

## **Financial Instruments**

### **Promotion of Modern Financial Instruments in the Cross-border area**

#### **D3.4.1: Identification, Recording and Evaluation of all modern Financial Instruments/Funds currently available in the cross-border area**

The contents of this document are sole responsibility of the Industrial Association - Sandanski and can in no way be taken to reflect the views of the European Union, the participating countries the Managing Authority and the Joint Secretariat.

The implementation of Deliverable 3.1. was a joint effort between all project partners and its implementation was coordinated by the LB. Therefore, PB4- the Industrial Association – Sandanski has provided the relevant input for the region of Blagoevgrad, according to LB's contents and instructions, hereby attached. It includes information on the following topics:

- Financial Tools/Instruments that are active in the Bulgarian part of the Cross-border region
- Technical Description of Financial Tools/Instruments
- Evaluation of Financial Tools/Instruments
- Conclusions

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**Project Title: “PROMOTION OF MODERN FINANCIAL INSTRUMENTS IN THE CROSS-BORDER AREA”**

**Project Acronym: “FINANCIAL INSTRUMENTS”**

**Work Package 3:**

**Identification of Current Status in the Cross-Border Area/Networking Activities**

**Deliverable D.3.1.:**

**«Identification, Recording and Evaluation of all modern Financial Instruments/Funds currently available in the cross-border area»**

Delivered by the Regional Development Agency of Rodopi S.A. (LB)



and Approved by all Project Beneficiaries

The FINANCIAL INSTRUMENTS project is co-funded by the European Regional Development Fund (ERDF) and by national funds of the countries participating in the Interreg V-A “Greece-Bulgaria 2014-2020” Cooperation Programme



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## 1 CHAPTER 1. Executive Summary

## 2 CHAPTER 2. Introduction

## 3 CHAPTER 3. About the Project

### 3.1 3.1. General Data – Work Packages – Deliverables

### 3.2 3.2. The project Partnership and relevant stakeholders

### 3.3 3.3. Geographical reference

The focus of the research is the main financial instruments and funds that are active on the territory of Blagoevgrad, Kardzhali, Haskovo and Smolyan regions and provide opportunities for financing local businesses

## 4 CHAPTER 4. Financial Tools/Instruments

### 4.1 General Definitions

Operational Program - document that defines the development strategy of the member state.

Debt instrument - form of finance used to raise capital in which an entity borrows funds from a lender and promises to repay them according to the terms set forth in the contract.

Equity investment - form of finance that offers dilutive equity risk capital. Dilutive means that the current owners lose part of their ownership in the company. Dilution risk refers to the potential of a company to issue more stock, thereby diluting the percentage ownership of all of the existing shareholders.

Quasi-equity investment - hybrid form of finance with characteristics of both debt and equity investments. It offers non-dilutive equity risk capital that is paid back based on the performance of the company. Non-dilutive means that the current owners do not lose any part of their ownership in the company.

### 4.2 Historical Data

Deliverable 3.2

### 4.3 Types & Categories

The main funds and financial instruments that are active in Bulgaria, aimed at business and applicable in the considered cross-border region can be classified according to the type and source in the following several groups:

1) State (republican) budget, according to the Investment Promotion Act:

- Priority investment projects
- Investments with a class A or class B certificate
- Class B investments (projects of municipal importance)

#### 2) European Structural and Investment Funds (2021-2027)

- Program 1. Competitiveness and innovation in enterprises
- Program 2. Scientific research, innovation and digitization for intelligent transformation
- Program 6. Development of human resources
- Strategic plan for the development of agriculture and rural areas
- Maritime and Fisheries Programme
- Programs for territorial cooperation

#### 3) Recovery and Resilience Plan:

- Pillar 1 "Innovative Bulgaria"
- Pillar 2 "Green Bulgaria"
- Pillar 3 "Connected Bulgaria"
- Pillar 4 "Just Bulgaria"

#### 4) Fund of Funds:

- Debt instruments
- Equity and quasi-equity investments (seed and acceleration fund, venture capital fund, mezzanine/growth fund, etc.)

#### 5) Banking instruments – loans, guarantees, leasing, etc.

6) Private sources, incl. in the form of public-private partnerships between enterprises and the state/municipal authorities, shared financing, business angels, export financing, private and state funds for equity financing, etc.

This document does not present the Just Transition Fund, which is the first pillar of the Just Transition Mechanism and will finance the regions and sectors most affected by the transition to climate neutrality by 2050 due to their dependence on fossil fuels or carbon intensive processes. The reason is its limited territorial scope, namely the districts of Pernishka, Kyustendilska and Starozagorska, which have been designated as priority for funding by the European Commission. The funds for Bulgaria amount to EUR 1.178 billion (EUR 505 million from the Multiannual Financial Framework (MFF) 2021-2027 + EUR 673 million from the "Next Generation EU" element (ESEU) 2021-2024).

## 4.4 Technical Description of Financial Tools/Instruments

### 4.4.1 ESPA, RRF

#### 1) State (republican) budget, according to the Investment Promotion Act:

The Law on the Promotion of Investments regulates the conditions and procedure for the promotion of investments on the territory of the Republic of Bulgaria, the activities of the state authorities in the field of the promotion of investments, as well as their protection.

The main objectives of this law are:

1. Increasing the competitiveness of the Bulgarian economy by increasing investments for scientific research, innovation and technological development in production and services with a high added value in compliance with the principles of sustainable development;
2. Improving the investment climate and overcoming regional differences in socio-economic development;
3. Creation of new and highly productive jobs.

According to the Investment Promotion Law and its Implementing Regulations, investments that have received Class A and Class B certificates, as well as priority investment projects are promoted in accordance with the Law on Corporate Income Taxation, the Law on Value Added Tax, the Law on promotion of employment and the Law on the ownership and use of agricultural lands, if they meet certain conditions. The necessary funds for the implementation of the financial measures are provided annually by the law on the state budget of the Republic of Bulgaria.



Investments that have received a class A or class B certificate are encouraged to implement the investment project through:

- Shortened deadlines for administrative service
- Individual administrative service necessary for the implementation of the investment project
- Acquisition of ownership rights or limited real rights on properties
- Financial support for the construction of elements of the technical infrastructure necessary for the implementation of one or more investment projects
- Financial support for training to acquire a professional qualification for persons, including interns from higher education institutions in the country, who took the new jobs related to the investments
- Financial support for partial reimbursement of mandatory insurance contributions made by the investor at his expense as an employer for the state social insurance, for the additional mandatory pension insurance and for the mandatory health insurance for newly hired workers and employees

Priority is given to investment projects implemented in economic activities that are particularly important for the economic development of the Republic of Bulgaria or for the regions in the country. They must meet a set of requirements under the Regulations for the Implementation of the Investment Promotion Law. The minimum amount of investments in one object is BGN 100 million, with the exception of the following cases:

- BGN 50 million, when the priority investment project is carried out within the administrative boundaries of municipalities that, for the previous year before the current one, had an unemployment rate equal to or higher than the average for the country or are engaged in economic activities from the industrial sector - processing industry with codes C 10 - C 33.2
- BGN 30 million for investments in high-tech activities from the processing industry
- BGN 20 million for investment in one facility in high-tech and knowledge-based services
- BGN 15 million for the construction of an industrial zone, industrial park or technology park with the necessary technical infrastructure to attract investments in scientific research and/or education and/or information technologies, including innovation activities for technological renewal of production products and technologies

Priority investment projects can be promoted with a package of measures which, in addition to measures for class A and class B investments, also include the following:

- Financial support for building the technical infrastructure
- Other measures for regional investment aid, defined as transparent aid within the meaning of Art. 5 of Regulation (EU) No. 651/2014
- They have the right to acquire or establish a remunerative limited real right on immovable property immovable property - private state or private municipal property, at the location of the investment, without holding an auction
- Institutional support

Projects of municipal importance are promoted as class B investments when they are implemented within the administrative boundaries of a certain municipality and meet certain conditions. They are encouraged to implement the investment project through:

- Shortened deadlines for administrative services provided by the municipality in whose territory the investment is carried out;
- Individual administrative service provided by the municipality in whose territory the investment is carried out;
- Acquisition of property rights or limited property rights on properties - private municipal property

## 2) European Structural and Investment Funds (2021-2027)

**The program "Competitiveness and innovations in enterprises" 2021 - 2027** is directly aimed at achieving intelligent and sustainable growth of the Bulgarian economy, as well as the implementation of industrial and digital transformation. It includes two main priorities.

- Priority 1 "Innovation and growth" with 3 specific objectives:
  - Specific objective 1.1. "Development and strengthening of capacity for research and innovation and the introduction of advanced technologies".
  - Specific objective 1.2. "Capitalizing the benefits of digitization for citizens, companies, research organizations and public authorities".
  - Specific objective 1.3. "Promoting the sustainable growth and competitiveness of SMEs and job creation, including through productive investment".

- Priority 2 "Circular Economy" with 2 specific objectives:
  - Specific objective 2.1. "Promoting energy efficiency and reducing greenhouse gas emissions"
  - Specific objective 2.2. "Promoting the transition to a circular and resource-efficient economy".

The support provided under the **Program "Research, Innovation and Digitization for Smart Transformation" 2021-2027** contributes to achieving the goals of the European Green Deal aimed at building a modern, resource-efficient and competitive economy. A leading horizontal priority is the transition to a green, blue and circular economy. The priorities of the program are twofold as follows:

- Priority: P1. Sustainable development of the Bulgarian research and innovation ecosystem, with the following specific goals:
  - Specific objective RSO1.1: "Development and strengthening of capacity for research and innovation and deployment of advanced technologies (ERDF)"

Action Types:

- Priority direction 1: Sustainable development of the national capacity for scientific research and innovation
- Priority direction 2: Stimulation of international scientific cooperation and participation in EU framework programs
- Priority direction 3: Transfer of technologies and knowledge;
- Priority direction 4 Synergy with Horizon Europe and Digital Europe programs
- Specific objective: RSO1.4. Developing skills for smart specialisation, industrial transition and entrepreneurship (ERDF)
- Priority: P2. Digital transformation of the public sector
  - Specific objective: RSO1.2. Harnessing the benefits of digitization for citizens, companies, research organizations and public authorities (ERDF)

Action Types:

- Priority direction 1: Data as a key capital of society
- Priority area 2: Cyber security

The support provided under the **Human Resources Development Program 2021-2027** is aimed at overcoming challenges in the field of the labor market and obstacles to social inclusion and equal opportunities for vulnerable groups in society. It has 4 priorities, some of which provide for the provision of financing to enterprises - for hiring new employees, for increasing professional qualifications, for improving working conditions, and others.

- Priority 1 "Promoting employment and skills development" with 5 specific objectives:
  - Specific objective 1 "Improving access to employment and activation measures for all jobseekers and especially for young people, in particular through the implementation of the Youth Guarantee, the long-term unemployed and disadvantaged groups in the market of labor and for inactive persons, as well as by promoting self-employment and the social economy"
  - ¶ Specific objective 2 "Modernization of institutions and services dealing with the labor market in order to assess and anticipate skills needs and provide timely and appropriate assistance, as well as support the matching between demand and supply in the market of work, transitions and mobility"
  - ¶ Specific objective 3 "Promoting balanced participation of the sexes in the labor market, equal working conditions and work-life balance, including through affordable care for children and dependents"
  - ¶ Specific objective 4 "Promote the adaptation of workers, businesses and entrepreneurs to change, active living for older people and healthy ageing, and a healthy and well-adapted work environment that takes health risks into account"
  - ¶ Specific objective 5 "Promote lifelong learning, in particular flexible upskilling and reskilling opportunities for all, taking into account entrepreneurial and digital skills, better anticipation of changes and new skills requirements depending on the needs of the market, the facilitation of transitions in professional development and the promotion of professional mobility"
- Priority 2 "Social inclusion and equal opportunities" with 3 specific objectives:
  - Specific objective 1 "Promote active inclusion with a view to promoting equal opportunities, non-discrimination and active participation and better employability, in particular for disadvantaged groups"
  - Specific objective 2 "Promoting the socio-economic integration of marginalized communities such as the Roma"

- Specific objective 3 "Improve equal and timely access to quality and sustainable services at an affordable price, including services that stimulate access to housing and person-centered care, including health care; modernizing social protection systems, including promoting access to social protection, paying particular attention to children and disadvantaged groups; improving accessibility, including for people with disabilities, the efficiency and sustainability of health systems and long-term care services"
- Priority 3 "Promoting youth employment" with one specific objective:
  - Specific objective 1 "Improving access to employment and activation measures for all jobseekers and especially for young people, in particular through the implementation of the Youth Guarantee, the long-term unemployed and disadvantaged groups in the market of labor and for inactive persons, as well as by promoting self-employment and the social economy"
- Priority 4 "Social Innovation" with 4 specific objectives:
  - Specific objective 1 "Improving access to employment and activation measures for all jobseekers and especially for young people, in particular through the implementation of the Youth Guarantee, the long-term unemployed and disadvantaged groups in the market of labor and for inactive persons, as well as by promoting self-employment and the social economy"
  - Specific objective 2 "Modernization of institutions and services dealing with the labor market in order to assess and anticipate skills needs and provide timely and appropriate assistance, as well as support the matching between demand and supply in the market of work, transitions and mobility"
  - Specific objective 3 "Promote the adaptation of workers, businesses and entrepreneurs to change, active living for older people and healthy ageing, and a healthy and well-adapted work environment that takes health risks into account"
  - Specific objective 4 "Improve equal and timely access to quality and sustainable services at an affordable price, including services that stimulate access to housing and person-centered care, including health care; modernization"

**The Strategic plan for the development of rural areas 2023-2027** is aimed at creating conditions for the achievement of the cross-sectoral objective of the European Union, which is expressed in the modernization of agriculture and rural areas by stimulating and sharing knowledge, innovation and digitalization in the rural agriculture and rural areas and by promoting their greater use by farmers through better access to research, innovation and knowledge exchange and through training, and to achieve the specific objectives of the Common Agricultural Policy. The plan envisages the implementation of the following interventions:

- Interventions in the form of direct payments:
  - Basic income support for sustainability
  - Additional redistributive income support for sustainability
  - Additional income support for young farmers
  - Climate, Environment and Animal Welfare Schemes
  - Production linked income support
  - Special crop payment – cotton
  - Sectoral interventions
    - Plovode and green vegetables
    - Bee products
    - Wine
    - Milk and milk products
- Rural Development
  - Environmental and climate obligations and other governance obligations
  - Natural or other area-specific constraints
  - Area-specific disadvantages arising from some mandatory requirements
  - Investments, including irrigation investments
  - Investment in basic services and small-scale infrastructure in rural areas
  - Establishment of young farmers and new farmers and start-up of business in rural areas
  - Risk management tools
  - Cooperation
  - Knowledge sharing and information dissemination

The Maritime and Fisheries Program 2021-2027 contributes to the achievement of two of the EU's policy objectives - PC 2 "A greener, low-carbon Europe by promoting a clean and fair energy transition, green and blue investments, circular economy, adaptation to climate change and risk prevention and management" and PC 5 'Bringing Europe closer to citizens by promoting sustainable and integrated development of urban, rural and coastal areas and local initiatives'.

- PMDRA is financed by the European Maritime, Fisheries and Aquaculture Fund (EMFA) and includes investments in the scope of 5 priorities.
- Priority 1: Promotion of sustainable fisheries and conservation of aquatic biological resources
  - SO 1: Strengthening of economically, socially and ecologically sustainable fishing activities
  - SO 2: Promoting the adaptation of fishing capacity to fishing opportunities and contributing to the achievement of a fair standard of living in the event of a given temporary cessation of fishing activities
  - SO 3: Promoting effective fisheries control and enforcement and reliable data for knowledge-based decision-making
  - SO 4: Contribution to the protection and restoration of aquatic biodiversity and ecosystems
- Priority 2: Promoting sustainable aquaculture activities and the processing and marketing of fishery and aquaculture products, thereby contributing to food security in the Union
  - SO 1: Promote sustainable aquaculture activities, in particular by strengthening the competitiveness of aquaculture production while ensuring that activities are environmentally sustainable in the long term
  - SO 2: Promoting the marketing, quality and added value of fisheries and aquaculture products, as well as the processing of these products
- Priority 3: Ensure a sustainable blue economy in coastal, island and inland areas and promote the development of fisheries and aquaculture communities
  - SO 1: Interventions that contribute to enabling the conditions for a sustainable blue economy in coastal, island and inland areas and to promoting the sustainable development of fisheries and aquaculture communities
- Priority 4: Strengthen international ocean governance and create conditions for the safety, security, cleanliness and sustainable management of seas and oceans
  - SO 1: Strengthen the sustainable management of seas and oceans by promoting knowledge of the marine environment, maritime surveillance and/or cooperation in coast guard functions
  - Priority for technical support

**The Recovery and Resilience Plan** is structured in four pillars:

- 1) Innovative Bulgaria - aimed at increasing the competitiveness of the economy and transforming it into an economy based on knowledge and smart growth through measures in the field of education, digital skills, science, innovation, technology and the interrelationships between them. The pillar includes the following three components:
  - Education and skills
  - Research and innovation
  - Smart industry
- 2) Green Bulgaria - with a focus on the sustainable management of natural resources, enabling the current needs of the economy and society to be met, while preserving ecological sustainability, so that these needs can continue to be met in the long term. The pillar includes the following three components:
  - Low-carbon economy
  - Biodiversity
  - Sustainable agriculture
- 3) Connected Bulgaria - emphasizing the increase in competitiveness and sustainable development of the country's regions, such as the improvement of transport and digital connectivity, as well as the promotion of local development, stepping on the specific local potential. The pillar includes the following three components:
  - Digital connectivity
  - Transport connectivity
  - Local development
- 4) Just Bulgaria - with a focus on disadvantaged people to achieve more inclusive and sustainable growth and shared prosperity for all, as well as with an emphasis on building efficient and responsible public institutions, sensitive to the needs of business and the needs of the citizens. The pillar includes the following three components:
  - Business environment
  - Social inclusion
  - Healthcare

"Fund Manager of Financial Instruments in Bulgaria" EAD performs the functions of the **Fund of Funds for Bulgaria**. Sources of the financial resource are:

- The European structural and investment funds

- National funding from EU operational programs
- Additional attracted funds from the private sector

The types of financial instruments managed by the Fund of Funds are the following:

- Debt instruments:
  - Recovery Program - The purpose of the "Recovery" Program is to facilitate business access to loans for the recovery of activity after the gradual lifting of measures in connection with the COVID-19 pandemic. Gaining access to a financial resource primarily to meet current liquidity needs, for new investments, transformation and growth.
  - Financing in rural areas - The objectives of the instrument are 1) Economic development of rural areas; 2) Increasing the competitiveness of the agricultural sector; 3) Restoration and strengthening of forestry; 4) Promotion of social inclusion and support for sustainable development of small farms
  - Urban Development Fund - Sofia, South and North - The objectives of the instrument are: 1) Improvement of the urban environment (including urban transport, cultural and sports infrastructure); 2) Stimulating economic growth in the regions through the development of economic development zones in cities, increasing the energy efficiency of single-family residential buildings and student dormitories; 3) Development of tourism related to immovable cultural values of national or world importance.
  - Loans in the "Waste" sector - The objectives of the instrument are: 1) Increasing the investment potential of private and municipal enterprises to implement projects to reduce landfilled household waste; 2) Reduction of the amount of household waste deposited in the country.
  - Loans for water supply operators - The objectives of the instrument are: 1) To supplement the non-reimbursed financing from OPE for eligible projects of WSO operators; 2) Reconstruction and modernization of the infrastructure in the "WSO" sector; 3) Improving the environment by reducing water losses; 4) Achieving compliance with EU environmental legislation.
  - Microcredit with shared risk - The objectives of the instrument are: 1) Improving access to financing for the creation and development of start-up enterprises; 2) Support of social entrepreneurship; 3) Promotion of entrepreneurship among vulnerable groups.
  - Individual guarantees in the "Fisheries" sector - The objectives of the instrument are: 1) Stimulation of lending in the sector of sustainable and viable projects; 2) Overcoming the difficulties of final recipients in accessing financing, due to lack of sufficient collateral, high interest rates, high risk in the assessment of banks.
  - Portfolio guarantees with cap on losses – OPHRD - The objectives of the instrument are: 1) Improving access to financing for the creation and development of start-up and social enterprises with a high risk profile; 2) Support of social entrepreneurship; 3) Promotion of entrepreneurship among vulnerable groups.
- Equity and quasi-equity investments:
  - Fund for acceleration and initial financing I, II and III - The objectives of the instrument are: 1) Support of the entrepreneurial ecosystem in Bulgaria; 2) Supporting high-tech companies that need financing to establish and expand their activities; 3) Improving access to capital for commercialization of developed products, as well as the overall capacity to achieve higher growth, including through innovation.
  - Venture capital fund - The objectives of the instrument are to: 1) Provide access to alternative financing for SMEs with growth potential and plans to expand and improve operations, develop new products and services; 2) Improve the financial and corporate management of the supported enterprises in order to increase their productivity and potential for entering new markets
  - Mezzanine/Growth Fund - The objectives of the instrument are to: 1) Provide access to alternative financing for SMEs with growth potential and plans to expand and improve operations, develop new products and services; 2) Improve the financial and corporate management of the supported enterprises in order to increase their productivity and potential for entering new markets

#### 4.4.2 Banks, Funds, Business Angels, Crowd funding, other

The Bulgarian Development Bank offers a range of **credit products** for small and medium-sized enterprises. Below are the main ones.

- Energy efficiency of SMEs

Investment credit for micro-, small and medium-sized enterprises, which have submitted project proposals under the procedure "Restoration of SMEs by improving energy efficiency" to OP "Innovations and Competitiveness" 2014 - 2020. Borrowers should develop their main economic activity in the sector "Processing industry".

- Revolving credit for raw materials

With the funds, companies can purchase goods and raw materials that are expected to increase in price. The purpose of the loan is to overcome the negative effects of the continuous increase in inflation and the rising prices of basic goods and services.

- Tourism Support Program

The product is aimed at the hotel and restaurant business. Micro, small and medium-sized companies from these sectors can benefit from preferential financing, even if they have debts up to 90 days in arrears.

The product also provides financing for restaurateurs, incl. startups. Working capital for funds needed to pay for inventory, wages, labor costs and overhead costs incl. rental and advertising costs; for refinancing existing obligations to the state and to suppliers; for the refinancing of existing obligations to financial institutions (including overdue up to 90 days); for refreshment and renewal.

- Financing for green energy

The credit product finances the construction of photovoltaic plants with a capacity of up to 1MW/p for the needs of businesses and is in response to the growing concern of companies about the prices of electricity in our country and in Europe, and the increasing demand. Switching businesses to solar energy is a workable solution in the context of depleting non-renewable sources and the EU's carbon neutrality targets.

- Tool for accelerated absorption of European funds

Supporting funding is provided for enterprises with approved projects under European and national programs. It is intended for micro, small and medium-sized enterprise borrowers who have submitted a project proposal for assistance under procedures/measures under European and national programs, certified by a printout/extract of the project proposal from the EUMIS system and/or the submitted business plan.

- Funding of groups and organizations of agricultural producers

The total amount of the program is BGN 10 million and provides working and investment financing to groups and organizations of agricultural producers

- Rose processing support

Direct loans for micro-, small and medium-sized enterprises in the form of a revolving credit line for working capital for amounts up to BGN 1.5 million with a term of up to 60 months.

### **Public-private partnerships**

Among other groups of possible sources of funding are public-private partnerships (PPPs), which are agreements between entities from the municipal and private sectors for the construction of public infrastructure and utility facilities and for the provision of related services. The characteristic of these partnerships is that the partners involved in them share the investment, the risk and responsibility and the reward/profit.

### **Business angels**

Business angels are individuals who invest personal funds in start-up companies (in most cases at an early stage), for a minority share of the capital, usually between 5 - 250 thousand euros. In addition, they provide management experience, skills and a network of contacts to the companies in which they invest. They invest in all sectors of the economy.

### **Private capital and venture capital funds**

These funds invest in companies that have the potential to achieve growth and sustainable competitive advantage. Venture and private equity funds take an equity stake in the company and work with management to improve their market position.

### **Crowdfunding**

Crowdfunding is the financing of a single project or venture by raising funds from a large number of people. It is done through specialized internet platforms, but it can also be done in other non-traditional ways, such as specially organized events or even through emails. There are two main types of crowdfunding, one is based on "reward-for-funding" where users fund a particular venture in return for receiving a certain good or service, and the other is funding in return for receiving a portion of the capital.

### **Export insurance**



Export insurance and reinsurance is at the expense of the state and refers to export risks related to the production and export of Bulgarian goods and services or the realization of Bulgarian investments abroad. The insurance provides traders in the event of property damage incurred by them as a result of commercial or political risk

## 5 CHAPTER 5. Evaluation of Financial Tools/Instruments

### 5.1 Methodological Framework

The purpose of the present study is to evaluate the suitability of introducing one or more of the existing financial instruments for the enterprises at the local level according to previously developed evaluation criteria. Given the state of the ecosystem for the development of entrepreneurship in the region, criteria have been developed, based on which an overview of the willingness of enterprises to take advantage of the available financial instruments has been made.

The following indicators are relevant for evaluating financial instruments in a given region:

- Popularity of financial instruments in the region
- Use of financial instruments in the region
- Existence of a targeted policy for the promotion of financial instruments by the relevant institutions (e.g. program management bodies, funds and banks)
- Willingness of enterprises to benefit from a combination of financial instruments
- Availability of support networks for the more effective absorption of financial instruments, etc.

On this basis, the following applicable criteria are identified in the evaluation methodology:

1. Accessibility – the popularity, availability and awareness of the financial instrument, as well as availability of consultation
2. Effectiveness – the usefulness and applicability of the financial instrument in relation to the needs of the business, as well as attainability and effectiveness in terms of achieving the goals of the business
3. Complexity – the possibility of combining and reconciling the financial instrument with other instruments and sources of financing
4. Scale – the size of the budget of the financial instrument relative to the financial capacity of the business
5. Profitability - degree of risk, return, profitability and the ability of the business to make a profit from the use of the financial instrument

Based on the information gathered from local sources above, the following assessment was made:

### 5.2 Evaluation Matrix – basic elements of tools

Table 1. Scale for evaluating the suitability of the introduction of one or more of the existing financial instruments for enterprises at the local level

Criteria	Assessment scale			
	<b>Accessibility</b>	Popularity, Reachability, Awareness And Consultation	Reachability, Awareness And Consultation	Popularity, Accessibility
	10 points	7 points	4 points	0 points
<b>Effectiveness</b>	Suitability, Applicability, Achievability and Effectiveness	Suitability, Applicability, Achievability	Suitability and Effectiveness	Effectiveness
	10 points	7 points	4 points	0 points
<b>Complexity</b>	Can be combined with 3 other instruments	Can be combined with 2 other instruments	Can be combined with 2 other instruments	Cannot be combined with other tools
	10 points	7 points	4 points	0 points
<b>Scale</b>	Applicable to business with below average financial capacity	Applicable to businesses with medium financial capacity	Applicable to business with above average financial capacity	Applicable to business with high financial capacity
	10 points	7 points	4 points	0 points
<b>Profitability</b>	Low Risk, High Returns Yield And Profit	Low Risk, High Returns And Profit	Low Risk, High Return	Low Risk

	10 points	7 points	4 points	0 points
<b>Total:</b>	<b>50 points</b>	<b>35 points</b>	<b>20 points</b>	<b>0 points</b>

Source: Expert assessment

Based on the characteristics of the available financial instruments in the region and the scale with the criteria above, the following assessment of the suitability of the introduction of one or more of the existing financial instruments for enterprises at the local level has been made, as follows:

Table 2. Reputation assessment and prioritization of tourist routes

Financial Instrument	Accessibility	Effectiveness	Complexity	Scale	Profitability	Total points
Funding from the state budget under the Investment Promotion Act	4	10	10	0	10	34
Grant programs funded by the EU	10	10	10	10	10	50
Financing from private or state investment funds	4	10	10	7	10	41
Banking instruments for financing	10	10	10	10	10	50
Public-private partnerships	7	10	10	10	10	47
Business Angels	4	10	10	7	10	41
Crowdfunding	7	7	10	10	10	44
Export insurance	0	10	10	7	10	37

Source: expert calculations

Based on the assessment, the suitability of introducing one or more of the existing financial instruments for enterprises at the local level can be graded as follows:

Table 3. Degree of suitability of existing financial instruments for enterprises at the local level

Place	Financial Instrument	Assessment Points
I	Banking instruments for financing	50
II	Grant programs funded by the EU	50
III	Public-private partnerships	47
IV	Crowdfunding	44
V	Business Angels	41
VI	Financing from private or state investment funds	41
VII	Export insurance	37
VIII	Funding from the state budget under the Investment Promotion Act	34

Source: expert calculations

Bank financial instruments and grant programs funded by the EU are identified as the most suitable for business in the region, and funding from the state budget under the Investment Promotion Act is identified as the most specific and, accordingly, less suitable for mass business. export insurance. The remaining financial instruments such as public-private partnerships, shared financing, financing from business angels, private or state investment funds are applicable on a project basis, depending on the nature and type of the investment and the business as a whole.



The main funds and financial instruments that are active in Bulgaria, aimed at business and applicable in the considered cross-border region can be classified according to the type and source in the following several groups:

- 1) State (republican) budget (ZNI), according to the Investment Promotion Act:
  - Priority investment projects – projects implemented in the economic activities that are particularly important for the economic development of the Republic of Bulgaria or for the regions in the country
  - Investments with a class A or class B certificate – projects with significant indicators for the size of investments and promotion of employment
  - Class B investments - projects of municipal importance
- 2) European Structural and Investment Funds (2021-2027)
  - Program 1. Competitiveness and innovation in enterprises - aimed at achieving intelligent and sustainable growth of the Bulgarian economy, as well as the implementation of industrial and digital transformation
  - Program 2. Scientific research, innovation and digitization for intelligent transformation - contributes to achieving the goals of the European Green Deal aimed at building a modern, resource-efficient and competitive economy. A leading horizontal priority is the transition to a green, blue and circular economy.
  - Program 6. Development of human resources - aimed at overcoming challenges in the field of the labor market and obstacles to social inclusion and equal opportunities for vulnerable groups in society.
  - Strategic plan for the development of agriculture and rural areas - aimed at creating conditions for the achievement of the cross-sectoral objective of the European Union, which is expressed in the modernization of agriculture and rural areas by stimulating and sharing knowledge, innovation and digitization in agriculture and rural areas and by promoting their greater use by farmers through better access to research, innovation and knowledge exchange and through training, and to achieve the specific objectives of the Common Agricultural Policy.
  - Maritime and Fisheries Program - contributes to the achievement of two of the EU's policy objectives - PC 2 "A greener, low-carbon Europe by promoting a clean and fair energy transition, green and blue investments, circular economy, adaptation to climate change and risk prevention and management" and PC 5 "Europe closer to citizens by promoting sustainable and integrated development of urban, rural and coastal areas and local initiatives".
  - Programs for territorial cooperation
    - INTERREG VI-A Greece-Bulgaria 2021 – 2027 - aims to achieve economic, social and territorial convergence. Joint projects aimed at improving connectivity, preventing risks arising from climate change, protecting the environment, promoting equal access to education and promoting the integrated development of the cross-border region will be supported. The territorial scope of the program is the regions of Haskovo, Smolyan, Kardjali and Blagoevgrad on the territory of the Republic of Bulgaria and the regions of Evros, Xanthi, Rhodope, Drama, Kavala, Thessaloniki and Serres on the territory of the Republic of Greece.
    - INTERREG VI-A IPP Bulgaria - Turkey 2021-2027 - with the common goal of strengthening the territorial cohesion of the cross-border region Bulgaria-Turkey by providing support for increasing the competitiveness of the local economy, digital and green transformation and expanding access and improving the quality of services of general interest, incl. reducing pollution and the negative effects of climate change, as well as supporting joint actions for institutional and operational cooperation to strengthen the good governance of migration in the cross-border area.
- 3) Recovery and Resilience Plan – with the main objective of facilitating the economic and social recovery from the crisis caused by the COVID-19 pandemic. In the pursuit of this goal, a set of measures and reforms have been grouped to make a significant contribution to the recovery of the economy's growth potential and to develop it by ensuring resistance to negative external impacts. This will allow, in the long term, the achievement of the strategic goal of convergence of the economy and incomes to the European average. At the same time, the Plan lays the foundations for a green and digital transformation of the economy, in the context of the ambitious goals of the Green Deal.
- 4) Fund of funds for debt instruments and equity and quasi-equity investments (seed and acceleration fund, venture capital fund, mezzanine/growth fund, etc.)
- 5) Banking instruments – loans, guarantees, leasing, etc.
- 6) Private sources, incl. in the form of public-private partnerships between enterprises and the state/municipal authorities, shared financing, business angels, export financing, private and state funds for equity financing, etc.

The applied methodology for assessing the suitability of the introduction of one or more of the existing financial instruments for enterprises at the local level identifies the following applicable criteria:

1. Accessibility – the popularity, availability and awareness of the financial instrument, as well as availability of consultation

2. Effectiveness – the usefulness and applicability of the financial instrument in relation to the needs of the business, as well as attainability and effectiveness in terms of achieving the goals of the business
3. Complexity – the possibility of combining and reconciling the financial instrument with other instruments and sources of financing
4. Scale – the size of the budget of the financial instrument relative to the financial capacity of the business
5. Profitability - degree of risk, return, profitability and the ability of the business to make a profit from the use of the financial instrument

Bank financial instruments and grant programs funded by the EU are identified as the most suitable for business in the region, and funding from the state budget under the Investment Promotion Act is identified as the most specific and, accordingly, less suitable for mass business. export insurance. The remaining financial instruments such as public-private partnerships, shared financing, financing from business angels, private or state investment funds are applicable on a project basis, depending on the nature and type of the investment and the business as a whole.

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