

NEW PROGRAMS IN SUPPORT OF SMEs IN BULGARIA IN RESPONSE TO THE CORONAVIRUS CRISIS

Silvia T. Trifonova

University of National and World Economy (UNWE), Faculty of Finance and Accounting, Sofia 1700, Studentski Grad "Hr. Botev", Blvd. "8 December", Bulgaria

Abstract

The main objective of the paper is to analyze the new programs in support of small and medium-sized enterprises (SMEs) in Bulgaria in response to the coronavirus pandemic in 2020-2021. These programs are mainly aimed at supporting employment in SMEs. The study examines the following main programs in support of SMEs in Bulgaria: 1/ Measure "60/40" to maintain employment and measure "80/20"; 2/ Measure to maintain employment in the following economic sectors "Accommodation and food service activities", "Transportation and storage" and "Tourism"; 3/ Grants for SMEs, including for micro- and small enterprises and for medium-sized enterprises. 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 to support employment, COVID-19 pandemic, Bulgaria

1. INTRODUCTION

The outbreak of COVID-19 had a huge and devastating impact on the economy of every EU Member State, including and on the Bulgarian economy. The main objective of the paper is to analyze the new programs in support of small and medium-sized enterprises (SMEs) in Bulgaria in response to the coronavirus pandemic in the period 2020-2021. The subject of the study are SMEs in Bulgaria, and the object of the study – the new programs undertaken by the state in support of Bulgarian SMEs to overcome the negative effects of the COVID-19 pandemic. These new programs are as follows: 1/ Measure "60/40" to maintain employment and measure "80/20"; 2/ Measure to maintain employment in the following economic sectors "Transportation and storage", "Transportation and storage" and "Tourism"; 3/ Grants for SMEs, including grants for micro- and small enterprises and grants for medium-sized enterprises. Given the rapid spread of COVID-19 in the period 2020-2021, the programs adopted by the Bulgarian state are amended, enriched and are not exhaustive.

The remainder of the paper is organised as follows. Section 2 analyzes the number and employees in Bulgarian SMEs. Section 3 analyzes the measure "60/40" to support employment and the measure "80/20". In the fourth section the state measure to maintain employment in the sectors "Accommodation and food service activities", "Transportation and storage", and "Tourism" is examined. Section 5 examines the grant measures for SMEs in Bulgaria in response to the COVID-19 pandemic. Here, grants are differentiated according to whether they apply to micro and small enterprises or medium-sized enterprises. Finally, the paper ends with a summary of the findings of the study (Section 6).

The study covers the period of the COVID-19 pandemic: March 2020 – end-July 2021. However, the descriptive analysis of Bulgarian SMEs is at the end of 2019. The latest published (on November 30, 2020) data from the National Statistical Institute (NSI) are for the end of 2019. 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. ANALYSIS OF THE NUMBER AND EMPLOYEES IN BULGARIAN SMEs

This analysis is based on NSI data on the number of non-financial enterprises in Bulgaria and on the number of persons, employed in these enterprises by size in terms of employed and economic activity groupings – NACE.BG 2008 (A21) in 2019.

At the end of 2019, according to NSI data, there are a total 419,681 enterprises operating in Bulgaria (NSI, 2020b). According to the Small and Medium-sized Enterprises Act, SMEs mean 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, 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 1,994,038.34) and/or value of assets not exceeding BGN 3,900,000 (EUR 1,994,038.34). 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 9,970,191.68) and/or value of assets not exceeding BGN 19,500,000 (EUR 9,970,191.68).

Table 1 presents data on the number of non-financial enterprises in Bulgaria by size in terms of employed and economic activity groupings – NACE.BG 2008 (A21) in 2019. It is noteworthy that the highest share belongs to enterprises operating in the sector “Wholesale and retail trade; repair of motor vehicles and motorcycles” – 34.2%. They count in total 143,555 enterprises. By number, in second place are enterprises in the sector “Professional, scientific and technical activities” – 48,129 in total (or 11.5% of all enterprises). The enterprises in the sector “Manufacturing” are in third place (31,601 in total or 7.53% of all enterprises). They are followed by the enterprises in sector “Accommodation and food service activities” (27,473 in total or 6.5% of all enterprises). Conversely, the enterprises operating in the sector “Mining and quarrying” have the lowest share (0.08%) among all enterprises in the country. They count in total 343 at the end of 2019.

Economic activity groupings	2019				
	Total	Size of enterprises by number of employed			
		Up to 9	10 – 49	50 – 249	250+
Total	419,681	388,980	25,204	4,738	759
Agriculture, forestry and fishing	19,265	17,537	1,591	126	11
Mining and quarrying	343	228	75	30	10
Manufacturing	31,601	24,436	5,290	1,595	280
Electricity, gas, steam and air conditioning supply	1,820	1,689	93	21	17
Water supply; sewerage, waste management and remediation activities	843	583	160	62	38
Construction	21,580	18,490	2,540	513	37
Wholesale and retail trade; repair of motor vehicles and motorcycles	143,555	136,158	6,506	806	85
Transportation and storage	23,304	21,210	1,773	274	47
Accommodation and food service activities	27,473	24,717	2,411	325	20
Information and communication	15,375	14,068	1,010	248	49
Real estate activities	25,083	24,596	449	..	..
Professional, scientific and technical activities	48,129	46,897	1,081	132	19
Administrative and support service	12,200	10,991	901	246	62
Education	4,236	4,050	159	..	..

Human health and social work activities	14,281	13,324	674	212	71
Arts, entertainment and recreation	6,574	6,191	298	76	9
Other service activities	24,019	23,815	193	11	-

'..' Confidential data '-' No case registered

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

Source: NSI

If only SMEs are considered, the following conclusions can be drawn:

- At the end of 2019 in Bulgaria there are **418,922 SMEs in total**, which occupy **99.82% of all enterprises in the economy**.
- Fig. 1 shows that the largest is the number of micro enterprises in the country – a total of 388,980 at the end of 2019. They account for 92.68% of all enterprises and 92.85% of all SMEs in Bulgaria.
- In second place in terms of number and share are the small enterprises in the country. They are 25,204 in total at the end of 2019. They form 6% of all enterprises and 6.02% of all SMEs in Bulgaria. It is clear that there is a huge difference between the number of micro enterprises and the number of small and medium-sized enterprises (Fig. 1).
- In third place in terms of number and share are the medium-sized enterprises in Bulgaria. They are 4,738 in total at the end of 2019. They form 1.13% of all enterprises and of all SMEs in Bulgaria.
- The largest number of SMEs is reported in the sector “Wholesale and retail trade; repair of motor vehicles and motorcycles” (Fig. 1). They number a total of 143,470 and occupy 34.2% of all SMEs in the country (which is the highest share) at the end of 2019.
- In contrast, the smallest number of SMEs in Bulgaria is reported in the sector “Mining and quarrying” – a total of 333 SMEs at the end of 2019. They form a negligibly low share of all SMEs in the country – less than 1% (i.e. 0.079%).
- In total, more than 30,000 SMEs operate in the sector “Manufacturing” in Bulgaria at end-2019 (more precisely 31,321 SMEs).
- A total of between 20,000 and 30,000 SMEs operate in the sectors “Construction” (21,543 SMEs), “Transportation and storage” (23,257 SMEs), “Other service activities” (24,019 SMEs), “Real estate activities” (25,045 SMEs) and “Accommodation and food service activities” (27,453 SMEs) at the end of 2019 in Bulgaria.
- In the range between 10,000 and 20,000 SMEs in total operate in the sectors “Administrative and support service” (12,138 SMEs), “Human health and social work activities” (14,210 SMEs), “Information and communication” (15,326 SMEs) and “Agriculture, forestry and fishing” (19,254 SMEs) at end-2019 in Bulgaria.
- A total of between 1,000 and 10,000 SMEs operate in the sectors “Electricity, gas, steam and air conditioning supply” (1,803 SMEs), “Education” (4,209 SMEs), “Arts, entertainment and recreation” (6,565 SMEs) at the end of 2019.
- Less than a total of 1,000 SMEs operate in the sectors “Water supply; sewerage, waste management and remediation activities” (805 SMEs) and “Mining and quarrying” (333 SMEs) at the end of 2019 in Bulgaria.

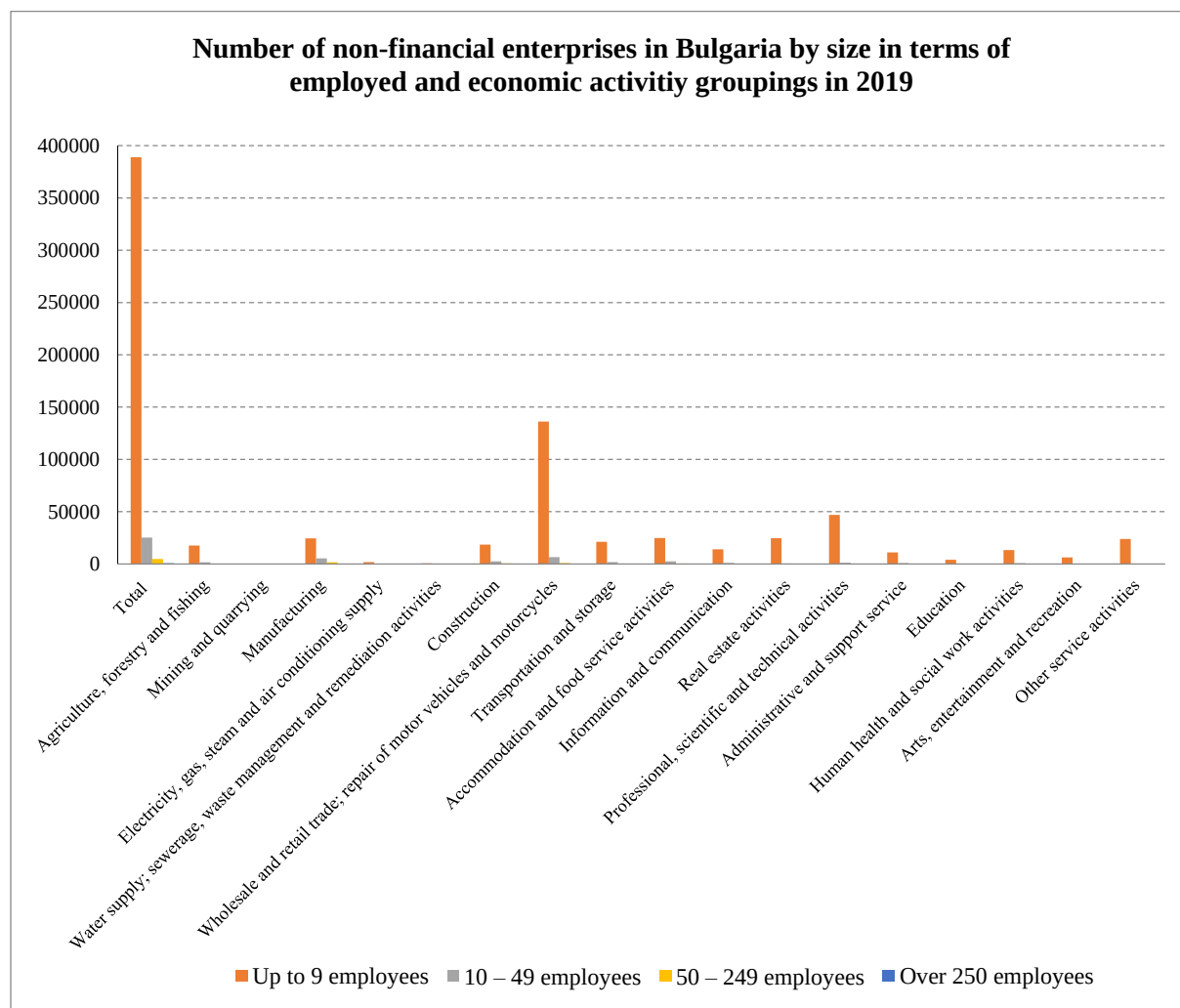


Fig. 1. Number of non-financial enterprises in Bulgaria by size in terms of employed and economic activity groupings in 2019

Source: NSI

Table 2 presents data on the number of employed in non-financial enterprises in Bulgaria by size of enterprises in terms of employed and economic activity groupings – NACE.BG 2008 (A21) in 2019. According to NSI data, at the end of 2019 the total number of employees in enterprises in Bulgaria is 2,210,488 people (NSI, 2020a).

It follows from Table 2 that the largest share of employees is in micro enterprises – 31.28% of employees in all enterprises in the country at the end of 2019. It is noteworthy that in second place in terms of number of employees are large enterprises. The employees in them are a total of 557,618 or 25.23% of the employees in all enterprises in the country. The share of employees in small enterprises is 22.35% of employees in all enterprises in Bulgaria. The medium-sized enterprises employ 21.14% of the employed in all enterprises in the country.

Those employed in sector “Manufacturing” are the most numerous – 529,865 employees (or 23.97% of the employees in all enterprises in the country). A total of 339,221 people are employed in SMEs in this sector (20.5% of those employed in all SMEs in the country). The number of employees in enterprises in the sector “Wholesale and retail trade; repair of motor vehicles and motorcycles” is slightly lower (a total of 498,045 employees or 22.53% of the employees in all enterprises in the country). The smallest number are employed in the sector “Education” – a total of 12,384 people at end-2019 (or less than 1% of employees in all enterprises in the country – 0.56%).

Economic activity groupings	2019				
	Total	Size of enterprises by number of employed			
		Up to 9	10 – 49	50 – 249	250+
Total	2,210,488	691,496	494,071	467,303	557,618
Agriculture, forestry and fishing	84,678	34,060	29,368	10,240	11,010
Mining and quarrying	19,022	468	1,599	3,477	13,478
Manufacturing	529,865	59,914	114,581	164,726	190,644
Electricity, gas, steam and air conditioning supply	31,234	2,256	1,713	1,969	25,296
Water supply; sewerage, waste management and remediation activities	32,365	1,343	3,612	6,870	20,540
Construction	149,229	38,816	50,153	45,429	14,831
Wholesale and retail trade; repair of motor vehicles and motorcycles	498,045	239,749	122,718	74,891	60,687
Transportation and storage	166,767	45,639	32,990	27,337	60,801
Accommodation and food service activities	140,879	55,222	44,630	30,926	10,101
Information and communication	112,415	22,648	20,356	26,910	42,501
Real estate activities	38,287	26,245	7,978	..	..
Professional, scientific and technical activities	112,683	70,529	19,175	12,276	10,703
Administrative and support service	109,272	18,222	19,129	25,268	46,653
Education	12,384	7,051	3,010	..	..
Human health and social work activities	107,797	25,344	13,715	23,519	45,219
Arts, entertainment and recreation	26,795	9,446	6,148	7,378	3,823
Other service activities	38,771	34,544	3,196	1,031	-

'..' Confidential data '-' No case registered

Table 2. Employed in non-financial enterprises in Bulgaria by size of enterprises in terms of employed and economic activity groupings in 2019

Source: NSI

If only SMEs are considered, the following conclusions about employment in SMEs in Bulgaria can be drawn:

- **A total of 1,652,870 are employed in SMEs** at the end of 2019, which is **74.77% of all employees in non-financial enterprises in the country.**
- The largest share of employees is in micro enterprises – 41.84% of employees in SMEs in the country at end-2019. The share of employees in small enterprises is 29.89% of employees in SMEs in the country. The medium-sized enterprises employ 28.27% of the employed in SMEs in the country.
- The largest number are employed in SMEs in the sector “Wholesale and retail trade; repair of motor vehicles and motorcycles” (437,358 in total) at end-2019 (Fig. 2). They form 26.46% of the employed in all SMEs in the country.
- It is noteworthy that this trend is at odds with the above-mentioned fact that at the end of 2019 the number of employed in the largest in enterprises in sector “Manufacturing”. The reason is that

there is a large number of employees in large enterprises in the manufacturing sector (190,644 in total).

- The smallest number are employed in SMEs in the sector “Mining and quarrying” (5,544 in total) at end-2019 (Fig. 2). They form only 0.33% of the employed in all SMEs in the country.
- The situation is similar with the number of employees in the sector “Electricity, gas, steam and air conditioning supply” (which are total 5,938) at end-2019. They occupy only 0.35% of all employees in SMEs in the country.
- Micro enterprises employ the largest number and share of all employees in SMEs in the country (respectively, 691,496 employees or 41.83% of all employees in SMEs).
- The employees in the small enterprises are a total of 494,071 or 29.89% of all employees in SMEs in the country at end-2019.
- The total number of employees in medium-sized enterprises is 467,303 or 28.27% of all employees in SMEs in the country at the end of 2019.

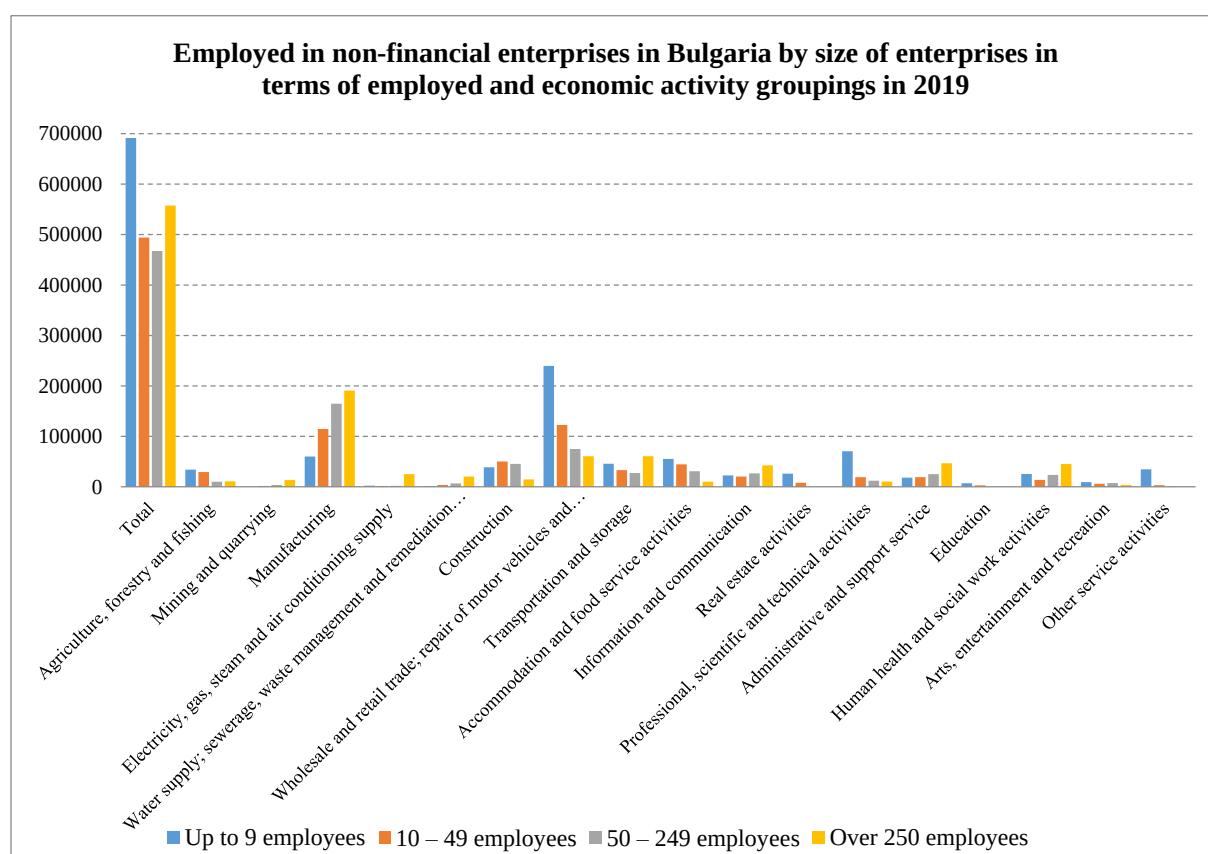


Fig. 2. Employed in non-financial enterprises in Bulgaria by size of enterprises in terms of employed and economic activity groupings in 2019

Source: NSI

3. MEASURE "60/40" TO MAINTAIN EMPLOYMENT AND MEASURE "80/20"

The measure “60/40” is the most popular measure in Bulgaria in support of employment during the COVID-19 pandemic. It is aimed at helping to preserve jobs in Bulgarian enterprises affected by the pandemic and the introduced state of emergency in the country in March 2020. It is considered as an active measure and a tool for subsidized employment, as it is introduced to support the level of

existing employment of employees. In comparison, passive measures are those that are associated with payment of unemployment benefits, which, however, does not compensate for the lost job. In reality, however, passive measures can stimulate the job search from the unemployed, as they have the choice to remain so for the period of receiving the benefit.

Measure “60/40” has been implemented in several stages so far.

The introduction of measure “60/40” is based on Decree № 55 of the Council of Ministers as of March 30, 2020 (Council of Ministers of the Republic of Bulgaria, 2020a). This decree was adopted on the grounds of § 6, para. 1 of the transitional and final provisions of the Law on Measures and Actions during the State of Emergency, announced by a decision of the National Assembly of March 13, 2020, and on the consequences. The criteria and the procedure for applying for the measure “60/40” for stimulating the maintenance of employment in the state of emergency are regulated in Decree № 55/30.03.2020 (Council of Ministers of the Republic of Bulgaria, 2020a).

Under the framework of this measure, employers can apply to keep the employment of their employees in the Employment Agency at the Ministry of Labour and Social Policy of the Republic of Bulgaria according to the Decree № 55/2020 of the Council of Ministers. A compensation in order to maintain the employment of employees in the enterprise can be paid to an employer who: 1/ has suspended the functioning of the enterprise or part of the enterprise due to the state of emergency in the country and due to issued order by a state body; 2/ at its own discretion has suspended the work of the enterprise, of a part of the enterprise or of individual workers and employees; 3/ has established part-time work in the enterprise or in its unit.

The compensations in all these three cases are paid for the whole period or for a part of the state of emergency, but for not more than 3 months (Employment Agency at the Ministry of Labour and Social Policy of the Republic of Bulgaria, 2020a). They amount to 60% of the amount of the insurance income of the employees for January 2020 and of the due insurance contributions at the expense of the employer of each employee to whom the above regime has been applied, and to whom the employment will be kept for an additional period equal to the period for which compensation is paid. In the case of established part-time work, the compensation is paid in proportion to the time not worked, but for no more than 4 hours a day.

Employers receiving compensation for discontinued work should not allow the affected employees to work either at home (home work or teleworking) or to work in the company their own or other work. If, in the meantime, the company starts work or switches from part-time to full-time work, the payment of these compensations is suspended. The employer should keep the employment of the employees for whom he receives compensation for as long as he/she receives it, as well as for the same period after the state of emergency. The employer must also not resort to dismissal under Art. 328, para 1, items 2, 3 and 4 of the Labour Code, in the enterprise, while taking advantage of the “60/40” measure. Employers – domestic natural or legal persons, as well as foreign legal entities carrying out economic activity in Bulgaria apply for payment of compensations under this measure. They must claim payment of compensation for employees provided in economic activities specified in the Decree № 55/2020 of the Council of Ministers according to the economic activity groupings (classification of economic activities) – NACE.BG 2008 (A21).

Empirical evidence suggests that the largest decrease in employment during the pandemic is reported in the following sectors in Bulgaria: “Wholesale and retail trade; repair of motor vehicles and motorcycles”, “Transportation and storage”, “Accommodation and food service activities”, “Mining and quarrying”, “Electricity, gas, steam and air conditioning supply”, “Water supply; sewerage, waste management and remediation activities”, “Agriculture, forestry and fishing”.

According to the Bulgarian Industrial Association (BIA), at the beginning of June 2020, the submitted applications for support under the measure “60/40” are a slightly over 15 thousand for nearly 260 thousand employees. The state has paid only BGN 73 million (around EUR 37 million) to nearly 11,000 employers (i.e. only about 3% of the planned BGN 1 billion (around EUR 511 million) to preserve 170 thousand jobs (with a total of 2.25 million jobs).

Since July 2020, several extensions of the measure “60/40” have been undertaken in Bulgaria. Pursuant to Decree № 151/03.07.2020 of the Council of Ministers, the continuation of the measure to keep jobs after the state of emergency in the country for the period July – September 2020 – known as the second measure “60/40”, is regulated. This decree was subsequently amended by Decree № 278/12.10.2020 of the Council of Ministers. The measure continued to apply from October 1, 2020 for the next 3 months to December 31, 2020 (Employment Agency at the Ministry of Labour and Social Policy of the Republic of Bulgaria, 2020b).

In accordance with the Decree № 278 of the Council of Ministers, it was decided to apply the measure “60/40” at least until the end of 2020. The regulated state support for the third stage of the measure was intended for employers from almost all economic sectors in Bulgaria and again amounted to 60% of the insurance income of employees for August 2020. The expected effect of the measure is to save about 200 thousand jobs. The Unemployment Fund of the State Social Insurance provided the necessary funds in the amount of around BGN 750 million (Employment Agency at the Ministry of Labour and Social Policy of the Republic of Bulgaria, 2020e).

With the Decree № 416/30.12.2020 of the Council of Ministers the financial support under the popular measure “60/40” has been extended, as for a period of up to 3 months, as of January 1 to March 31, 2021, to employers from almost all sectors of the economy are provided funds amounting to 60% of the insurance income of their employees for the month of October 2020 (Employment Agency at the Ministry of Labour and Social Policy of the Republic of Bulgaria, 2020c).

With the Decree № 93/18.03.2021 of the Council of Ministers extended the period for providing financial support under the measure “60/40” until May 31, 2021. The payment of these funds is made on the basis of a submitted current list of employees for the previous month.

For employers and self-employed persons in the sectors “Accommodation and food service activities” and “Travel agency and operator activities; other activities related to travel and reservations”, the support can be in a proportion “80/20”, if, in addition to the funds provided under the Decree № 151/2020 of the Council of Ministers (or measure “60/40”), they also apply for compensation under the procedure of the Project “Short-term employment support in response to the COVID-19 pandemic” (Decree № 429/2020 of the Council of Ministers laying down the terms and conditions for the payment of compensation to self-employed persons and employers in order to maintain the employment of employees in enterprises directly affected by the state of emergency).

With Decision № 982/31.12.2020 of the Council of Ministers the period for payment of compensations under this project is extended. Thus, the enterprises directly affected by the state of emergency in Bulgaria can keep the jobs of their employees, taking advantage of the new period for payment of compensation, which is 01.07.2020 – 31.03.2021. A simplified package of documents is provided for employers who have been approved to participate in the previous period and who may extend the period for receiving the relevant financial support under the two measures “60/40” and “80/20”. Under both measures, employers who were approved to participate in the previous period may extend the deadline for receiving the relevant financial support by applying with the simplified package of documents.

In February 2021, the adoption of documents on the measures for maintaining employment “60/40” and “80/20” for 2021 began. Employers who meet the eligibility criteria but have not yet taken advantage of the opportunities offered by the two measures may submit documents under the new conditions under each of them. By the Decision № 429/26.06.2020 of the Council of Ministers, amended with Decree № 982/2020 of the Council of Ministers, documents can be submitted for the whole period 01.07.2020 – 31.03.2020, and under measure “60/40”, regulated by Decree № 151/2020 of the Council of Ministers, as amended by Decree № 416/2020 of the Council of Ministers, the period for which can apply, is January 1, 2021 – March 31, 2021 (Employment Agency at the Ministry of Labour and Social Policy of the Republic of Bulgaria 2021b).

In addition to the positive aspects, the measure “60/40” also faces a number of criticisms, namely: the measure cannot stop the growth of unemployment in the country; during the restrictions due to the COVID-19 pandemic, employers have been more likely to lay off people than to take advantage of

government incentives to keep jobs; the measure is difficult to implement, it has a complex evidentiary process; the preparation of documents requires a lot of time, etc. (Radev, 2020a, 2020b).

By December 2020, BGN 23 million (EUR 11.76 million) have been paid under the measure “80/20” and a total of 24,858 jobs have been saved. In February 2021, the government announced that the measure “80/20” would be extended from April 2021.

Currently, the Employment Agency at the Ministry of Labour and Social Policy of the Republic of Bulgaria has launched application procedure for employers under the measure “60/40”. Amendments to Decree № 151/2020 of the Council of Ministers have been adopted, which determine the conditions and procedure for obtaining funds for job retention in the economic activities affected by COVID-19. The decree enters into force on June 1, 2021.

The payment of funds for maintaining the employment of employees after the state of emergency will continue for the months of June and July 2021 (Employment Agency at the Ministry of Labour and Social Policy of the Republic of Bulgaria, 2021a). Thus, the employers will receive funds from the state to maintain the employment of employees until July 31, 2021.

Funds will continue to be paid for employees who during the period from March 13 to December 31, 2020 have worked part-time, have used leave under Art. 173a of the Labour Code or their work has been suspended due to introduced temporary restrictions on activity. They should have been in an employment relationship with the employer before January 1, 2021.

During the period June – July 2021, the maintenance of employment in enterprises is supported – the enterprises should be engaged in economic activity in the sectors specified in Decree № 151/2020 of the Council of Ministers. The average monthly sales revenues of enterprises in 2020 should have decreased compared to 2019. The regulated support for this new stage of the measure “60/40” is already determined on the basis of the insurance income of the employees for April 2021. It is maintained at the rate of 60% of the income and social security contributions of each employee in enterprises whose sales revenues have decreased by not less than 40% in the month for which the support is granted compared to the same month in 2019 (Employment Agency at the Ministry of Labour and Social Policy of the Republic of Bulgaria, 2021).

This means that the enterprises established before June 1, 2019, are able to receive from the state 60% of the insurance income of the employees for April 2021 and of the social security contributions at the expense of the employer. In order to have this right, their sales revenues during the month for which they apply for compensation must have decreased by not less than 40% compared to the same month of 2019. Financial support of 50% is provided to maintain the employment of employees in enterprises whose sales revenues during the compared periods decreased by not less than 30%. Or in case that the decline is not less than 30%, the support from the state is 50% of the insurance income for April 2021 and of the social security contributions at the expense of the employer.

For those enterprises established after June 1, 2019, the decline in revenues for the month for which they apply is determined compared to the average monthly revenues for 2020. In other words, employers established after June 1, 2019, are entitled to funds of 60% of the insurance income of employees for April 2021 and of the social security contributions at the expense of the employer, if their average monthly revenues in the month for which they apply for support are decreased by not less than 40% compared to the average monthly revenues for 2020. Given that the decrease is not less than 30%, the state will support them with 50% of the insurance income for April 2021 and the social security contributions at the expense of the employer.

The funds under the current design of the measure “60/40” are paid monthly, and the submission of documents is allowed only within the month following the past month for which the application is made. Employers wishing to receive support for both months can apply consecutively, using the same forms and sample documents for both months.

The companies that have received funds for maintaining the employment of the employees from the groups described in the decree are obliged to pay remuneration in the amount not less than the amount of the insurance income for April 2021 and to pay the due social security contributions for the

respective month. The funds are transferred to the respective employer by bank transfer from the National Social Security Institute.

4. MEASURE TO MAINTAIN EMPLOYMENT IN THE ECONOMIC SECTORS “ACCOMMODATION AND FOOD SERVICE ACTIVITIES”, “TRANSPORTATION AND STORAGE” AND “TOURISM”

In June 2020, the government changed the measure “60/40” to “80/20” with the so-called measure “290” for several businesses. Employers and self-employed in the sectors “Accommodation and food service activities” (in short hotels and restaurants), “Transportation and storage” and “Tourism”, whose revenues have decreased by not less than 20% for a certain period, will be able to receive compensation in the amount of BGN 290 per month (EUR 148.27) for maintaining the employment of employees.

This measure aims to provide financial support to enterprises and self-insured persons whose economic activity is directly affected by the adverse effects of the state of emergency in Bulgaria. It provides a compensation for part of the salary and the due tax and social security contributions at the expense of the insurer and the insured person in the amount of BGN 290 (EUR 148.27) per month for a maximum of 6 months.

This measure is regulated by Decision № 429/26.06.2020 of the Council of Ministers Decision on determining the terms and conditions for payment of compensations to self-insured persons and employers in order to maintain the employment of employees in enterprises directly affected by the state of emergency, announced by a decision of the National Assembly of March 13, 2020 (Ministry of Tourism of the Republic of Bulgaria, 2020a).

This measure is implemented under Project BG05M9OP001-1.104-001 “Short-term employment support in response to the pandemic of COVID-19” by the Employment Agency of the Republic of Bulgaria, as a specific beneficiary under the Operational Programme (OP) “Human Resources Development” 2014-2020, Priority Axis 1: “Improving access to employment and the quality of jobs” (Employment Agency at the Ministry of Labour and Social Policy of the Republic of Bulgaria, 2020d). The set budget amounts to BGN 40 million (EUR 20.45 million).

In order to keep the jobs of employees in enterprises carrying out economic activities in the relevant economic sectors – “Accommodation and food service activities”, “Transportation and storage” and “Tourism”, specifically listed in the Annex to Decision № 429/26.06.2020, this measure supports employers, self-employed persons and municipal enterprises, created by the order of Art. 52 of the Municipal Property Act.

For the payment of compensations in order to maintain the employment of the **employees in enterprises** and in accordance with the terms and conditions set out in the Decision № 429/26.06.2020 of the Council of Ministers, employers from the specifically listed in the Annex to Decision № 429/26.06.2020 economic sectors may apply, who have declared a decrease in sales revenue as follows: 1/ for the persons established before June 1, 2019 – by not less than 20% in the month preceding the month of submission of the application for payment of compensations, compared to the same month of the previous calendar year; 2/ for the persons established after June 1, 2019 until March 1, 2020 – by not less than 20% in the month preceding the month of submission of the application for payment of compensations, compared to the average incomes for January and February 2020 (Employment Agency at the Ministry of Labour and Social Policy of the Republic of Bulgaria, 2020d).

For the payment of compensations in order to preserve the employment of the employees, certain organizationally separate structures established by the **municipalities** may also apply – units, municipal activities or specialized units (municipal enterprises established by the order of Art. 52 of the Municipal Property Act), which carry out activities in the specifically listed in the Annex economic sectors, financed as a local activity, and when they have declared a decrease in the income from the respective activity, as follows: 1/ for municipal activities, opened before June 1, 2019 – by

not less than 20% in the month preceding the month of submission of the application for payment of compensations, compared to the same month of the previous calendar year; 2/ for municipal activities, opened after June 1, 2019 until March 1, 2020 – by not less than 20% in the month preceding the month of submission of the application for payment of compensations, compared to the average revenues for January and February of 2020 (Employment Agency at the Ministry of Labour and Social Policy of the Republic of Bulgaria, 2020d).

The following categories of **self-employed persons** may also apply for compensation: persons who are registered as self-employed and/or craftsmen, as well as persons who are employed as sole traders in the specifically listed in the Annex to Decision № 429/26.06.2020 economic sectors, and who have declared a reduction of sales revenue as follows: 1/ for the persons registered before June 1, 2019 – by not less than 20% in the month preceding the month of submission of the application for payment of compensations, compared to the same month of the previous calendar year; 2/ for the persons registered after June 1, 2019 until March 1, 2020 – by not less than 20% in the month preceding the month of submission of the application for payment of compensations, compared to the average incomes for January and February 2020 (Employment Agency at the Ministry of Labour and Social Policy of the Republic of Bulgaria, 2020d). The jobs of beneficiaries, employees and self-employed persons need to be maintained for a period of use of this state aid, further increased by half the period for which the compensation was paid.

Compensation in the above-mentioned three categories of employees shall be paid for the entire calendar month from July 1, 2020, but for no more than 6 months. The compensations under the first and the second category amount to BGN 290 (EUR 148.27) for each employee, as well as for the persons under the third category. The employer pays to the respective employees a net amount of BGN 189 (EUR 96.63) and pays the due tax and social security contributions at the expense of the insured person and the insurer for the respective month. Therefore, within the meaning of the Decision № 429/26.06.2020 “compensation” is an amount of BGN 290 (EUR 148.27), including BGN 189 (EUR 96.93) funds for the employee and the due tax and social security contributions at the expense of the insurer and the insured person.

Compensation is not paid:

- for workers and employees who were not in an employment relationship with the employer before the date of the declaration of the state of emergency;
- for employees who use unpaid leave, leave for temporary incapacity for work, for pregnancy and childbirth, in case of adoption of a child up to 5 years of age or raising a child up to 2 years of age;
- for employees for whom the employer receives funding for remuneration and social security contributions from the European Structural and Investment Funds (ESIFs) or other public funds and the total amount of support exceeds 80% of the monthly gross salary (including social security contributions at the expense of the employer);
- for workers and employees for whom the employer receives financing for remunerations and social security contributions from the state budget according to standards adopted pursuant to Art. 71 of the Public Finance Act;
- upon leaving work by the employee, the compensation is not paid for the month in which he/she left;
- for self-insured persons who have started activity after March 1, 2020.

The duration of this measure is until the end of 2021, as the allocated funds for it amounts to BGN 40 million (around EUR 20.4 million), and the expectations are to support 22,000 employees in Bulgaria (Employment Agency at the Ministry of Labour and Social Policy of the Republic of Bulgaria, 2020d).

A NSI survey showed that 29.6% of accommodation managers in May 2020 put staff on unpaid leave. 22.4% of the managers of hotels, guest houses and other accommodation places have laid off staff. 22.1% of the managers benefited from the measure “60/40”. 20.4% of the managers sent their employees on paid leave, and 11.3% applied a remote form of work or reduced their salaries (Stefanov, 2020).

5. GRANTS FOR SMEs IN BULGARIA

5.1. Grants for micro- and small enterprises (from BGN 3,000 to BGN 10,000)

The total amount of the grant for micro and small enterprises in Bulgaria, is BGN 173 million (around EUR 88.45 million) and covers all sectors of the Bulgarian economy (except for those supported by the Rural Development Programme). The program is aimed at overcoming the negative socio-economic consequences of the COVID-19 pandemic.

The enterprises that have registered a decrease of at least 20% in their turnover for April 2020 compared to the average monthly turnover for 2019, have the opportunity to receive amounts from BGN 3,000 to 10,000 (respectively, from EUR 1,533.86 to 5,112.91). With these funds they can cover their most urgent needs, such as rent, consumables, raw materials, wage costs and other working capital costs.

Eligible candidates are micro- and small enterprises – legal entities or sole traders, registered under the Commercial Act or the Law on Cooperatives with a staff of up to 50 employees. The requirements for the candidates are the presence of an annual tax declaration for 2019 submitted to the National Revenue Agency (NRA), in accordance with the provisions of the Corporate Income Tax Law/the Personal Income Tax Law and the minimum turnover of the candidates for 2019 – BGN 30,000 (EUR 15,338.76).

According to information from the Ministry of Economy of the Republic of Bulgaria, about 21,000 enterprises are supported by nearly BGN 173 million (around EUR 88.45 million) through this procedure. Due to the success of the measure, the budget of the program has been increased by an additional BGN 52 million (around EUR 26.59 million).

5.2. Grants for medium-sized enterprises (from BGN 30,000 to BGN 150,000)

The total budget of this program is BGN 200,000 (around EUR 102,258.38). It aims to provide operating capital for Bulgarian medium-sized enterprises. The expected results focus on job stability. Candidates who have realized a turnover for 2019 over BGN 1 million (around EUR 511,291.88) are eligible and in at least one of the months, from February 2020 to the month preceding the month of application, a decrease of 20% in revenues has been registered. The minimum amount of the requested grant for a project is BGN 30,000 (EUR 15,338.76), and the maximum amount is 3% of the turnover for 2019, but not more than BGN 150,000 (EUR 76,693.78) (Operational Programme “Innovation and Competitiveness”, 2021).

6. CONCLUSIONS

In 2020, Bulgarian SMEs faced a severe and unforeseen challenge – the COVID-19 pandemic, and the ensuing economic and social crisis. The analysis showed that in Bulgaria many new programs have been undertaken from the state to support employment in SMEs. The new programs for overcoming the economic consequences of COVID-19, on which the analysis was focused, are: measure “60/40” to maintain employment and measure “80/20”; measure to maintain employment in sectors “Transportation and storage”, “Transportation and storage” and “Tourism”; grants for SMEs, including grants for micro- and small enterprises and grants for medium-sized enterprises. However, it is clear that it is very difficult to find a balance between the severity of anti-epidemic measures and freedom in the economy, as noted by the Minister of Economy of the Republic of Bulgaria (Borissov, 2020). As he also argues, Bulgaria stands out with one of the easiest tax regimes in Europe. With the

funds available to Bulgaria from the state budget and from the European Structural and Investment funds (ESIFs), the government is doing the maximum that can be done for business (Borissov, 2020). In 2020, about BGN 156 million (EUR 79.76 million) have been redirected from the Operational Programme “Innovation and Competitiveness” to the most severely affected economic sectors of the pandemic in Bulgaria. The Bulgarian government has also provided additional resources from other operational programmes and the state budget.

ACKNOWLEDGMENTS

This paper has been prepared within the research project “The innovative unconventional monetary policy of the leading central banks and its effects on advanced and developing countries, with an accent on Bulgaria” (supported by the Bulgarian National Science Fund of Ministry of Education and Science, Bulgaria; № DN15/10 from 11.12.2017).

REFERENCES

1. Borissov, L 2020, “Minister Borissov: We will help the closed business”, Ministry of Economy of the Republic of Bulgaria, November 26, [in Bulgarian], Available at: <https://www.mi.government.bg/bg/news/ministar-borisov-shte-pomognem-na-zatvoreniya-biznes-3976.html?p=eyJwYWdlIjoyfQ==>
2. Commercial Act, Promulgated State Gazette (SG) No. 48 of June 18, 1991, last amended SG No. 104 of December 8, 2020, [in Bulgarian], Available at: <https://www.lex.bg/laws/ldoc/-14917630>
3. Consolidated Version of the Treaty on the Functioning of the European Union, Official Journal of the European Union OJ C 326, 26.10.2012, Available at: https://eur-lex.europa.eu/resource.html?uri=cellar:2bf140bf-a3f8-4ab2-b506-fd71826e6da6.0023.02/DOC_2&format=PDF
4. Corporate Income Tax Law, Promulgated State Gazette (SG) No. 105 of December 22, 2006, last amended SG No. 21 of March 12, 2021, [in Bulgarian], Available at: <https://www.lex.bg/laws/ldoc/2135540562>
5. Council of Ministers of the Republic of Bulgaria 2020a, Decision of the № 429/2020 laying down the terms and conditions for the payment of compensation to self-employed persons and employers in order to maintain the employment of employees in enterprises directly affected by the state of emergency, declared by a decision of the National Assembly of March 13, 2020, [in Bulgarian], Available at: <https://coronavirus.bg/bg/450>
6. Council of Ministers of the Republic of Bulgaria 2020b, Decree № 55 of March 30, 2020 determining the terms and conditions for payment of compensations to employers in order to maintain the employment of employees in a state of emergency, declared by a decision of the National Assembly of March 13, 2020, Promulgated, State Gazette, no. 31 of April 1, 2020 [in Bulgarian].
7. Council Recommendation of 20 July 2020 on the 2020 National Reform Programme of Bulgaria and delivering a Council opinion on the 2020 Convergence Programme of Bulgaria (2020/C 282/02), Official Journal of the European Union OJ C 282, 26.8.2020, Brussels, July 20, Available at: [https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32020H0826\(02\)&from=EN](https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32020H0826(02)&from=EN)
8. Council Regulation (EU) 2020/672 of 19 May 2020 on the establishment of a European instrument for temporary support to mitigate unemployment risks in an emergency (SURE) following the COVID-19 outbreak, Official Journal of the European Union OJ L 159, 20.5.2020, Brussels, May 19, Available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32020R0672&from=EN>

9. Employment Agency at the Ministry of Labour and Social Policy of the Republic of Bulgaria 2020a, Decree № 151/2020 of the Council of Ministers, [in Bulgarian], Available at: <https://www.az.government.bg/pages/pms-151/>
10. Employment Agency at the Ministry of Labour and Social Policy of the Republic of Bulgaria 2020b, Decree № 151/2020 of the Council of Ministers, amended ext. with Decree № 278/2020 of the Council of Ministers, [in Bulgarian], Available at: <https://www.az.government.bg/pages/pms-151-dopulneno-278/>
11. Employment Agency at the Ministry of Labour and Social Policy of the Republic of Bulgaria 2020c, Decree № 151/2020 of the Council of Ministers as amended with Decree № 416/2020 of the Council of Ministers, [in Bulgarian], Available at: <https://www.az.government.bg/pages/pms-151-2020-izm-s-pms-416-2020/>
12. Employment Agency at the Ministry of Labour and Social Policy of the Republic of Bulgaria 2020d, “Short-term employment support in response to the COVID-19 pandemic”, [in Bulgarian], Available at: <https://www.az.government.bg/pages/kratkosrochna-podkrepa-za-zaetost-covid-19/>
13. Employment Agency at the Ministry of Labour and Social Policy of the Republic of Bulgaria 2020e, “The third stage of the 60/40 measure begins”, [in Bulgarian], Available at: <https://www.az.government.bg/bg/news/view/zapochva-tretijat-etap-na-mjarkata-60-40-3555/>
14. Employment Agency at the Ministry of Labour and Social Policy of the Republic of Bulgaria 2021a, “The acceptance of documents under the new design of the measure 60/40 begins”, July 7, [in Bulgarian], Available at: <https://www.az.government.bg/bg/news/view/zapochva-priemyt-na-dokumenti-po-novija-dizajn-na-mjarkata-60-40-3650/>
15. Employment Agency at the Ministry of Labour and Social Policy of the Republic of Bulgaria 2021b, “The admission of documents on the measures for maintaining employment 60/40 and 80/20 for 2021 begins”, January 22, [in Bulgarian].
16. European Commission 2012, “Small companies create 85% of new jobs”, Press Release, January 16, Available at: https://ec.europa.eu/commission/presscorner/detail/en/IP_12_20
17. European Commission 2020a, Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions, Actions in response to coronavirus, Brussels, 2.4.2020.
18. European Commission 2020b, Communication from the Commission to the European Parliament, the European Council, the Council, the European Central Bank, the European Investment Bank and the Eurogroup, Coordinated economic response to the COVID-19 Outbreak, COM(2020) 112 final, Brussels, 13.3.2020, Available at: https://ec.europa.eu/info/sites/default/files/communication-coordinated-economic-response-covid19-march-2020_en.pdf
19. European Commission 2020c, Proposal for a Council Regulation on the establishment of a European instrument for temporary support to mitigate unemployment risks in an emergency (SURE) following the COVID-19 outbreak, COM/2020/139 final, Brussels, 2.4.2020, Available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52020PC0139&from=EN>
20. European Commission 2021a, Coronavirus response, Available at: https://ec.europa.eu/info/live-work-travel-eu/coronavirus-response_en
21. European Commission 2021b, Internal Market, Industry, Entrepreneurship and SMEs, Available at: https://ec.europa.eu/growth/index_en
22. European Commission 2021c, SURE. The European instrument for temporary Support to mitigate Unemployment Risks in an Emergency (SURE), Available at: https://ec.europa.eu/info/business-economy-euro/economic-and-fiscal-policy-coordination/financial-assistance-eu/funding-mechanisms-and-facilities/sure_en

23. European Council, Council of the European Union 2021, COVID-19 coronavirus pandemic: the EU's response, Available at: <https://www.consilium.europa.eu/en/policies/coronavirus/>
24. European Regional Development Fund 2021, Operational Programme “Innovation and Competitiveness” 2014 – 2020, Available at: <https://en.opic.bg/opik/opic>
25. Information system for management and monitoring of EU funds in Bulgaria 2020, Available at: <https://eumis2020.government.bg/en>
26. Labour Code, effective as of 01.01.1997, Promulgated, State Gazette (SG), No. 26 of April 1, 1986, last amended SG, No. 109 of December 22, 2020, [in Bulgarian], Available at: <https://www.lex.bg/laws/ldoc/1594373121>
27. Law on Cooperatives, Promulgated State Gazette (SG) No. 113 of December 28, 1999, last amended SG No. 42 of May 22, 2018, [in Bulgarian], Available at: <https://www.lex.bg/laws/ldoc/2134696966>
28. Law on Measures and Actions during the State of Emergency, announced by a decision of the National Assembly of March 13, 2020 and on the consequences, in force as of 13.03.2020 (Title supplemented, State Gazette, No. 44/2020, effective as of 14.05.2020), Promulgated, State Gazette (SG), No. 28 of March 24, 2020, last amended and extended SG, No. 36 of May 1, 2021, [in Bulgarian], Available at: <https://www.lex.bg/bg/laws/ldoc/2137201253>
29. Ministry of the Economy of the Republic of Bulgaria 2020, National Strategy for Small and Medium-sized Enterprises 2021-2027 Project, December 8, [in Bulgarian], Available at: https://www.mi.government.bg/files/useruploads/files/investment-policy/SME_Strategy_BG_8DEC_2020.pdf
30. Ministry of the Economy of the Republic of Bulgaria 2021, Progress on anti-crisis economic measures implemented by the Ministry of Economy under OPIC, July 30, [in Bulgarian], Available at: <https://www.mi.government.bg/bg/news/napredak-po-antikrizisnite-ikonomicheski-merki-izpalnyavani-ot-ministerstvoto-na-ikonomikata-po-liniya-4098.html>
31. Ministry of Finance of the Republic of Bulgaria 2020, Report with information on new and updated measures, in response to the Council Recommendation of 2020 on the National Reform Program of Bulgaria for 2020 and containing a Council opinion on the Convergence Programme of Bulgaria for 2020-2023, [in Bulgarian].
32. Ministry of Tourism of the Republic of Bulgaria 2020a, Decision № 429 of 2020 on determining the terms and conditions for payment of compensations to self-insured persons and employers in order to maintain the employment of employees in enterprises directly affected by the state of emergency, July 1, [in Bulgarian], Available at: <https://www.tourism.government.bg/bg/kategorii/covid-19/reshenie-no-429-ot-2020-g-za-opredelyane-na-usloviyata-i-reda-za-izplashtane-na>
33. Municipal Property Act, effective as of 01.06.1996, Promulgated, State Gazette (SG), No. 44 of May 21, 1996, last ext. SG, No. 17 of February 26, 2021, Available at: <https://www.lex.bg/laws/ldoc/2133874691>
34. NSI 2020a, Employed non-financial enterprises by size in terms of employed and economic activity groupings, National Statistical Institute of the Republic of Bulgaria, November 30, Available at: <https://www.nsi.bg/en/content/8248/employed-enterprises>
35. NSI 2020b, Number of non-financial enterprises by size in terms of employed and economic activity groupings, National Statistical Institute of the Republic of Bulgaria, November 30, Available at: <https://www.nsi.bg/en/content/8250/number-enterprises>
36. Operational Programme “Innovation and Competitiveness” 2021, Available at: <https://www.eufunds.bg/en/opic>

37. Personal Income Tax Law, effective as of 01.07.2007, Promulgated State Gazette (SG) No. 95 of November 24, 2006, last amended SG No. 14 of February 17, 2021, [in Bulgarian], Available at: <https://www.lex.bg/laws/ldoc/2135538631>
38. Public Finance Act, Promulgated State Gazette (SG) No. 15 of 15.02.2013, effective as of 01.01.2014, amended, No. 95 of 8.12.2015, in force from 1.01.2016, amended and add., No. 43 of June 7, 2016, No. 91 of 14.11.2017).
39. Radev, R 2020a, "I am afraid of every next measure. Bulgarian Industrial Association", March 15, [in Bulgarian], Available at: <https://www.bia-bg.com/service/view/26872/>
40. Radev, R 2020b, "Measure 60/40 does not solve the problem on the labour market", ABCNews.bg, June 25, [in Bulgarian], Available at: <https://www.abcnews.bg/bg/news/15930914478175/radosvet-radev-myarkata-6040-ne-reshava-problema-na-pazara-na-truda>
41. Small and Medium-sized Enterprises Act, Promulgated State Gazette (SG) No. 84 of September 24, 1999, as amended SG No. 80 of October 3, 2000, amended SG No. 92 of November 10, 2000, as amended SG No. 42 of April 27, 2001, as amended SG No. 28 of March 19, 2002, as amended SG No. 64 of July 23, 2004, as amended SG No. 34 of 25 April 2006, amended SG No. 59 of July 21, 2006, as amended SG No. 43 of April 29, 2008, amended SG No. 82 of October 16, 2009, as amended SG No. 14 of 20 February 2015, amended SG No. 17 of March 1, 2016, amended SG No. 30 of 3 April 2018, amended SG No. 21 of March 13, 2020, [in Bulgarian], Available at: <https://www.lex.bg/laws/ldoc/2134682112>
42. State Fund Agriculture 2021, Available at: <https://www.dfz.bg/en/>
43. State Fund Agriculture 2020a, Admission under sub-measure COVID 3 starts on October 26, [in Bulgarian], Available at: <https://www.dfz.bg/bg/presenter/novini/-26-covid-3/>
44. State Fund Agriculture 2020b, Order № 03-RD/3575 of 19.12.2020 of the Minister of Agriculture, Food and Water, [in Bulgarian], Available at: https://www.dfz.bg/assets/19150/Zapoved_COVID_3_priem.pdf
45. Stefanov, V 2020, "For four businesses 60/40 changed to 80/20 with measure 290", June 24, [in Bulgarian], Available at: <https://business.dir.bg/ikonomika/za-chetiri-biznesa-60-40-se-promeni-na-80-20-s-myarkata-290>