

MEASURES TO LIMIT THE RISK OF UNEMPLOYMENT IN SMEs DUE TO THE COVID-19 PANDEMIC

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Abstract

The main objective of the paper is to analyze some of the key measures implemented in Bulgaria in order to limit the risk of unemployment in small and medium-sized enterprises (SMEs) due to the COVID-19 pandemic. These measures are aimed at preserving jobs and supporting employment in the SMEs during the crisis. The paper examines the relevant measures in support of employment in some of the most affected sectors of the Bulgarian economy as a result of the pandemic: travel agency and tour operator activities, other activities related to travel and reservations, bus services, hotel and restaurant management, and farmers processing agricultural products. In particular, the paper analyzes the following key measures to reduce unemployment or support employment in SMEs in Bulgaria: 1/ Grants for tour operators, travel agents and operating bus services; 2/ Operation "Employment for You"; 3/ Emergency temporary support for farmers. The research methodology includes theoretical and methodological analysis, comparative study, systematic analysis, inductive and deductive approach, descriptive study and critical analysis. The paper concludes with summarizing the results from the study.

Keywords: SMEs, Measures in support of employment, COVID-19 pandemic, Bulgaria

1. INTRODUCTION

SMEs in Bulgaria have been hit hard by the unprecedented crisis caused by the spread of the coronavirus. In order to overcome the negative effects of the introduction of the state of emergency in March 2020 in the country and the subsequent economic consequences of the crisis, the Ministry of Economy of the Republic of Bulgaria initiated a package of measures to support Bulgarian business.

The main objective of the paper is to analyze some of the key measures implemented in Bulgaria in order to limit the risk of unemployment in small and medium-sized enterprises (SMEs) due to the COVID-19 pandemic. The subject of the study are SMEs in Bulgaria, and the object of the study – the measures taken by the state to reduce unemployment or support employment in Bulgarian SMEs in response to the COVID-19 pandemic.

These measures are as follows: 1/ Grants for SMEs – tour operators, travel agents and operating bus services; 2/ Operation "Employment for You"; 3/ Emergency temporary support for farmers. Given the rapid spread of COVID-19 in the period 2020-2021, the measures adopted by the state in Bulgaria are amended, enriched and are not exhaustive. During the second partial lockdown in Bulgaria in the autumn and winter of 2020, the anti-crisis measures in support of employment in the SMEs taken by the state are much more comprehensive than during the first lockdown in the spring of 2020.

The remainder of the paper is organised as follows. The second section represents a brief overview of Bulgarian SMEs. In the third section the grant measures for SMEs in Bulgaria in response to the COVID-19 pandemic are explained. This section looks at grants for tour operators, travel agents and operating bus services. In the fourth section the main characteristics of the Operation "Employment for You" are explained. In the fifth section the Emergency temporary support for farmers in response to the pandemic is analyzed. Section 6 presents the progress of the anti-crisis procedures implemented by the Ministry of Economy under Operational Programme "Innovation and Competitiveness" (OPIC) to overcome the negative effects of the COVID-19 pandemic on the Bulgarian economy. Finally, the paper ends with a summary of the findings of the study (Section 7).

The study covers the period of the COVID-19 pandemic: March 2020 – end-July 2021. The research methods used in the paper are theoretical and methodological analysis, systematic analysis, comparative approach, inductive and deductive approach, descriptive study and critical analysis.

2. A BRIEF OVERVIEW OF BULGARIAN SMEs

The Small and Medium-sized Enterprises Act (SMEA) regulates the categories of micro, small and medium enterprises in Bulgaria (Small and Medium-sized Enterprises Act, 1999). As provided for by the SMEA, “enterprise” is any natural person or legal entity that carries out economic activity, regardless of its ownership, legal and organizational form (para. 1, subpara. 1 of the Additional Provision to SMEA).

According to the SMEA, the category of **small and medium-sized enterprises (SMEs)** includes enterprises that have: 1/ an average number of staff of less than 250, and 2/ annual turnover, which does not exceed BGN 97,500,000 (EUR 49,850,958), and/or value of the assets, which does not exceed BGN 84,000,000 (EUR 49,850,958). From these enterprises:

1. **Micro enterprises** are those that have: 1/ an average number of staff of less than 10, and 2/ annual turnover not exceeding BGN 3,900,000 (EUR 1,994,038) and/or value of assets not exceeding BGN 3,900,000 (EUR 1,994,038);
2. **Small businesses** are those that have: 1/ an average number of staff of less than 50, and 2/ annual turnover not exceeding BGN 19,500,000 (EUR 9,970,191) and/or value of assets not exceeding BGN 19,500,000 (EUR 9,970,191).

Table 1 presents data on the number of non-financial enterprises in Bulgaria by size in terms of employed in 2019. At the end of 2019, according to National Statistical Institute (NSI) data, there are a total 419,681 enterprises operating in Bulgaria (NSI, 2020b). Of these, 418,922 or 99.82% are SMEs. The largest is the number of micro enterprises, in which the number of employees is up to 9 people (388,980 in total), followed by small enterprises in which between 10 and 49 people are employed (25,204 in total), then by medium-sized enterprises with between 50 and 249 employees (4,738 in total) and the smallest is the number of large enterprises, which employ over 250 people (759 in total) (NSI, 2020b).

Total number of enterprises	Size of enterprises by number of employed in 2019			
	Up to 9	10 – 49	50 - 249	250+
419,681	388,980	25,204	4,738	759

Table 1. Number of non-financial enterprises in Bulgaria by size in terms of employed in 2019

Source: NSI

Table 2 presents data on employed in non-financial enterprises in Bulgaria by size of enterprises in terms of employed in 2019. According to NSI data, at the end of 2019 the total number of employees in enterprises in Bulgaria is over 2.2 million people – more precisely 2,210,488 employed (NSI, 2020a). The largest number of employees is in micro enterprises with up to 9 employees (a total of 691,496 employed). In second place in terms of number of employees are large enterprises with more than 250 employees (a total of 557,618 employed). In third place are small enterprises with a number of employed between 10 and 49 people (a total of 494,071 employed). The lowest number of employees is in medium-sized enterprises with a number of employees between 50 and 249 people (a total of 467,303 employed). A total of 1,652,870 are employed in SMEs in Bulgaria at the end of 2019.

Total number of employees	Size of enterprises by number of employed			
	Up to 9	10 – 49	50 – 249	250+
2,210,488	691,496	494,071	467,303	557,618

Table 2. Number of employed in non-financial enterprises in Bulgaria by size of enterprises in terms of employed in 2019

Source: NSI

The share of employees in SMEs in Bulgaria is 74.77% of all employees in the economy at the end of 2019, according to the NSI. In the non-financial sector in Bulgarian there are 29,942 SMEs with more than 10 employees. The number of micro enterprises with up to 10 employees is significantly higher – 388,980. The Ministry of Economy of the Republic of Bulgaria reports that the SMEs create 65.3% of the gross value added and 75.7% of the jobs in the country in 2018, which is about 10 percentage points (p.p.) more than the EU-average (Ministry of the Economy of the Republic of Bulgaria, 2020).

3. GRANT MEASURES FOR SMEs IN BULGARIA

An important part of the SMEs grant measures is aimed at supporting employment during the pandemic. They are the result of the economic consequences of the complicated epidemic situation in Bulgaria in the period 2020-2021 and the fact that a number of business entities and employers were forced to reduce or completely stop their activities due to the rapidly spreading coronavirus and the imposed social isolation, in order to prevent the transmission of the infection.

The measures in support of employment taken by state in Bulgaria are fully in the context of the European instrument for temporary support to mitigate unemployment risks in an emergency (SURE) (European Commission, 2020c, Council Regulation (EU) 2020/672 of 19 May 2020). This tool supports part-time schemes and other similar measures to help EU Member States to keep jobs and to protect employees and the self-employed from the risk of being laid off or losing their income (European Commission, 2020a).

SURE provides financial support of up to EUR 100 billion in the form of loans from the Union to the affected Member States in order to mitigate the risks of unemployment. SMEs are at the heart of the EU economy. They make up 99% of all businesses in the EU, numbering more than 25 million. They employ about 100 million people, or two out of four employees. SMEs create 85% of all new jobs in the EU in the EU between 2002 and 2010 (European Commission, 2012). According to the European Commission's evaluations, in the past such an approach has proved to be a powerful tool in major economic crises, especially in the recent financial crisis, when it has helped to prevent a more serious impact of the recession and speed up the recovery.

On May 20, 2020, the European Commission published its proposal for specific recommendations of the Council to the EU Member States, including to Bulgaria. There are four recommendations to Bulgaria which take into account the special context of the COVID-19 pandemic and the activation of the general derogation clause within the framework of the Stability and Growth Pact (SGP), as of March 20, 2020 (Council Recommendation of 20 July 2020; Ministry of Finance of the Republic of Bulgaria, 2020, p. 1). Bulgaria is currently in the preventive arm of the Stability and Growth Pact (SGP).

The **specific recommendations made by the Council** to Bulgaria on July 20, 2020, for implementation in 2020-2021 are the following:

- 1) "Take all necessary measures, in line with the general escape clause of the Stability and Growth Pact, to effectively address the COVID-19 pandemic, sustain the economy and support the ensuing recovery. When economic conditions allow, pursue fiscal policies aimed at achieving prudent medium-term fiscal positions and ensuring debt sustainability, while enhancing investment.

Mobilize adequate financial resources to strengthen the resilience, accessibility and capacity of the health system, and ensure a balanced regional distribution of health workers, matching population needs.

- 2) Ensure adequate social protection and essential services for all and strengthen active labour market policies. Improve access to distance working and promote digital skills and equal access to education. Address the shortcomings in the adequacy of the minimum income scheme.
- 3) Streamline and accelerate the procedures to provide effective support to SMEs and self-employed, also ensuring their continued access to finance and flexible payment arrangements. Front-load mature public investment projects and promote private investment to foster the economic recovery. Focus investment on the green and digital transition, in particular on clean and efficient production and use of energy and resources, environmental infrastructure and sustainable transport, contributing to a progressive decarbonization of the economy, including in the coal regions.
- 4) Minimize administrative burden to companies by improving the effectiveness of public administration and reinforcing digital government. Ensure an effective functioning of the insolvency framework. Step up the efforts to ensure adequate risk assessment, mitigation, effective supervision and enforcement of the anti-money-laundering framework” (Council Recommendation, 2020, p. 6).

In implementing these recommendations, various anti-crisis **measures to support employment** are implemented in Bulgaria, such as the following (Ministry of Finance of the Republic of Bulgaria, 2020):

- 1) **Measure** “Support to employment with the European Structural and Investment Funds (ESIFs) in response to COVID-19”. Its purpose is to support enterprises and self-employed persons whose economic activity is directly affected by the adverse effects of the state of emergency introduced in Bulgaria due to coronavirus pandemic. Bulgaria declared a state of emergency on March 11, 2020. The measure “Support to employment with the ESIFs in response to COVID-19” addresses the first specific recommendation of the Council. This measure provides for the implementation of the following **operations** (Ministry of Finance of the Republic of Bulgaria, 2020, p. 2):
 - 1.1. Operation “Short-term employment support in response to the COVID19 pandemic”, which aims to support enterprises and self-employed persons whose economic activity is directly affected by the adverse effects of the state of emergency imposed in the country caused by the coronavirus pandemic COVID-19;
 - 1.2. Operation “Employment for You”, which aims to support reintegration into employment of the unemployed who lost their jobs as a result of the pandemic.
- 2) **Measure** “Support for employers in order to maintain the employment of employees in the conditions of emergency and epidemic situation”. It aims to develop legislative changes for determining the procedure for payment of compensations to employers and for maintaining the employment of workers and employees. This measure addresses the second specific recommendation of the Council (Ministry of Finance of the Republic of Bulgaria, 2020, pp. 3-4).
- 3) **Measure** “Financial instrument “First loss portfolio guarantees for overcoming the consequences of COVID-19”. It aims to facilitate access of enterprises to loans for business activities continuation, including to meet the need for liquidity and/or to overcome financial difficulties due to or aggravated by the pandemic. This measure addresses the third specific recommendation of the Council (Ministry of Finance of the Republic of Bulgaria, 2020, p. 4).
- 4) **Measure** “Grant support for enterprises to overcome the economic consequences of the COVID-19 pandemic”, related to the provision of working capital for Bulgarian SMEs to deal with the negative consequences of the pandemic. This measure also addresses the third specific recommendation of the Council (Ministry of Finance of the Republic of Bulgaria, 2020, p. 4).

The current study is focused on the following **measures to support employment in SMEs** during the COVID-19 pandemic:

- 1) Grants for SMEs – tour operators, travel agents and operating bus services.
- 2) Operation “Employment for You”.
- 3) Emergency temporary support for farmers.

3.1. Grants for SMEs – tour operators, travel agents and operating bus services

The Operational Programme “Innovation and Competitiveness” (OPIC) is the main program document at national level outlining the support for the Bulgarian business from the European Structural and Investment Funds (ESIFs). The funds under the program are aimed at overcoming and limiting the negative socio-economic consequences of the COVID-19 pandemic.

Funds in the amount of about BGN 156 million (EUR 76.76 million) from OPIC have been redirected to the economic sectors most affected by the crisis in Bulgaria. According to the data of the Ministry of Economy of the Republic of Bulgaria, as of December 4, 2020, about BGN 173 million (EUR 88.45 million) in grants have been paid in support of 21,190 micro and small enterprises under OPIC, and at the beginning of 2021 another 6,000 projects have been reviewed, applied for this operational programme. Opportunities have been created for providing additional financial resources from other operational programmes, as well as from the state budget.

The procedure “Improving the production capacity of small and medium enterprises” (BG16RFOP002-2.040) finances companies from certain sectors: “High-tech and medium-high-tech industries”, “Knowledge-intensive services” and “Low-tech and medium-low-tech industrial industries”. As of the end of February 2021, contracts were concluded with 147 enterprises with a total amount of the provided grant of BGN 65,642,460 (EUR 33,562,459).

As concerns **tour operators and travel agents** affected by the economic consequences of the COVID-19 pandemic, the OPIC provides BGN 10 million (around EUR 5.11 million) for grants (European Regional Development Fund, 2021). The procedure is called “Support for SMEs in the tourism sector to overcome the economic consequences of COVID-19 through the implementation of a support scheme by the Ministry of Tourism”. The maximum amount of the grant should not exceed 10% of the turnover realized by the candidate company for 2019, but not more than EUR 200,000. The activities of the supported companies need be continued for at least 3 months after the completion of the Project BG05M9OP001-1.104-001 “Short-term employment support in response to the pandemic of COVID-19” (Employment Agency at the Ministry of Labour and Social Policy of the Republic of Bulgaria, 2020). On December 23, 2020 the first payments under the concluded total of 720 contracts under the procedure were started. On January 5, 2021, the payment of the BGN 10 million (EUR 5.1 million), determined according to the budget of the procedure in support of the enterprises performing tour operator or travel agency activity, was completed.

In mid-December 2020, a decision was made for tour operators and travel agents (about 1,600 in number), who are among the most affected by the crisis, to be supported with a grant of a total of BGN 56 million (EUR 28.6 million). The aid for these companies amounts to 4% of the amount of their declared annual turnover excluding VAT for 2019. The funds are used for priority compensation of losses arising from customers who have given up vouchers, as well as from those withheld by suppliers of services amounts.

In addition to the applied anti-crisis economic measures for providing support to the tourism sector, the initially approved budget under procedure BG16RFOP002-2.010 “Provision of institutional support to the Ministry of Tourism for activities related to increasing the capacity of SMEs in the field of tourism” has been increased by BGN 1 million (EUR 511 291.9). As a result, the budget for the procedure was increased to BGN 10,779,150 (EUR 5,511,291.9).

Grants for SMEs performing **bus transportation** are also provided by the state budget in response to the COVID-19 pandemic. The main goal of this program is to provide new working capital for Bulgarian micro- and SMEs engaged in bus transportation. The implementation of the activities under

this program provides an opportunity to implement short-term assistance to support SMEs operating bus services, in order to maintain their activity and ensure the stability of workplace (European Regional Development Fund, 2021).

On October 2, 2020, contracts were concluded for granting financial support to specific beneficiaries under the procedure “Support for SMEs performing bus transport, to overcome the economic consequences of COVID-19 by implementing a support scheme from the Ministry of Transport, Information Technology and Communications (MTITC)”, whose budget is a total of BGN 30 million (around EUR 15.3 million). This procedure is implemented with the financial support of the EU through the European Regional Development Fund (ERDF). The minimum amount of the grant is BGN 3,000 (EUR 1 533), and the maximum amount of the aid should not exceed 8% of the turnover for 2019, but not more than BGN 450,000 (EUR 230,000).

On October 19, 2020 the procedure was open for application to the bus carriers. By the application deadline – November 10, 2020, a total of 649 applications worth nearly BGN 33.3 million were received. As of January 25, 2021, MTITC has approved for financing 580 applications of bus carriers, at a total value of BGN 29,119,637 (EUR 14,888,634). On January 29, 2021, the amount of BGN 29,119,637 (EUR 14,888,634) was paid to all approved applications in support of micro, small and medium-sized enterprises performing bus transportation.

Also in mid-December 2020, the Bulgarian Industrial Capital Association (BICA) proposed to the government to provide a state financial support in the total amount of BGN 150 million (EUR 76.7 million) for companies in the **aviation industry and other formally unclosed businesses**, but with a large decline in sales revenues caused by the COVID-19 pandemic. Uncovered fixed costs are partially paid to companies that have registered a decline exceeding a certain amount (for example, 40% or 45%) on the basis of the same month of 2019. According to the Bulgarian Industrial Capital Association (BICA), the decline in sales revenue is a more objective criterion than whether enterprise is terminated by an act of a state body, as the same enterprise can perform other activities that have not been stopped and through these activities to realize a smaller and even no decrease in revenue. This financial support is for the last quarter of 2020 (the second wave of the COVID-19 pandemic in Bulgaria). The amount of this financial support, together with the BGN 156 million (EUR 76.7 million) redirected from the OPIC for closed businesses, would bring our country closer to the good European examples in the amount of financial aid provided, relative to GDP.

4. OPERATION “EMPLOYMENT FOR YOU”

Operation “Employment for You” aims to support the reintegration into employment of unemployed people who have lost their jobs as a result of the pandemic (Ministry of Finance of the Republic of Bulgaria, 2020, p. 3). The project BG05M9OP001-1.106 “Employment for you” is implemented by the Employment Agency, as a specific beneficiary of the OP “Human Resources Development” 2014-2020, Priority Axis 1: “Improving access to employment and quality of work places” (Employment Agency at the Ministry of Labour and Social Policy of the Republic of Bulgaria, 2021). This project finances the employment of unemployed people full-time or part-time for up to 3 months, and in order to sustain the measure, the employer is obliged to keep 75% of those employed through the program for a period equal to the period of subsidized employment. The financial resource amounts to BGN 160 million (around EUR 81 million), as BGN 50 million (around EUR 25.6 million) are allocated to support employers in the areas of hotel and restaurant management, travel agency and tour operator activities, as well as other activities related to travel and reservations (Ministry of Tourism of the Republic of Bulgaria, 2020a).

In response to the challenges associated with the rising unemployment in SMEs in Bulgaria due to COVID-19 pandemic, the project provides timely support to employers for hiring unemployed people by providing an employment subsidy. In this way, through this project faster recovery of the economic and production processes in the enterprises can be supported, and on the other hand, prevention of long-term unemployment of the persons registered in the labour offices can be provided (Employment Agency at the Ministry of Labour and Social Policy of the Republic of Bulgaria, 2021).

5. EMERGENCY TEMPORARY SUPPORT FOR FARMERS WITH UP TO BGN 50,000 (EUR 25,564)

In order to target financial support to SMEs that are particularly affected by the crisis caused by COVID-19, the Managing Authority of the Rural Development Programme 2014-2020 has developed a separate sub-measure - 21.3 “Emergency temporary support for small and medium-sized enterprises (SMEs) and recognized producer groups and organizations COVID 3”. The inclusion of the measure is co-financed by the European Agricultural Fund for Rural Development (EAFRD).

On October 26, 2020, the State Fund Agriculture in Bulgaria started accepting applications for support to farmers under this sub-measure, which is by Order № 03-RD/3575 of 19.12.2020 of the Minister of Agriculture, food and water (State Fund Agriculture, 2020b). The COVID 3 sub-measure has a budget of BGN 7,321,096 (EUR 3,743,216) (State Fund Agriculture, 2020a).

Eligible applicants for this sub-measure include micro, small or medium-sized enterprises processing agricultural products listed in Annex I to the Treaty on the Functioning of the European Union or cotton, with the exception of fishery products, as well as groups and organizations of producers who are SMEs and carry out processing, marketing or development of agricultural products. The support is intended for SMEs processing primary agricultural products, which are outside the scope of OPIC 2014-2020.

Support under this sub-measure “21.3 “Emergency temporary support for small and medium-sized enterprises (SMEs) and recognized producer groups and organizations COVID 3” is targeted at SMEs processing the following primary agricultural products: (a) milk and milk products, including poultry eggs, with the exception of the production, processing and/or marketing of products resembling/replacing milk and milk products; (b) meat and meat products; (c) fruit and vegetables, including mushrooms; (d) honey and bee products with the exception of the production, processing and/or marketing of products resembling/replacing honey and bee products; (e) cereals, milling and starch products, excluding the production, processing and/or marketing of bread and pasta; (f) vegetable and animal oils and fats other than the production, processing and / or marketing of olive oil; (g) technical and medicinal crops, including rose oil, herbs and cotton, with the exception of the production, processing and/or marketing of tobacco and tobacco products, sugar and confectionery; (h) ready-to-eat feed for farm animals (feed) (State Fund Agriculture, 2020a). No financial support is provided for activities related to fish and fishery products, grape must, wine and vinegar.

Applicants may receive financial support under this sub-measure up to a maximum of EUR 50,000 if they have a registered decrease in net sales of processed agricultural products of at least 20% for the period March – June 2020 compared to March – June 2019 (lump sum payable on the basis of 5% of the value of declared net income for 2019) or lump sum payable on the basis of employee, equated to the average number of staff for the period March – June 2020, related with the activities for processing of agricultural products from the selected production sectors.

6. ACTIVE AND COMPLETED PROCEDURES

The Ministry of Economy of the Republic of Bulgaria regularly publishes information on its website for the progress of the anti-crisis economic measures implemented by the ministry under Operational Programme “Innovation and Competitiveness” (OPIC) to overcome the negative effects of the COVID-19 pandemic on the Bulgarian economy.

Table 3 presents the procedures active as of July 30, 2021, implemented by the Ministry of Economy of the Republic of Bulgaria under OPIC to overcome the negative effects of the COVID-19 pandemic on the Bulgarian economy.

No	Procedure	Support for	Budget for the procedure /BGN million/	Number of concluded administrative contracts	Disbursed funds /BGN/	Status
1	BG16RFOP002-2.077 „Support for medium-sized enterprises to overcome the economic consequences of the COVID-19 pandemic”	Medium-sized enterprises	BGN 235 million (EUR 120.1 million)	1 550 contracts (for BGN 213 million) (EUR 108.9 million)	Disbursed: BGN 123 million (EUR 62.9 million) for 888 contracts Approved, payment pending: BGN 17 million (EUR 8.7 million) for 122 contracts In the process of consideration: 540 final reports for BGN 73 million (EUR 37.3 million)	In the process of reviewing and approving final reports.
2	BG16RFOP002-2.089 „Support for small enterprises with a turnover of over BGN 500,000 to overcome the economic consequences of the COVID-19 pandemic”	small enterprises with a turnover of over BGN 500,000 for 2019	BGN 78 million (EUR 39.9 million)	n/a	n/a	The results of the evaluation of the procedure have been published, with a total of 1 555 project proposals have been approved for funding, with a total grant amount of: BGN 77,750,000 (EUR 39,752,943.76). The approved candidates – 1 555 , after official inspections by the Ministry of Finance, the National Revenue Agency and the Ministry of Justice, are invited to present evidence that they meet the requirements for a beneficiary, including the rules in the Conditions for application. The documents from the candidates are expected to be submitted to the Managing Authority of OPIC by the end of August 2021. The rejected applicants, to whom the grant award procedure has not been terminated, have been issued Decisions for refusal to grant, which have been sent through the Information system for management and monitoring of EU funds in Bulgaria 2020.
3	BG16RFOP002-2.101 „ Working capital support for SMEs affected by temporary anti-epidemic measures II” (Phase III)	micro, small and medium-sized enterprises suspended or restricted their activities as a result of orders of the Minister of Health to introduce restrictive anti-epidemic measures	BGN 55 million (EUR 28.1 million)	2 758 applications submitted under Phase III	Disbursed: BGN 11,1 million (EUR 5.67 million) for 2 194 companies	The third phase of the program is related to the extension of the working capital support to the companies with discontinued activities or sites for the periods from March 22, 2021 to April 30, 2021. From 02.07.2021 the payments to the companies have started.
4	“ Recovery ” Program in support of business through guarantees from the Fund of Funds The terms of the guarantee provide for loans to be granted in a short period of time, with minimal administrative burden and without the need for collateral.	Aims to facilitate access to credits for business recovery following the phasing out of the COVID-19 pandemic measures.			n/a	The product is offered in Tokuda Bank, First Investment Bank, Raiffeisenbank, Postbank, UBB and DSK Bank , and negotiations are underway with Unicredit Bulbank. As of July 27, 2021, 53 loans with a total value of approximately BGN 21 million (EUR 10,737,129.5) have been agreed. 181 loans with a total value of BGN 184 million (EUR 94,077,706.1) are under consideration.

Table 2. Procedures active as of July 30, 2021

Source: Ministry of Economy of the Republic of Bulgaria, 2021

As of July 30, 2021, the completed procedures for overcoming the negative effects of the pandemic on the Bulgarian economy are the following (Ministry of Economy of the Republic of Bulgaria, 2021):

1. BG16RFOP002-2.073 “Support for micro and small enterprises to overcome the economic consequences of the COVID-19 pandemic”:

- As of the end of May 2021 the disbursed funds amount to BGN 191.5 million (EUR 97.9 million) for 23,575 contracts.

2. BG16RFOP002-2.079 “Support for SMEs operating bus services to overcome the economic consequences of COVID-19 through the implementation of a support scheme by the Ministry of Transport, Information Technology and Communications (MTITC)”. Pursuant to an concluded administrative contract, MTITC has announced a support scheme BG16RFOP002-2.091 “Support for SMEs operating bus services to overcome the economic consequences of the COVID-19 pandemic”:

- On January 29, 2021, BGN 29.1 million (EUR 14.88 million) were paid to all approved 580 applications in support of micro, small and medium enterprises performing bus transportation.

3. BG16RFOP002-2.080 “Support for SMEs in the tourism sector to overcome the economic consequences of COVID-19 through the implementation of a support scheme by the Ministry of Tourism (MT)”:

- On 05.01.2021 the payment of BGN 10 million (EUR 5.11 million) in support of 720 enterprises performing tour operator or travel agency activity was completed.

4. BG16RFOP002-2.094 “Support through working capital for SMEs affected by temporary anti-epidemic measures through the implementation of a support scheme by the National Revenue Agency (NRA)” – in pursuance of the concluded administrative contract NRA announced a support scheme BG16RFOP002-2.095 “Support through working capital for SMEs affected by the temporary anti-epidemic measures” under which the submitted applications were 8,184, and the disbursed funds amounted to about BGN 120 million (EUR 61.3 million) for over 6,850 companies in the first two phases.

5. In addition to the applied anti-crisis measures for providing support for the tourism sector, the initially approved budget under procedure BG16RFOP002-2.010 “Provision of institutional support to the Ministry of Tourism for activities related to increasing the capacity of SMEs in the field of tourism” has been increased by BGN 1 million (EUR 0.51 million)”. As a result, the budget for the procedure was increased to BGN 11 million (EUR 5.62 million).

6. Financial instrument “First loss portfolio guarantees for overcoming the consequences of COVID-19” with a total budget of EUR 85 million (BGN 166.2 million). This guarantee instrument provides for credit risk coverage of individual loans up to 80%.

7. CONCLUSIONS

SMEs are at the heart of the Bulgarian economy. They make up 99.82% of all businesses in Bulgaria, numbering more than 419 thousand. They employ more than 1.6 million people.

The analysis made in the paper shows that the measures taken by the Bulgarian state to limit the risk of unemployment in SMEs in response to COVID-19 lead to concrete results. In response to the specific recommendations of the Council and in accordance with the National Reform Programme of Bulgaria for 2020 and the Convergence Programme of Bulgaria for 2020 – 2023, in 2021 the Bulgarian government has taken new and updated the previously introduced measures to overcome the negative effects of COVID-19.

Currently, 4 procedures undertaken by the Ministry of Economy of the Republic of Bulgaria under OPIC to overcome the negative effects of the pandemic on the Bulgarian economy, are active: 1/ „Support for medium-sized enterprises to overcome the economic consequences of the COVID-19 pandemic”; 2/ „Support for small enterprises with a turnover of over BGN 500,000 to overcome the

economic consequences of the COVID-19 pandemic”; 3/ „Working capital support for SMEs affected by temporary anti-epidemic measures II” (Phase III); 4/ “Recovery” Program in support of business through guarantees from the Fund of Funds. Under the currently active procedures, funds in the total amount of BGN 134.1 million (EUR 68.6 million) have been disbursed up to now.

At the end of July 2021, the following 6 procedures for overcoming the negative consequences of COVID-19 were completed: 1/ “Support for micro and small enterprises to overcome the economic consequences of the COVID-19 pandemic”; 2/ “Support for SMEs operating bus services to overcome the economic consequences of COVID-19 through the implementation of a support scheme by the Ministry of Transport, Information Technology and Communications (MTITC)”; 3/ “Support for SMEs in the tourism sector to overcome the economic consequences of COVID-19 through the implementation of a support scheme by the Ministry of Tourism (MT)”; 4/ “Support through working capital for SMEs affected by temporary anti-epidemic measures through the implementation of a support scheme by the National Revenue Agency (NRA)”; 5/ “Provision of institutional support to the Ministry of Tourism for activities related to increasing the capacity of SMEs in the field of tourism”; 6/ Financial instrument “First loss portfolio guarantees for overcoming the consequences of COVID-19”. The funds disbursed under the first three completed procedures for overcoming the negative consequences of COVID-19 amount to a total of BGN 350.6 million (EUR 179.2 million). For some of the completed procedures the funds were disbursed in January 2021, for others – in May 2021.

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