

Financial Instruments

Promotion of Modern Financial Instruments in the Cross-border area

D3.4.3: Networking activities, B2B activities, promotion of synergies between businesses in the cross-border area

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1. Introduction

This document was developed within the framework of project No. B6.3a.21/13.04.2021 "Promotion of modern financial instruments in the cross-border region" (Financial Instruments), which is financed by the European Regional Development Fund and nationally co-financed by the countries participating in the cross-border cooperation program INTERREG VA "Greece-Bulgaria 2014 - 2020".

The Financial Instruments project aims to promote the use of modern financial instruments in the cross-border region in order to ensure the possibility of obtaining financing from them for the benefit of citizens, enterprises, institutions and business organizations located in the cross-border area between Greece and Bulgaria.

The report on the implementation of Activity 3 contains the following information:

1. Details regarding consultations provided at the request of SMEs from the Blagoevgrad region (face-to-face or through an online communication platform) on how to take advantage of the available modern financial instruments
2. Details regarding consultancy services provided for the preparation of projects for application under available modern financial instruments
3. The participation of the contractor's expert(s) as a speaker(s) in one or more events (e.g. seminars, round tables or workshops) that are organized by the Employer within the framework of other project activities (outside the scope of this contract)
4. Details of technical assistance provided for the development of a local private finance support mechanism, etc.

2. Participation of the Contractor's experts as speakers in events organized by the Employer within the framework of other project activities

Representatives of the Contractor participated as speakers in the following events held within the framework of the project, part of the current activity:

1. Seminar "Modern financial instruments in the cross-border region - opportunities for SMEs", held on March 14, 2023 in the city of Sandanski, the conference hall of the Spartak Hotel, 1 Macedonia Street
2. Seminar "Modern financial instruments in the cross-border region - opportunities for SMEs", held on May 22 , 2023 in the city of Blagoevgrad, Southwest University "Neofit Rilski", 66 "Ivan Mihailov" St.
3. Workshop "Discussion of the prospects for improving joint work to increase the local capacity to use the opportunities provided by modern financial instruments", held on September 27, 2023 in the city of Sandanski, the conference hall of the Spartak Hotel, str. "Macedonia" N1
4. Two-day forum and round table on business financing and exchange of practices among interested parties in the field of financial instruments, held on October 26 and 27, 2023 in the city of Sandanski, conference hall of Spartak Hotel, 1 Macedonia Street
5. "Mechanism for support with private financing" conference, held on November 10, 2023 in the city of Blagoevgrad, the building of the municipality of Blagoevgrad at "Georgi Izmirliiev" square #1

Figure 1. Presentations during events held by the Contracting Authority



During the above events, the Contractor's representatives made presentations on the following topics:

- Funding opportunities from the European Structural and Investment Funds during the 2021-2027 programming period.
- Current and expected business support programs in 2023:
 - (BG-RRP-3.006) "Construction of new renewable energy sources for own consumption in combination with local energy storage facilities in enterprises"
 - (BG-RRP-4.021) "Support for energy renovation of buildings in the sphere of production, trade and services"

- (BG-RRP-6.004) "Investments in technological and ecological modernization"
 - (BG-RRP-3.008) "Support for the transition to a circular economy in enterprises"
 - (BG05SFPR002-1.004) "Adapted working environment"
 - "Improving the production capacity of family businesses, enterprises of the creative industries and crafts"
 - (BG16RFPR001-1.003) "Implementation of innovations in enterprises"
 - (BG16RFPR001-1.001) "Development of innovations in enterprises"
 - "Small innovative grants (voucher scheme for small and medium-sized enterprises (SMEs))", etc.
- Business financing: types of sources of capital financing, alternative sources of financing, main financial instruments that are represented in the cross-border region, private and venture capital funds, business angels and startup accelerators
 - Main financial instruments for business in Blagoevgrad district - current and upcoming opportunities. Presentation of good practices in support of local business

During the workshops, workshop and two-day forum, individual advice was provided to businesses on how they can make the most effective use of available grant procedures.

3 . Provided consultations to SMEs from the Blagoevgrad region on how to take advantage of the available modern financial instruments

Within the framework of the implementation of this contract, the Contractor participates in 5 events organized within the framework of the project. During each of the events, with the exception of the closing conference, there was an opportunity for their participants - representatives of small and medium-sized enterprises from the cross-border region - to receive additional information and advice on financial instruments. The main interest of the participants was focused on procedures for the following types of financial instruments:

- The National Recovery and Resilience Plan

- Program "Competitiveness and Innovation in Enterprises" 2021 - 2027
- Human Resources Development Program 2021 - 2027

The contractor provided consultations to 16 companies on several procedures from the above-mentioned financial instruments, presented below. The interest of the company representatives was mainly focused on the following:

- Objectives of the procedures – what is expected to be achieved by them
- Eligibility of applicants according to the relevant procedures – who can apply and what criteria they must meet (e.g. year of company registration, admissible/inadmissible codes of economic activity of companies, minimum turnover for the last financial year, etc.)
- Types of eligible activities - what can be carried out within the projects
- Types of eligible costs - what is financed under the projects, what is the minimum and maximum amount of the grant, what is the intensity of the financing, what are the different financing regimes (e.g. what is the de minimis regime) , how is the financing granted (advance, interim and final payments) etc.
- Method of application - how to prepare a project through ISUN, where to register, what documents are needed, how to obtain a qualified electronic signature, how long it takes to prepare the project, etc.
- Criteria for evaluating project proposals - what are the factors that can contribute to the success of the project proposal, for which indicators receive more points, what is important in the preparation of the project so that it can receive as many points as possible
- Method of project management - how technical and financial reporting is carried out, at what time periods, payment schedule, method of reporting individual activities, etc.
- Post-project monitoring requirements

Specific issues were also clarified regarding the principle of "doing no significant harm", part of the rationale for projects funded in the new programming period. The Regulation

establishing the Recovery and Resilience Mechanism provides that no measure included in Member States' recovery and resilience plans should result in significant damage to environmental objectives within the meaning of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 to create a framework to facilitate sustainable investments and to amend Regulation (EU) 2019/2088 (the Taxonomy Regulation). In view of this, all measures included in the Recovery and Sustainability Plan of Bulgaria (RPV), including those envisaged under the Program for Economic Transformation, should contribute to the ecological transition by taking into account **the six ecological goals** laid down in Art. 9 of the Taxonomy Regulation:

1. Climate change mitigation
2. Adapting to climate change
3. Sustainable use and protection of water and marine resources
4. Transition to a circular economy
5. Pollution prevention and control
6. Protecting and restoring biodiversity and ecosystems

In this regard, every single investment under PVU should be in accordance with the principle of "doing no significant harm " .

For the purposes of the Regulation on the Recovery and Resilience Mechanism, ¹the principle of "not causing significant damage " must be interpreted in the sense of Art. 17 of the Taxonomy Regulation, which defines what constitutes "significant harm " for the six environmental objectives covered by it. In this regard, taking into account the entire life cycle of the products and services provided through a given economic activity, it is assumed that the activity causes significant harm to any of the six environmental objectives, and accordingly the principle of "no significant harm" is not met ” , if at:

1. **Climate change mitigation** when this activity results in significant greenhouse gas emissions

¹Regulation (EU) 2021/241 establishing a Recovery and Resilience Mechanism.

2. **Adaptation to climate change** , when this activity leads to an increase in the adverse impact of the current climate and the expected future climate on the activity itself, or on the population, nature or assets
3. **The sustainable use and protection of water and marine resources** , when this activity worsens:
 - The good status or good ecological potential of water bodies, including surface and groundwater or
 - The good ecological status of marine waters
4. **The circular economy , including the prevention of waste generation and its recycling** , when:
 - This activity leads to significant inefficiencies in the use of materials or in the direct or indirect use of natural resources such as non-renewable sources of energy, raw materials, water and land, at one or more stages of the life cycle of the products, including in terms of durability and capabilities to repair, upgrade, reuse or recycle the products
 - This activity results in a significant increase in the generation, incineration or disposal of waste, except for the incineration of non-recyclable hazardous waste or
 - Long-term waste disposal can cause significant and long-term damage to the environment
5. **The prevention and control of pollution** , when this activity leads to a significant increase in the emission of pollutants into the air, water or soil compared to the situation before the start of the activity, or
6. **The protection and restoration of biological diversity and ecosystems** , when this activity:
 - Deteriorates to a significant extent the good condition and sustainability of ecosystems or

- Deteriorates the conservation status of habitats and species, including those of EU interest

In relation to the limitations specified in the Annex to the Decision approving the assessment of the Recovery and Resilience Plan of Bulgaria and in view of the compliance of the procedures announced under the Plan with the Notice of the Commission "Technical guidelines for the application of the principle of "non-imposition of significant damage " according to the Regulation on the Recovery and Resilience Mechanism (2021/C58/01) " and guaranteeing to the maximum extent the observance of the principle of "not causing significant damage " , under the procedures financed under the RAP, the following will not be supported:

- Fossil fuel activities and assets, including downstream use²
- Activities and assets under the EU Emissions Trading Scheme
- Activities and assets related to landfills, waste incineration plants ³and mechanical-biological treatment plants⁴
- Activities and assets where long-term waste disposal may cause harm to the environment

In accordance with the Regulation on the Recovery and Resilience Mechanism and to comply with the principle of "doing no significant harm " , all planned investments by the applicants (final recipients) should not lead to significant harm for any of the above six environmental objectives .

Brief presentations of the procedures by which consultations were provided to representatives of small and medium-sized enterprises are provided below.

²With the exception of projects for the production of electricity and/or heat, as well as the related transmission and distribution infrastructure, using natural gas, which meet the conditions set out in Annex III to the technical guidelines "Not causing significant damage" (2021/ C58/01).

³This exception does not apply to actions in installations intended exclusively for the treatment of non-recyclable hazardous waste and to existing installations where the actions aim to increase energy efficiency, capture exhaust gases for storage or use or recovery of incineration ash materials, provided that such actions do not lead to an increase in the capacity of waste processing installations or to an extension of the life cycle of the installations.

⁴This exemption does not apply to actions at existing mechanical biological treatment plants where the actions are intended to increase energy efficiency or to upgrade segregated waste recycling activities for biowaste composting and biowaste anaerobic digestion, provided that these actions do not lead to an increase in the capacity of waste processing enterprises or to an extension of the life cycle of the installations.

Financial instrument:
Recovery and Resilience Plan (RRSP)
Name of the procedure:
BG-RRP-3.006 "Construction of new RES for own consumption in combination with local facilities for energy storage in enterprises"
Purpose of the procedure:
The purpose of the procedure is to provide grants for the construction of renewable energy sources (RES) for own consumption, combined with local energy storage facilities, to encourage the transition of the private sector to environmentally friendly activity.
Eligible candidates:
<ul style="list-style-type: none"> • To be micro-, small and medium-sized enterprises, traders within the meaning of the Trade Act or the Cooperatives Act • Be registered no later than 31.12.2019. • Have realized net sales revenue for the 2021 financial year depending on the category of the applicant enterprise, as follows: <ul style="list-style-type: none"> – Micro enterprise: \geq 80,000 BGN – Small enterprise: \geq BGN 187,000 – Medium enterprise, small company with average market capitalization or company with average market capitalization: \geq BGN 750,000 • To have claimed support for their main economic activity according to the Classification of Economic Activities
Eligible Activities:
Construction of new photovoltaic installations up to 1 MW for the production of energy from renewable sources for self-consumption in combination with local energy storage facilities (batteries).
Eligible expenses:
Costs for building a photovoltaic system up to 1 MW for own consumption in combination with facilities for local storage of the produced energy (batteries).

The scope of eligible expenses may include: expenses for the acquisition of durable tangible assets, expenses for the acquisition of durable intangible assets, expenses for construction and installation of a roof/facade/adjacent property, expenses for consulting services of an engineering-technical nature. All stated costs should be necessary and directly related to the built photovoltaic systems in combination with batteries.

Funding amount (min-max) :

From BGN 100,000 to BGN 1,000,000.

Depending on the size of the enterprise and its location (in or outside the territory of the South-West Region, SZR) , the maximum aid intensity is different, varying from 35% for small companies with an average market capitalization and companies with an average market capitalization in the SZR to 50 % for micro and small enterprises.

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Financial instrument:

Recovery and Resilience Plan

Name of the procedure:

BG-RRP-4.021 "Support for energy renovation of buildings in the sphere of production, trade and services, as well as buildings from the tourism sector"

Purpose of the procedure:

The main goal is sustainable energy renovation of buildings in the sphere of production, trade and services, as well as buildings from the tourism sector.

Eligible candidates:

- To be micro-, small and medium-sized enterprises, traders within the meaning of the Trade Act or the Cooperatives Act
- Be registered no later than 31.12.2019.

Eligible Activities:

Activities to implement CMP for implementing energy efficiency measures (energy-saving measures to reach energy class "A" or achieve the requirement for buildings with close to zero net energy consumption (nZEB), except for class "B", with the utilization of energy from renewable sources, introduction of energy monitoring systems, etc.) and RES measures, incl. all existing SMPs necessary to implement the measures.

It is a mandatory requirement to achieve a minimum of 30% primary energy savings for each object after implementing the measures in the buildings. In case the measures include heating and cooling systems and/or electricity production from renewable sources (RE), only those for own consumption are admissible. The construction of a renewable energy production facility is only permissible if the renewable energy production facility will be owned by the company.

The proposed construction of renewable energy production facilities in the building (or in the vicinity of the building) is only for the provision of renewable energy for own consumption, with the aim of providing the renewable energy of the building for heating, cooling, ventilation, hot water for domestic needs and lighting. The produced renewable energy from this renewable energy production facility in or near the building cannot be the subject of a commercial transaction for purchase and sale.

Eligible expenses:

Costs for construction and installation works (CMR/engineering). Unforeseen costs for construction and installation works up to 10% can be included within the total cost of the SMP. In the case of engineering, unforeseen costs for construction and installation work are not admissible.

Funding amount (min-max) :

Minimum amount: BGN 100,000. The maximum amount depends on the category of the enterprise and can be as follows:

- Micro enterprises: BGN 300,000
- Small enterprises: BGN 500,000
- Medium enterprises: BGN 750,000

- Large enterprises: BGN 2,500,000

Intensity of financing: 35% for enterprises from SSR and 45% - for enterprises outside SSR. The maximum aid intensity can be increased by 20% for aid granted to small enterprises and by 10% for aid granted to medium-sized enterprises within the meaning of Annex I to Regulation (EU) No. 651/2014.

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Financial instrument:
Recovery and Resilience Plan
Name of the procedure:
BG-RRP-6.004 "Investments in technological and environmental modernization"
Purpose of the procedure:
The procedure aims to provide timely support to Bulgarian agricultural producers, in the form of grants, to quickly recover from the consequences of the COVID-19 pandemic, overcome the problems that hinder the competitiveness and sustainability of the agricultural sector and accelerate its adaptation to climate change , the greening of production, digital transformation, improvement of genetic resources.
Eligible candidates:
<ul style="list-style-type: none"> • To be registered farmers (to be natural or legal persons registered as farmers in accordance with Ordinance No. 3 of 1999 on the creation and maintenance of a register of farmers) • To be micro, small or medium enterprises
Eligible Activities:
<ul style="list-style-type: none"> • Investments and activities that contribute to the protection of environmental components, including the reduction of harmful emissions and waste, management and utilization of waste from agricultural production and production of energy from renewable energy sources (RES) for own consumption • Investments and activities that contribute to sustainable and digital economic recovery

Eligible expenses:

Costs for tangible and intangible investments:

- Technological and ecological modernization of the individual phases of production processes in crop production during soil treatment, fertilizing, plant protection and harvesting through the use of technological solutions that provide an opportunity for traceability or control of operations and/or process management and/or generation and exchange of data - incl. tractors, harvesters, loaders, cultivators, deepeners and harrows for partial tillage, seed drills for direct and precision seeding, incl. self-propelled; fertilizer-carrying machines for precise fertilization, incl. self-propelled; sprayers for precise application of plant protection preparations, incl. self-propelled; mowers, adapters, attachments and stripper headers, mulching equipment (choppers, knife roller, shredders, mulchers and others), balers, self-loading and self-unloading trailers, drones, GPS systems and other technology/machinery/equipment that help technological modernization and protect components of the environment
- Delivery and installation of equipment for electronic control of all processes, incl. the microclimate in greenhouse production excluding the costs related to irrigation
- Delivery and installation of equipment for the prevention of extreme manifestations of adverse weather phenomena, such as hail and frost
- Delivery and installation of automated systems, machines and equipment for the preparation of crop production for sale, including related to cleaning, washing, sorting, cooling, calibrating, marking and packaging
- Systems and equipment/including software and/or hardware/ for data collection, processing and analysis - incl. information from the various phases of cultivation, production, storage and sale of agricultural products (for crop production - for collection, processing and analysis, remote control, management and monitoring of data on fertilizer rates, soil and crop conditions, yields, etc.; for animal husbandry, including beekeeping - to monitor the health status of animals, feeding rates, productivity, etc.)
- Delivery and installation of machines, equipment and installations for the production of energy from photovoltaic systems in farms for own consumption, etc.

Funding amount (min-max) :

From BGN 30,000.00 to BGN 1,000,000.00 - 50% financing.

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Financial instrument:

Recovery and Resilience Plan

Name of the procedure:

BG-RRP-3.008 " Support for the transition to a circular economy in enterprises"

Purpose of the procedure:

The purpose of the procedure is to contribute to accelerating the transition to a circular economy by providing grants to companies in the manufacturing sector to introduce circular models for the use of resources and the implementation of climate-neutral methods and technologies for the production and consumption of the products of their activities.

Eligible candidates:

- To be micro, small, medium or large enterprises, traders within the meaning of the Trade Act or the Cooperatives Act
- Be registered no later than 31.12.2019.
- Have realized net sales revenue for the 2021 financial year depending on the category of the applicant enterprise, as follows:
 - Micro enterprise \geq BGN 200,000
 - Small enterprise \geq BGN 600,000
 - Medium enterprise \geq BGN 1,000,000
 - Large enterprise \geq BGN 3,000,000
- Have applied for support for an economic activity that falls into sector C " Processing industry" according to the Classification of economic activities

Eligible Activities:

Acquisition of new technologies for introducing circular models in enterprises in one or more of the following directions:

- Preventing or reducing the generation of waste by implementing technologies for preparing for reuse and processing/recycling and/or other activities for the recovery of waste from the production activity and putting it as raw material into the production process (for the production of existing and/or new ones for the enterprise products)
- Reduction of raw materials used (the amount of raw materials used for the production of a unit of product and/or reduction of the types (number) of raw materials used in the final product) by implementing technologies for the use of alternative raw materials, including recycled raw materials and materials, increasing the use of recyclable raw materials etc.
- Limiting the use of plastic packaging and single-use plastic products by implementing technologies to replace plastic packaging and single-use plastic products with alternative packaging and reusable products, biodegradable, compostable, bio-based packaging and products, reducing the use of plastic as a raw material used in the final product(s), ensuring compliance of manufactured packaging and products with the requirements applicable to them arising from national and European legislation regarding plastic packaging and single-use plastic products
- Production of sustainable products by implementing technologies that ensure repeated or repeated use of existing and/or new products for the enterprise, and/or increasing their durability, providing opportunities for modernization and repair - repair/replacement of damaged parts and/or components in order to increase the longevity of the products, etc.

Eligible expenses:

- Costs for the acquisition of machinery, plant and equipment representing tangible fixed assets
- Costs for the acquisition of specialized software for the production process, representing a fixed intangible asset

Funding amount (min-max) :

Minimum amount: BGN 70,000. The maximum amount depends on the category of the enterprise and should not exceed:

- Micro enterprises: BGN 350,000
- Small enterprises: BGN 550,000

- Medium enterprises: BGN 750,000
- Large enterprises: BGN 1,000,000

The funding intensity varies between 30% for large enterprises and 50% for micro and small enterprises outside the SSR.

The maximum amount of grant funding under individual investment proposals should not exceed:

- For micro enterprises: 90% of the average annual net sales revenue of the applicant enterprise for the three-year period 2019, 2020 and 2021.
- For small businesses: 60% of the average annual net sales revenue of the applicant business for the three-year period 2019, 2020 and 2021.
- For medium-sized enterprises: 30% of the average annual net sales revenue of the applicant enterprise for the three-year period 2019, 2020 and 2021.
- For large enterprises: 20% of the average annual net sales revenue of the applicant enterprise for the three-year period 2019, 2020 and 2021.

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Financial instrument:
Program "Competitiveness and innovation in enterprises" 2021 - 2027 (PCIP)
Name of the procedure:
BG16RFPR001-1.003 "Implementation of innovations in enterprises"
Purpose of the procedure:
Provision of focused support to Bulgarian enterprises for the implementation of product innovations or innovations in business processes in the thematic areas of the Innovation Strategy for Smart Specialization 2021-2027 (ISIS 2021-2027):
1. "Informatics and ICT"
2. "Mechatronics and microelectronics"

3. "Healthy Living, Bioeconomy and Biotechnology Industries"
4. "New Technologies in Creative and Recreational Industries"
5. "Clean technologies, circular and low-carbon economy"

Eligible candidates:

- Be micro, small or medium-sized enterprises under the SME Act or small companies with a medium market capitalization, traders within the meaning of the Commercial Act or the Cooperatives Act
- Be registered no later than 31.12.2020.
- Have realized net sales revenue for the financial year 2022 depending on the category of the applicant enterprise as follows:
 - Micro-enterprise: \geq BGN 100,000
 - Small enterprise: \geq BGN 300,000
 - Medium enterprise: \geq BGN 1,000,000
 - Small Mid-Caps: \geq BGN 2,000,000

Eligible Activities:

The activities of the innovation implementation project may be part of the main, additional or completely new economic activity for the applicant - product innovation or innovation in business processes (aimed at the production of goods and provision of services), which is own development or based on intellectual rights acquired by third parties.

- Element A "Investments" (mandatory):
 - Activity 1. Implementation of product innovation (good or service) or innovation in business processes by means of acquisition of machinery, equipment and equipment representing durable material assets
 - Activity 2. Implementation of product innovation (goods or services) or innovation in business processes through the acquisition of specialized software (including development), patents, licenses, "know-how", etc., representing long-term intangible assets
- Element B "Services" (optional):

- Activity 1. Protection of industrial property rights on the implemented innovation - payment of fees for application and registration of industrial property rights on the implemented innovation before the relevant competent department at national and/or international level
- Activity 2. Consulting and support services in support of innovation – services performed by a legally competent industrial property representative related to the protection of industrial property at the national and international level on the innovative products/processes implemented under the project, incl. studies (for "state of the art", "novelty", "inventive step" and "technical applicability"), providing access to databases and libraries to be used in connection with the improvement of the product (good or service) implemented under the project) or business process, providing services from laboratories for conducting research, measurements and tests, etc.

Eligible expenses:

Element A "Investments" (mandatory):

- Costs for the acquisition of durable tangible assets - machinery, equipment and equipment necessary for the implementation of the project
- Costs for the acquisition of long-term intangible assets - specialized software (including development), patents, licenses, know-how, etc., necessary for the implementation of the project

Element B "Services" (optional):

- Costs for application fees and registration before the relevant competent authority in connection with the protection of industrial property rights on the implemented innovation at national and/or international level
- Costs for consulting and support services to support innovation
- Expenses for access fees to databases and libraries to be used in connection with the improvement of the product (good or service) or business process implemented under the project
- Costs for external services (through an award contract, etc.) related to providing services from laboratories¹⁰ for conducting research, measurements, tests, etc.

Funding amount (min-max) :

Minimum amount: BGN 50,000. The maximum amount depends on the category of the enterprise:

- Micro and small enterprises: BGN 500,000
- Medium enterprises and small companies with an average market capitalization: BGN 800,000

The financing intensity varies between 20% for small companies with an average market capitalization from the Sofia-city and Pernik regions to 50% for micro and small enterprises outside the North-Western region.

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Financial instrument:

Program "Competitiveness and Innovation in Enterprises" 2021 - 2027

Name of the procedure:

BG16RFPR001-1.001 "Development of innovations in enterprises"

Purpose of the procedure:

Providing focused support to Bulgarian enterprises to increase innovation activity by developing innovations in the thematic areas of the Innovation Strategy for Smart Specialization 2021-2027 (ISIS 2021-2027).

Eligible candidates:

- Existing enterprises (micro, small, medium-sized enterprises, small companies with mid-market capitalization and large enterprises) that are traders within the meaning of the Commercial Law or the Cooperatives Law - alone or in partnership
- Be registered no later than 31.12.2020.
- Have realized net sales revenue for the 2022 financial year depending on the category of the applicant enterprise, as follows:
 - Micro enterprise: $\geq 80,000$ BGN

- Small enterprise: $\geq 200,000$ BGN
- Medium enterprise and small company with average market capitalization: $\geq 850,000$ BGN
- Large enterprise: \geq BGN 3,000,000

Eligible Activities:

- Item A:
 - Carrying out research, testing, measurement and validation necessary for the development of a product (good or service) or manufacturing innovation
 - Creation and testing of prototypes and pilot lines related to the development of a product (good or service) or manufacturing innovation
- Item B:
 - Protection of industrial property at the national and international level and use of the necessary expert assistance for this: application and registration of a patent and/or utility model and/or industrial design of the innovation being developed, conducting studies by the Patent Office of the Republic of Bulgaria and/or by licensed industrial property representative, activities for preparing a patent application and/or utility model and/or design at the national and/or international level, as well as providing consulting and legal services related to licensing and income from rights on the developed innovation

Eligible expenses:

- Item A:
 - Remuneration costs (including health and insurance contributions at the expense of the employer) of personnel for the duration of the project - researchers, technical personnel and other qualified personnel directly involved in the activities for the development of the innovation
 - Depreciation costs of own equipment and tools entered in the assets of the applicant/partner and representing fixed tangible assets necessary for the development

of the innovation, insofar as they are used and for the period during which they are used for the project

- Depreciation costs of buildings and premises entered in the assets of the applicant/partner, necessary for the development of the innovation, in the part in which they are used (sq. m.) and for the period during which they are used for the project
 - Costs of external services necessary to develop the innovation, e.g. costs of outsourcing research, costs of knowledge and patents purchased or licensed from outside sources on an arm's length basis, costs of consulting and equivalent services used exclusively for the development of the innovation
 - Material costs and supplies needed to develop the innovation
- Item B
 - Costs for the protection of industrial property at the national and international level and the use of the necessary expert assistance

Funding amount (min-max) :

From BGN 50,000 to BGN 500,000 for medium-sized enterprises, small companies with medium market capitalization and large enterprises (up to BGN 250,000 for micro enterprises and up to BGN 400,000 for small enterprises).

The amount of financing also depends on the category of the enterprise and on its turnover for the last 3 completed financial years:

- For micro-enterprises: 100% of the applicant's average annual net sales revenue for the three-year period 2020, 2021 and 2022.
- For small businesses: 60% of the applicant's average annual net sales revenue for the three-year period 2020, 2021 and 2022.
- For medium-sized enterprises and small mid-cap companies: 25% of the applicant's average annual net sales revenue for the three-year period 2020, 2021 and 2022.
- For large enterprises: 10% of the applicant's average annual net sales revenue for the three-year period 2020, 2021 and 2022.

The intensity of the grant depends on the type of research (experimental development or industrial research), starting from 25% and can reach up to 60% for micro and small enterprises, if it involves effective collaboration and/or the results of the project are widely disseminated through conferences, publications, open access registries, or free or open source software.

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Financial instrument:
Program "Competitiveness and Innovation in Enterprises" 2021 - 2027
Name of the procedure:
"Improving the production capacity of family businesses, enterprises of the creative industries and crafts"
Purpose of the procedure:
Improving the production capacity of small and medium-sized enterprises - family enterprises, enterprises from the creative industries and crafts in order to increase their competitiveness and strengthen their market presence
Eligible candidates:
<ul style="list-style-type: none"> • Existing micro and small enterprises that are traders within the meaning of the Trade Act or the Cooperatives Act • Be registered no later than 31.12.2020. • To have an average number of staff for the last completed financial year at the date of the announcement of the procedure ≥ 2 employed persons • To be family enterprises within the meaning of the definition of "family enterprise" during the last 3 (three) calendar years as of the date of the announcement of the procedure • To be enterprises with a main economic activity in the sectors of creative industries according to the Classification of Economic Activities or to be enterprises carrying out activities included in the List of Crafts according to Appendix No. 1 to the Law on Crafts

"Family enterprise" is an enterprise in which more than half of the capital of the enterprise is owned by the individual who created the enterprise or acquired the capital of the enterprise and at least one other (different) individual is officially involved in its management, and there is a relationship between the two individuals relationship,

or

more than half of the capital of the enterprise is owned by more than one natural person who created the enterprise or acquired the capital of the enterprise, and between them there is a family relationship and at least one of these persons or at least one other (different) natural person with whom the persons, owning more than half of the capital of the enterprise, have a family relationship, participate officially in the management of the enterprise.

Eligible Activities:

Improving production processes in family businesses.

Eligible expenses:

- Costs for the acquisition of assets - durable tangible assets and/or assets below the value threshold of materiality, representing tools , machines , facilities , equipment for the production process, ensuring improvement of the production capacity of the enterprise
- Costs for the acquisition of long-term intangible assets - specialized software , ensuring the improvement of the production capacity of the enterprise
- Costs for creating an online store for the products/services of the activity for which support is requested in order to improve the market performance of the enterprises

Funding amount (min-max) :

From BGN 25,000 to BGN 150,000, 60% financing intensity

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Financial instrument:

Program "Development of human resources" 2021 - 2027 (PRHR)

Name of the procedure:

BG05SFPR002-1.004 "Adapted work environment"

Purpose of the procedure:

The goals are tied to providing assistance to businesses to meet the new challenges associated with the transition to a climate-neutral economy and changing work patterns. This requires rapid changes in the labor market and necessitates taking effective measures to improve access to employment in quality jobs and adapt to changes in the working environment. The activities envisaged under the procedure are expected to contribute to the improvement of a healthy and safe working environment in enterprises, which is a key element in achieving sustainable working conditions for all workers, helping to reduce health risks at the workplace and improving standards of health and safety working conditions.

Eligible candidates:

Candidates are all individuals and legal entities, as well as their associations, who apply for a grant by submitting a project proposal. Additional requirements:

- The applicant meets the requirements for providing minimum benefits, in accordance with Regulation (EU) No. 1407/2013
- The candidate has financial capacity, which is calculated based on the Methodology for assessing the financial capacity of candidates under the "Human Resources Development" program 2021 - 2027.
- The applicant has the operational capacity to implement the project proposal, i.e. has experience in the implementation of at least one of the activities included in the project proposal indicated in the application form or has completed at least one project financed by the EU, the national budget or other donors, in which he participated as an applicant or partner, mentioned in the application form

Eligible Activities:

- Development and implementation of "green" models of work organization according to the specifics of specific workplaces in enterprises. Preparation of "green" maps for the organization of work processes at the specific workplaces. Training of persons from the target group aimed at implementing "green" models of work organization. The introduction of new "green" models of work process organization may be related to:

1. Implementation in the enterprise of new ecological production investments, due to which the organization of labor in the enterprise changes
 2. Introducing changes in the organization of work to include environmentally friendly activities in specific work processes and in certain workplaces
 3. Building an overall environmentally-friendly (“green”) company culture and motivating employees' environmentally-friendly thinking
- Providing prevention and prevention of "burnout" in the workplace and "effects of the COVID pandemic on mental health" - psychological support
 - Purchase of personal protective equipment (PPE) and special work clothing - new in type of PPE and/or special work clothing that have not been used in the enterprise before, or PPE and/or special work clothing that provide higher protection than those which are currently in use
 - Provision of collective protective equipment, incl. modernization and/or reconstruction, and/or safety of existing facilities, technological processes, machines and equipment related to improving working conditions, e.g. protection from dust, toxic and other harmful substances, protection from excessive noise, protection from vibrations during operation, protection from entering a dangerous area, etc.
 - Provision of social benefits for workers, incl. repair and equipment of places for recreation, rehabilitation, sports, meals and rest in enterprises, etc.

Eligible expenses:

- Service costs:
 - Development and implementation of "green" models of work organization according to the specifics of specific workplaces in enterprises; for the preparation of "green" maps for the organization of work processes at specific workplaces and the training of persons from the target group aimed at implementing "green" models of work organization
 - Costs of providing prevention and prevention of "burnout" in the workplace and "effects of the Covid pandemic on mental health" - psychological support

- Costs for materials – costs for the purchase of PPE and special work clothing
- DMA purchase costs, e.g. funds for collective protection related to improving working conditions, costs for furniture and equipment
- Costs for construction and installation works (SMR) , e.g. CMR costs for modernization and/or reconstruction, and/or safety of existing sites, technological processes, machines and equipment related to improving working conditions
- Indirect costs – a flat rate of **10% of the eligible direct costs of the project**

Funding amount (min-max) :

The procedure is in de minimis mode, with the minimum amount of the grant being BGN 50,000, and the maximum being BGN 391,166.

No co-financing is required for micro, small and medium-sized enterprises. For applicant large enterprises, the co-financing is in the amount of a minimum of 20% of the total value of the project.

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Financial instrument:

"Research, Innovation and Digitization for Smart Transformation" 2021-2027 (PNIIDIT)

Name of the procedure:

"Small Innovative Grants (voucher scheme for small and medium-sized enterprises)"

Purpose of the procedure:

The purpose of the procedure is to encourage business to make wider use of the capacity of scientific organizations.

The procedure envisages targeted support for science-intensive services to provide innovative solutions, the introduction of new products, processes or services in business, the solution of various technological problems of the enterprise in the field of digitization, the introduction of new business models, prototyping, etc. by providing focused support to Bulgarian enterprises

in the form of fixed grants (innovation vouchers) for the purchase of services from knowledge providers such as universities, research centers, incl. centers of competence and excellence and research infrastructures.

Eligible candidates:

- Micro-, small and medium-sized enterprises - traders within the meaning of the Trade Act or the Cooperatives Act
- Be registered no later than 31.12.2022.
- Have realized a minimum amount of net sales revenue for the financial year 2022, specified in the Application Conditions for the relevant enterprise category

Eligible Activities:

Eligible activities include:

- Consulting services in the field of innovation. According to Art. 2, par. 94 of Regulation (EU) No. 651/2014 innovation services" means consulting, assistance or training in the field of knowledge transfer, the acquisition, protection or exploitation of intangible assets or the use of the standards and rules governing them, as well as consulting, assisting or training in the introduction or use of innovative technologies and solutions (including digital technologies and solutions);
- Services and/or access to scientific infrastructures/specialized laboratory complexes or unique scientific equipment for which SMEs declare a need for support ⁵. The services will be provided by the staff of public research organizations and universities and research infrastructures

Eligible expenses:

The activities under this procedure are financed in the form of a lump sum, according to Art. 53, par. 1, b. "c" of Regulation (EU) No. 2021/1060. The stated amount of the lump sum has been calculated in accordance with Art. 53, par. 3, b. "a", item i) of Regulation (EU) 2021/1060, by a correct, fair and verifiable calculation method based on statistical data, other

⁵ SMEs could use the Platform for cooperation between higher education institutions, research organizations and businesses, administered by the National Center for Information and Documentation, to identify the services they need and/or the use of infrastructure/specialized laboratory complexes or unique scientific equipment. This platform will contain data from the Register of Scientific Activities, the Register of Academic Staff and the Bulgarian Open Science Portal and will enable SMEs to choose from an extensive list of scientific organisations/universities and the relevant specific services they could provide them.

objective information or expert assessment, as well as by a combination of unit costs per hour for remuneration for personnel and a uniform rate in the amount of up to 40% of the allowable direct costs for personnel to cover the remaining allowable costs, in accordance with Art. 53, par. 1, b. "e" of Regulation (EU) 2021/1060.

Funding amount (min-max) :

Up to BGN 40,000 (minimum amount not specified), up to 100% financing

During the consultations, there was little interest on the part of SMEs in clarifying the characteristics of bank products, e.g. loans or other forms of financing, such as leasing. The representatives of the companies have sufficiently good contacts with the local branches of these financial institutions, which provide them with sufficient information regarding the possibilities of financing their investment projects (e.g. expansion of production bases or administrative premises) , for the purchase of equipment, vehicles or for securing of working capital.

In general, there is a lack of awareness of, and a lack of interest in, opportunities to obtain financing from venture or equity funds, such as those created with funding from the Fund of Funds. Until now, too little information had reached the representatives of the local companies regarding their spheres of activity, the way in which the financing is carried out, what are the expectations of the investment funds towards the companies and other details. Consequently, there is mistrust about the possibilities of these financial instruments being used effectively at the local level, especially since they are largely unknown and the financing they provide differs significantly in its characteristics from both bank loans and grants. financial assistance provided under procedures financed by the European Structural and Investment Funds.

In addition to the consultations provided to 16 local businesses during and after the project events, during the period of contract implementation, the Contractor, based on preliminary requests from companies, provided online consultations to another 12 enterprises. The topics were related to the presentation and discussion of the possibilities that are available under various financial instruments that are applicable to the cross-border region with Greece. For the purposes of this sub-activity, sample requests were prepared by the enterprises, which were sent to the

Contracting Authority and subsequently - handed over to the Contractor. The requests included consultation opportunities on the following topics:

- Financing from commercial banks
- Funding from the Bulgarian Development Bank
- Use of leasing schemes
- Programs financed by the European Structural and Investment Funds in Bulgaria
- Projects under the National Recovery and Resilience Plan
- Cross-border cooperation programs (e.g. the Interreg VI-A Greece-Bulgaria TGS Program 2021-2027)
- Programs for transregional and transnational cooperation (e.g. Horizon Europe, Interreg Europe, etc.)
- Venture capital funds

The subject of the consultation covered one or more of the following options:

- Method of obtaining credit from a bank
- Characteristics and method of access to an operating or financial lease
- General information on the financing under the PVU and from the ESIF in the period 2021 - 2027.
- Preparation of a project under the grant procedure
- Management of a project funded by a national program or directly by the EU
- Cross-border project management with Greece (e.g. cost eligibility, MIS handling, etc.)
- General information about financial instruments

In general, during the course of the consultations with the enterprises, other issues were discussed outside the previously identified topics of conversation, for example:

- What are the possibilities for direct financing under procedures announced by the European Commission?

- What is foreseen in the new program period to simplify the implementation of the projects?
- Where can I monitor the opening of funding procedures?
- To what extent is project evaluation objective?
- By what year should the projects be completed?
- What are the possibilities for financing businesses in Greece?
- What will be the impact of the European Green Deal on the implementation of the projects?

A conclusion that can be drawn based on the consultations provided to local business representatives is that there is still a lack of a unified system through which local businesses can receive up-to-date and reliable information about the various sources of funding for their activities. In a large number of cases, companies accidentally learn that a given procedure has been announced, and often the time to prepare a project is not enough for them to successfully manage within the submission deadline.

In addition, under different programs and procedures the eligible candidates are very different, e.g. in terms of the size of the enterprise (micro, small, medium, large) , in terms of the code of economic activity, in terms of permissible activities and costs, which creates additional confusion among companies. They hear that there is an announced procedure, but they have no information whether they are eligible to apply for it at all, whether the activities being financed meet their needs and whether the administrative costs of managing the project are acceptable given the intensity of the funding.

Predominantly, companies prefer to use the services of an external consultant for the preparation and/or management of their projects, because they don't have time to deal with the details, or they fear that they might miss out on attaching a document, which could lead to their project being rejected. Also, they are not sure that they can familiarize themselves well enough with all the documents accompanying a procedure, or they can make a mistake in its management, which will lead to a serious financial correction, as they have heard from their other partners.

In the future, a wider promotion of the diverse funding opportunities in the cross-border region is needed. The need to simplify the application process and project implementation procedures is noted.

4 . Provided technical assistance for the development of a local private financing support mechanism

Analysis was prepared regarding the possibilities for Bulgarian enterprises to implement business activities in Greece. This is important because a significant imbalance is established between the volume of trade, production and investments of Greek enterprises in the Bulgarian cross-border region and vice versa.

Therefore, in the text below, a presentation of key economic factors on both sides of the border between Greece and Bulgaria is made, which give an explanation for the significantly greater participation of Greek companies in business activities in Bulgaria, considering:

- Foreign Direct Investment (FDI)
- Employment and labor market
- Business structure
- Cross-border passenger flows
- Mobility and connectivity
- Tax regime

The Greek tax regime is considered one of the most important obstacles for attracting FDI, incl. from Bulgaria. Both high tax rates and constant changes in primary and secondary legislation hinder financial planning and cultivate a sense of uncertainty that limits Greece's attractiveness as an investment destination.

The main obstacles to the cross-border development of bilateral business are as follows:

- Lack of sufficient understanding among Bulgarian entrepreneurs regarding Greek company law, administrative and labor legislation

- The tax systems in Greece and Bulgaria are not harmonized - the tax regime in Greece is considered much more burdensome for businesses
- The social protection systems of the two countries are quite different (including for the self-employed)
- Business formation rules and business reporting procedures differ significantly in the two countries, incl. in relation to public procurement
- There are significant differences in the administrative procedures applied at the national level and at the municipality level in Greece and Bulgaria

In general, the rules for doing business in Greece are considered to be much more complex compared to Bulgarian ones, which makes it difficult to transfer cross-border activities of Bulgarian SMEs, including their establishment and operations in the neighboring country. The main reason is insufficient knowledge of the business environment on the part of the companies, which leads to subsequent administrative and legal problems. These obstacles can be avoided if companies are better prepared.

4.1. Direct foreign investments

Most of the Bulgarian FDI in Greece are greenfield investments. Greek companies that invest in Bulgaria combine greenfield investments with mixed (brownfield) investments.

Greece is among the top 10 investors in Bulgaria, preceded only by the Netherlands, Germany, Hungary, Luxembourg, Italy and Austria.

About 14% of Bulgarian FDI (2014-2021) in the amount of EUR 279.8 million was made in Greece, which is the second most preferred investment destination for Bulgarian companies after the Netherlands (EUR 324.8 million).

Table 1. Net foreign direct investments in Bulgaria and Greece (2014 – 2021), million euros

FDI	2014	2015	2016	2017	2018	2019	2020	2021	Total
Bulgarian FDI in Greece	6.2	8,9	36.8	12.6	43.3	88.8	35.4	47.8	279.8
Greek FDI in Bulgaria	5.7	92.9	53.5	16.0	127.1	104.1	73.3	128.2	600.8

Source: Bulgarian National Bank

There is a significant difference in the type of investments of Bulgarian companies in Greece and vice versa. Greek companies (SMEs or large enterprises) have invested in almost all sectors of the Bulgarian economy, such as manufacturing, trade, telecommunications, IT, services, banking and finance, agriculture, renewable energy sources, etc. This is justified by the higher economic development of the Greek economy compared to the Bulgarian one and the better experience of Greek companies in terms of taking advantage of internationalization opportunities.

Based on the purpose for which FDI is carried out, the following categories are distinguished:

1. FDI in search of wealth-creating resources: the aim is to acquire wealth-creating resources at the lowest possible cost relative to the source country
2. Market-seeking FDI: the aim is to produce products and provide services for both the host country and neighboring countries
3. FDI in search of efficiency: the aim is to better organize activities for more efficient use of the wealth-generating resources of companies
4. FDI in search of strategic resources or capabilities: mainly affects companies in the technology sector. The goal is to improve their international competitiveness by acquiring other companies that have unique capabilities

Greek investments in Bulgaria mainly fall into the first two groups, while Bulgarian investors mainly exploit Greek tourism resources (ie they fall into the "market-seeking FDI" group). FDI in the last 2 categories, which have the highest added value (FDI in search of efficiency and FDI in search of strategic resources or capabilities), represent the smallest share of investments. This is a clear indication that despite continuing flows of bilateral investment, they have not yet reached their full potential.

According to a recent study presented at the 19th edition of the European Week of Regions and Cities (October 2021), between 2000 and 2020, over 15,000 Greek companies moved to Bulgaria. Most of them have done so to take advantage of low taxes, low labor and raw material costs , and a stable macroeconomic and political environment. A smaller share of entrepreneurs have invested in an attempt to avoid the unfavorable Greek tax regime. According to the same study , between 2010 and 2018, the Sofia city region attracted about 85% of Greek FDI. The latter mainly originate from the Athens area - 82%. Only about 12% of Greek investments in Bulgaria were realized in the cross-border region between Bulgaria and Greece (the districts of Blagoevgrad, Smolyan, Kardjali and Haskovo).

since 2018 , are mainly aimed at the tourism sectors and are mainly located in Northern Greece (e.g. Miraggio Thermal Spa Resort, Thassos Grand Resort, Mount Athos Resort, etc.). In general , these are medium or large companies that do not originate from the border region and whose clients in Greece are Bulgarians or Romanians vacationing in the neighboring country. Moreover, in the last few years, especially after the collapse of real estate prices in Greece as a result of austerity measures, a number of Bulgarian families have bought holiday homes in Northern Greece, mainly near the Aegean beaches of Halkidiki.

In conclusion, although there are significant inflows of FDI from Greece to Bulgaria and vice versa , they originate mainly from the most developed agglomerations in both countries , i.e. from region a of Attica (Athens) and from Sofia-city. Local SMEs from the border region carry out limited cooperation, especially in sectors with high added value. This conclusion is also supported by the fact that within the framework of the 5th call for project proposals under the INTERREG VA Cooperation Program Greece - Bulgaria 2014 - 2020 , implemented in 2019 ("Grant Financial Assistance Scheme for supporting SMEs for growth and expansion beyond

local markets”), only 55 joint application forms of partnerships between Greek and Bulgarian companies were submitted, of which 36 were approved for funding.

Although the disproportionate bilateral investment flows are mainly the result of the different levels of economic development of the two countries, they also reflect the more burdensome investment regime in Greece and the lack of sufficient institutional cooperation between organizations from the cross-border region to promote FDI in the two countries.

Therefore, concrete measures are needed to strengthen cross-border cooperation between companies established and operating in the administrative units (e.g. prefectures or regions and their respective municipalities) on both sides of the border - Northern Greece and Southern Bulgaria.

4.2. Employment and labor market

The labor market differs significantly in different parts of the cross-border region – both in terms of employment, unemployment, sectors of activity and income. The activity rate in 2019 was 74.7% for Eastern Macedonia-Thrace in Greece and 73.8% for Bulgaria. The unemployment rate in Bulgaria in 2019 was one of the lowest in Europe (6.7%). In Blagoevgrad region, the unemployment rate in 2019 was 4.1%, in Haskovo region – 0.4%, in Kardzhali region – 2.0%, and only in Smolyan region it reached 8.8%. Conversely, for the same period, the regions of Central Macedonia and Eastern Macedonia-Thrace in Greece were the regions with the highest unemployment rate in Europe, at 19.6% and 16.2% respectively.

Unemployment levels in both countries increased further in 2020 due to the impact of the COVID-19 pandemic on the economy. Tourism, catering and trade are the most affected sectors. The latest national data, comparing the current quarters with the same quarters of the previous year, shows a decrease in the employment rate for both countries in the 2nd and 3rd quarter of 2020. In Greece, the employment rate decreased by 3% and 1% respectively .8%, and in Bulgaria - with 3.3% and 2.6%. At the EU-27 level, the change was -3.1% and -2.3% for the same quarters.

The labor market data of the National Statistical Institute (2020) show that Blagoevgrad and Haskovo are the districts with the lowest average annual salary in the country (4,405 euros

and 5,283 euros, respectively). In Greece (no data available at NUTSIII/II level), average net incomes were around €8,900 in 2020.

Due to geographical limitations (e.g. mountainous terrain) and the great distance between large settlements across the border, the cross-border labor market (e.g. Bulgarians who work daily in Greece and vice versa) is almost non-existent. Bulgarians are tempted to work permanently in Greece, leaving their native places in search of better remuneration . It should be noted that according to various estimates, due to economic migration, between 100,000 and 150,000 Bulgarians live in Greece. These are people, mostly committed in lower-paid occupations in the tourism industry, in services and providing low-skilled labor (e.g. in agriculture) . A very small part of these people have created their own business in Greece .

The complexity of self-employment rules for individual entrepreneurs and the higher tax rates in Greece encourage avoidance of registration for tax purposes.

The recently adopted Directive (EU) 2022/2041 of the European Parliament and of the Council of 19 October 2022 on adequate minimum wages in the European Union may have a positive impact on equalizing the incomes of lower-skilled workers across the border, which may also encourage cross -border employment.

4.3. Business structure

Small and medium-sized enterprises are an important generator of added value and employment in the cross-border region. SMEs account for 63.5% of total value added (EU average 56.4%) and have an employment share of 87.9% (EU average 66.6%).

In the period 2014 - 2018, the total share of SMEs in the added value increased by 11.8%, with small firms showing the greatest growth (25.7%) and micro firms showing a decrease of 11.9% in Greece. In Bulgaria, in Blagoevgrad district, 93.4% of enterprises have less than 9 employees and only 0.1% - more than 250. In Haskovo, the percentages are respectively 93.7% and 0.1%; in Kardzhali, the share of small businesses is 91.7%, and large enterprises - 0.2%, and in Smolyan - 92.2% and 0.3%.

In the period 2014 – 2018, non-financial SMEs from the industry, construction, trade and services sectors generated a significant increase of 50.7% in added value. The share of

employment in SMEs moderately increased by 8.6%. In the period 2017-2018, the share of SMEs in added value maintained steady growth, reaching 15%, while the share of employment of SMEs grew by only 1.6%.

The Greek business register shows that, with the exception of Thessaloniki, in all other regional units the "agriculture, forestry and fisheries" sector occupies a predominant share of the number of enterprises. The percentage of agricultural enterprises varies from 72% (44% of employment) in the prefecture of Rhodope to 33% (7% of employment) in o. Thassos. While agricultural activities in the cross-border area are dominant in number, in many cases their share in employment is low due to low added value.

One of the main characteristics of the cross-border region is the lack of large-scale initiatives to promote the joint creation of business connections between Greek and Bulgarian companies, such as joint business incubators, accelerators, industrial zones, entrepreneurship training, meeting Bulgarians and Greeks in one place, especially the youth . Knowing the other party's language is still a major problem in communication. As a result, there are too few companies with joint Greek and Bulgarian owners and capital. This weakness is a consequence of insufficient institutional cooperation between organizations that have a role in the development of cross-border business - both non-governmental and between regional/municipal authorities.

4.4. Cross-border passenger flows

Cross-border flows of people between Bulgaria and Greece show that there is relative parity in the number of persons coming from Greece to Bulgaria and from Bulgaria to Greece.

Table 2. Cross-border visits

	2017	2018	2019	2020	2021
Visits of Bulgarians to Greece	1,341,192	1,402,560	1,461,096	180,115	n/a*
Visits of Greeks to Bulgaria	1,272,997	1,290,313	1,277,610	386,012	344,970

Source: National Statistical Institute

Note : * n / a – due to the restrictions imposed by the Covid-19 pandemic , statistics have not been collected

Expectedly , during the Covid-19 pandemic (2020-2021), visitor flows to both countries are significantly reduced.

There are some differences in the reasons for visiting the neighboring country. The majority of Bulgarian citizens go to Greece for the purpose of tourism, mainly in the months of May, during the period July - September and in December - for the Christmas holidays.

The flow of travelers from Greece to Bulgaria is a little more diverse - some people (especially from Northern Greece) visit Bulgaria for short tourist stays, mainly in border towns/villages (at weekends), in Sofia (for sightseeing) or in winter resorts (for ski tourism). Others come for business purposes or to study at Bulgarian universities (long-term stays), or to cross the country on their way to Western Europe (transit).

Cross-border flows are significantly hampered by the fact that Bulgaria is not yet a member of the Schengen area. This is an ongoing problem and border controls, although significantly eased over the last few years at land checkpoints, still create significant delays for both traveling individuals and vehicles. Sometimes, during peak hours, it can take several hours for cars and buses to cross the border between the Republic of Bulgaria and the Republic of Greece . With transport means (trucks , TIRs, etc.) the situation may be even worse .

Although Bulgaria and Romania have officially fulfilled all the technical criteria for access to the Schengen area, the two countries still remain outside its scope. Greece is the most popular destination for Romanian tourists, especially for summer holidays with over 1 million visits per year and the fact that the majority of them visit the country by car, crossing Bulgaria, means that they are stranded at the border along with Bulgarian tourists . This is a significant obstacle that needs to be resolved.

4.5. Mobility and connectivity

The transport network of the cross-border region is generally characterized by a mountainous terrain, where modern infrastructure is lacking. Until recently, large sections of cross-border roads were in poor condition. Currently, these roads are mainly used for tourism activities, but their use to strengthen cross-border trade is minimal.

More importantly, the main network corridors serve the Thessaloniki-Sofia axis, leaving the cross-border regions of Xanthi, Drama, Smolyan and Kardzhali with limited transport choices, as most of the multimodal links between the cross-border regions lack connections. This, combined with limited border permeability due to Schengen rules, puts checkpoints under increasing pressure.

Passenger and trade connections are mainly by road with the port cities of Thessaloniki, Kavala and Alexandroupolis. The majority of commercial transport between the two countries passes through the cross-border area, but in terms of access to both rail and road links, the cross-border region scores low compared to the EU average due to the limited availability of modern infrastructure.

The motorways on both sides of the border have been in operation for a short time (since 2003) and are still fully completed. Mountainous terrain limits cross-border mobility, and road connections are limited in proportion to the length of the border. The lack of effective transit points is (still) a long-term weakness in terms of cooperation potential, as it limits the direct transfer of goods and labor mobility.

Regarding the perception of accessibility issues related to geographical barriers or transport infrastructure (according to Eurobarometer, 2016), there is a significant difference in whether this is a problem for cross-border cooperation. About 42% of residents of the Greek border regions consider connectivity to be a major barrier, while only 16% of residents on the Bulgarian side of the border consider accessibility a problem in cooperation.

The highway network and overall connectivity rely on the completion of the construction of the vertical axes of the Egnatia highway and the construction of large parts of the A3 and A4 highways in Bulgaria. However, the roads in the mountainous areas are in poor condition and make inter-system connections difficult. The lack of modern secondary connections along the main highway axis (Thessalonica - Sofia) has an impact on the development of the inner region. The establishment of easy access between the two centers, combined with the inaccessibility of the interior lands, is a threat to the development of the cross-border area.

Currently, there are only six functioning border checkpoints along the border between Greece and Bulgaria, serving a population of around 2.6 million people. These are:

1. Ormenion – Captain Petko Voivoda (1988)

2. Gotse Delchev – Drama (2005)
3. Termes - Zlatograd (2010)
4. Promahonas – The Tower (expanded in 2010)
5. Ivaylovgrad – Kyprinos (2010)
6. Scissors - Nymphaea (2013)

4.6. Tax regime

There are significant differences in tax systems and tax rates between Bulgaria and Greece, most of which favor Bulgaria. This leads to opportunistic investments to reduce the cost of doing business.

The current tax regime in Bulgaria is the result of the political decision to reduce the shadow economy and to attract more foreign investments. This has led to a number of positive economic outcomes, although in the last few years there have been calls for progressive taxation to help low-income groups.

The specifics of taxation in Greece are the result of government efforts to curb tax evasion and are a product of the austerity plan following the 2010 debt crisis, albeit with questionable results so far.

Table 3. Comparison between tax rates in Bulgaria and Greece

Tax rate	Bulgaria	Greece	Δ BG vs. GR
VAT:			
Standard rate	20%	24%	(-) 4%
Reduced rate (for certain goods)	9%	13%	(-) 4%
Super reduced rate (for certain goods)	0%	6%	(-) 6%
Threshold for VAT registration	€ 51,129.19	n/a	(-) € 51,129.19
Personal income tax:	10% flat rate		

Tax rate	Bulgaria	Greece	Δ BG vs. GR
The first €10,000 of annual income		9%	(+) 1%
Next €10,000 annual income		22%	(-) 12%
Next €10,000 annual income		28%	(-) 18%
Next €10,000 annual income		36%	(-) 26%
Over €40,000 annual income		44%	(-) 34%
Social security payments, including:	33.40%	36.66%	(-) 3.26%
At the employee's expense	13.78%	14.12%	(-) 0.34%
At the expense of the employer	19.62%	22.54%	(-) 2.92%
Maximum monthly insurance income	€1,738.39	€6,500	(-) €4,761.61
Income tax	10%	22%	(-) 12%

Source: [Worldwide Tax Summaries](#), PWC

There are obvious differences between the tax regimes in the two countries - both in terms of rates and the complexity of procedures at national and local level. Therefore, the more favorable tax regime in Bulgaria favors the establishment of Greek companies that want to optimize their investment and operating costs relative to the conditions in the host country.

4.7. Solutions

The solutions for improving the business activity of Bulgarian enterprises in Greece are grouped into 3 pillars:

- Development and implementation of large-scale explanatory and informational campaigns in the cross-border region, led by local business organizations to promote intra-regional business opportunities and to clarify the specifics of Greek and Bulgarian legislation. This necessitates the creation of a new business-oriented EGTS

between Greece and Bulgaria to promote cross-border business creation, acceleration and development

- More frequent organization of cross-border business forums, fairs, meetings and exhibitions (generally partner-finding events) to facilitate the flow and exchange of business ideas across the border and facilitate contacts between potential partners (contractors, subcontractors, suppliers)
- Strengthening the cooperation between the state institutions in Greece and Bulgaria, responsible for investments and business support in the pursuit of promoting mutual investments, including to create joint business incubators/accelerators, industrial zones, etc. This requires the adoption of bilateral agreements, better coordination and harmonization of the application of legal provisions in the border region (e.g. regarding tax matters), as well as the identification of possible derogations from national legal provisions in the interest of promoting cross-border business creation

5 . Sources of information

- Enterprise Greece SA – the official Investment and Trade Promotion Agency of Greece
- [Greek investments in Bulgaria: what will happen after Covid-19?](#)
- Worldwide [Tax Summaries Online](#)
- Bulgarian Investment Agency
- Bulgarian National Bank
- [Directive \(EU\) 2022/2041](#) of the European Parliament and of the Council of 19 October 2022 on adequate minimum wages in the European Union
- Website of [the Fund of Funds](#)
- [June 2020](#)
- Ministry of Innovation and Growth
- National Statistical Institute
- National Revenue Agency

- [Cross-border cooperation program INTERREG VA "Greece - Bulgaria 2014 - 2020"](#)
- [Regulation \(EU\) 2021/241](#) of the European Parliament and of the Council of 12 February 2021 establishing a Recovery and Resilience Mechanism
- Technical guidance on the application of [the 'do no significant harm' principle](#) under the Recovery and Resilience Facility Regulation (2021/C 58/01)
- Conditions for applying under the following procedures:
 - "Small Innovative Grants (voucher scheme for small and medium-sized enterprises)"
 - "Improving the production capacity of family businesses, enterprises of the creative industries and crafts"
 - BG05SFPR002-1.004 "Adapted work environment"
 - BG16RFPR001-1.001 "Development of innovations in enterprises"
 - BG16RFPR001-1.003 "Implementation of innovations in enterprises"
 - BG-RRP-3.006 "Construction of new RES for own consumption in combination with local facilities for energy storage in enterprises"
 - BG-RRP-3.008 " Support for the transition to a circular economy in enterprises"
 - BG-RRP-4.021 "Support for energy renovation of buildings in the sphere of production, trade and services, as well as buildings from the tourism sector"
 - BG-RRP-6.004 "Investments in technological and environmental modernization"