

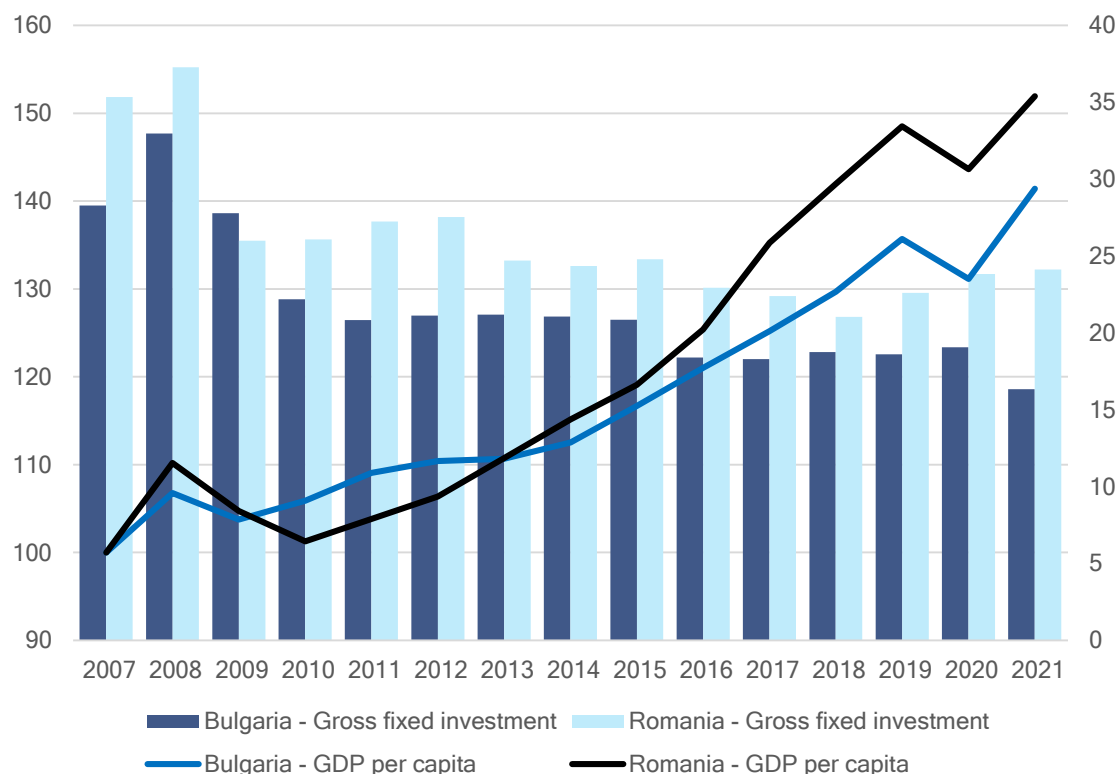
# Sustainable Development of the Private Sector in Northern Bulgaria

**Reimbursable Advisory Services (RAS)**  
Bulgaria SME Promotion Agency (BSMEPA)  
European Commission  
World Bank Group

# Bulgaria lags all EU countries in productivity and GDP per capita

## Bulgaria vs Romania

GDP per capita (LHS) / Gross fixed investment as % of GDP(RHS)



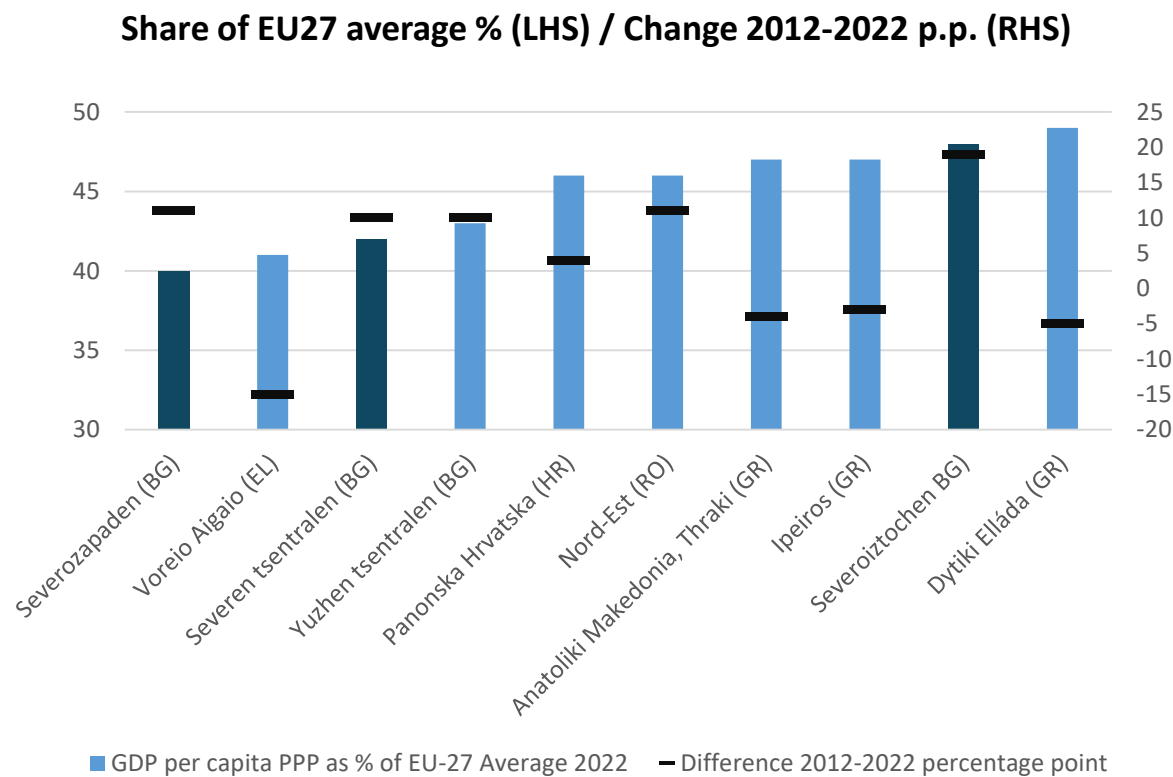
Since EU accession, Bulgarian economy exhibited notable economic growth performance with improvements in aggregate productivity.

However, growth path was below nearby countries, and the productivity gains were mostly driven by existing firms' own improvements.

The entry of new high-productive firms and the level of foreign direct investment is below its potential.

# North of Bulgaria is one of poorest regions in Europe

## 10 NUTS-2 regions with the lowest GDP per capita PPS as a percentage of EU27 average



All three NUTS-2 regions in Northern Bulgaria are among the 10 poorest regions in the EU.

The gap between these regions and the EU average has decreased over the past decade.

However, the gap between Northern Bulgaria and regions in the rest of the country increased in 2012-2022.

# RAS - Sustainable Development of MSMEs in Bulgaria

Signed on May 8, 2025

*Implementation: 35 months*

*2025-2028*

**Objective:** The objective is to support BSMEPA's development and assessment of solutions to enhance the managerial skills, competitiveness, and sustainable development of micro, small and medium-sized enterprises (MSMEs) in Northern Bulgaria.



# Main tasks of RAS project

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Task 1: Rapid needs assessment of MSMEs in northern regions and identification of target groups

Task 2: Identification of scalable solutions to increase managerial skills and competitiveness of MSMEs

Task 3: Effectiveness of solutions to increase managerial skills and competitiveness of MSMEs

Task 4: Capacity building of BSMEPA on development of scalable solutions

# (1) MSMEs in northern Bulgaria regions face significant obstacles

Northern Bulgaria's landscape dominated by micro and small firms that are older than those in other regions and mainly serve the domestic market

Managerial capabilities are weak, in line with the rest of the country

Most frequently cited obstacle is an insufficient supply of workers—an issue both in quantity and in skill level

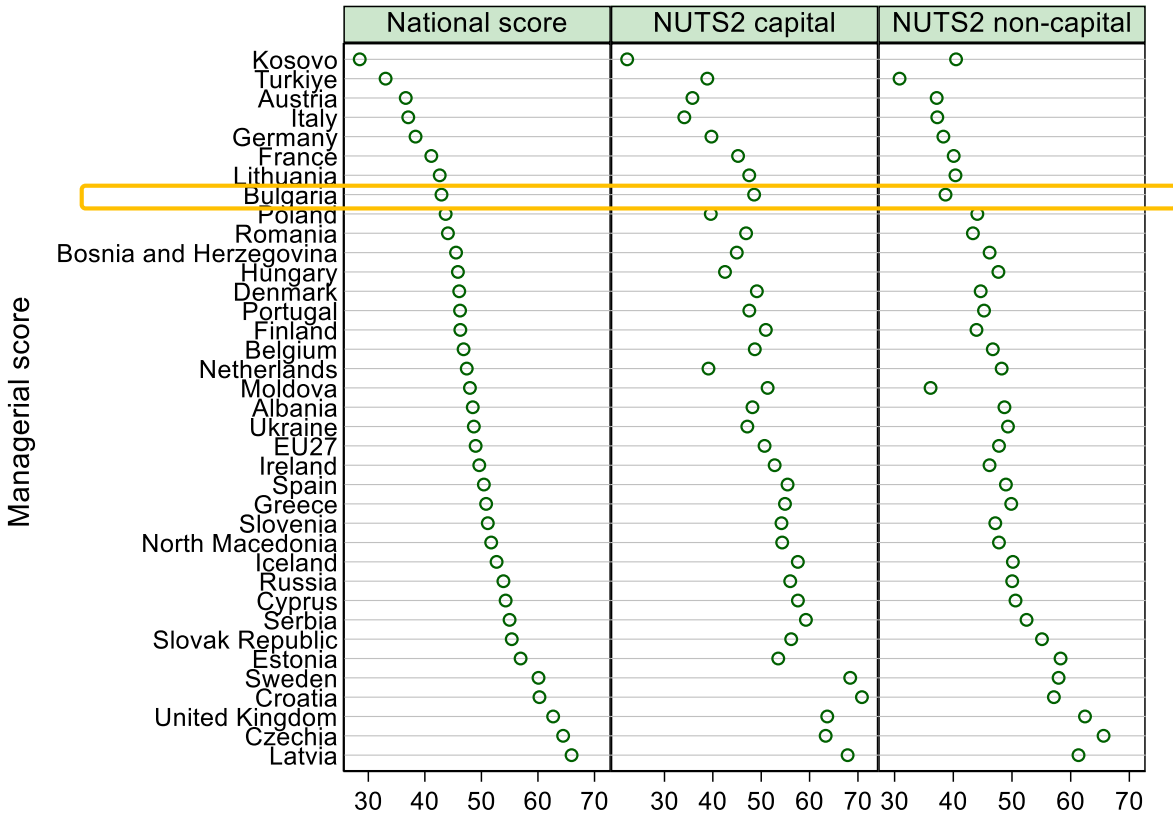
Most firms rely on basic digital tools—such as maintaining a simple website—which offers limited productivity gains

Exporting - a mechanism of upgrading value addition- hasn't reached full potential



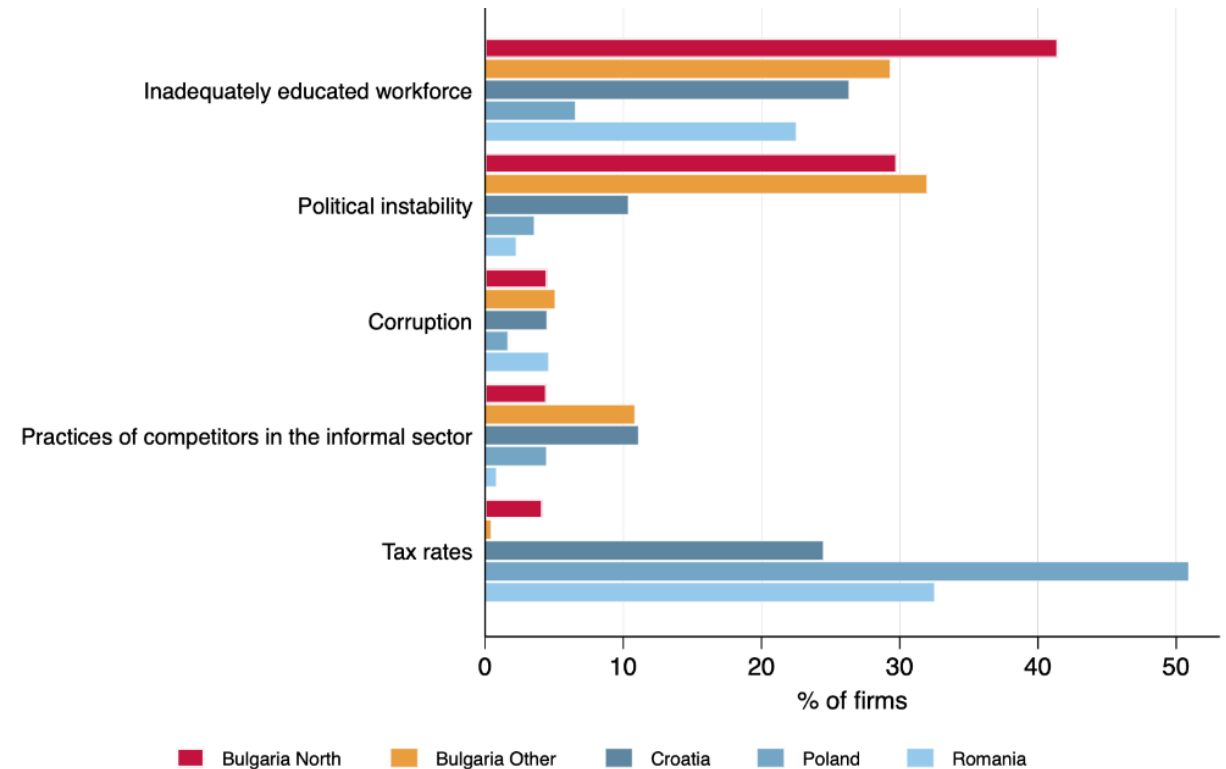
# Four main issues emerge from the analysis

## (1) Weak entrepreneurial mindset and lack of future orientation



*"Changing Mindset" isn't just useful—it's a prerequisite for other interventions.*

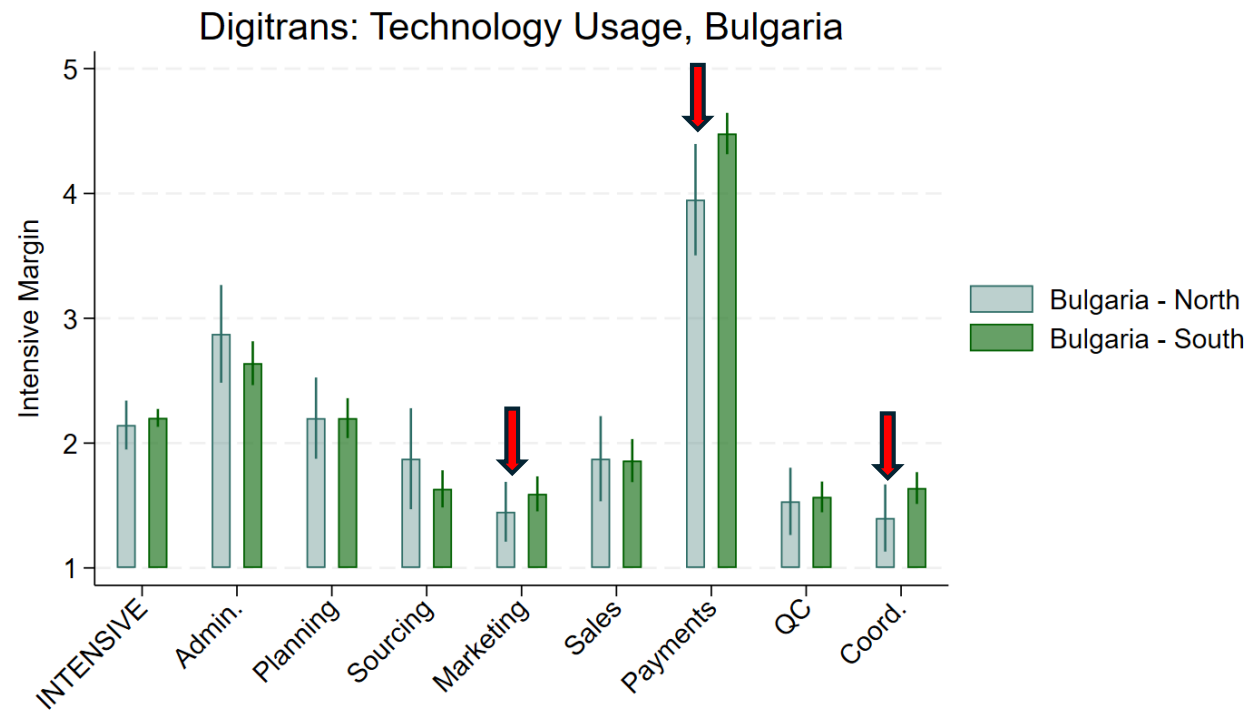
## (2) Challenge in workforce retention and upskilling



*"Biggest challenge across ALL sectors"*

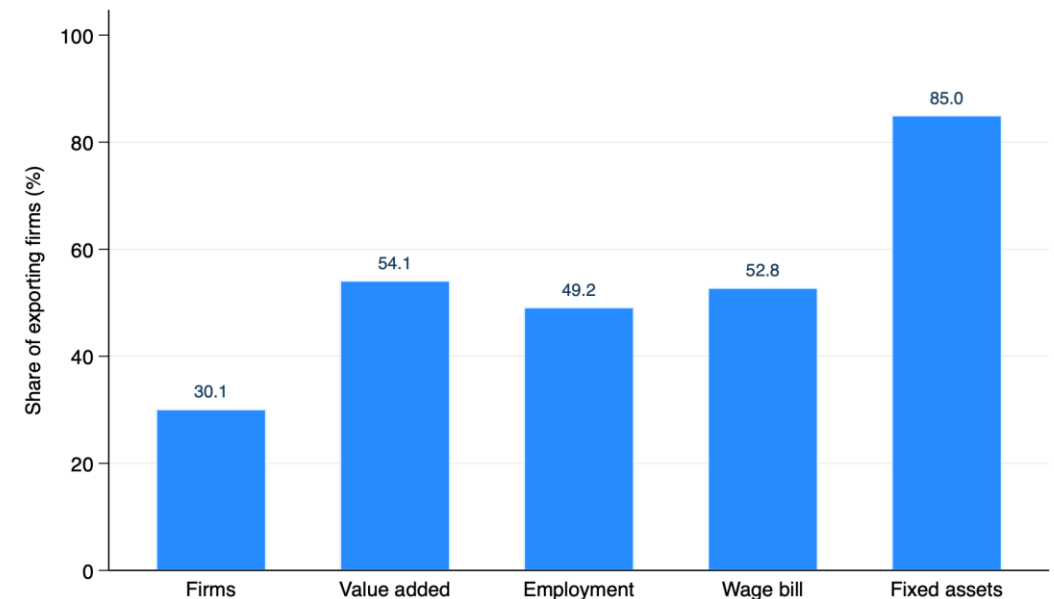
# Four main issues emerge from the analysis

## (3) Limited technology adoption and usage



*Northern firms lag vs others in the use of internal coordination and communication tools, marketing and*

## (4) Ineffective orientation to (export) markets



Notes: Value added is proxied as operating profit, calculated as sales revenue minus operating expenses.  
Wage bill is proxied using total labor costs of firms.  
Value of fixed assets is proxied using total repurchase cost of all machinery and equipment owned by firms.

*Volumes that Northern exporters achieve are far below those of peers in Croatia*

# Implications for targeting

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**Manufacturing firms** have an important footprint in North's economy, but they show the greatest need for upgrading management practices and technology adoption

**Innovation services**, such as ICT services, have demonstrated potential, and trainings could help them scale up their operations

**Younger** firms are larger job creators, and they may be more malleable and better placed to integrate lessons from training on management and technology practices into their operations

**Exporters** in North Bulgaria have higher value added and employment, but export volumes are lower than in other regions

## (2) A set of 11 offerings developed for MSME needs

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### Entrepreneurial mindset

- Entrepreneurial mindset
- Change management
- MSMEs managerial practices
- Artificial Intelligence (AI) for MSME Growth

### Workforce retention

- MSME Tech Upgrading and Upskilling
- Skills Strategies for MSMEs

### Technology adoption

- Leveraging Digital Solutions for Better MSME Management
- Digitization of MSME Core Business Functions

### Export / Performance

- Export for MSME Growth
- Modernizing Food Production MSMEs
- Modernizing Manufacturing MSMEs

# (3) A new program of MSME capacity building in the north with multiple offerings



**N-SPARK**

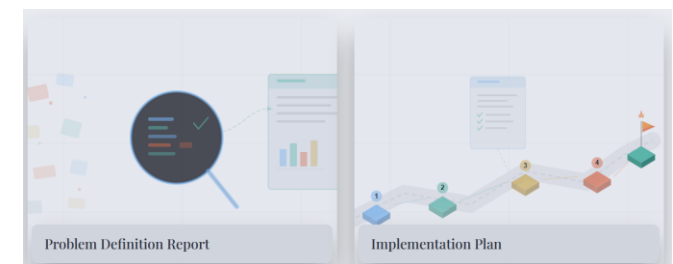
# Program design to meet needs of individual MSMEs

## Delivery



- Simple application form
- Ideally a simplified process of documentation requirements, but reality is more requests than useful

- Use information collected in surveys for report benchmarking against peers on management, tech adoption, entrepreneurship skills

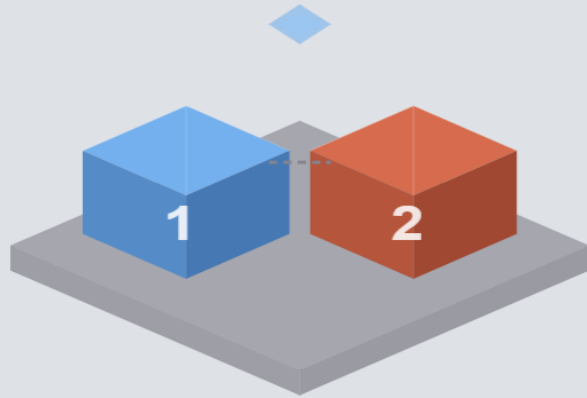


Problem

Plan

# Companies to choose from foundational module with two offerings and extensive module with more

## Foundational Module



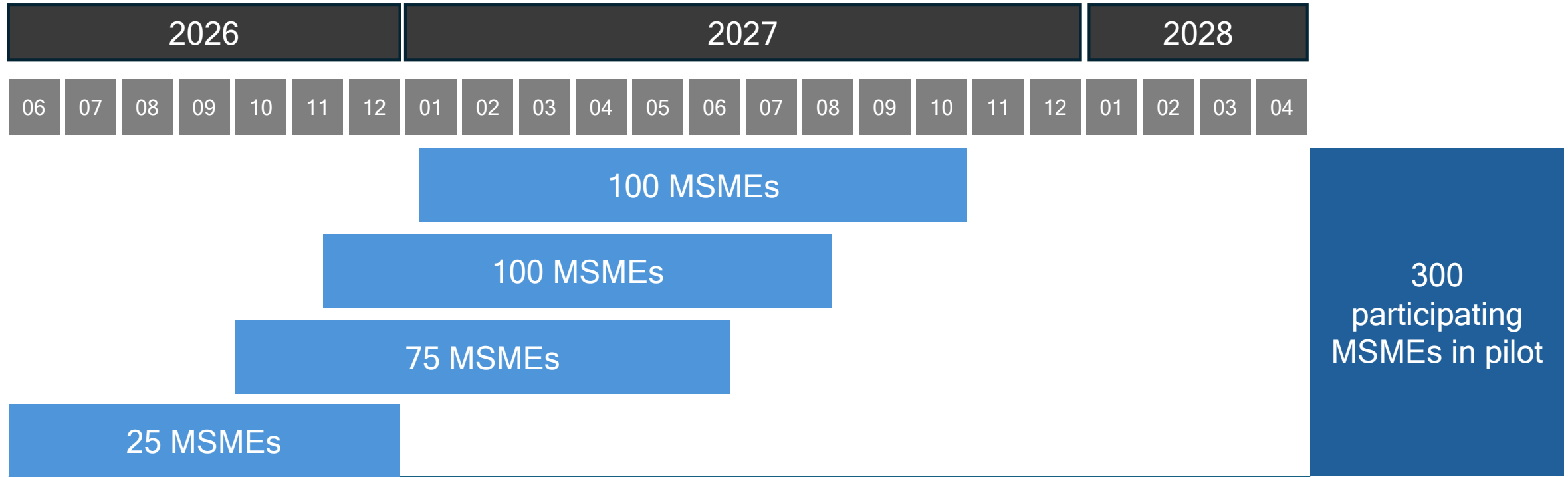
This Module is comprised of two Offerings:

- *Entrepreneurial Mindset Offering*
- One follow-up Offering:
  - “*AI for MSMEs Growth*”
  - “*Change Management*”

## Extensive Module



# Expected pilot programming

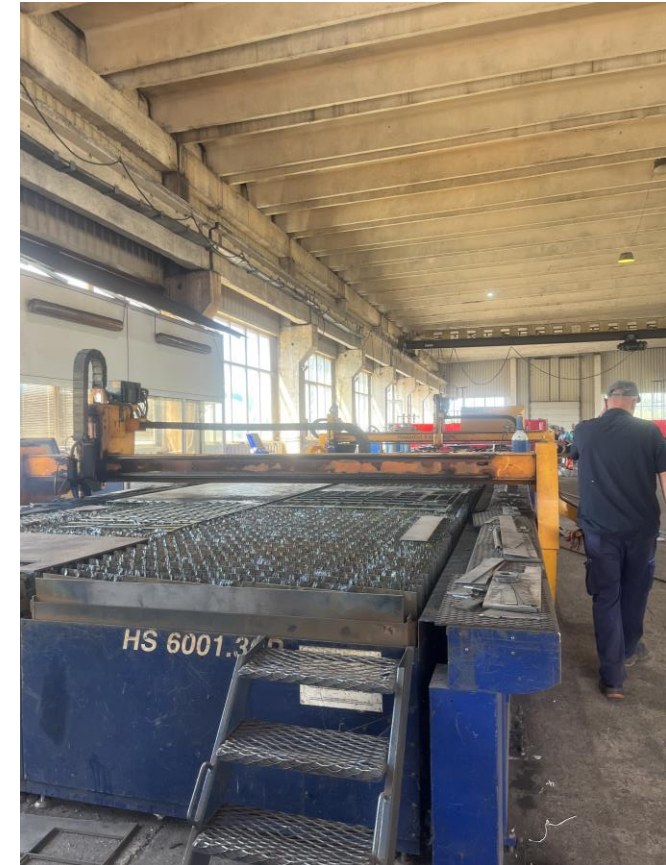


# RAS delivery timeline

Task	Deliverable	Expected timeline
1	Deliverable 1 - Report on presentation of rapid needs assessment of MSMEs in Northern Bulgaria and proposed identification of the target group	
2	Deliverable 2 - Report with advisory inputs to inform the design and theory of changes of alternative solutions to increase the competitiveness of MSMEs in Northern Bulgaria	
3a	Deliverable 3 - Report with recommendations about solutions with the highest potential to increase the competitiveness of MSMEs in Northern Bulgaria	
3b	Deliverable 4 - Report with advisory input on possible selection criteria for the target group with the highest potential to benefit from the pilot program	
3c	Deliverable 5 - Report on alternative mechanisms for driving demand and on the rollout by the Client of the pilot program	November 2027
3d	Deliverable 6 - Report on lessons learned from the implementation of the pilot program	January 2028
4	Deliverable 7 - Report on capacity building activities on development and assessment of scalable solutions to increase managerial skills and the competitiveness of MSMEs	February 2028

# Next steps

- Launch of first cohort
- Event on May 13 of outreach
- First offerings of entrepreneurial mindset in June



# Sustainable Development of the Private Sector in Northern Bulgaria



# Annex



# Bulgaria faces significant economic challenges

## Lagging foreign investment

- Bulgaria has a low level of FDI as a share of GDP
- Key factors needed to improve FDI inflows include a predictable strategy and institutional environment, as well as improving infrastructure

## Lagging productivity

- Bulgaria still lags all EU countries in firm productivity
- Productivity growth is hindered by the increasing market share of less productive firms

## Regional disparities

- Five of the six NUTS-2 regions in Bulgaria (all except the capital region) are considered lagging
- Depopulation, poor access to services, and poor infrastructure have contributed to worsening economic outcomes in lagging regions

## Skills gaps and shrinking labor force

- Shortages of skilled workers are a key constraint for the private sector
- An aging population and emigration present major long-term challenges to Bulgaria's workforce

# Implications of analytics for training modules

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## Entrepreneurial Mindset & Future Orientation

- Many firms are older, small, and domestically focused. Trainings should foster entrepreneurial thinking, resilience, and proactive business development to catalyze growth and overcome barriers.
- Family businesses can benefit from governance training to improve accountability, strategic planning, performance management, and succession planning.

## Workforce Retention & Upskilling

- Scarcity of skilled labor is a major constraint. Prioritize training on talent management, employee engagement, and workforce planning to retain and develop staff.

## Technology Adoption

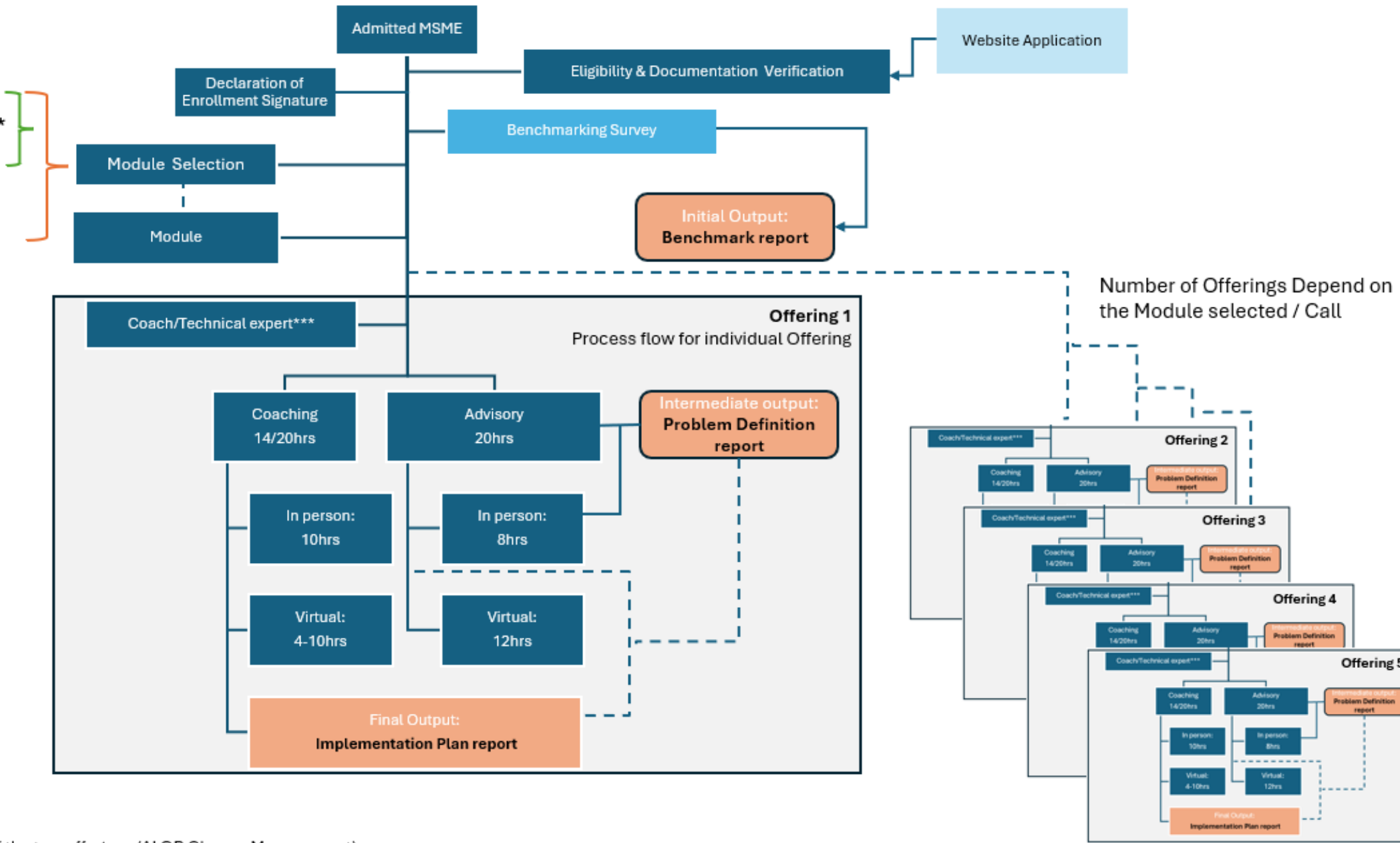
- Technology use is limited and unsophisticated. Offer training on digital tools and integrating new technologies into business operations to boost productivity.

## Export Orientation

- Export volumes are lower than in peer regions. Provide training on export strategies, international market entry, and compliance with foreign standards to help firms scale up and access new markets.

**Foundational Module\***

**Extensive Module\*\***



\*PI/Changing Mindset + 1 of the two offerings (AI OR Change Management)

\*\* 3 additional thematic offerings

\*\*\*The coach and technical expert could be two separate individuals or the same person depending on the offering thematical area

# Main elements of each offering

