



Conclusions

Framework Operation #22 for SME Competitiveness Guarantee – Bulgaria InvestEU Member State Compartment (Capped Guarantee)

INVEU-ICR-0026-2023 – Small and Medium Sized Enterprises Window

Short description of the financing or investment operation and its objectives

Type of the final recipients	SMEs (including Micro Enterprises)
Countries of implementation	Bulgaria
Implementing partner	European Investment Fund (EIF)

Under the Bulgaria Member State Compartment, the EU will provide to the EIF an EU guarantee to cover financing operations and implementation costs of Member State Compartment in Bulgaria. Such guarantee is underpinned by the resources of the Bulgaria Recovery and Resilience Facility that have been made available to the EC based on the contribution agreement signed between Bulgaria and EU. The purpose of using the Member State Compartment is to enable both the Member State and the EIF to streamline the implementation by relying on the already set product terms under the InvestEU EU Compartment (in this case the SME Competitiveness Guarantee) as well as to benefit from the overall deployment framework already operational at InvestEU.

The implementation of the Sub-Projects under this Framework Operation builds on the successful implementation of operations in Bulgaria under the predecessor initiative COSME LGF, as well as other guarantee initiatives supported by the European Structural and Investments Fund, such as the SME Initiative Bulgaria. The Sub-Projects that will fall under this Framework Operation will aim at improving the competitiveness of enterprises by facilitating access to, and the availability of finance predominantly to SMEs, which are perceived by financial intermediaries as being high risk or lacking sufficient collateral.

Global Assessment and rationale for approval

The Investment Committee of the InvestEU Fund approved the use of the EU guarantee on 27 April 2023 for the above-mentioned Framework Operation.

The Framework Operation addresses market failures by targeting high risk SMEs – as defined in the InvestEU Guarantee Agreement for the SME competitiveness guarantee – with significant focus on micro enterprises that are most severely affected by the COVID-19 economic shocks and could not renew investments in fixed capital without adequate long-term credit financing. Five out of six Bulgarian regions are designated as less-developed regions and one region is designated as a transition region.

In terms of additionality, the use of the InvestEU Guarantee allows the EIF to enter into (counter-) guarantee with financial intermediaries supporting higher risk category final



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recipients, including start-ups or categories of start-ups that were previously excluded, previously excluded categories of SMEs. Guarantee instruments are not part of the EIF's standard own risk activities and are typically implemented by the EIF via third-party mandates. Building on the previous guarantee instruments managed by the EIF, the SME Competitiveness Product implemented under the InvestEU EU Compartment and under the Member State Compartment – Bulgaria in this case – will enable the EIF to support the SME ecosystem at a scale that would not be possible or not to same extent out of other EIF managed resource for that purpose.

The objective of this Framework Operation is to contribute to the reduction of the structural shortcoming of the Bulgarian SME financing market and to support the creation of a more diversified SME finance market. More specifically, through direct and indirect guarantees, this Framework Operation aims to guarantee debt financing which addresses the particular difficulties that viable SMEs face in accessing finance, either due to their perceived higher risk or due to their lack of sufficient available collateral.