

Plamen Patchev, Ph. D.

THE GOVERNMENT POLICY ON “SMALL BUSINESS” SUPPORT: THE BULGARIAN CASE

Two major concepts related to the role, place and development of the small and medium scale business sector (SME) are most popular among the public. According to the first concept, the immanent advantages of this sector are an ample economic factor for SME to perform well. The other concept studies and recommends a number of necessary measures at government level, that are a compulsory prerequisite for the efficient SME sector performance in the market economies.

At government level, some countries in transition such as Bulgaria, for example, attempt to synthesize elements from both concepts. On the one hand, the serious challenges of the transition engage the management capacity and resources and force the government to give priority to mainly the “automatically acting market forces” in the process of development of the emerging national small business sector. On the other hand, however, the lack of entrepreneurial experience and traditions, of suitable financing schemes and unavailability of support business infrastructure considerably obstructs the emergence and development of small companies.

This paper discusses the achievements and shortcomings of government policy in this field. Based on official statistics and analysis of business practice data a conclusion is made namely in countries with an average level of industrial development only targeted and long-term government policy for small business and entrepreneurship, promotion and support could be of considerable significance.

JEL: E60; E69

On the Road of Transition from Centrally Planned to a Modern Market Economy

The majority of political parties in Bulgaria are constantly declaring their commitment to the values of industrialized civilizations and Western politics. Despite this Bulgaria, however, together with Romania, has been included in the “second wave” of countries from the former “Eastern Block” to join the EU and the reason is to help these countries to build real democracies and functioning market economies in particular.

Bulgaria’s complex historical past is the major reason for the presence of relatively more unfavourable prerequisites for the development of modern entrepreneurship and small business in comparison to other ex-socialist countries in Central Europe. Before the successful outcome of the Russo-Turkish war of 1877-1878 the country for centuries had been part of the economically backward Ottoman empire. Local factory production, mainly in textile and food industries, began as late as the first decades of the 20th century, as agriculture, petty trade and crafts were predominant. The slow economic progress and numerous wars on

the Balkans were the main reasons for modern industrialization in Bulgaria to lag considerably behind and start developing after the country became a member of the COMECON. At the time of the disintegration of the Soviet-type socialist system in 1989, Bulgaria was considered a COMECON-member country of an average of industrial development. It is the comparatively not very high quality of Bulgarian industrial and consumer goods on the one hand and the strong dependency on energy sources and investment goods from the former USSR on the other hand that explained the high degree of dependency of Bulgarian economy on the Soviet market, although some ideological and political factors also played a role.

The absence of adequate industrial traditions and experience in Bulgaria before the socialist era (1944-1989) and the centrally planned economy built "from a scratch" with its specific forms of ownership, large-scale production, technologies and values, place the new Bulgarian entrepreneurs in a considerably more disadvantageous starting position than their counterparts in countries with well-established market economies and the Vishegrad countries.

The Bulgarian employees and managers during the period of centrally planned economy were primarily former land owners, petty craftsmen, tradesmen and professionals or off-springs of the above mentioned social groups. They had gained their first experiences in manufacturing and services as well as in modern management only in their specific "socialist" variant.

At the same time the period of planned economies in the economic history of European countries (like Hungary, Poland and Slovakia) with an average level of "classical" capitalism or (Czechoslovakia and the German Democratic Republic) with a higher level development of "classical" capitalism prior to Second World War, could be considered only as a temporary "deviation", enforced by military and political pressure. This fact places entrepreneurs and policy makers in the countries from the Vishegrad group in a relatively more favourable position with regard to the a well-functioning "small business" sector.

These brief remarks additionally confirm the necessity of a particularly coherent, active and successful policy for the support of the fledgling sector of small and medium size private companies and entrepreneurship in the European countries in transition like Bulgaria.

Does an Active Economic Policy or the "Storm of the Market Forces" Stimulate Better the Fledgling Entrepreneurship and Small Business?

By "economic policy" for the support and promotion of entrepreneurship and small business further in this paper we will consider a conceptually streamlined, long-term, targeted and resource-backed system of influence on behalf of the government, oriented towards the start-up, establishment and development of small and medium-scale companies within the overall national economy together with support and creating of incentives for the flourishing of entrepreneurial and market culture among the broad public.

It must be specially underlined that the necessity for an accelerated development of the "small business" sector in economies in transition like Bulgaria results both from the so-called "standard advantages" of the sector following the example of the developed market economies as well as from some specific factors. The first group of the above mentioned advantages, including for instance the significance of SME in providing employment, their "buffer" role in the business environment, the participation of the sector in the accelerated implementation of innovations etc. are well-known

The particular benefits of the timely establishment of viable SME sector and entrepreneurship promotion in Bulgaria in particular depends, however, also on some additional and too specific needs, requirements and prerequisites for the transition in Eastern Europe like:

- Need of prompt restructuring of the "economies of scale" inherited from socialism through de-concentration of some of the existing large companies. Establishment of SME as a rational economic reaction to change within the former integration framework of the "Eastern block" and the disintegration of the COMECON market;

- Liquidation of large, most often inefficient socialist companies using government subsidies and their replacement by smaller and more efficient companies functioning in a free market environment;

- Timely response through SME to the challenges of the emerging market and more comprehensive consideration of demand-and-supply mechanisms;

- Accelerated overcoming of the archaic economies of scale inherited from the centrally-planned economy (incl. restructuring of the overall system of inter- and intra-branch links) through a new structural organization of business subject including SME operating in a competitive environment as is the case in the developed market economies. Establishment of prerequisites and conditions to express in real terms the statement of "small is beautiful";

- The establishment of a politically active and economically independent "middle class" of entrepreneurs to become the backbone of the market economy and basis of a democratic society opposing the attempts of the former communist party "nomenclature" to gain the leading economic edge in the new economic environment and to politically manipulate society. The above mentioned tasks (as well as some other that will not be specifically discussed in this paper) are obviously not the goal of the individual economic subjects. They should be part of the long-term strategy for the overall social-economic development of the country which is a task of the government's economic policy.

The independent achievement of such an overall and comprehensive goal is obviously too difficult for a small country like Bulgaria, geographically situated in the periphery the European continent and which does not have enough experience of its own from the preceding historical period. Our hypothesis, based upon evaluation of the experience from the past decade of transition, is that the main prerequisite for success could be the meticulous and continuous government

economic policy for promotion and support of the SME sector and entrepreneurship, carried out in accordance with the overall requirements and logic of the functioning market system.

The alternative of relying mainly on the “automatic action of market forces”, on the “entrepreneurial spirit of the people who are relatively well-educated”, on the “mass stimulation of business incentives and entrepreneurship resulting from the disappearance of the economic dogmas of communism” etc. at first sight “favourable conditions” embedded in the very essence of the free market economy, cannot yield considerable results. The expectations that a viable SME sector in countries in transition like Bulgaria could be formed mainly thanks to the above mentioned “automatic market forces”, indicates either unwillingness to generate applicable ideas and conduct a targeted government policy in this field, or objective incapability to do so.

If the well-known postulate for a successful policy expressed in “achievement of the possible” is applied to the tasks of transition in Bulgaria, its expected successful outcome might be opposed to a few limiting factors. We will discuss only five of the crucial aspects, namely:

- political goodwill to implement the respective policy;
- knowledge, experience and skills shared on the highest political levels;
- timely and consecutive implementation of measures;
- provision of necessary resources for the implementation of necessary measures;
- overall social and economic conditions and prerequisites for implementing the policies.

We will conditionally compare the above mentioned limiting factors in a triangle. It includes, apart from Bulgaria, a randomly selected developed country from the EU with well-functioning SME sector and a Central European transition country from the former “Eastern block” with better macro-economic rates than Bulgaria. The comparison is completely random as it will discuss statements only on the basis of specific data from the SME sector in Bulgaria. The relatively most unfavorable positioning of Bulgaria in the comparison discussed below, however, is based upon the presumption that the EU countries are the model for the EU-membership candidate countries, as the countries from the Vishegrad group included in the “first wave” could also serve as a positive example. Let us assume that countries like Bulgaria and Romania that are still in the EU’s “waiting room” must “catch up” utilizing the positive experience both of the EU-member countries as well as taking into account the achievements and mistakes made by the “first wave” countries.

In fact, based upon individual rates for the status of its “small business” sector according to Eurostat, Bulgaria ranks better than countries included in the “first wave” of pre-accession countries. The table below does not include actual rates and data from the SME sector in other Balkan countries in comparison with which Bulgaria could demonstrate obviously better achievements. What is more,

the fact that during the negotiating process, Chapter 16, “Small and Medium Scale Enterprises”, had already been conditionally “closed” by the end of the 90ies has been ignored, i.e. the assessment of the progress in this field in the context of the EU enlargement has been accepted as satisfactory. Therefore the data in the table below should be interpreted as a discussion for the “best practices” that should be implemented and introduced in Bulgaria in a mid-term aspect.

Country \ Aspect	Developed EU-member country	East European country from the Vishegrad group included in the first accession wave	Bulgaria as a second accession wave country
1. Political good-will for conducting of long-term comprehensive policy	*****	****	***
2. Knowledge, experience and skills for idea generation shared at highest political levels	*****	****	**
3. Timely and continuous implementation of the pinpointed measures	*****	****	**
4. Availability of resources for the measures	*****	****	*
5. Overall socio-economic environment for policy implementation	*****	****	*

Legend:

- ***** - full correspondence with the sector's needs;
- ***** - efficient as a whole, small deviations from the best practices;
- **** - generally successful, but partially inconsistent;
- *** - acceptable but inconsistent and vulnerable to strong outside influences;
- ** - arguable, does not contribute to efficient solution of some current problems typical of the sector;
- * - inefficient, subject to considerable criticism by independent experts; source of constant discontent on behalf of entrepreneurs and their associations.

Figure 1. Comparative Assessment of Some Important Aspects in the Government Policy for Small Business and Entrepreneurship Promotion in Europe

Below, we will try to discuss some tendencies in the structuring and implementation of the Bulgarian government policy for the establishment of a well-functioning SME sector and entrepreneurship support over the period between 1990-2001. As far as provision of data for the qualitative support of the statements in Fig. 1 regarding the three groups of countries is beyond the purpose of this

report, we will only outline some trends that are characteristic only of Bulgaria in confirmation of the above assessments.

Trends in the Government Policy in the SME Sector and Entrepreneurship Support during the Period of Transition

The Bulgarian economic practice during the past decade confirmed that the major efforts for the establishment of a well-functioning SME sector and of entrepreneurial culture among the broadest society strata should be targeted at several core spheres. Taking into account that the target group of this research were predominantly private SMEs, we will not discuss state-owned and small municipal companies. Our further discussion will also exclude small farms, as in the agricultural sector we will include only processing SMEs.

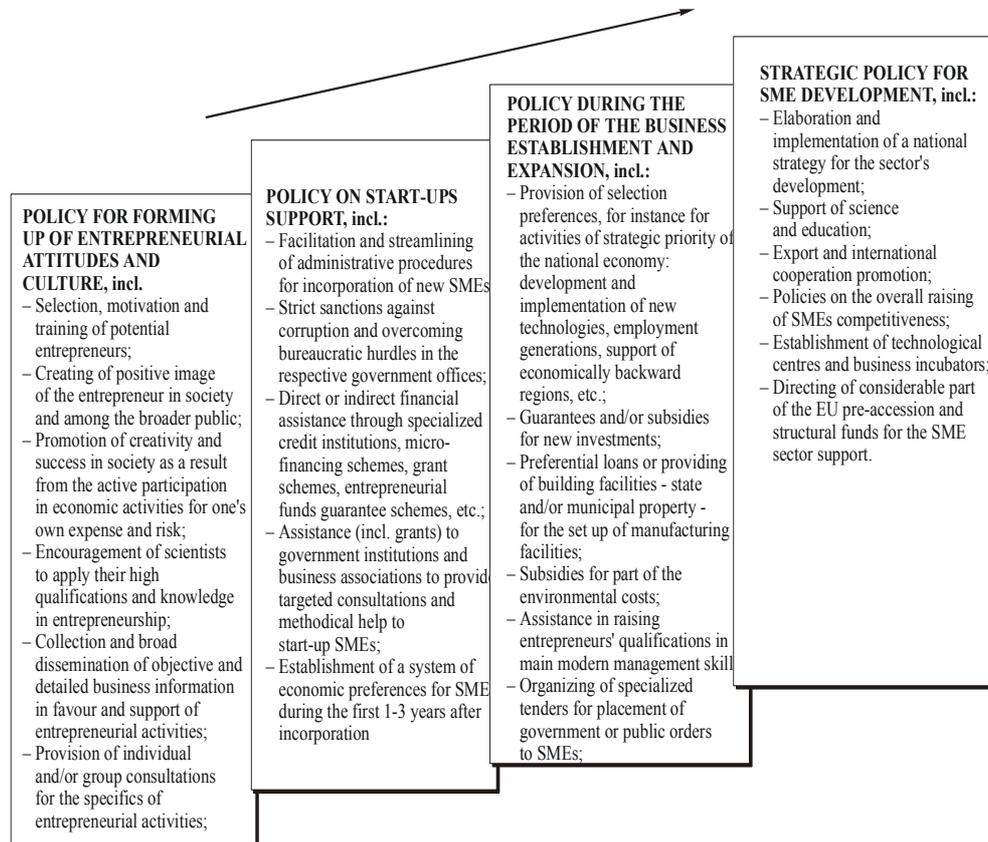


Figure 2. Priority spheres of the policy in small business and entrepreneurship promotion during the period of transition

Further on, through analysis of the empirical data about the impact of the major aspects of government policy in priority spheres for entrepreneurship and small business, we will try to identify the major achievements, problems and shortcomings of this policy. We must, however, immediately point out that within the framework of such a report it is impossible to analyze in detail all relevant issues. That is why we will limit our discussion only to the simple "matching" of the respective aspects of Bulgarian policy in the sphere of small business on some of the priorities in their scope and sequence as indicated in Fig. 2.

Most complex has been the assessment of *the readiness and good-will of the government for conducting a targeted and long-term policy in the sector*.

From the very beginning of the transition period, the economic platforms of all political parties had been declaring their intentions to support the formation of a class of entrepreneurs and well-functioning SMEs. Apart from the fact that immediately after the fall of the last communist leader Todor Zhivkov in late 1989 the political power in the country for a relatively short period of time was overtaken by representatives of the socialist party, who also declared such intentions. That partly resulted from the impossibility to ignore the world experience in this field, as well as the advice of foreign politicians and consultants regularly visiting Bulgaria after the disintegration of the "Eastern block".

It should be mentioned, however, that legislative prerequisites for the incorporation of private companies had been established during the era of the centrally planned economy by Decree 56 of 1987 - later than in countries like Hungary or Poland but much before it could become possible in the USSR. That is why at the beginning of the economic reforms Bulgaria inherited already 13 066 fully privately-owned small companies already in existence (as of December, 1989). During the first year of the transition alone, their number grew considerably to almost 54 160 in December, 1990. By the end of the following 1991, the number of private companies additionally increased nearly 4-times, reaching 218 976.¹ During the following years the number of private small and medium-scale start-up companies constantly grew: for example, by the end of 1992 they were as many as 340 000 to reach almost half a million in the mid-1990s.

The mid-1990s, however, become a natural divide for the enthusiasm of Bulgarian entrepreneurs, based more on their spontaneous decision to venture in a new attractive field rather than on the possession of some exceptional business skills. Such conclusion can be drawn if we mention some interesting reasons made by the entrepreneurs during the above mentioned period; asked why they had decided to establish a business of their own the answer was: "if I register a company later, registration fees and taxes might raise" or "I want to help the political transition in the country". Following the new requirements for pre-

¹ *Puchev, Pl.* Development of the "Small Business" sector in Bulgaria. – In: Proceedings, 36th ICSB Conference. Vienna, Austria, June 24-26, 1991; *Patshev, Pl.* Profile of the Bulgarian entrepreneur. – In: FGF Entrepreneurship-Research Monographien, Band 5, p. 310-316.

registration of all companies for the needs of statistical reports it turned out that the number of really functioning private SMEs in Bulgaria in 1996 had dropped to only 175 277. This number grew slowly during the next few years, to reach 222 711 SMEs in 2000.²

Such a considerable reduction in the number of operating SMEs in Bulgaria, is an indirect evidence of the absence of a long-term policy for support of the sector. One of the reasons for this inevitably could be also the lack of a political readiness to generate the respective economic ideas and implement them in the existing environment.

Similar conclusion could be illustrated by other examples, too. Thus, for example, within the framework of the first comprehensive research of the discussed problems under the Phare Project "Survey on the Nascent Private Sector in Bulgaria" conducted by leading Bulgarian experts jointly with a team from the well-known Dutch Economisch Instituut Voor Het Midden-en Kleinbedrijf during the period February-March 1992, a National Programme for urgent measures for the support of entrepreneurship and small business in Bulgaria had been elaborated, including 101 measures. 74 measures had been defined as "immediate", (i.e. the goal was such measures to be implemented within the next few months after the end of the project); 23 measures – defined as "quick" (i.e. to be implemented within one year), and 4 - as "mid-term" (to be implemented within 3 years). Such tasks as the establishment of a government Agency for Small and Medium-Scale Enterprises, Law for SME and Strategy for the Sector's Development were marked as urgent measures.³

Indeed, all the three above-mentioned measures had already been fulfilled in the meantime, despite serious delays. The Agency for SME was established in 1997, initially within the Ministry of Industry, and later on - within the Council of Ministers. The Law on SME was adopted in 1999; and the first National Strategy was elaborated in 1998 to meet the requirements to commence the negotiations with the EU for Bulgaria's accession under Chapter 16 (this Chapter concerns the problems of the "small and medium-scale business" sector).

This first Programme for the sector's development, elaborated by the joint Bulgarian-Dutch team, considers the access to credit and financing for SMEs a priority. In this connection, in 1993 within the framework of the Programme for bi-lateral economic co-operation between Bulgaria and Germany, work started on the establishment of a specialized Bulgarian state-owned credit institution similar to two German investment banks for small business - Deutsche Ausgleichsbank and Kreditanstalt fuer Wiederaufbau. The project envisaged the submission of a long-term preferential credit line by the German party as well as computer equipment and know-how. The law on the "State Bank for Investments and Development" in question, with a majority state participation had been adopted as late as 1996, but

² See България - доклад за малките и средни предприятия 2000-2002. Sofia, 2002, p. 31.

³ See Зараждащият се частен сектор в България. Sofia, 1992, p. 12-23.

following the consecutive change of governments in February 1997 was been suddenly cancelled.

Such examples show that during the transition period in countries like Bulgaria, no decisive readiness and good-will on the side of the highest government levels could always be found, willing to define and implement a policy for small business and entrepreneurship support. There are indications that external incidental influence or internal political turbulence often are crowding out the economic rationale. The active institutional assistance on behalf of the EU and foreign donors and consultants from other developed industrial countries as well as the opinion of local experts in support of such policy represent a considerable and applicable resource of knowledge and skills in the economic practice. Obviously, however, these resources cannot always be utilized at government level, even in the cases when financial support of the proposed measures is also available. In this particular case the intermediate conclusion could be drawn that the lack of readiness and/or unwillingness of the said top-level leadership for conducting a targeted policy in the sector in question most often leads to considerable delays or even to ignorance of necessary incentives.

The separate discussion of the policy's second aspect - its *conceptual adequacy* - is also comparatively difficult. If we take as a starting point for this discussion the particular issues in conducting a long-term and successful policy, it should obviously combine both practice tested ideas, knowledge and experience, as well as by the peculiarities of the country in transition. Bulgarian socio-cultural differences that have been briefly mentioned at the beginning, require a certain adjustment of models, effective in the EU and put forward by foreign experts, to local conditions and environment. As far as the lack of practical experience in the country impedes the elaboration of comprehensive national alternative concepts by local experts, a most common possible solution in this case could be the testing of foreign ideas, mainly through the "trial-and-error" method. With such a method, however, there exists a risk to come into collision with the third aspect, shown on Fig. 1, i.e. the timely implementation of the policy.

With the "err and learn" method arises the complex problem of insufficient resources, which is especially acute in the case of Bulgaria. As it is well-known, the country is burdened by a considerable foreign debt. IMF's prescriptions require the coordination of all expenditure and simultaneously cost cuts as much as possible to maintain a balanced state budget. Practice shows that every attempt to spend a resource without a guaranteed success has been ignored by the Bulgarian government under the pressure of foreign donors. This has a negative effect on the application of management concepts including an investment element, incl. these targeted at the SME sector.

Experts often pay attention to the fact that a reasonable adjustment of foreign operational schemes to the Bulgarian environment has been obstructed by the lack of appropriate procedures in the decision-making processes. Another reason could also be for instance the above mentioned lack of management

knowledge and skills. For the improvement of the legislative framework of the development of the small business sector the suggested new legislative documents are most often analyzed in their formal-legal aspect but not in the light of their influence and impact on the economic processes. This is also due to the fact that the policy-makers do not carry out the necessary preliminary analysis.⁴ Thus for example preferences in the Law on SME for the participation of small private entrepreneurs in the privatization process have been applied only three times over a period of 3 years.⁵

The First National Strategy for the sector's development was elaborated as late as 1998, mainly in response to the requirement of the EU in the negotiating process for EU accession. It includes seven directions for the sector's support, incl. improvement of legislation, easier access of SMEs to financial sources and micro-credits, better information, training of entrepreneurs and facilitation of procedures during the start-up phase.⁶ The fact that only 3 years later a new strategy in the field was elaborated indicates either shortcomings in the first variant or lack of conceptual clarity on behalf of the government expressed by the SME Agency at the Council of Ministers as to what particular measures should be undertaken. Comparison of data, conditions and facts concerning the first two aspects of the government policy for small business and entrepreneurship support in Bulgaria as stated in Items 1 and 2 of Fig. 1 helps the analysis of the third aspect, namely *the timely and persistent implementation of the pinpointed measures*.

In this paper, we will only quote data on the major problems facing the entrepreneurs during the period 1990-2000 and their assessment whether within the conducted policies the solution of such problems was supported. We will conditionally exclude the period 1990-1993 as, according to the statements of experts from the SME Agency, "during the first years of Bulgaria's transition to market economy in practice there was not any government policy for promotion of SME development".⁷

A representative comprehensive research for the status of the SME sector shows that a main problem during the start-up phase was the access to start-up capital and credits (65.4% from the respondents), followed by the lack of information on the legislative framework (28.1%) and finding of suitable premises for the activity and free land for the construction of the necessary buildings (21.7%).⁸ Another, later research, shows that again 63% of the entrepreneurs state the same basic problem, followed by the insufficient information about the

⁴ See Малки и средни предприятия - информационен бюлетин на АМСП. 2001, N 3, p. 9-10.

⁵ See Конкурентоспособност на българската икономика - годишен доклад. Sofia, 2000, p. 185-192.

⁶ See България - доклад за малките и средни предприятия 1996-1999. Sofia, 2000, p. 127.

⁷ Ibid., p 175.

⁸ See Развитие на малките и средни предприятия в България. Sofia, 1996 (research of SSIG, funded by PHARE), p. 65.

legislative framework (27%) and the problem connected with premises, buildings and land (23%).⁹

In the end of the mentioned period, financial problems had been replaced by (but only for companies relatively well-established on the market) the factor "weak market demand", albeit the problem with financing again ranked considerably high - in the second place - for 45% of the interviewed entrepreneurs. In this case it is sufficient only to quote the verbal statement of experts from the SME Agency concerning the legislative framework, that "it is comparatively inconsistent and unstable and it has a contradictory impact on SME development".¹⁰

The latest formal research in the sector, conducted by the Agency for SME, shows that the financial and credit problems rank third for 43% of the respondents. The indirect conclusion could be drawn up here that the problems related to the legislation have not been efficiently resolved in a 10-year long period as according to the latest representative interviews 23% of the Bulgarian entrepreneurs state again that the "government bureaucracy" is an impediment to their business.¹¹

The assessment of the government policy for SME promotion in the late 1990s, conducted by the government-affiliated "Centre for Economic Development", states that during the period "fragmented steps have been undertaken in this field which however were not subordinated to the overall strategy and their efficiency was very low".¹²

The assessment of the *resource back-up* of the separate aspects of the government policy in the field is facilitated by the fact that the active co-operation between Bulgaria and the EU in the accession process allows to utilize resources both under the PHARE-Programme as well as from a number of other foreign donors. The above-mentioned first national Programme for urgent measures, elaborated by the Bulgarian-Dutch team at the beginning of 1992, states that the promotion of the fledgling private sector "requires financial means that could be provided by local sources". The expected foreign financial resources is recommended to be treated as a "supplement to subsidies from the state budget, which should re-direct the income from privatization or revenues from the national and local fees and taxes to the needs of this policy".¹³ The unfavourable macro-economic development of the country that followed during the whole decade of the 1990s strongly curbed the possibility to get funds from the state budget for the support of small business and entrepreneurship. Thus, for example, for the needs of the Strategy (1998-2001) containing 14 directions for activities, six Bulgarian and eight foreign sources for the achievement of the pinpointed targets and goals had

⁹ See Състояние на малките и средни предприятия в България. (ed. by Foundation for development of entrepreneurship). Sofia, 1997, p. 38.

¹⁰ See България - доклад за малките и средни предприятия 1996-1999..., p. 95, 125.

¹¹ See България - доклад за малките и средни предприятия 2000-2002..., p. 61.

¹² See Конкурентоспособност на българската икономика - годишен доклад..., p. 190.

¹³ See Зараждащият се частен сектор в България..., p. 26.

been considered, though the major part of funds came from the EU.¹⁴ The Bulgarian contribution as a resource in this case was not directed only at the SME sector but was of a broader range and also targeted at research-and-development activities in support of industry, the labour market etc., i.e. foreign funding played a key role in the field.

The latest Strategy for the period 2002-2006 including the resolution of 42 groups of problems grouped in seven priority directions, does not show a specific source of necessary resources. Only government institutions responsible for the implementation of one or another activity had been mentioned.¹⁵

If we take into consideration however that apart from the legislative and organizational measures, included in the Strategy, some other resource-intensive activities have to be carried out, it could be expected that again the major funding resource will have to be found outside the state and municipal budgets because of its limited amount. An indirect evidence of such a hypothesis is the latest official information brochure of the SME Agency on the topical programmes, credit lines and other sources of financing the SME sector. This brochure lists as sources of financing for SME (in the biggest demand by entrepreneurs) 15 commercial banks that offer standard credits as well as financing under 11 projects under the PHARE-Programme. Apart from these, entrepreneurs may seek financing and credits from 10 American, 7 German, 4 Swiss and 2 Dutch projects. Separate projects for multilateral co-operation in the NGO sector have also been mentioned, as well as some projects within the bi-lateral co-operation between Bulgaria and some EC-member countries. The fact that even the information brochures of the government SME Agency as well as annual reports have been financed by projects under the PHARE-Programme shows that the orientation towards donor programmes is prevailing. According to the latest data of the Delegation of the European Commission in Sofia, the assistance for SME and entrepreneurship during the next few years will amount to about 40 million Euro. This amount includes a scheme for subsidies for SME in the field of services and technologies with a total budget of about 9 million Euro (PHARE's share is 5.6 million Euro), the grants programme for SME in culture tourism amounting to 7 million Euro (PHARE's share is 5.5 million Euro) and the Grants Programme in eco-tourism amounting to 5.3 million Euro (PHARE's share is 4 million Euro).

One of the main reasons for the increased needs from outside funding and considerable foreign support of the SME policy and entrepreneurship promotion, is *the overall social and economic environment* in the country. After the introduction of the currency board in Bulgaria all aspects of the government economic policy had to be co-ordinated with the IMF. This limited the possibilities to carry out some projects for the promotion of particular branches of the national economy, incl. the SME sector, without the prior approval of foreign donors. The unstable political

¹⁴ See България - доклад за малките и средни предприятия 1996-1999..., p. 127-128.

¹⁵ See България - доклад за малките и средни предприятия 2000-2002..., p. 191-197.

environment and the random change of governments, the military conflicts on the Balkans and other unfavourable factors that are not characteristic of the Central European countries in transition create additional impediments to the SME growth in Bulgaria. It is not by incident that during the second half of the 1990ies in most polls and inquiries entrepreneurs have mentioned problems related to the economic environment. Together with the above mentioned "problems - birth marks", they also mention impediments such as a "dropping consumer solvency", "high taxes", "difficult access to export markets", "lack of efficient infrastructure and institutional support of the technological development and diversification", etc.¹⁶

The following conclusions could be drawn:

1. The 10-year long experience of socio-economic transition in Bulgaria shows that the establishment of a viable and efficient SME sector is possible only on the basis of an active government policy for the support of entrepreneurship and restructuring of problems inherited from the centrally-planned economy.

2. Relying exclusively on the market economy "internal mechanisms" and the free democratic society for stimulating the entrepreneurial potential in some of the former socialist countries is not enough as it bears the risk of delaying of the solution of major problems of the sector. In case of accumulation of unfavourable political and military factors (as for example the war in Yugoslavia) economic crime and grey economy may be on the rise.

3. The problems arising in the SME sector differ in the various East European countries in transition. They should be timely resolved because if piled up, could lead to lasting negative impacts whose remedy would require more efforts and resources.

4. It is necessary the concepts for conducting an overall policy for SME support in countries in transition like Bulgaria to be elaborated by taking into account some peculiarities. The ready-made European and world-wide schemes are not always equally applicable everywhere due to the presence of organizational, administrative, socio-cultural, financial and other differences.

5. When there are considerable economic difficulties and not enough own resources in some of the countries in transition, conducting of a persistent and efficient policy of the support of the fledgling SME sector to a great extent depends on considerable foreign financial assistance and concept suggestions.

8.V.2003

¹⁶ See България - доклад за малките и средни предприятия 2000-2002..., p. 55-65.