounting services</td>
<td>16 000</td>
</tr>
<tr>
<td>18.</td>
<td>Manufacture of other non-metallic products</td>
<td>15 000</td>
</tr>
<tr>
<td>19.</td>
<td>Electrical equipment</td>
<td>15 000</td>
</tr>
<tr>
<td>20.</td>
<td>Manufacture of metallic products</td>
<td>14 000</td>
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</tbody>
</table>

Importance of SMEs **in 10 figures** in 2011

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Description</th>
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<tbody>
<tr>
<td>99.8%</td>
<td>of all enterprises in Bulgaria</td>
</tr>
<tr>
<td>76%</td>
<td>of employees in enterprises</td>
</tr>
<tr>
<td>69%</td>
<td>of FTA investments</td>
</tr>
<tr>
<td>67%</td>
<td>of turnover generated by the enterprises</td>
</tr>
<tr>
<td>62%</td>
<td>of all FTA</td>
</tr>
<tr>
<td>59%</td>
<td>of added value created by the enterprises</td>
</tr>
<tr>
<td>42</td>
<td>per 1 000 persons is the average density of SMEs in Bulgaria</td>
</tr>
<tr>
<td>BGN 14 000</td>
<td>is the labour productivity of SMEs</td>
</tr>
<tr>
<td>7.8%</td>
<td>is the profit margin of SMEs</td>
</tr>
<tr>
<td>BGN 6 890</td>
<td>is the average salary per one employee in an SME per year</td>
</tr>
</tbody>
</table>

Status quo of the SME sector **in 10 figures** for 2011

<table>
<thead>
<tr>
<th>Numbers</th>
<th>Description</th>
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<tbody>
<tr>
<td>1 375 000</td>
<td>employees</td>
</tr>
<tr>
<td>306 367</td>
<td>SMEs</td>
</tr>
<tr>
<td>BGN 12 000</td>
<td>is the labour productivity in an industrial SME</td>
</tr>
<tr>
<td>BGN 5 707</td>
<td>is the average salary per 1 employee in an industrial SME per year</td>
</tr>
<tr>
<td>BGN 135 billion</td>
<td>turnover for all SMEs</td>
</tr>
</tbody>
</table>
67 is the average density of SMEs in Sofia city /24 in Vratsa
BGN 62 billion is the value of FTA for all SMEs
BGN 20 billion is the added value for all SMEs
11% is the profit margin in an industrial SME
BGN 9.4 billion investments in FTA for all SMEs

SME development in 10 figures for the period 2008-2011

- 97 000 employees
+ 27 000 SMEs
- BGN 1 000 in labour productivity of SMEs
+ BGN 1 433 is the average salary per 1 employee in an SME per year
- BGN 8 billion in FTA investments
+ BGN 5.4 billion in value of FTA
+ 5 SMEs per 1 000 persons in the average density of SMEs in Bulgaria
- BGN 2.4 billion in turnover
- 2.2% in the profit margin of SMEs
- BGN 2 billion in added value

Key results for SMEs in Bulgaria (2011)

For the purposes of the analysis a comparison was made between the share of SMEs in the different sectors from the total number of SMEs in Bulgaria and six states in the EU closest to Bulgaria in terms of population in consideration of the following: what is the sectoral structure in countries having a similar workforce, for prior to speaking about labour productivity and employment, due attention should be paid to the unit generating employment and respectively labour productivity, i.e. – the enterprise.

Share of SMEs from the respective sectors in the total number of SMEs

<table>
<thead>
<tr>
<th>Bulgaria</th>
<th>EU-6¹⁶</th>
</tr>
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<tbody>
<tr>
<td>High-tech production¹⁷:</td>
<td></td>
</tr>
<tr>
<td>1%</td>
<td>2%</td>
</tr>
<tr>
<td>Low-tech production:</td>
<td></td>
</tr>
<tr>
<td>10%</td>
<td>8%</td>
</tr>
<tr>
<td>Knowledge-intensive services:</td>
<td></td>
</tr>
<tr>
<td>14%</td>
<td>23%</td>
</tr>
<tr>
<td>Less knowledge-intensive services:</td>
<td></td>
</tr>
<tr>
<td>68%</td>
<td>51%</td>
</tr>
<tr>
<td>Other sectors:</td>
<td></td>
</tr>
<tr>
<td>7%</td>
<td>16%</td>
</tr>
</tbody>
</table>

(Legend)
High-tech productions
Low-tech productions

¹⁶ Sweden, Finland, Denmark, Austria, Hungary and Slovakia
¹⁷ The Eurostat classification of technological intensity is used. In this part of the analysis high-tech production means high-tech and medium high-tech industry, and low-tech means low-tech and medium low-tech industry.
Knowledge-intensive services
Less knowledge-intensive services
Other sectors
Retail trade as part of the less knowledge-intensive services

EU 6
/Diagram/

Bulgaria
/Diagram/
Figures 2 and 3

Figures 2 and 3 illustrate the differences in the sectoral structure of SMEs in Bulgaria and in the countries used for comparison. It is no different than other states in the EU, for example, Germany, Great Britain or the Netherlands. It is clear that the retail trade has predominance in Bulgaria (each box in the pyramid diagramme shows 1% of the SMEs) at the expense of the knowledge-intensive services (among which information technologies, film and television industry, information services, publishing activity) and the half share of the high-tech industries (among which pharmaceuticals, chemical industry, mechanical industry, automobile industry, manufacture of computer, optical and electronic products, etc.)

A. Bulgarian industry has a shortage of high-tech enterprises

Industry in Bulgaria is marked by fewer enterprises in the sectors: manufacture of metal products (30% smaller share than the average level in the countries use as comparison), machinery (twice smaller share), manufacture of computer, optical and electronic products (3 times smaller share), automobile industry (half of the share), manufacture of other motor
vehicles (twice smaller share), manufacture of textiles (30% smaller share) и printing industry and recorded media manufacturing (25% smaller share).

Other things being equal, for the compensation of these differences the following would be needed:

**4 200 new SMEs** in the above-mentioned sectors and **57 000 new jobs**, the number being based on the average employment of one SME in the respective sector.

**B. Inadequate number of SMEs in knowledge-intensive services**

There has been a deficiency of the enterprises in the sectors: information technologies (twice smaller share), information services (50% smaller share), motion picture and television programme production, and sound recording (4 times smaller share), publishing activity (1/2 smaller share).

Once again, other things being equal, for the compensation of this "lagging behind", Bulgaria will need:

**7 100 new SME** in these sectors and **28 500 employed persons**.

**C. Lagging share of SMEs in the R&D sector**

We have 3 times smaller share of enterprises in the Research and Development sector. We will need additional:

**700 SMEs and 4 500 highly qualified employees**.

The Research and Development sector of the Bulgarian economy is closest to the average EU levels of labour productivity. The difference is only 150% in favour of the European SMEs in the sector. The difference can reach up to 1 000% in sectors like the manufacture of beverages. The labour productivity in all Bulgarian sectors is below the average EUR level.

**D. Greatly expanded retail trade sector**

Bulgaria has 3 times higher share of the number of enterprises in the retail trade sector. Almost 31% of the Bulgarian SMEs are in this sector. The average level for the EU-27 is 17%, and for the EU-6 it is only 13%. In Germany, this share is 16%, and in Great Britain – 11%. This is obviously due to the lack of enterprises in the Bulgarian industry so that the emergence of SMEs in the retail trade compensates for the shortage of local production by increasing further the import of foreign industrial production.

**E. Need of urgent measures for restructuring the sectors**

Even with the current sectoral structure, Bulgarian economy shows growth. Is this growth however, lasting and at what price is it achieved? Should Bulgaria rely on the production of raw and other materials, should it rely on traditional mass sectors such as manufacture of foods and wearing apparel or the national policy should concentrate more efforts on the production of investment goods and final consumer goods from the high-tech industries, and on knowledge-intensive services?
Let us recall that according to a survey of the European Commission: For every 100 jobs created in industry, it is estimated that between 60 and 200 new jobs are created in the rest of the economy.

If the above, quoted in item А, is fulfilled, 57 000 jobs in the industry sectors can create as many as 114 000 new jobs in the other sectors. This would reduce current unemployment (Q2, 2012) in Bulgaria by about 50%.

Other things being equal, changing only the structure until drawing it level with the shares in the EC-6 would result in extra EUR 700 000 000 added value for the Bulgarian economy. This is equivalent to a 7% growth in added value even with the same current low levels of labour productivity and an estimated additional 4% GDP growth rate. The effect is indisputable.

It would be even stronger if the labour productivity increases as well. Due to the absence of innovations, labour productivity in the above mentioned SME sectors has slowly increased for the past 4 years:

**Textiles:** +50%  
**Computer, optical and electronic products:** +35%  
**Other motor vehicles:** +31%  
**Automobile industry:** +8%  
**Metal products:** +8%  
**Machinery:** +6%  
**Printing industry and recorded media manufacturing:** -6%  
**Industry as a whole:** +9%

**Information technologies:** +19%  
**Motion picture and television programme production, sound recording:** +8%  
Typical for this sector is that during the same four years the number of enterprises increased by 50%, employment – by 25%, and added value – by 40%. Beside information technologies and information services, regardless of the differences in the growth of labour productivity, the following three sectors come out of the crisis on the rise:

**Information services:** -9%  
**Publishing activity:** -30%  
**Technological knowledge-intensive services as a whole:** +16%  
**Research and development:** +61%

### F. Export potential

Currently, Bulgaria relies chiefly on basic metals and petroleum products in its export activity. At the same time, however, machinery, metal products, computer, optical and electronic products, and motor vehicles show a growth for the past 4 years in terms of export volume, export prices and labour productivity. We can add to them also the manufacture of foods, wearing apparel and pharmaceuticals. The export of these sectors is worth promoting.

The available data about the foreign trade of Bulgaria clearly show that the largest share belongs to the export of raw and other materials: 43.3% of the total exports in 2012. This is closely followed by the consumer goods with 23.3% and the investment goods with 16.7%.

Compared to the same period of 2011, the share of consumer goods and energy resources has increased at the expense of decreasing the share of raw and other materials (by 3.5%).
The high-tech industries account for 6.1% of the total exports, which ranks them third in export per one employee after the export of petroleum products and basic metals.

**TOP 10**
according to export share in the total exports of Bulgaria
by commodity categories for 2012 година

<table>
<thead>
<tr>
<th>Rank</th>
<th>Category</th>
<th>Export Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Petroleum products (energy resource)</td>
<td>13.9%</td>
</tr>
<tr>
<td>2</td>
<td>Non-ferrous metals (raw material)</td>
<td>10.8%</td>
</tr>
<tr>
<td>3</td>
<td>Raw materials for the manufacture of foods (raw material)</td>
<td>8.5%</td>
</tr>
<tr>
<td>4</td>
<td>Wearing apparel and footwear (consumer goods)</td>
<td>7%</td>
</tr>
<tr>
<td>5</td>
<td>Machines, instruments and appliances (investment goods)</td>
<td>4.9%</td>
</tr>
<tr>
<td>6</td>
<td>Foods (consumer goods)</td>
<td>4.7%</td>
</tr>
<tr>
<td>7</td>
<td>Furniture and household equipment (consumer goods)</td>
<td>3.6%</td>
</tr>
<tr>
<td>8</td>
<td>Cast iron, iron and steel (raw material)</td>
<td>3.5%</td>
</tr>
<tr>
<td>9</td>
<td>Pharmaceuticals and cosmetic products (consumer goods)</td>
<td>3.4%</td>
</tr>
<tr>
<td>10</td>
<td>Ores (raw material)</td>
<td>2.8%</td>
</tr>
</tbody>
</table>

G. The fast-growing SMEs: driving force of small businesses

In 2011 Bulgaria had 1 700 fast-growing small and medium-sized enterprises (with more than 20% turnover growth per year). This does not include the micro-enterprises. There is no survey of the last category but we can suppose on the basis of expert judgment that the number of fast-growing micro-enterprises could be about 2 000.

The fast-growing small and medium-sized enterprises account for **about 6% of all SMEs**, but they **create 40% of the added value generated by the SMEs**. They can be found in each administrative area in the country but 27% are in the industries and 8% in the services.

If we can presume that there is an interdependence between increasing the turnover and the employment, then about 20% turnover growth will lead to about 11% employment growth and consequently, these 1 700 SMEs could provide **at least 3 700 extra jobs** per year in addition to the 35 000 jobs already provided.

H. Regional specialization: key to clustering

The main purpose of the review up to this point would not be fulfilled if we ignore the development of SMEs on the regional level. Regional specialization has been defined by the quantitative method of Bergman and Feser. Regional distributions are based on the production specialization of the respective area, whose territorial scope is defined as the labour pool on a regional level. The level of specialization is high if the coefficient of specialization is higher than 2\(^\text{18}\) and medium if the coefficient of specialization is between 1.2 and 2 (1.2\(\leq\)LQ\(\leq\)2)\(^\text{19}\).

I. High-technology industries and knowledge-intensive services

\(^{18}\) LQ=\(S_{ij}/S_{ji}\) \(LQ>2\) Minchev, N., 2008 “Identification of micro-clusters”.

\(^{19}\) LQ= \(S_{ij}/S_{ji}\) \(LQ>1.2\), Bergman E.M., Feser E.J.
The group of high-tech industries and the high-tech knowledge-intensive services covers the manufacture of pharmaceutical products and preparations, computer, electronic and optical products, motion picture and television programme production, sound recording and music publishing, broadcasting, telecommunications, information technologies, information services and research and development activity. The group employs more than 76 000 persons of whom more than 48 000 (63.6%) are employed in SMEs. Except for the manufacture of pharmaceutical products and preparations, where the persons employed in SMEs are 22%, all other activities are characterized by medium and high share of SMEs.

All activities in the group have a distinctive high level of specialization on regional level. 92.1% of the employed persons work in fields defined as highly specialized – in the high-tech industries and in the high-tech knowledge-intensive services ($LQ > 1.2$ – Figure 4). These activities are heavily concentrated in Sofia with 82.1% of the people employed in industrial enterprises and 83.6% of the people employed in services operate in the capital. Labour specialization in combination with the density of enterprises, i.e. areas in the country where both indicators have high values for the respective sector provide preconditions for clustering in the respective sectors as follows:

(1) C26: Computers and electronics – Sofia and Plovdiv
(2) J59: Film and television industry – Sofia
(3) J62: Information technologies – Sofia
(4) J63: Information services – Sofia and Varna

\[ /Figure 4/ \]

Medium high-technology and medium low-technology industries

The group of the medium high-technology and medium low-technology industries covers the economic activities from C19 to C30 under NACE.BG-2008, except the high-tech economic activities and the industry sector C33 “Repair and installation of machinery and equipment”.

The group employs more than 184 000 persons, of whom more than 110 000 (60%) in SMEs. A distinctive feature is the high level of specialization and concentration on regional level with 69% of the employed persons in this group have a coefficient of regional specialization above 1.2 ($LQ > 1.2$ – Figure 5).
The enterprises in the group of the medium high-technology industries show the highest concentration in the central regions of the country and in particular in the regions of Plovdiv, Stara Zagora, Gabrovo and Veliko Tarnovo.

The combination of regional specialization and the density of enterprises gives the following preconditions for clustering by sectors:

- **C20**: Chemical industry – Varna, Ruse and Plovdiv
- **C22**: Rubber and plastic products – Plovdiv and Gabrovo
- **C23**: Non-metallic products – Gabrovo, Vratsa and Shumen
- **C25**: Metal products – Gabrovo, Stara Zagora and Plovdiv
- **C27**: Electrical equipment – Gabrovo and Sofia
- **C28**: Machinery – Gabrovo and Stara Zagora
- **C29**: Cars – Lovech, Yambol
- **C30**: Motor vehicles – Ruse and Varna

**Low-technology industries**

The group of the low-tech industries covers the economic activities from C10 to C18 under NACE.BG-2008, as well as the economic activities C31 “Manufacture of furniture” and C32 “Other manufacturing not specified elsewhere”.

The group employs more than 307 000 persons, of whom more than 232 000 (75.5%) in SMEs. This group of manufacturing sectors has the largest number of employees. The group as a whole is characterized by medium level of specialization with 56.7% of the employed persons in areas with marked regional specialization due to the relatively equal distribution of the food industry enterprises.

The sectors of timber and furniture industry, as well as textiles and wearing apparel, show high specialization and concentration on local level. (Figure 6).

The enterprises in the group of the low-tech industries show the highest concentration in the southwest, south-central and north-central planning region.

The combination of regional specialization and the density of enterprises gives the following preconditions for clustering by sectors:

- **C10**: Foods – Plovdiv, Yambol and Sliven
- **C13**: Textiles – Gabrovo and Sliven
C14: Wearing apparel – Blagoevgrad, Ruse and Haskovo  
C15: Leather and footwear – Kyustendil, Blagoevgrad, Pazardzhik  
C16: Timber – Smolyan and Lovech  
C17: Paper – Sofia, Plovdiv, Pazardzhik and Veliko Tarnovo  
C31: Furniture – Lovech, Pazardzhik, Ruse and Gabrovo

The combination between regional specialization and density of enterprises can be a good prerequisite to formulate more precise measures, which will support the creation of new enterprises, clustering of existing enterprises and the creation of technological parks or business incubators for the purposes of the respective industries.

The Strategy consists of 10 priority areas, in which, on the basis of the methodology of the Small Business Act employed by the European Commission, Bulgaria currently occupies the following positions:

1. Entrepreneurship: 24th  
2. Second chance: 22nd  
3. Think small first: 18th  
4. Responsive administration: 19th  
5. State aid: 9th  
6. Access to finance: 10th  
7. Single market: 13th  
8. Skills and innovation: 27th  
9. Environment: 26th  
10. Internationalization: 27th

Overall performance: 23rd position

Diagramme 0  
Level of Member States  
under the Small Business Act, 2012
It is notable that the performance of the Member States from Southern and Eastern Europe as a whole is poorer than the performance of the Member States from Northern and Central Europe. Bulgaria differs from its neighbours in its leading areas, while in the areas where it is lagging considerably behind, its neighbours in the region exceed it. Obviously, success cannot be identified synonymously with historical-geographical reasons, but rather with a will to make reforms and to search efficiency following the example of the good practices in Europe.

A detailed description is given below of each priority area; Bulgaria’s place in it; the indicators under which this place is determined; the objectives set out and what exactly can be done to achieve them.

The indicators are listed in Annex 1 with a detailed explanation of the values measured by each indicator.

The national strategy for the promotion of the small and medium-sized enterprises aims at providing adequate support by the state for the SMEs, stimulating the creation of new enterprises and the entrepreneurship. Implementation of the strategic objectives will have a key importance in changing the structure of the Bulgarian economy from low-tech and medium high-tech activities to the development of high-tech sectors and knowledge-intensive services.

Main priority areas of the strategy are to:

- Encourage entrepreneurial activity;
- Provide an appropriate regulatory and administrative framework for SMEs by applying the principle Think Small First;
- Create responsive state administration, capable of responding best to the needs of SMEs;
- Facilitate SME access to public procurement;
- Improve the access to finance for SMEs;
- Ensure and maintain a legal and economic environment supportive to timely payments in commercial transactions;
- Provide opportunity (second chance) for entrepreneurs in difficulties to close the old business and start a new one;
- Improve the conditions for SME access to foreign markets, particularly outside the EU;
- Promote innovative SMEs and investments in innovations, etc.
1. ENTREPRENEURSHIP

Creating and maintaining an environment where entrepreneurs can thrive and entrepreneurship is rewarded. Care for future entrepreneurs, in particular by encouraging entrepreneurial interest and talent, notably among students, young people and women.

Diagramme 1. A
Level of Member States under “Entrepreneurship”.
This priority area is eighth in the overall result for the whole EU, 2012

Where are we?
In the area “Entrepreneurship”, according to the methodology of the European Commission, Bulgaria shows a result which ranks it 24th in the EU for 2012 года.

Diagramme 1. B
Bulgaria’s position under “Entrepreneurship” compared to the leader, the average EU level and the catching-up country

Criteria for the priority area “Entrepreneurship”
1.1. Entrepreneurial activity
1.2. Entrepreneurship as opportunity
1.3. Preference for self-employment
1.4. Feasibility of becoming self-employed

20 Ten of Bulgaria’s best results which show the greatest distance from the EU average level in a positive direction are marked in blue.
1.5. Teaching entrepreneurship in schools

Table 1.A Bulgaria’s Performance

<table>
<thead>
<tr>
<th>Criterion</th>
<th>Result</th>
<th>EU average</th>
<th>Leader</th>
<th>Ranking in the EU</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1.</td>
<td>10% = 500 000 persons</td>
<td>12%</td>
<td>25%</td>
<td>19-20</td>
</tr>
<tr>
<td>1.2.</td>
<td>38% = 190 000 persons</td>
<td>55%</td>
<td>81%</td>
<td>26</td>
</tr>
<tr>
<td>1.3.</td>
<td>50% = 2 500 000 persons</td>
<td>45%</td>
<td>66%</td>
<td>7</td>
</tr>
<tr>
<td>1.4.</td>
<td>21% = 1 050 000 persons</td>
<td>28%</td>
<td>49%</td>
<td>20</td>
</tr>
<tr>
<td>1.5.</td>
<td>47% = 2 350 000 persons</td>
<td>49%</td>
<td>64%</td>
<td>18</td>
</tr>
</tbody>
</table>

Source: SBA Fact Sheet 2012 / Flash Eurobarometer on Entrepreneurship 2009

**Objectives 2020:**

**Strategic objective**

*Bulgaria is a state where the entrepreneurial initiative has all conditions for a fast and easy start and implementation.*

With a view to the status quo, achieving the EU average level in the priority area Entrepreneurship is a realistic objective. This means achievement of the following results:

Table 1.B Operational objectives

<table>
<thead>
<tr>
<th>Criterion</th>
<th>Objective</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1.</td>
<td>&gt; 12%</td>
<td>+2% = +100 000 persons</td>
</tr>
<tr>
<td>1.2.</td>
<td>&gt; 55%</td>
<td>+17% = +85 000 persons</td>
</tr>
<tr>
<td>1.3.</td>
<td>&gt;= 50%</td>
<td>Retaining/increasing the share</td>
</tr>
<tr>
<td>1.4.</td>
<td>&gt; 28%</td>
<td>+7% = +350 000 persons</td>
</tr>
<tr>
<td>1.5.</td>
<td>&gt; 49%</td>
<td>+2% = +100 000 persons</td>
</tr>
</tbody>
</table>

**Guidelines for urgent action:**

1. For criterion 1.1. – An ever-growing number of young people, women and people aged 50 and over to be capable of carrying out an entrepreneurial initiative
2. For criterion 1.5. – Expanding the education & training firms
3. For criterion 1.5. – Increasing the number of the teaching staff with entrepreneurship training by about 1 500 persons.

**Guidelines for action:**

- Encourage the work of the Centre for Education & Training Firms at the Ministry of Education, Youth and Science, and provide funding for the training of teaching staff who will create and maintain the training enterprises in schools;
- Increase the quality of vocational schools and implement pilot projects for introducing the dual system;
- Continue and deepen co-operation with non-governmental organizations, which will support entrepreneurship training in schools;
• Expand the education & training firm network by including in addition to the vocational schools also the art schools (at the Ministry of Culture), the sports schools (at the Ministry of Youth and Sports) and all other secondary schools.
• Facilitate the conditions for starting a business;
• Facilitate the access to finance through the effective and new programmes giving priority to start-ups;
• Create programmes for start-ups especially with target groups of young people, women, etc.
• Develop venture capital and equity funds, including through the Bulgarian Development Bank.
• Develop business incubators and centers for entrepreneurship.
2. SECOND CHANCE FOR HONEST ENTREPRENEURS

Creating an opportunity for entrepreneurs, who have been declared insolvent and have come to this situation in an honest and fair-market way, to get a chance for a new start by providing conditions to close the insolvent company and start a new business.

Diagramme 2.A
Level of Member States under “Second Chance”.
This priority area is **fourth** in the overall result for the whole EU, 2012

**Where are we?**
In the area “Second Chance”, according to the methodology of the European Commission, Bulgaria shows a result which ranks it **22nd** in the EU for 2012 година.

Diagramme 2.B
Bulgaria’s position under “Second Chance” compared to the leader, the average EU level and the catching-up country

Criteria for the priority area “Second Chance”:
2.1. **Time for closing the business**
2.2. Cost for closing the business
2.3. Social support for the second chance

Table 2.A Bulgaria’s Performance

---

21 Ten of Bulgaria’s worst results which show the greatest deviation from the EU average level in a negative direction are marked in red.
<table>
<thead>
<tr>
<th>Criterion</th>
<th>Result</th>
<th>EU average</th>
<th>Leader</th>
<th>Ranking in the EU</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1.</td>
<td>3.3 years</td>
<td>1.94 years</td>
<td>0.4 year</td>
<td>25-26</td>
</tr>
<tr>
<td>2.2.</td>
<td>9%</td>
<td>10.64%</td>
<td>4%</td>
<td>9-15</td>
</tr>
<tr>
<td>2.3.</td>
<td>77%</td>
<td>81%</td>
<td>9%</td>
<td>25-26</td>
</tr>
</tbody>
</table>


**Objectives 2020:**

**Strategic objective**

*The entrepreneurs becoming insolvent in an honest way to be able to close in a speedy and easy manner the unsuccessful business and to start a new one. The society tolerates and encourages the second chance for entrepreneurial Bulgarians.*

Bulgaria can move up, with decisive action, at least to the average EU levels in the priority area “Second Chance”.

<table>
<thead>
<tr>
<th>Criterion</th>
<th>Objective</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1.</td>
<td>&lt; 1 year</td>
<td>Reduction by at least 28 months</td>
</tr>
<tr>
<td>2.2.</td>
<td>&lt;= 9%</td>
<td>Retaining the result</td>
</tr>
<tr>
<td>2.3.</td>
<td>&gt; 81%</td>
<td>+4% = + 200 000 persons</td>
</tr>
</tbody>
</table>

**Guidelines for action in implementing the “Second Chance” policy:**

- Prevention: active support for entrepreneurs and enterprises in difficulty.
- Out-of-court settlements: Stipulating proceedings in a legal act for rescuing a small or medium-sized enterprise in difficulty and prevention from insolvency aimed at overcoming the difficulties of the SME by concluding a settlement between the debtor and all or some of his lenders or by assigning the whole or part of the debtor’s enterprise, all or part of his unis or shares.
- Increasing the efficiency of the court procedure for insolvency: Simple and efficient court procedure for insolvency, which should reduce the time for completion of the procedure and increase the chances for preserving the value of the assets and the jobs. Pursuing completion within 1 year of all legal proceedings for winding up enterprises for insolvency in the cases where there is no criminal element involved.
- Treatment of the honest entrepreneurs who have been declared insolvent and providing conditions for a second chance: legal changes under which the entrepreneurs declared insolvent to be treated by implication as honest entrepreneurs and provide them as soon as possible with the chance to start again entrepreneurial activity. Measure for ensuring access to finance for such entrepreneurs, including through support programmes. Public information campaigns for a positive attitude of the society towards providing a second chance to entrepreneurs and for overcoming the stigma of business failure.
- Transfer of business: Measures aimed at ensuring a smooth transfer of the business: public campaigns, mentoring scheme for the process, creating a fund at the Bulgarian Development Bank for financing the transfer of business.

**Guidelines for urgent action:**
1. For criterion 2.1. – Reducing the time for closing a business to less than 1 year. If the implementation of this measure is disclosed with the relevant useful information to the public, its introduction will have an indirect impact also to the performance under criterion 2.3.

- Ensuring the necessary legislative changes to guarantee the closure of an insolvent business within one calendar year.
- More efforts are needed to improve the public opinion on the second chance. The population should be informed that entrepreneurs, having failed once honestly, by starting a new business actually create a much more sustainable enterprise. It is a fact proved by official EU statistics.
3. THINK SMALL FIRST

Bringing the legislative and regulatory changes into line with the principle “Think Small First”, i.e. always take into account the characteristics of SMEs when drawing up legislation so that it will not bear additional burden for the small business and, where possible, to simplify the existing rules.

Introduction of impact assessment for all changes and new laws and regulations concerning the effect on economic activity.

Diagramme 3.A
Level of Member States under “Think Small First”.
This priority area is **second** in the overall result for the whole EU, 2012

Where are we?

In the area “Think Small First”, according to the methodology of the European Commission, Bulgaria shows a result which ranks it **18th** in the EU for 2012. The indicators for the country determine its performance around the average EU level.

Diagramme 3.B
Bulgaria’s position under “Think Small First” compared to the leader, the average EU level and the catching-up country

Criteria for the priority area “Think Small First”:

3.1. Burden of government regulation
3.2. System of licenses and authorizations
3.3. Communication strategy and simplification of rules and procedures
Table 3. Bulgaria’s Performance

<table>
<thead>
<tr>
<th>Criterion</th>
<th>Result</th>
<th>EU average</th>
<th>Leader</th>
<th>Ranking in the EU</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1.</td>
<td>3.10</td>
<td>3.09</td>
<td>4.4</td>
<td>10</td>
</tr>
<tr>
<td>3.2.</td>
<td>1.06</td>
<td>1.59</td>
<td>0.0</td>
<td>9</td>
</tr>
<tr>
<td>3.3.</td>
<td>0.63</td>
<td>0.30</td>
<td>0.0</td>
<td>24</td>
</tr>
</tbody>
</table>


Objectives 2020:

Strategic objective

Achievement of minimum administrative burden for the businesses. When making legislative changes, they should be fully in line with the possible impact on the small businesses and not obstruct their development.

Table 3. Operational objectives

<table>
<thead>
<tr>
<th>Criterion</th>
<th>Objective</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1.</td>
<td>&lt; 3.10</td>
<td>Reduction of burden</td>
</tr>
<tr>
<td>3.2.</td>
<td>&lt; 1.06</td>
<td>Creation of “Single Window”</td>
</tr>
<tr>
<td>3.3.</td>
<td>&lt; 1.63</td>
<td>Simplification of rules and procedures</td>
</tr>
</tbody>
</table>

One of the main priorities is reduction of the burden for the businesses. This priority will be implemented both by reducing the existing administrative arrangements and by preventing the creation of new ones, including:

- Reduction of the time needed to issue administrative acts and of the amount of charges.
- Stepwise introduction of the tacit agreement principle.
- Mechanisms will be put in place to counteract artificial monopolies, cartel and unfair commercial practices along the chain – material production – processing – distributor – trader – customer.
- Competition will be stimulated through targeted measures to stop unfair import competition on the domestic market and to combat speculation and smuggling.

Guidelines for urgent action:

1. For criterion 3.1. – Introduction of the SME Test.

Bulgaria is not far from the average EU level in this priority area and therefore, the next objective is to move the country to the top ten in the EU with respect to reducing the administrative burden for the small businesses.

- The main task is to introduce the SME Test, which is used to make a comprehensive impact assessment of future legislative and administrative initiatives on SMEs and take into account the respective results in preparing the proposals for legislative changes. The test should accompany each draft legislative change just like the financial statement does and to summarize in clear and specific terms how the legislative provision will affect the small businesses. If according to the test the respective measure is a hindrance
for the SMEs by bringing additional administrative burden but it becomes clear that it is impossible not to introduce the measure, then the SMEs shall be excluded (especially the micro-enterprises) from the scope of this measure.

- It is particularly important to apply more actively **public consultation**, before introducing any legislative changes.
- Reducing administrative burden and, where possible, the time needed for the issuance of administrative acts.
- Conducting a survey which are the **10 most burdensome administrative obstacles** according to the business – legislative provisions, rules or certain procedures – assessment of their current impact and proceeding to their mitigation or elimination as result of the survey.
4. RESPONSIVE ADMINISTRATION

Creating state administration capable of working in the best possible way for the SME development through introducing and expanding the e-government and the Single Window services.

Diagramme 4.А
Level of Member States under “Responsive Administration”.
This priority area is first in the overall result for the whole EU, 2012

Where are we?

In the area “Responsive Administration”, according to the methodology of the European Commission, Bulgaria shows a result which ranks it 19th in the EU for 2012. The indicators for the country determine its performance close to the average EU level.

Diagramme 4.B
Bulgaria’s position under “Responsive Administration” compared to the leader, the average EU level and the catching-up country

Criteria for the priority area “Responsive Administration”:

4.1. Time required to start a business
4.2. Cost of starting a business
4.3. Minimum initial capital
4.4. Time needed for property transfer (registration)
4.5. Cost of property transfer (registration)
4.6. Tax payments
4.7. Time necessary to pay the 3 main taxes
4.8. Cost of enforcing outstanding contractual obligations
4.9. Availability of an electronic version for the eight main public services

Table 4.А Bulgaria’s Performance

<table>
<thead>
<tr>
<th>Criterion</th>
<th>Result</th>
<th>EU average</th>
<th>Leader</th>
<th>Ranking in the EU</th>
</tr>
</thead>
</table>

National Strategy for the Promotion of SMEs – 2014-2020
Objectives 2020:

Strategic objective

Registration and starting of a new business, payment of taxes and other obligations to the state budget, closing a business becoming insolvent according to market mechanisms, etc. to be accomplished in a fast and easy manner without additional burdens for the enterprises. Digitalization and the Single Window system facilitate substantially these processes.

Table 4.B Operational objectives

<table>
<thead>
<tr>
<th>Criterion</th>
<th>Objective</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.1.</td>
<td>&lt; 7 days</td>
<td>Reduction by at least 11 days</td>
</tr>
<tr>
<td>4.2.</td>
<td>= &lt; 1.50%</td>
<td>Maintaining the result</td>
</tr>
<tr>
<td>4.3.</td>
<td>= 0.00%</td>
<td>Maintaining the result</td>
</tr>
<tr>
<td>4.4.</td>
<td>= &lt; 15 days</td>
<td>Maintaining the result</td>
</tr>
<tr>
<td>4.5.</td>
<td>= &lt; 3%</td>
<td>Maintaining the result</td>
</tr>
<tr>
<td>4.6.</td>
<td>&lt; 8 pc.</td>
<td>Reduction by at least 9 pc.</td>
</tr>
<tr>
<td>4.7.</td>
<td>&lt;150 hours</td>
<td>Reduction by at least 350 hours</td>
</tr>
<tr>
<td>4.8.</td>
<td>&lt; 20%</td>
<td>Reduction by at least 4%</td>
</tr>
<tr>
<td>4.9.</td>
<td>100%</td>
<td>Total digitalization</td>
</tr>
</tbody>
</table>

Guidelines for urgent action:

1. For criterion 4.1. Speeding up the VAT registration
2. For criterion 4.6. Reducing the number of payments
3. For criterion 4.7. Reducing the time for the payment of 3 main types of taxes and fees
4. For criterion 4.9. Total digitalization of the 8 main services for the businesses

The improvement of the results is related to the overall introduction and development of the e-government: e-services for entrepreneurs and data exchange between institutions. Setting up a functioning Single Point of Contract Creation in compliance with the requirements of the Directive on services (Directive 2006/123/EC), to which the interested parties can report rules or procedures considered to be disproportionate or posing undue obstruction to the activity of SMEs.
5. STATE AID AND PUBLIC PROCUREMENT

Implementation of the best practices in the field of public procurement and ensuring easier access for SMEs. Bulgaria should make efficient use of Community provisions concerning state aid by supporting the development of SMEs throughout their life cycle.

Diagramme 5.A
Level of Member States under “State Aid and Public Procurement”.
This priority area is **penultimate** in the overall result for the whole EU, 2012

Where are we?

In the priority area “State Aid and Public Procurement”, according to the methodology of the European Commission, Bulgaria shows a result which ranks it 9\textsuperscript{th} in the EU for 2012. The indicators for the country determine its performance above the average EU level.

Diagramme 5.B
Bulgaria’s position under “State Aid and Public Procurement” compared to the leader, the average EU level and the catching-up country

Criteria for the priority area “State Aid and Public Procurement”:

5.1. Share of SMEs in the total volume of public procurement
5.2. State aid for SMEs
5.3. Late payment by public authorities
5.4. Availability of e-procurement
5.5. Planned share of the European Structural Funds targeted to SMEs and entrepreneurship for the period 2007-2013

Table 5.A Bulgaria’s Performance
<table>
<thead>
<tr>
<th>Criterion</th>
<th>Result</th>
<th>EU average</th>
<th>Leader</th>
<th>Ranking in the EU</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.1.</td>
<td>79.00%</td>
<td>38.00%</td>
<td>79.00%</td>
<td>1</td>
</tr>
<tr>
<td>5.2.</td>
<td>4.00%</td>
<td>4.20%</td>
<td>18.00%</td>
<td>10-13</td>
</tr>
<tr>
<td>5.3.</td>
<td>14.5 days</td>
<td>24.8 days</td>
<td>4 days</td>
<td>10</td>
</tr>
<tr>
<td>5.4.</td>
<td>52.00%</td>
<td>72.94%</td>
<td>100.00%</td>
<td>21-22</td>
</tr>
<tr>
<td>5.5.</td>
<td>4.80%</td>
<td>9.53%</td>
<td>23.60%</td>
<td>22</td>
</tr>
<tr>
<td>5.6.</td>
<td>4.10%</td>
<td>2.11%</td>
<td>9.25%</td>
<td>6</td>
</tr>
</tbody>
</table>


Objectives 2020:

Strategic objective

Free and competitive access for SMEs to the public procurement system pursuing a most advanced level of digitalization. Making state aid for SMEs accessible under all rules of legislation in the area of competition, clearly earmarked for promoting a more innovative and more entrepreneurial business environment.

Table 5.2 Operational objectives

<table>
<thead>
<tr>
<th>Criterion</th>
<th>Objective</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.1.</td>
<td>&gt;= 79.00%</td>
<td>Maintaining the result</td>
</tr>
<tr>
<td>5.2.</td>
<td>&gt; 5.00%</td>
<td>Increase by 1%</td>
</tr>
<tr>
<td>5.3.</td>
<td>&lt; 7 days</td>
<td>Reduction by 1 week</td>
</tr>
<tr>
<td>5.4.</td>
<td>= 100.00%</td>
<td>Total digitalization of the system</td>
</tr>
<tr>
<td>5.5.</td>
<td>&gt; 9.00%</td>
<td>Doubling the funds</td>
</tr>
<tr>
<td>5.6.</td>
<td>&gt;= 4.00%</td>
<td>Maintaining the result</td>
</tr>
</tbody>
</table>

Guidelines for urgent action:

1. For criterion 5.4. – Digitalization of public procurement.
2. For criterion 5.3. Elimination of undue delays of payment under public procurement contracts or reducing such delays to a maximum of 1 week.
3. For criterion 5.5. – Increasing by 100% (up to 9% of all structural funds) European funding earmarked for:
   – Technological transfer and improvement of the co-operation networks between SMEs, universities, educational institutions of all kinds, regional authorities, research and development centers, science and technology parks. Etc.
   – Support under R&D, carried out particularly in SMEs, including access to R&D services in research centers.
   – Support for SMEs in using environmentally friendly products and manufacturing processes.
   – Measures for the promotion of entrepreneurship and starting a new business
   – Measures for the promotion of e-commerce, training and education, creating cooperation networks, etc.
   – Measures for improving the access of SMEs to a more effective use of the information and communication technologies.
6. ACCESS TO FINANCE

Bulgaria should facilitate the access of SMEs to finance, in particular, to venture capital and microcredits, and provide for legal and economic environment supportive to timely payments under commercial transactions.

Promoting alternative sources of funding:
- Development of equity market
- International financial institutions
- Bulgarian Development Bank
- More efficient use of the funds earmarked for SME finance.

Diagramme 6.A
Level of Member States under “Access to Finance”.
This priority area is third in the overall result for the whole EU, 2012

Where are we?

In the priority area “Access to Finance”, according to the methodology of the European Commission, Bulgaria shows a result which ranks it 10th in the EU for 2012. The indicators for the country determine its performance above the average EU level.

Diagramme 6.B
Bulgaria’s position under “Access to Finance” compared to the leader, the average EU level and the catching-up country

Criteria in the priority area “Access to Finance”:

6.1. Venture capital investments
6.2. Strength of legal rights
6.3. Depth of credit information
6.4. Time for recovering debts

National Strategy for the Promotion of SMEs – 2014-2020
6.5. Uncollectible debts
6.6. Differences in interest rates on loans up to EUR 1 million and loans over EUR 1 million.
6.7. Applications for previously rejected bank loans
6.8. Access to public financial assistance, including guarantees
6.9. Willingness of banks to grant loans.

Table 6. A Bulgaria’s Performance

<table>
<thead>
<tr>
<th>Criterion</th>
<th>Result</th>
<th>EU average</th>
<th>Leader</th>
<th>Ranking in the EU</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.1.</td>
<td>0.012%</td>
<td>0.016%</td>
<td>0.039%</td>
<td>16</td>
</tr>
<tr>
<td>6.2.</td>
<td>8</td>
<td>7.03</td>
<td>10</td>
<td>9-10</td>
</tr>
<tr>
<td>6.3.</td>
<td>6</td>
<td>4.4</td>
<td>6</td>
<td>1-5</td>
</tr>
<tr>
<td>6.4.</td>
<td>35.93 days</td>
<td>53.09 days</td>
<td>22.70 days</td>
<td>8</td>
</tr>
<tr>
<td>6.5.</td>
<td>3.58%</td>
<td>2.91%</td>
<td>1.79</td>
<td>24</td>
</tr>
<tr>
<td>6.6.</td>
<td>16.00%</td>
<td>19.22%</td>
<td>-2.76%</td>
<td>13</td>
</tr>
<tr>
<td>6.7.</td>
<td>11.60%</td>
<td>14.60%</td>
<td>0.00%</td>
<td>11</td>
</tr>
<tr>
<td>6.8.</td>
<td>16.70%</td>
<td>22.30%</td>
<td>3.10%</td>
<td>16</td>
</tr>
<tr>
<td>6.9.</td>
<td>13.10%</td>
<td>27.10%</td>
<td>4.90%</td>
<td>7</td>
</tr>
</tbody>
</table>

Source: SBA Fact Sheet 2012 / DG ENTR 2011 / ESTAT 2009

Objectives 2020:

Strategic objective

Free access for SMEs to finance in all phases of the enterprise lifecycle from venture capital funds and finance for start-ups, mezzanine financing and loan guarantees. Protecting the rights of lenders and striving for timely payment of debts.

Table 6. B Operational objectives

<table>
<thead>
<tr>
<th>Criterion</th>
<th>Objective</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.1.</td>
<td>&gt; 0.025%</td>
<td>Doubling venture capital investments and reaching at least EUR 15 000 000</td>
</tr>
<tr>
<td>6.2.</td>
<td>&gt;= 8</td>
<td>Maintaining the result</td>
</tr>
<tr>
<td>6.3.</td>
<td>&gt;= 6</td>
<td>Maintaining the result</td>
</tr>
<tr>
<td>6.4.</td>
<td>&lt;= 35 days</td>
<td>Maintaining the result</td>
</tr>
<tr>
<td>6.5.</td>
<td>&lt; 2.50%</td>
<td>Reduction of uncollectible debts</td>
</tr>
<tr>
<td>6.6.</td>
<td>&lt;= 16%</td>
<td>Maintaining the result</td>
</tr>
<tr>
<td>6.7.</td>
<td>&lt;= 11%</td>
<td>Maintaining the result</td>
</tr>
<tr>
<td>6.8.</td>
<td>&lt; 10%</td>
<td>Reducing to 10% the opinions stating that the access to state finance is becoming worse</td>
</tr>
<tr>
<td>6.9.</td>
<td>&lt;= 13%</td>
<td>Maintaining the result</td>
</tr>
</tbody>
</table>
Guidelines for urgent action:

1. For criterion 6.1. – Strengthening the venture capital funds, creating favourable environment for venture capital investment, including development of the business angel networks and the funds financing start-ups.
2. Making best use of the possibilities for providing financial resource to SMEs from the Bulgarian Development Bank and the Regional Development Fund.
3. For criterion 6.8. – Facilitating the conditions for financing under the structural funds.
4. Encouraging credit mediation.
5. Improving financial culture and providing financial consultations for over-indebted SMEs, etc.

Guaranteeing the rights of lenders is essential for the investment success in the country and therefore, it is important to continue facilitating the conditions for collecting delayed payments, together with limiting the growth of uncollectible debts.

Bulgaria should maintain sufficiently good conditions for access to public funds by limiting administrative barriers for receiving public funding.
7. INTERNATIONALISATION

Encouraging SMEs to make use of market growth, particularly outside the EU, by facilitating the terms and conditions for foreign trade, provide access to such markets, offer assistance for training and improvement of SME activity on foreign markets.

During the period under consideration the priority in the internationalization policy will be the promotion of SMEs to enter third-country markets of. For this purpose, the measures to be implemented include:

- Improvement of the information support for SMEs to meet the export opportunities;
- Expansion and diversification of services provided by BSMEPA and BAEZ (Bulgarian Export Insurance Agency) for export companies;
- Financial support for exporters through the Bulgarian Development Bank;
- Active campaign carried out abroad for promoting products manufactured in Bulgaria;
- Priority orientation of the Commercial and Economic Offices to SMEs;
- Support by the state in creating export-oriented associations in the SME sector;

Diagramme 10.A
Level of Member States under “Internationalization”.
This priority area is seventh in the overall result for the whole EU, 2012

Where are we?

Bulgaria is lagging behind the other EU Member States with respect to the terms and conditions for foreign trade and ranks 27th in the priority area Internationalization for 2012.

Diagramme 10.B
Bulgaria’s position under “Internationalization” compared to the leader and the average EU level

.................................

National Strategy for the Promotion of SMEs – 2014-2020
10.1. Cost of importing
10.2. Time for importing
10.3. Number of documents needed for the importing process
10.4. Cost of exporting
10.5. Time for exporting
10.6. Number of documents needed for the exporting process
10.7. Share of SMEs importing from non-EU countries
10.8. Share of SMEs exporting to non-EU countries

Table 10.A Bulgaria’s Performance

<table>
<thead>
<tr>
<th>Criterion</th>
<th>Result</th>
<th>EU average</th>
<th>Leader</th>
<th>Ranking in the EU</th>
</tr>
</thead>
<tbody>
<tr>
<td>10.1.</td>
<td>1 666 USD</td>
<td>1 111 USD</td>
<td>620 USD</td>
<td>27</td>
</tr>
<tr>
<td>10.2.</td>
<td>17 days</td>
<td>11.4 days</td>
<td>5 days</td>
<td>22-23</td>
</tr>
<tr>
<td>10.3.</td>
<td>6 pc.</td>
<td>5.2 pc.</td>
<td>2 pc.</td>
<td>16-20</td>
</tr>
<tr>
<td>10.4.</td>
<td>1 551 USD</td>
<td>1 024 USD</td>
<td>540 USD</td>
<td>26</td>
</tr>
<tr>
<td>10.5.</td>
<td>21 days</td>
<td>11.2 days</td>
<td>5 days</td>
<td>27</td>
</tr>
<tr>
<td>10.6.</td>
<td>5 pc.</td>
<td>4.5 pc.</td>
<td>2 pc.</td>
<td>16-22</td>
</tr>
<tr>
<td>10.7.</td>
<td>3.84%</td>
<td>4.99%</td>
<td>12.40%</td>
<td>17</td>
</tr>
<tr>
<td>10.8.</td>
<td>1.76%</td>
<td>3.06%</td>
<td>6.24%</td>
<td>20</td>
</tr>
</tbody>
</table>


The methodology employed to obtain these results contains sub-indicators, which could not be readily affected in the short and medium plan – such as cost of transport for the exported goods from the largest business center in the country to a seaport.

Sub-indicators which could be more readily affected include the time and the costs for obtaining the required import and export documents. These criteria show the following results:

10.9. Cost of obtaining import documents
10.10. Time for obtaining import documents
10.11. Cost of obtaining export documents
10.12. Time for obtaining export documents

Table 10.B Bulgaria’s Performance

<table>
<thead>
<tr>
<th>Criterion</th>
<th>Result</th>
<th>EU average</th>
<th>Ranking in the EU</th>
</tr>
</thead>
<tbody>
<tr>
<td>10.9.</td>
<td>200 USD</td>
<td>205 USD</td>
<td>15-17</td>
</tr>
<tr>
<td>10.10.</td>
<td>9 days</td>
<td>5.7 days</td>
<td>19-21</td>
</tr>
<tr>
<td>10.11.</td>
<td>200 USD</td>
<td>177.1 USD</td>
<td>16-19</td>
</tr>
<tr>
<td>10.13.</td>
<td>13 days</td>
<td>5.4 days</td>
<td>26</td>
</tr>
</tbody>
</table>

Source: SBA Fact Sheet 2012 / Doing Business 2012

Objectives 2020:
Bulgarian enterprises do not encounter difficulties in carrying out their foreign trade: the preparation of documents is fast, easy and cheap.

Table 10.C Operational objectives

<table>
<thead>
<tr>
<th>Criterion</th>
<th>Objective</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>10.1.</td>
<td>&lt; 1 100 USD</td>
<td>Reduction by at least 33%</td>
</tr>
<tr>
<td>10.2.</td>
<td>&lt; 11 days</td>
<td>Reduction by at least 6 days</td>
</tr>
<tr>
<td>10.3.</td>
<td>5 pc.</td>
<td>Reduction by 1 document</td>
</tr>
<tr>
<td>10.4.</td>
<td>&lt; 1 000 USD</td>
<td>Reduction by at least 55%</td>
</tr>
<tr>
<td>10.5.</td>
<td>11 days</td>
<td>Reduction by at least 10 days</td>
</tr>
<tr>
<td>10.6.</td>
<td>5 pc.</td>
<td>Maintaining the number</td>
</tr>
<tr>
<td>10.7.</td>
<td>&gt;4.99%</td>
<td>Increasing by 4 000 SMEs</td>
</tr>
<tr>
<td>10.8.</td>
<td>&gt;3.06%</td>
<td>Increasing by 4 500 SMEs</td>
</tr>
</tbody>
</table>

From the point of view of reducing only the documentary part of the importing and exporting procedures, the objectives include:

Table 10.D Operational objectives

<table>
<thead>
<tr>
<th>Criterion</th>
<th>Objective</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>10.9.</td>
<td>&lt;= 200 USD</td>
<td>Avoiding increase</td>
</tr>
<tr>
<td>10.10.</td>
<td>&lt; 6 days</td>
<td>Reduction by at least 3 days</td>
</tr>
<tr>
<td>10.11.</td>
<td>&lt; 170 USD</td>
<td>Reduction by at least 15%</td>
</tr>
<tr>
<td>10.13.</td>
<td>&lt; 6 days</td>
<td>Reduction by at least 7 days</td>
</tr>
</tbody>
</table>

Bulgaria occupies 22nd / 23rd position in the EU in terms of export/import volumes for 2011. At the same time, the country occupies 24th / 26th position in the EU in terms of export/import per capita (3 700 / 4 034 USD). It is obvious that there is a relation between the terms and conditions for trading and the trading volumes.

Guidelines for urgent action:

1. For criteria 10.10 and 10.12. – Reducing the time for preparing the import/export from 9 and 13 days respectively to less than 6 days.
2. For criterion 10.9. – Reducing the cost of obtaining export documents by about 15%.
3. Expansion and diversification of the services provided by the Bulgarian Development Bank and the Bulgarian Export Insurance Agency in support of exporting SMEs.
4. Involvement of public authorities and representative institutions with active promotion of the products manufactures in Bulgaria.
8. SINGLE MARKET

Encouraging SMEs to make better use of the opportunities offered by the Single Market – in particular by raising the awareness of the Single Market. Bulgaria should make possible a better presentation of the SME interests when elaborating standards and facilitate the access to protecting patents and trademarks.

Diagramme 7.A
Level of Member States under “Single Market”.
This priority area is fifth in the overall result for the whole EU, 2012

Where are we?

In the priority area “Single Market”, according to the methodology of the European Commission, Bulgaria shows a result which ranks it 13th in the EU for 2012. The indicators for the country determine its performance below the average EU level, but nevertheless, close to it.

Diagramme 7.B
Bulgaria’s position under “Single Market” compared to the leader, the average EU level and the catching-up country

Criteria in the priority area Single Market:

7.1. Delayed transposition of directives into national law
7.2. Number of directives whose transposition into national law is more than 2 years overdue
7.3. Single Market directives not transposed yet into national law
7.4. Share of SMEs exporting within the EU
7.5. Share of SMEs importing within the EU

Table 7.A Bulgaria’s Performance

<table>
<thead>
<tr>
<th>Criterion</th>
<th>Result</th>
<th>EU average</th>
<th>Leader</th>
<th>Ranking in the EU</th>
</tr>
</thead>
<tbody>
<tr>
<td>7.1</td>
<td>4.10 months</td>
<td>5.47 months</td>
<td>2.40 months</td>
<td>4-5</td>
</tr>
</tbody>
</table>
Objectives 2020:

Strategic objective

The SMEs should have available all terms and conditions for free trade on the Single Market. Their presence on the market is protected by the respective legislation and secured with information about the necessary standards and tools for intellectual property protection.

Table 7.B Operational objectives

<table>
<thead>
<tr>
<th>Criterion</th>
<th>Objective</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>7.1</td>
<td>&lt;= 4 months</td>
<td>Maintaining the result</td>
</tr>
<tr>
<td>7.2</td>
<td>= 0</td>
<td>Maintaining the result</td>
</tr>
<tr>
<td>7.3</td>
<td>&lt;= 1.00%</td>
<td>Maintaining the result</td>
</tr>
<tr>
<td>7.4</td>
<td>&gt; 7.00%</td>
<td>Growth of SMEs on the Single Market</td>
</tr>
<tr>
<td>7.5</td>
<td>&gt; 12.00%</td>
<td>Growth of SMEs importing from the Single Market</td>
</tr>
</tbody>
</table>

Guidelines for urgent action:

1. For criteria 7.4. and 7.5. – Increasing the share of SMEs trading on the Single Market.

The presence of Bulgarian SMEs can be encouraged along different lines – by supporting the implementation of new standards, by raising the awareness of the possibilities to protect the intellectual property of enterprises on the Single Market, by making use of the services provided both by the national and the Community patent authorities – particularly in the area of protecting patents or registration of a Community trade mark or a Community design.

The presence of Bulgarian enterprises in the Single Market can continue its ongoing promotion through participation in international expositions and fairs.

It is essential to have information support which can be guaranteed both by the administration and by networking organizations such as Europe Enterprise Network.
9. SKILLS AND INNOVATION

Improvement of skills in SMEs, as well as all forms of innovation. Bulgaria should encourage investments in research by SMEs and their participation in R&D support programmes, transnational research, clustering and active intellectual property management by SMEs. It is necessary to stimulate the private sector to invest in innovation, sharing the inherent risk between state and business.

Diagramme 8.A
Level of Member States under “Skills and Innovation”.
This priority area is last in the overall result for the whole EU, 2012

Where are we?

In the priority area “Skills and Innovation”, according to the methodology of the European Commission, Bulgaria shows a result which ranks it 27th in the EU for 2012.

Diagramme 8.B
Bulgaria’s position under “Single Market” compared to the leader and the average EU level

Criteria in the priority area “Skills and Innovation”:

8.1. Share of SMEs innovating in-house
8.2. Share of innovative SMEs collaborating with other enterprises and organizations
8.3. Share of SMEs introducing product or process innovations
8.4. Share of SMEs introducing organizational/marketing innovation
8.5. Share of new-to-firm and new-to-market products and services
8.6. Number of SMEs participating in EU funded R&D projects
8.7. Share of SMEs (except micro-enterprises), selling online
8.8. Share of SMEs (except micro-enterprises), buying online
8.9. Share of SMEs, carrying out training
8.10. Participation of employees (in micro-enterprises) in educational courses and training

Table 8.A Bulgaria’s Performance

<table>
<thead>
<tr>
<th>Criterion</th>
<th>Result</th>
<th>EU average</th>
<th>Leader</th>
<th>Ranking in the EU</th>
</tr>
</thead>
<tbody>
<tr>
<td>8.1.</td>
<td>1.10%</td>
<td>30.30%</td>
<td>46.00%</td>
<td>22</td>
</tr>
<tr>
<td>8.2.</td>
<td>3.00%</td>
<td>11.20%</td>
<td>25.00%</td>
<td>25</td>
</tr>
<tr>
<td>8.3.</td>
<td>20.70%</td>
<td>34.20%</td>
<td>53.00%</td>
<td>22</td>
</tr>
<tr>
<td>8.4.</td>
<td>17.40%</td>
<td>39.10%</td>
<td>68.00%</td>
<td>26</td>
</tr>
<tr>
<td>8.5.</td>
<td>14.20%</td>
<td>13.30%</td>
<td>25.60%</td>
<td>13</td>
</tr>
<tr>
<td>8.6.</td>
<td>8 SMEs</td>
<td>23.3 SMEs</td>
<td>85 SMEs</td>
<td>22-23</td>
</tr>
<tr>
<td>8.7.</td>
<td>3.00%</td>
<td>13.00%</td>
<td>25.00%</td>
<td>27</td>
</tr>
<tr>
<td>8.8.</td>
<td>4.00%</td>
<td>28.00%</td>
<td>53.00%</td>
<td>27</td>
</tr>
<tr>
<td>8.9.</td>
<td>29.00%</td>
<td>58.48%</td>
<td>90.00%</td>
<td>26</td>
</tr>
<tr>
<td>8.10</td>
<td>2.50%</td>
<td>10.50%</td>
<td>35.90%</td>
<td>27</td>
</tr>
</tbody>
</table>


Objectives 2020:

Strategic objective

*Increasing investment by SMEs in R&D. Creating new or improved products and services by SMEs, either independently or in co-operation, and placing them on the market, implementation of new or improved organizational or marketing processes. Training and the comprehensive development of human resources is national and corporate policy and the enterprises do not have difficulties to employ a trained worker or to improve themselves the skills which a worker or an employee is required to have.*

Table 8.B Operational objectives

<table>
<thead>
<tr>
<th>Criterion</th>
<th>Objective</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>8.1.</td>
<td>&gt; 30.00%</td>
<td>further 45 000 SMEs</td>
</tr>
<tr>
<td>8.2.</td>
<td>&gt; 11.00%</td>
<td>further 26 000 SMEs</td>
</tr>
<tr>
<td>8.3.</td>
<td>&gt; 34.00%</td>
<td>further 46 000 SMEs</td>
</tr>
<tr>
<td>8.4.</td>
<td>&gt; 39.00%</td>
<td>further 76 000 SMEs</td>
</tr>
<tr>
<td>8.5.</td>
<td>&gt;= 14.00%</td>
<td>maintaining/increasing the result</td>
</tr>
<tr>
<td>8.6.</td>
<td>23 SMEs</td>
<td>further 53 SMEs</td>
</tr>
<tr>
<td>8.7.</td>
<td>13.00%</td>
<td>further 2 400 small and medium-sized firms</td>
</tr>
<tr>
<td>8.8.</td>
<td>28.00%</td>
<td>further 6 700 small and medium-sized firms</td>
</tr>
<tr>
<td>8.9.</td>
<td>58.00%</td>
<td>further 102 000 SMEs</td>
</tr>
<tr>
<td>8.10</td>
<td>10.00%</td>
<td>further 26 000 micro-enterprises</td>
</tr>
</tbody>
</table>

Guidelines for urgent action:

1. For criteria 8.7. and 8.8. – Increasing the share of SMEs trading online.
2. For criteria 8.9. and 8.10. – Encouraging SMEs to carry out trainings for their personnel.
3. For criterion 8.4. – Encouraging SMEs to implement organizational and marketing innovations.
4. For criterion 8.2. – Encouraging co-operation of SMEs with each other or with research institutes for the purpose of creating and implementing innovations.
5. Promoting the enterprises to enter new market segments through funding and developing of market analyses and strategies.
6. Providing access to information and trainings for the enterprises about recent achievements in worldwide practices.
7. Creating capacity in the administration for the assessment of innovative ideas.
8. Support for training the management staff of companies.
9. Creating database with the capacity and the possibilities of research organizations, application-driven higher schools, which participate in international programmes, receive orders from the businesses, participate in joint projects with similar organizations or enterprises, and with referrals obtained.

In this priority area, which is heaviest both for the EU and for Bulgaria, the pursuit of the average EU levels by Bulgaria under the above indicators is the most realistic objective.
10. ENVIRONMENT

It is necessary to make it possible for SMEs to turn the challenges of environment into opportunities. More information, expertise and financial incentives should be provided in order to make full use of the opportunities for new “green” markets and enhanced energy efficiency.

Diagramme 9.A
Level of Member States under “Environment”.
This priority area is sixth in the overall result for the whole EU, 2012

Where are we?

In the priority area Environment, according to the methodology of the European Commission, Bulgaria shows a result which ranks it 26th in the EU for 2012.

Diagramme 8.B
Bulgaria’s position under “Environment” compared to the leader and the average EU level

Criteria in the priority area “Environment”:

9.1. Innovations with environmental benefits.
9.2. Share of SMEs implementing measures for resource efficiency improvement.
9.3. Share of SMEs receiving public support for the implementation of resource efficiency improvement measures.
9.4. Share of SMEs satisfied with the public support in the area of environment.
9.5. Share of SMEs offering “green” products or services.
9.6. Share of SMEs with turnover above 50% generated by “green” products or services.
9.7. Share of SMEs receiving public support for the production of their “green” products or services.
9.8. Share of SMEs satisfied with the public support for the production of their “green” products or services.

Table 9.A Bulgaria’s Performance

<table>
<thead>
<tr>
<th>Criterion</th>
<th>Result</th>
<th>EU average</th>
<th>Leader</th>
<th>Ranking in the EU</th>
</tr>
</thead>
<tbody>
<tr>
<td>9.1.</td>
<td>0.01%</td>
<td>0.04%</td>
<td>0.07%</td>
<td>27</td>
</tr>
<tr>
<td>9.2.</td>
<td>85.00%</td>
<td>93.00%</td>
<td>99.00%</td>
<td>22-23</td>
</tr>
<tr>
<td>9.3.</td>
<td>2.00%</td>
<td>9.00%</td>
<td>22.00%</td>
<td>25-27</td>
</tr>
<tr>
<td>9.4.</td>
<td>31.00%</td>
<td>56.00%</td>
<td>96.00%</td>
<td>23</td>
</tr>
<tr>
<td>9.5.</td>
<td>21.00%</td>
<td>26.00%</td>
<td>36.00%</td>
<td>20-24</td>
</tr>
<tr>
<td>9.6.</td>
<td>17.00%</td>
<td>22.00%</td>
<td>48.00%</td>
<td>17-19</td>
</tr>
<tr>
<td>9.7.</td>
<td>7.00%</td>
<td>8.00%</td>
<td>21.00%</td>
<td>13-15</td>
</tr>
<tr>
<td>9.8.</td>
<td>19.00%</td>
<td>62.00%</td>
<td>100.00%</td>
<td>21</td>
</tr>
</tbody>
</table>


Objectives 2020:

Strategic objective

The SMEs invest in energy efficiency, develop, place on the market and use in their manufacturing processes “green” products. The state provides financial incentives for this purpose and informs entrepreneurs about all opportunities on the way to the “green” technologies.

Table 8.B Operational objectives

<table>
<thead>
<tr>
<th>Criterion</th>
<th>Objective</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>9.1.</td>
<td>&gt; 0.04%</td>
<td>At least further 60 SMEs (except micro)</td>
</tr>
<tr>
<td>9.2.</td>
<td>&gt; 93.00%</td>
<td>further 28 000 SMEs</td>
</tr>
<tr>
<td>9.3.</td>
<td>&gt; 9.00%</td>
<td>further 25 000 SMEs</td>
</tr>
<tr>
<td>9.4.</td>
<td>&gt; 56.00%</td>
<td>further 88 000 SMEs</td>
</tr>
<tr>
<td>9.5.</td>
<td>&gt; 26.00%</td>
<td>further 18 000 SMEs</td>
</tr>
<tr>
<td>9.6.</td>
<td>&gt; 22.00%</td>
<td>further 18 000 SMEs</td>
</tr>
<tr>
<td>9.7.</td>
<td>&gt; 8.00%</td>
<td>further 3 500 SMEs</td>
</tr>
<tr>
<td>9.8.</td>
<td>&gt; 62.00%</td>
<td>further 151 000 SMEs</td>
</tr>
</tbody>
</table>

Guidelines for urgent action:

1. For criterion 9.1. – Increasing the share of SMEs which manufacture or offer innovations with environmental benefits. The respective measures can envisage further action in support of the micro-enterprises as well in the sectors specified on the page listing the indicators.
2. For criterion 9.3. – More enterprises should receive assistance supporting the implementation of measures for the effective use of resources.
3. For criterion 9.5. – Encouragement for SMEs to place on the market an increasing number of “green” products and services.
11. SUPPORT FOR SMES IN AREAS OF LOW EMPLOYMENT

Support for SMEs in areas of low employment and low concentration of enterprises in the sectors of high-technology and medium high-technology industries and the knowledge-intensive services with the aim of reducing differences between the regions. Support viable enterprises in the underdeveloped regions helping them increase their competitiveness and create new sustainable jobs.

Possibilities are available in the regions with low concentration of enterprises in the sectors of high-technology and medium high-technology industries to develop productivity in low-tech industries, including through different forms of joint activity and development of cluster initiatives. The combination between regional specialization and density of enterprises is a precondition to formulate more precise measures to support creating of enterprises, development of clusters, fostering SME internationalization, as well as technological modernization of these industries and integration of training and further training measures.

The map of regional specialization for the low-tech industries demonstrates the potential for developing the different sectors, the opportunities for joint activity and achievement of synergy effect if the support is appropriated integrated.

Figure 11. A Regional specialization of low-tech industries

C10: Foods – Plovdiv, Yambol and Sliven
C13: Textiles – Gabrovo and Sliven
C14: Wearing apparel – Blagoevgrad, Ruse and Haskovo
C15: Leather and footwear – Kyustendil, Blagoevgrad, Pazardzhik
C16: Timber – Smolyan and Lovech
C17: Paper – Sofia, Plovdiv, Pazardzhik and Veliko Tarnovo
C31: Furniture – Lovech, Pazardzhik, Ruse and Gabrovo

Strategic objective

Increasing competitiveness of SMEs and creating new sustainable jobs in regions with low density of enterprises in the medium high-technology and high-technology industries.
Guidelines for urgent action:

1. Implementation of special programmes focused on lagging regions with the aim of reducing regional differences;
2. Improvement in quality of vocational education and training, and alignment of the curricular more closely with the needs of business on local and regional level;
3. Formulation of measures and schemes to support the technological modernization of SMEs and the development of clusters in the regions with the respective potential;
4. Implementation tax and non-tax incentives in areas of low employment.
OBJECTIVES BASED ON CROSS-LINKS BETWEEN SECTORAL ANALYSIS AND THE SMALL BUSINESS ACT

The indicative objectives given below pursue alignment with the average EU level according to the respective indicators under the Small Business Act (the document serving as basis for the future National Strategy for the Promotion of SMEs in Bulgaria 2014-2020) for the areas in which Bulgaria is lagging behind most:

Entrepreneurship (24th in the EU), environment (26th in the EU) internationalization (27th in the EU), innovation (27th in the EU)

<table>
<thead>
<tr>
<th>+ 14 000 SMEs selling on the Single Market</th>
<th>Internationalization</th>
<th>+ 4 000 SMEs selling in third countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>22</td>
<td>27</td>
<td>13</td>
</tr>
<tr>
<td>+ 46 000 SMEs introducing a new product or service</td>
<td>27</td>
<td>+ 18 000 SMEs becoming “green”</td>
</tr>
<tr>
<td>Innovation</td>
<td></td>
<td>26</td>
</tr>
<tr>
<td>19</td>
<td>24</td>
<td>9</td>
</tr>
<tr>
<td>+ 12 100 SMEs</td>
<td></td>
<td>+ 90 000 SMEs</td>
</tr>
</tbody>
</table>

/Axis/: Vertical approach/Horizontal approach

A. Measures for creating new enterprises and promoting entrepreneurship

Indicative objective: **further 12 100 new SMEs** and **90 000 new employed persons**

The newly created enterprises should be chiefly from the following sectors:

- Computer, optical and electronic products
- Cars and other motor vehicles
- Metal products
- Mechanical industry
- Printing industry and recorded media
- Textiles
- Information technologies
- Film and television industry, sound recording
Creation of new enterprises and promotion of entrepreneurship is essential for restructuring the sectors in the country. According to the regional specialization the creation of new enterprises can be oriented towards the concentration of labour and SMEs in the respective administrative areas of the country. This will further also the clustering of such sectors. It is a fact that Bulgaria does not have a critical mass of enterprises, which can lead to a qualitative jump in the production of the respective sectors. Creation of new enterprises can be promoted by combining grant and revolving instruments and by using also the networks of entrepreneurial and business centers in the country. Entrepreneurial training for people who already have a business-idea is crucial in creating a sustainable enterprise, which will remain on the market after the first 5 years.

**B. Export promotion measures**

Building on the data under the Small Business Act for the small businesses, in order to achieve the average EU level for export-oriented SMEs, the objective can be formulated as follows:

- **Further 14 000 SMEs** entering the Single Market
- **Further 4 000 SMEs** entering third markets

These enterprises should be chiefly from the industrial sectors under item A.

This can be achieved through creating strategic partnerships, for instance, by using the potential of Europe Enterprise Network, and by increasing the possibilities for using e-commerce – an activity, in which our country ranks among the last in the EU. In order to achieve the average EU levels with respect to e-commerce, we need:

- **Further 2 400 SMEs**, starting online sales.

**C. Measures for innovation**

A strong stimulus for the innovation culture of SMEs can be the example of the fast-growing SMEs, because most of them make progress exactly thanks to a new product, service, energy efficiency, a better marketing approach, a better management structure or another innovation.

Building again on the data under the Small Business Act for the small businesses, implementation of new products and services created within the enterprises will be necessary for:

- **Further 46 000 SMEs**;
- **Further 76 000 SMEs**, which will have to implement organizational or marketing innovation;
- **Further 102 000 SMEs**, which will have to start training their personnel;

This can be encouraged both by strengthening the role of the National Innovation Fund and by the mass implementation of the innovation voucher scheme and the demarcation of the operational programmes “Human Resources” and “Entrepreneurship and Innovation”. Furthermore, the creation of enterprises and the entrepreneurship training should be left to
“Entrepreneurship and Innovation”, and the retraining of the 90 000 employees necessary under item A should be left entirely to “Human Resources”.

It is essential to introduce entrepreneurship training in schools and to expand the education & training firm network in all schools, including the art schools (where the foundations are laid to prepare future employees in the creative industries, which are part primarily of the knowledge-intensive services).

D. Measures introducing green technologies

Bulgaria’s results show that:

- further 18 000 SMEs should generate at least 50% of their turnover from green products and technologies;
- further 28 000 SMEs should achieve efficient use of resources

In this case, the measures for energy efficiency and technological upgrading, as well as the innovations related to “green technologies”, can be entirely linked to improving the environmental orientation of enterprises.

The measures shall be formulated each year in the Annual Programme for the Strategy Implementation.
ANNEX 1.

LIST OF INDICATORS

1. ENTREPRENEURSHIP

1.1. Entrepreneurial activity
Share of citizens (aged 15-64), who have ever started a business, currently have a business or are on the way of starting their own business

1.2. Entrepreneurship as opportunity
Share of citizens (aged 15-64) who have started a business because they perceived a favourable opportunity to do so and not because of extreme need

1.3. Preference for self-employment
Share of citizens (aged 15-64) who prefer to be their own managers and take responsibility for their own business

1.4. Feasibility of becoming self-employed
Share of citizens (aged 15-64) who consider it fully feasible to become entrepreneurs

1.5. Teaching entrepreneurship in schools
Share of citizens (aged 15-64) who consider that school education has fostered the formation of their entrepreneurial spirit and attitudes

2. SECOND CHANCE

2.1. Time for closing the business
This indicator measures the time needed for the lenders to recover the debt owed to them in calendar days, in this case in years. The measuring period starts on the day of default and ends on the day on which the bank receives part of the debt or the whole amount of debt. The different tactics for delaying payment are also taken into account.

2.2. Cost of closing the business
% of the debtor’s property, spent on various fees to settle the debt

2.3. Public support for the second chance

3. THINK SMALL FIRST

3.1. State-induced regulatory burden
This indicator shows the opinion about the heaviness of administrative burden for the business with respect to various requirements to the businesses by the government. Score 7 means – “I have no difficulties”, score 1 means “Extremely heavy administrative procedures”

3.2. System of licenses and authorizations
The system of licenses and authorizations covers the following self-assessment of Member States: 1 – is the “tacit agreement” principle applied in your country, i.e. if the authority which should issue the respective license or authorization does not decide the issue within the prescribed time-limit, the license or the authorization shall be automatically issued in favour of the enterprise; 2 – are there places in the country called “Single Window” providing information and issuing authorizations, licenses, etc.; Score 0 suggest full availability and functioning; score 6 suggest total absence; The indicator is arithmetic mean.

3.3. Communication strategy and simplification of rules and procedures
This indicator contains questions such as: Concerning communication: 1 – Does the government make rules and procedures available to the public; 2 – Is there policy in the country governed by the “clear and simple expression” principle, when drawing up legal texts and other administrative documents; 3 – Are the affected parties entitled to dispute imposed regulatory requirements causing damage to them; 4 – Is it possible to make the imposed regulatory requirements accessible and easily understandable also for state external affected parties; 5 – Does the government policy impose specific requirements related to transparency and free speech; Concerning simplification: 1 – Does the government (ministries and agencies) keep a detailed list of the number of its licensing and authorization regimes; 2 – Is there an explicit programme in place to reduce the administrative burden imposed by the government on enterprises/citizens; 3 – Is there a current programme in place to review and reduce the number of licenses and authorizations. Score 0 suggests “Yes”. Score 6 suggests “No”. The overall assessment is an arithmetic mean.

4. RESPONSIVE ADMINISTRATION

4.1. Time required to start a business
Measured in calendar days. The indicator covers the average length of time, which, according to corporate lawyers, is the time necessary to go through the minimum number of procedures with the government (executive) agencies, except the time for additional payments. The time spent by entrepreneurs to collect information for the purpose is not taken into account. The period of time under consideration ends when the last necessary document has been received.

4.2. Cost of starting a business
It is measured as % of the income per capita. The cost covers all official charges and fees for legal or professional services if such services are required by law.

4.3. Minimum initial capital
It is measured as % of the income per capita and reflects the amount which the entrepreneur is required to deposit in a bank prior to the company registration and not later than 3 months from the incorporation of the business.

4.4. Time needed for property transfer (registration)
It is measured in calendar days. The average length of time required for property transfer according to property lawyers, public notaries or government officers, and its respective registration

4.5. Cost of property transfer (registration)
It is measured in % of the property value and covers all official charges required by law for the property transfer.

4.6. Tax payments
It is measured as number of payments, including electronic payments. It covers the number of payments – tax and other payments, the frequency of such payments, the number of institutions to which the payments are made. This particular methodology includes enterprises in the second year of their operation.

4.7. Time necessary to pay the 3 main taxes
It is measured in hours per year. This indicator measures the time taken for the payment of the three main taxes: corporate tax, VAT and the labour-related taxes and charges – such social security and income tax.

4.8. Cost of enforcing outstanding contractual obligations
It is measured as % of the claim. This indicator measures the financial efficiency of the justice system in a commercial dispute. The cost is measured as a share of the amount claimed,
established as 200% of the income per capita. Three types of expenses are taken into account: court fees, costs for contract implementation and average value of lawyers’ fees.

4.9. Availability of an electronic version for the eight main public services
This indicator measures the online availability of 8 main services for the businesses: payment of social security, payment of corporate tax; payment of VAT; registration of a new company; submitting data to the National Statistical Institute; customs declaration; authorizations related to environmental preservation; submission of documents for participation in public procurement procedures;

5. STATE AID AND PUBLIC PROCUREMENT

5.1. Share of SMEs in the total volume of public procurement
Measured in %

5.2. State aid for SMEs
Measured in % of total aid. State aid provided as a horizontal measure for SMEs. The aid provided as anti-crisis measure is not included.

5.3. Late payment by public authorities
Measured in average number of days. The number of days by which the payment by the public authorities to SMEs is delayed after the due contract date.

5.4. Availability of e-procurement
This indicator gives comparable information about the availability level of electronic services in public procurement. For example: 1. e-notification – online publication of the public calls for tenders 2. e-tendering – online preparation and submission of application documents for participation in tenders; 3. Electronic evaluation of tenders and awarding the contracts

5.5. Planned share of the European Structural Funds targeted to SMEs and entrepreneurship for the period 2007-2013
Measured in % of the total allocated funds for the period 2007-2013. These funds are planned under the Corrigendum to Council Regulation (EC) No 1083/2006 of 11 July 2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation (EC) No 1260/1999 ANNEX IV, codes:
03 – Technology transfer and improvement of co-operation networks between SMEs, between these and universities, and other education establishments of all kinds, regional authorities, research and development centers, scientific and technological parks, etc.
04 Assistance to R&D, particularly in SMEs, including access to R&D services in research centers
06 Assistance to SMEs for the promotion of environmentally-friendly products and production processes, such as adoption of pollution prevention technologies, etc.
09 Other measures to stimulate research and innovation and entrepreneurship in SMEs
14 Services and applications for SMEs, such as e-commerce, education and training, networking, etc.
15 Other measures for improving access to and efficient use of ICT by SMEs
68 Support for self-employment and business start-up

Measured in % of the total allocated funds. The funds planned under Measure 312 “Business creation and development” for the period 2007-2013
6. ACCESS TO FINANCE

6.1. Venture capital investments
Measured in % of the GDP. Includes seed capital and start-up capital.

6.2. Strength of legal rights
It is measured as index from 0 to 10. The index shows the level of rights which legislation in the area of insolvency and collateral guarantees to lenders, facilitating in this way borrowing funds.

6.3. Depth of credit information
This index measures the rules and practices affecting the scope and the accessibility to credit information available through a public register or a private credit bureau.

6.4. Time for recovering debts
It is measured in average number of days during which the customer pays the invoiced amount – relevant for payments B2B, B2C and government to businesses.

6.5. Uncollectible debts
Measured as a share of invoiced debts which are written-off and have been never received by the enterprise.

6.6. Differences in interest rates on loans up to EUR 1 million and loans over EUR 1 million.
This indicator measures how much more expensive it is (measured as interest rates) to receive a loan below EUR 1 million compared to a loan above EUR 1 million.

6.7. Applications for previously rejected bank loans
Rejected loan applications and loans whose terms and conditions are found unacceptable by the business, as % of all loan applications.

6.8. Access to public financial assistance, including guarantees
Share of enterprises responding the question that the access to financial assistance has become worse over the past 6 months.

6.9. Willingness of banks to grant loans.
Share of enterprises responding the question that the access to loans granted by banks has become worse over the past 6 months.

7. SINGLE MARKET

7.1. Delayed transposition of directives into national law
It is measured in months. Average delay in transposition of directives.

7.2. Number of directives whose transposition into national law is more than 2 years overdue
The respective number of directives.

7.3. Single Market directives not transposed yet into national law
Measured in %. Share of the directives successfully transposed in national law within the time limit prescribed by the European Commission on the background of all directives.

7.4. Share of SMEs exporting within the EU
Measured in %. Share of SMEs in the respective Member State exporting goods and services to the other EU Member States on the basis of all SMEs in the respective state.

7.5. Share of SMEs importing within the EU
Measured in %. Share of SMEs in the respective Member State importing goods and services from the other EU Member States on the basis of all SMEs in the respective state.
8. SKILLS AND INNOVATION

8.1. SMEs innovating in-house
Measured in %. Share of SMEs (out of the total number of SMEs), which have introduced a new or significantly improved product, service or production process, developed in-house or with the help of other enterprises. This indicator does not include new products, services or processes introduced to the market by one enterprise but developed by other enterprises.

8.2. Innovative SMEs collaborating with other enterprises and organizations
Measured in %. Share of SMEs (out of the total number of SMEs), involved in innovation co-operation. Enterprises with innovation co-operation are the enterprises which have signed some kind of co-operation agreement for innovation activities with other enterprises or institutions. Complex innovations, in particular in the ICT sector, often depend on the ability to draw on diverse sources of information and require good knowledge. They depend also on the ability of the enterprise to co-operate in innovation development. This indicator measures the flow of knowledge between research centers (often public) and the enterprises, and between enterprises and other enterprises.

8.3. SMEs introducing product or process innovations
Measured in %. Share of SMEs (out of the total number of SMEs), which have introduced innovative products, services or processes to the market.

8.4. SMEs introducing organizational/marketing innovation
Measured in %. Share of SMEs (out of the total number of SMEs), which have introduced organizational or marketing innovation to the market.

8.5. Sales in new-to-firm and new-to-market products and services.
Measured in %. Share of turnover of either new (to the firm and/or to the market) or significantly improved products or services of total turnover for all enterprises.

8.6. SMEs participating in EU funded R&D projects
Measured in number of SMEs per 100 000 SMEs, which have participated in R&D projects, funded under the EU framework programmes.

8.7. SMEs selling online
Measured in %. Share of SMEs (only small and medium-sized enterprises, i.e. having from 10 to 249 employees, selling online and generating from such sales at least 1% of their turnover.

8.8. SMEs buying online
Measured in %. Share of SMEs (only small and medium-sized enterprises, i.e. having from 10 to 249 employees, buying online and generating from such sales at least 1% of the value of their orders.

8.9. SMEs carrying out training
Measured in %. Share of all SMEs, from sectors C to K under NACE.BG-2003 (current sectors B to M under NACE.BG-2008), where some kind of vocational training is carried out.

8.10. Participation of employees in educational courses and trainings
Measured in %. Share of employees in micro-enterprises (less than 10 employees) aged between 17 and 84, involved in “lifelong learning”.

9. ENVIRONMENT

9.1. Innovations with environmental benefits.
Measured in %. Share of innovative SMEs (except micro-enterprises) from sectors and sections under NACE.BG-2008 (B, C, D, E, G46, H, J58, J61, J62, J63, K and M71) producing innovations (products, processes, organizational innovations) with benefits for the environment and/or the end user. The benefits for the environment include: reduced carbon footprint (total
quantity of carbon dioxide emissions) of the enterprise, reduced energy consumption per unit of production, reduced cost of materials per unit production, reduced soil, water and air pollution or reduced noise levels, waste minimization, etc. The benefits for the end user include reduced energy consumption, reduced soil, water and air pollution or reduced noise levels, improved recycling of products after use, etc.

9.2. Share of SMEs implementing measures for resource efficiency improvement.
Measured in %. Share of SMEs out of the total number of SMEs which have implemented resource efficiency measures in the past two years.

9.3. Share of SMEs receiving public support for the implementation of resource efficiency improvement measures.
Measured in %. Share of SMEs, which have received public support in the past two years for the implementation of resource efficiency measures.

9.4. Share of SMEs satisfied with the public support in the area of environment.
Measured in %. Share of SMEs, which are satisfied with the level of public support in the area of environment in the past two years.

9.5. Share of SMEs offering “green” products or services.
Measured in %.

9.6. Share of SMEs with turnover above 50% generated by “green” products or services.
Measured in %. Share of SMEs with turnover above 50% generated by “green” products or services for the past fiscal year.

9.7. Share of SMEs receiving public support for the production of their “green” products or services.
Measured in %. Share of SMEs receiving public support in the past two years for the production of their “green” products or services.

9.8. Share of SMEs satisfied with the public support for the production of their “green” products or services.
Measured in %. Share of SMEs satisfied with the public support for the production of their “green” products or services in the past two years.

10. INTERNATIONALIZATION

Measured in US dollars. The cost includes fees for 20-foot container. All fees associated with completing the procedures to import the goods are included. These include costs for documents, administrative costs for customs and technical control, port handling charges and inland transport to the port. The cost does not include customs duties or costs associated with maritime transport. Only officially regulated and reasonable costs are included.

10.2. Time for importing.
Measured in days. Includes the time for obtaining the import documents, inland transport, port handling, customs control.

10.3. Number of documents needed for the importing process.
All documents required for importing the goods. These include documents from ministries, customs authorities, port authorities, health and technical control, banks, etc.

10.4. Cost of exporting.
Measured in US dollars. The cost includes fees for 20-foot container. All fees associated with completing the procedures to export the goods are included. These include costs for documents, administrative costs for customs and technical control, port handling charges and inland transport to the port. The cost does not include customs duties or costs associated with maritime transport. Only officially regulated and reasonable costs are included.
10.5. **Time for exporting.**
Measured in days. Includes the time for obtaining the export documents, inland transport, port handling, customs control.

10.6. **Number of documents needed for the exporting process.**
All documents required for exporting the goods. These include documents from ministries, customs authorities, port authorities, health and technical control, banks, etc.

10.7. **Share of SMEs importing from non-EU countries.**
Measured in %. Share of SMEs out of the total number of SMEs importing from non-EU countries.

10.8. **Share of SMEs exporting to non-EU countries.**
Measured in %. Share of SMEs out of the total number of SMEs exporting from non-EU countries.
ANNEX 2.
REGIONAL SPECIALISATION MAPS

Regional specialization of high-tech industries and high-tech and knowledge-intensive services /MAP/:
Employees in IT – 21 thousand
Employees in CT – 15 thousand
C26 – Computer, communication equipment, optical products
C21 – Pharmaceutical products and preparations
J62 – Information technologies
J63 – Information services
J61 – Telecommunications
Figure 4

Regional specialization of medium high-tech and medium low-tech industries /MAP/:
C20 – Chemistry
C22 – Rubber and plastic products
C23 – Non-metallic products
Regional specialization of low-tech industries

/Map/
C10 – Foods
C13 – Textiles
C14 – Wearing apparel
C15 – Leather and footwear
C16 – Timber
C17 – Paper
C18 – Printing
C31 – Furniture
Figure 6