

## THE IMPACT OF THE PUBLIC PROCUREMENT SYSTEM REFORM ON BULGARIAN SMALL AND MEDIUM-SIZED ENTERPRISES<sup>2</sup>

*Public procurement can be used as an instrument for policy-making in different fields – social, environmental, economic, as well as for direct business support. It is well known that the increased participation of SMEs on the public procurement market leads to significant benefits for both contracting authorities and society. A lot of studies have found that SMEs are inadequately represented in this market. Therefore, in 2016, the European Union introduced common measures to promote the participation of SMEs in the public procurement market. A critical review of these measures has been made, highlighting some of their strengths and weaknesses. Based on the analysis of the public procurement market in Bulgaria, the measures are assessed as insufficiently effective. The proposed solutions are in two directions: how to motivate contracting authorities to implement the introduced measures and how to increase the confidence of SMEs in the procurement process in order to encourage them to participate in tender procedures.*

*Keywords: public procurement; SMEs; access to public procurement market; Bulgaria  
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### 1. Introduction

The significance of small and medium-sized enterprises (SMEs) was reconsidered during the 60s and 70s of the 20th century as a result of the changes in the socio-economic structure of developed countries. The role of SMEs in Central and Eastern Europe increased significantly during the transition to a market economy. According to Klapper, Sarria-Allende and Sulla (2002), the restructuring and decrease in the number of large companies, the privatisation of utility companies and other large companies and the outsourcing of a large number of services are all prerequisites that promote the establishment and development of SMEs. Over the past few years, there has been a growing interest in SMEs and their role in the economy. They are an important source of entrepreneurship skills, innovations, competitiveness and jobs.

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<sup>1</sup> Sevdalina Hristova, PhD, University of Economics – Varna, +359 882164832, e-mail: s.hristova@ue-varna.bg.

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According to the European Commission (2003), the category of micro, small and medium-sized enterprises includes enterprises which employ fewer than 250 persons and have an annual turnover not exceeding EUR 50 million and/or an annual balance sheet total not exceeding EUR 43 million. A number of studies show that small and medium-sized enterprises are 99% of all enterprises in the EU (out of a total of 20 million) and provide 67% of all jobs in the private non-financial sector. They create two out of each three jobs; they maintain an employment growth rate that is twice as high as the one maintained by larger companies and they generate approximately 59% of the economy's added value (Stawińska, 2011).

This means that SMEs can be viewed as the main driver of economic growth, innovations and employment. They are the backbone of each economy and fall within the focus of different economic policies. SMEs are particularly important for the economy, but, at the same time, seem to experience challenges accessing the public procurement market. According to data from the European Commission (2017), SMEs have been directly awarded with approximately 45% of the total value of public contracts, either as participants in consortia, or as subcontractors, which does not correspond to their market share. Therefore, the facilitation of SMEs' access to the public procurement market is considered to be one of the instruments for unleashing their potential, which, on the other hand, will also bring certain benefits to the European economy (SIGMA, 2016).

The purpose of this study is to make an overview of the reforms in the public procurement system over the past few years undertaken to encourage the participation of SMEs in this market, to see how this affects small business in Bulgaria and, based on this, make recommendations for improvement of the public procurement system in Bulgaria.

This research makes a brief critical overview of specialised literature on the subject and the economic policy followed, with a focus on the relationship between public procurement and SMEs. It analyses the pan-European measures promoting the participation of SMEs in the public procurement market, which were introduced with the reform of 2014, and mentions some of their advantages and drawbacks.

In order to determine whether Bulgarian SMEs are adequately represented on the public procurement market, certain evidence about their level of involvement has been presented. The analysis is based on two sets of data – a survey to identify the attitudes and barriers for SMEs and secondary data from reports by the European Commission, as well as data from the Open Data Portal and the Public Procurement Register, where information about the value and number of contracts awarded as a result of public procurement procedures is published.

## **2. Public Procurement and SMEs**

The term “public procurement” is defined in the Oxford Dictionary of Economics (2008) as “the purchase of goods and services by the public sector, at all levels of government”. In practice, public procurement is not just limited to the formal process of purchasing, but comprises of four stages (Hristova, 2013) – from identification and planning of the need, through the selection of the contractor to supply the goods in the exact quantities and quality

at the right time and place for the best price, to the control and follow-up evaluation of the implementation of the awarded contracts. The organisation and conducting of public procurement procedures are accompanied by a number of problems, such as complexity and duration of the procedure, utilisation of additional resources, risks of not receiving any quotes, etc. (Karakasheva, 1995). The complexity of public procurement is also affected by the participation of a large number of stakeholders (public and sectoral contracting authorities, regulatory and controlling authorities, economic entities – applicants and participants, the society) and the need to find the balance between their diverging interests. The organisation and conduct of public procurement procedures are subject to strict legal regulations with the main purpose, according to Goleva and Markov (2004), to increase the efficiency of the utilisation of public funds, while at the same time protecting the consumers of public services. By restricting the freedom of contracting, while at the same time guaranteeing the possibility for competition at a level playing field for many legal entities, the applicable European directives, particularly the Public Procurement Act (PPA), ensure the cost efficiency of public funds (Art. 1(1)(1) of PPA). The applicable national legislation has laid down the terms and conditions for awarding public contracts both by public authorities and by sectoral contracting authorities that spend funds for activities of public interest (such as water supply, energy, transportation and postal services). The rules for public procurement have been established in order to guarantee the application of the four principles of awarding contracts: publicity and transparency; free and fair competition; equal treatment and non-discrimination; and proportionality. The observation of those rules promotes better utilisation of resources, including those provided by the European funds and programmes. According to data from the European Commission (2017), almost half of the European structural and investment funds are spent through public procurement.

Some authors argue that the economic, social and environmental benefits of public strategies and programmes are largely dependent on the way public procurement procedures are managed, held and controlled (Khan, 2018). It is assumed that these benefits are great, because states spend a significant percentage of their gross domestic product for acquiring goods, construction and services through public procurement procedures. Nearly all EU member states have increased their public spending and it was estimated in 2017 that the spending of public authorities and utility companies that could be considered expenditure by means of public procurement procedures constitutes 12.2% of the EU's gross domestic product (European Commission, 2019). The same report says that the estimated spending for construction, supplies and services (other than utility services and certain concessions) as a percentage of GDP for the same year for Bulgaria is 9.4%. Over the past two years, as a result of the increased public spending in response to the Covid-19 pandemic and the decline in GDP as a result of the crisis, OECD (2021) observed a sharp increase in the public contracts as a share of GDP in 2020. This has increased the need to make their organisation more effective.

Public authorities, as some of the largest buyers on the market, should use public procurement as an instrument for policy-making in different fields related to environmental protection, the introduction of innovations or the promotion of social inclusion. SMEs are increasingly regarded as a key factor for the development of the economy (OECD, 2018). Kim Loader (2013) discusses the public procurement – SMEs relationship in two directions. On the one hand, public procurement procedures are an instrument that can be used by the governments

for providing direct support to the small business, while, on the other, the increased involvement of SMEs will result in significant benefits for the contracting authorities and the economy as a whole. The most common benefits cited in the literature (OECD, 2018) that SMEs could offer to contracting authorities are better price/quality ratio, better level of service and innovative solutions. According to Flynn и Davis (2017), SMEs' easier involvement on the market will guarantee greater competition and will ensure access to a wider variety of available and innovative solutions.

The data shows that the EU's average share of contracts under public procurement procedures awarded to SMEs was 29% in 2013 (SBA, 2014). Although it increased to 51% in 2017 (SBA, 2019), it remains disproportionate to the share of SMEs in the economy as a whole. Nicholas and Fruhmman (2014) believe that this is a proof of market failure, which requires corrective actions.

The available literature discusses and analyses the barriers that hinder SMEs' access to public contracts. Loader (2013) divides them into two groups – those arising from the public sector and those related to SMEs. In a survey held in 26 OECD countries in 2017, the respondents mentioned 10 key limitations for SMEs' access to this market (OECD, 2018). Other authors have classified the challenges for SMEs to participate in public procurement procedures based on the different stages – access to information, pre-selection, bidding, administration of the contract and ongoing management (Liao et al., 2017). It can be summarised that the main barriers/challenges for SMEs identified in the different analyses can be classified into several categories: difficulty obtaining information; high administrative burden; lack of knowledge about the procedures; excessive selection requirements; large contract amounts; little time for preparing for the bids. The conclusions made by the European Commission (2008) also support this statement. Because the share of SMEs in the public contracts awarded does not match their market share, different policies, initiatives and measures have been developed over the past few years to facilitate their access to the public procurement market. The strategic objectives of the policies conducted at the European Union level are to facilitate SMEs' access to public procurement by ensuring a level playing field. These policies are expected to result in stimulation of employment and promotion of innovations, i.e. growth of the national economies, which is essential during a period of crisis.

Undoubtedly, the higher rate of participation of SMEs in public procurement would be a favourable environment for their development. Public contracts are a market opportunity that could provide them with a large and reliable buyer and potential long-term contracts (Reijonen et al., 2016). Furthermore, the application of effective policies for facilitating their access to public procurement could result in a number of economic and social benefits for the society as a whole, because the small business contributes significantly to the opening of new jobs and adds value.

### **3. Key Measures to Promote SMEs' Participation on the Public Procurement Market**

SMEs' access to public procurement could be directly encouraged through preferential treatment, that is, positive discrimination. This approach has been applied in certain countries, such as the USA and Australia (Loader, 2018). However, it is inapplicable in EU

member states, given that the European regulatory framework requires equal conditions for all participants.

The latest pan-European reform in the field of public procurement was finalised in 2014 with the adoption of a legislative package of three Directives: Directive 2014/24/EU on public procurement; Directive 2014/25/EU on procurement by entities operating in the water, energy, transport and postal services sectors and Directive 2014/23/EU on the award of concession contracts. One focus during the review of the rules for awarding public contracts by the European Commission was to facilitate SMEs' access to public procurement without giving rise to preferential treatment of this category of economic operators. According to a report by the European Parliament (2009), the efforts focused on two aspects – simplification of the procedures and revising the rules related to subcontractors. Time and money are the focus in the simplification of procedures – the objective is to ensure that the contracting authorities and the economic operators will not spend significant resources for preparing the tender documentation, the applications for participation and the bids. Regarding the rules for subcontractors, it should be guaranteed that SMEs that are subcontractors under public contracts are not subject to worse conditions than those for the main contractor.

A key hinder to SMEs' participation in public procurement cited in the studies mentioned above is the administrative burden. It is mostly related to the need to present a large number of documents proving competence to exercise professional operations and documents proving the availability of financial and technical capacity to implement the public contract. One of the key changes in the Directive (Art. 59) is the introduction of the European Single Procurement Document (ESPD).

Bobowski and Gola (2018) view the ESPD as the main instrument for the computerisation of the public procurement system. The European Commission has developed a free electronic service for filling out the ESPD, which is available to all contracting authorities and economic operators (applicants and participants). The filled-in online form can be exported and sent electronically. Furthermore, the information entered in ESPD, if relevant, can be used multiple times for participation in subsequent procedures.

In essence, ESPD acts as a substitute for the submission of a set of documents proving the financial status, technical capacity and professional competence of the economic operators. ESPD has significantly simplified the administrative requirements during the selection stage, because these documents now need to be submitted only by the entity the public contract is awarded to. As Pavlova (2017) noted, by the introduction of the generally new approach, the actions performed by the economic operators at the selection stage of the tender procedure are narrowed down to filling out and submission of a self-declaration form. The main purpose of the ESPD introduction is to decrease the alternative and transaction costs associated with the participation in the public procurement procedures, i.e. this has a direct impact on the resources spent (time and money). Certainly, ESPD considerably simplifies the efforts for preparation and submission of the applications for participation and/or the bids and it is believed that this is particularly important mainly for SMEs (SIGMA, 2016). Although there are studies (Telles, 2017) indicating certain problematic areas in the application of ESPD, it cannot be denied that it has introduced significant changes in the method of conducting public

procurement procedures and that it has contributed considerably for their simplification through the established pan-European standard information.

In addition to reducing the volume of work, ESPD has two more purposes, according to Telles (2017): indication of the place where the original documents are located; and providing information about the databases where the necessary information can be obtained. A third purpose that has been identified is directly related to eCertis.

The purpose of the eCertis electronic system is to support both the contracting authorities and the economic operators in the identification of the different types of documents certifying the minimum requirements to be met by the applicants and/or participants in the different member states, including Turkey as an applicant country and the three countries from the EEA/EFTA (Iceland, Liechtenstein and Norway), during the selection stage of the public procurement procedures. The system was created by the European Commission as a free online tool at the end of 2010. At the time of its launch, member states were not obliged to update the information in it, however, this is what the system reliability depends on. Therefore, Directive 2014/24/EU introduced rules, by virtue of which the relevance of the information about the different types of certificates, declarations and other documentary evidence should be guaranteed. The national authority responsible for the maintenance and updating of the information collected and stored in eCertis under the Public Procurement Act adopted in 2016 is the Public Procurement Agency (Art. 229(1)(25) of the Public Procurement Act).

The introduction of the requirement to ensure the relevance of the information in eCertis allows to develop the full potential of the system for simplifying the award process and for facilitation of the compatibility between the documents issued by the different member states. In fact, the service is particularly useful for economic operators that participate in procedures outside their country of establishment. In the cases of cross-border contract award, where they are not familiar with the requirements of the relevant country, the system offers a convenient mechanism to inquire about the types of documents and to obtain information about their content. The eCertis system undoubtedly helps simplify the award process. It is often referred to as a measure that facilitates SMEs' participation on the public procurement market (SIGMA, 2016; European Commission, 2018), however, in our opinion, its role in supporting SMEs is highly overrated. Despite the possibilities provided by this online tool that were already discussed, we believe that one of the challenges SMEs are faced with in the case of cross-border public contracts is the language barrier – the documentation for participation and, respectively, the application form and the bid should be written in the official language of the respective country. This is supported by the analysis in a study on cross-border penetration in the EU public procurement market (European Commission, 2021), where several possible ways to overcome this barrier have been outlined.

The two elements discussed (ESPD and eCertis) are at the core of e-procurement. According to a study of Alomar and de Visscher (2019), the most important factor for the adoption of e-procurement by the SMEs are the enabling conditions. Replacing the paperwork procedures by communication and processing based on digital technologies is a prerequisite for the rationalisation, simplification and facilitation of the procedures. The requirements introduced by Directive 2014/24/EU can be summarised in the following three groups: (1) electronic submission of communication; (2) electronic accessibility of the documentation, and (3)

electronic submission of applications for participation and bids; however, these are not sufficient (European Commission, 2017). Only with the digitalisation of the entire process, including electronic processing and evaluation of the bids, invoicing, payment and archiving, maximum benefits can be derived. The mandatory introduction of e-procurement and its subsequent upgrading has undoubtedly contributed to increased transparency and efficiency of the public procurement procedures, it has reduced the administrative costs and has made the process relatively quicker. This helps increase the trust in the system and encourages an increasing number of economic operators, including SMEs, to take part and compete on this market. It should be noted that this would be only possible, if no barriers limiting the access to the system are allowed during the design stage of the e-procurement system (SIGMA, 2016). This is why the Directive requires that “the tools and devices to be used for communicating by electronic means, as well as their technical characteristics, shall be non-discriminatory, generally available and interoperable with the ICT products in general use”. All conditions for full digitalisation of the public procurement process were created with the development and introduction of the centralised automated information system “Electronic Public Procurement” in 2020, which includes electronic submission of bids and their automated evaluation, award of contracts and monitoring of the contracts implementation, as well as connection to electronic payment systems. This has certainly allowed SMEs operating on the Bulgarian market to fully benefit from the digitalisation, which, on the other hand, resulted in an increased interest on their part and participation in the public procurement procedures.

Objectively, the main hinder for SMEs’ participation on the public procurement market is related to their relatively more limited administrative, technical and financial resources. In addition to the digitalisation of the public procurement process, which primarily addresses the administrative capacity of economic operators, the new regulatory framework introduced certain measures, such as dividing the public contracts into lots and changing the selection criteria. The minimum turnover required is precisely specified by introducing the rule that it should not exceed twice the estimated public contract value. This limits the ability of contracting authorities to set requirements for the economic operators’ financial status that are disproportionate to the volume of the contract and eliminates one of the barriers to SMEs’ participation on this market.

The contract division into lots can be either on a quantitative or qualitative basis. It should be noted that the Directive does oblige the contracting authorities to divide the contract into lots, but introduces the formula of “split or explain” instead. Because this is not a mandatory measure and considering the savings that could be generated from the economies of scale, contracting authorities are not motivated to divide the contracts into lots. Furthermore, the Directive encourages joint procurement, which means that the contracting authorities will attempt to work with a smaller number of contractors under contracts of larger amounts, thus putting SMEs at a disadvantage and favouring larger companies. Considering the conflict between the approaches for division into lots and the joint procurement, we completely agree with Anchustegui (2016), who believes that this measure is devoid of content. Therefore, it should not be expected that this will lead to the desired effect and make public procurement more accessible for SMEs in the absence of additional stricter regulations.

The measures discussed above (ESPD, eCertis, e-procurement, financial status requirements and division into lots) that are designed to support SMEs are available and have been applied over the past five years. We should mention that in a survey conducted by Flynn и Davis (2016), the contracting authorities shared that the level of application of part of the measures is high, while others, such as division of the contracts into lots and encouraging the participation of consortia, which lead to higher transaction costs, have been rarely applied by them. As part of the same survey, they have discussed and provided specific recommendations on how to improve the implementation of those measures.

#### 4. Research Results about the State of Public Procurement and SMEs in Bulgaria

In order to review and outline the trends and specifics of the public procurement market in Bulgaria, secondary data from the Open Data Portal and the Public Procurement Register, covering a five-year period from 2016 to 2020, have been used. Several indicators have been analysed, which characterise the market as a whole – total number of contracts signed; total value of the contracts signed; number and value of the public contracts funded by the European Union. Because the barrier that is most commonly mentioned as a hinder to SMEs' access to public procurement (Loader, 2018) is the size of the contracts, the trends in the average value per contract have been analysed. Due to the lack of publicly available data related to SMEs' participation on the public procurement market, no other indicators have been analysed.

During the studied period, there has been a clear tendency for a gradual increase in the number of contracts awarded (Table 1), with an annual average growth rate of 1.036. While the increase over the first 4 years (2016-2019) has been relatively gradual – by 2% per year, a significant increase was noted in 2020 – there was an increase of 7% as compared to the previous year, or an increase of 1664 units. It is striking that the absolute increase in the number of contracts awarded in 2020 as compared to 2019 (an increase by 1664 contracts) is a little higher than the total increase in the number of contracts awarded for the previous 4 years in total (an increase by 1587 contracts). This increase may be the result of the increased number of public procurement procedures or of the increased number of public contracts for different lots for the same number of public procurement procedures.

Table 1  
Number of contracts awarded as a result of public procurement procedures held over the period 2016-2020

Year	2016	2017	2018	2019	2020
Total number of contracts awarded	21 505	21 882	22 486	23 092	24 756
Total number of contracts with European funding awarded	1484	2658	2764	3037	2983

Source: Open Data Portal <https://data.egov.bg/> and Public Procurement Register <https://app.eop.bg/today>.

Regarding the “Number of public contracts funded by the European Union” indicator, there has been a gradual increase in the absolute values with almost 3000 contracts in 2020, which is, practically, twice as high as the value in the base year 2016. It should be noted that the annual average growth rate of the number of contracts funded by the European Union (1.19) is higher than the annual average growth rate (1.036) of the total number of contracts

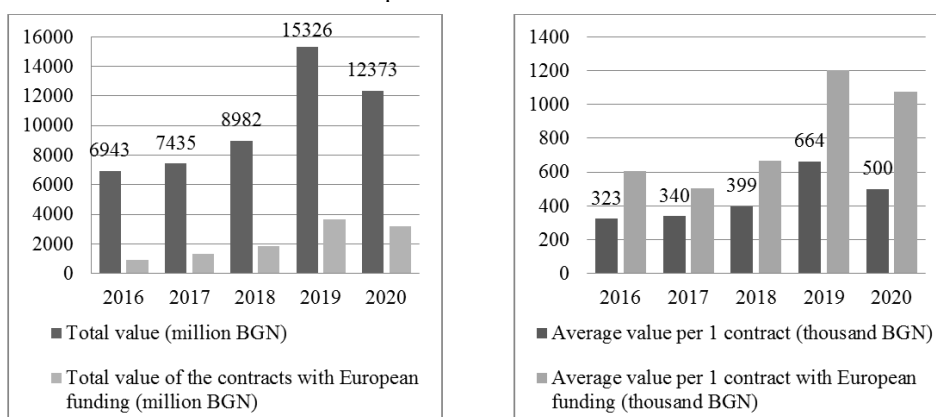


awarded. With the exception of 2016, the relative share of the number of awarded contracts with European funding in the total number of contracts remains relatively steady and varies between 12% and 13%.

Regarding the total value of the contracts awarded (Figure 1), there has been an increase over the first 4 years of the studied period, with a little over 2.2 times increase in 2019 as compared to 2016. In 2020, a lower total value of the contracts awarded as compared to 2019 had been reported, however, the total sum of the contracts awarded (BGN 12 373 million) remains above the average level for the period (BGN 10 212 million). The average value per contract over the period 2016–2020 is BGN 445 thousand, with a steady trend of growth reported for this indicator. The peak was reached in 2019, when the average value per contract was BGN 664 thousand. The increased total value of the contracts awarded during the studied period is directly related to the increased number of contracts awarded. The levels of the average value per contract show that the increase in the contracted amounts as a result of the procedures held has outpaced the increase in the number of contracts awarded.

Figure 1

Value<sup>3</sup> of the contracts awarded as a result of public procurement procedures held over the period 2016-2020



Source: Open Data Portal <https://data.egov.bg/> and Public Procurement Register <https://app.eop.bg/today> and calculations made by the author.

There is a clear trend for an increase both in the total value and the average value per contract with European funding. At the beginning of the studied period, 13% of the value of contracts awarded was from contracts where the source of funding was a European fund or programme. At the end of the period, the share of contracts with European funding reached 25% of the total value of the contracts awarded. It is clear that the average growth rate of the total value of contracts with European funding (1.37) has substantially outpaced the average growth rate of the total value of all contracts (1.15). During all years covered by the study, the average value per contract with European funding is significantly higher than the average value of all

<sup>3</sup> Values in foreign currency have been calculated based on BNB's currency exchange rate as of 31 December of the respective year.

contracts. In 2020, this value was a little over BGN 1 million as compared to an average value of all contracts of BGN 500 thousand.

These data allow us to draw several conclusions about the public procurement market. During the studied period, there has been a dynamic development, with a significant increase reported both in the number (from 21 505 to 24 758) and value (from BGN 6 943 million to BGN 12 373 million) of the contracts awarded. It can be assumed that this is the result of the higher demand, which is mainly due to the increased amount of public spending. The increase, both in the total number of contracts and in the higher average value per contract, is the result of the procedures funded by the European Union. Based on the identified causal relationship, we can argue that European funding is a key factor for the development of the public procurement market. There has been a significant increase both in the average value per contract (from BGN 323 thousand to BGN 500 thousand) and in the average value per contract funded by the European Union (from BGN 607 thousand to BGN 1077 thousand). This gives us the ground to conclude that the access of Bulgarian SMEs to public contracts remains quite limited, because the implementation of contracts of high value, as a rule, requires considerable financial capacity and liquidity, which SMEs do not have at their disposal. Despite the measures undertaken to encourage SMEs' participation on the public procurement market, this common barrier not only remains a challenge, but seems to become increasingly difficult to overcome. The trend described above in relation to the average value of a contract awarded after a tender procedure allows us to conclude that the public procurement reform does not have the expected effect on the business of Bulgarian SMEs. The level of their participation in the public procurement market remains inadequate given their market share. It can be assumed that this gap will widen in the next few years.

In order to determine the attitude of Bulgarian SMEs toward public procurement, a survey based on the voluntary response method was held in November 2021. An electronic self-completion questionnaire was used, which included a total of 33 questions divided into three blocks. Two types of data were collected: facts about the activity and experience on the public procurement market and opinions on the public procurement system. The responses to the questions about the barriers to participation in tender procedures as well as the evaluation of the system after 2016, were of particular interest with a view to the problems discussed in this article.

The respondents' can be defined as SMEs based on their profile, since more than 90% of them stated that their number of employees is less than 250 and 95% had a turnover not exceeding EUR 50 million. Regarding the questions about experience with tender procedures over the past two years, a little over 60% of the respondents stated that they regularly search for information about calls for tenders and apply for such procedures, while only 14.7% have never been contractors under public contracts. Regarding the barriers faced by Bulgarian SMEs, meeting the selection criteria turns out to be an important factor.

One of the most serious difficulties, hindering participation that is mentioned in the survey is meeting the selection criteria. Despite the existing possibilities to overcome this barrier by creating a consortium or participation as a subcontractor, it is striking that a high percentage of the SMEs (71%) stated that they have never been members of consortia and 77.6% of them have never been subcontractors under public contracts.

In contrast to the studies of the barriers for SMEs cited above, which argue that the main barriers are the costs and time for preparing a bid, as well as difficulties communicating with the contracting authorities, the Bulgarian SMEs that took part in this survey declared that the main barrier they are faced with is related to the delay in payments under the awarded contract.

Most respondents believe that public procurement procedures have become more transparent, more simplified and more accessible for SMEs after the reform in 2016, they also mention certain serious drawbacks of the system. According to them, the public procurement process does not result in the best cost-benefit ratio, participants are not equally and fairly treated and the selection criteria are disproportionate to the subject, complexity and volume of the public contract. They believe these drawbacks are related to the sense of manipulated procedures, preliminary arrangements and a sense of the presence of corruption.

Although measures to support and encourage SMEs' participation on the public procurement market have been proposed and introduced over the past few years, data about the market in Bulgaria show that there have been some changes, but yet, the challenges remain present. The reasons for this situation are twofold:

- 1) the contracting authorities are not motivated to implement those measures;
- 2) SMEs do not trust the procurement process and are reluctant to participate in public procurement procedures.

Ghossein, Islam and Saliola (2018) come to the conclusion that more companies, including SMEs, will be willing to participate in tender procedures in economies where good public procurement systems are available and, in the presence of effective competition, a price that is 20% lower than the one agreed under collusions (Anderson, Kovacic, 2009) can be achieved. This means that overcoming the current drawbacks of the public procurement market in Bulgaria with respect to SMEs will certainly yield significant benefits.

## **5. Conclusion**

The study offers an analysis of the reforms undertaken in the Bulgarian public procurement system in recent years to encourage the participation of SMEs in this market, and the results lead to the following conclusions:

First, contracting authorities view and perceive public procurement as an administrative procedure, rather than a strategic policy-making tool. This could be overcome by the identification of clear strategic objectives for the development of this sector. Although the main objective of the national strategy for the period 2014-2020 is related to increasing the effectiveness, SMEs are not part of it.

Second, currently, there is no strategic document outlining the vision for development of the sector. It is not clear whether there is any such document under development or planned for the future. Undoubtedly, a more targeted and focused approach with respect to SMEs can be adopted through the development and endorsement of a national strategy or action plan that reflects their key significance for economic development. Based on the experience in other

countries (such as Great Britain), the share of public spending awarded to SMEs as a result of public procurement procedures can become a national target. This target could be specified by sectors or types of contracting authorities. In order to evaluate the effectiveness of a certain policy, its results need to be monitored and measured.

Third, it is necessary to also create a mechanism for the collection of reliable data about SMEs' participation on the public procurement market and use this as a basis for regular review of the policies followed. Where necessary, those instruments should be improved and upgraded.

Forth, both the data from the survey and the other studies on the subject matter come to the conclusion that there is a lack of trust in the Bulgarian public procurement system, which is partly the result of the perceived lack of transparency, general unfair treatment and corruption. Undoubtedly, public contracts are a high-risk sphere with respect to corruption.

Fifth, the digitalisation of the procurement process is a key instrument for combatting this trend. At present, all the conditions for complete digitalisation in Bulgaria are present and e-procurement is already a fact, but are SMEs sufficiently aware of that? Gaining their trust can start by improving the communication between the responsible institutions and economic operators with a focus on SMEs. Reaching the target audience and communicating all measures undertaken, including e-procurement, will not only increase their awareness, but will also show the institutions' commitment to involve them in the public procurement process. Attracting more participants on the market, particularly SMEs, will translate into bids of higher quality and, therefore, better efficiency of public spending.

Sixth, over the past years, there has been active and consistent policy-making in the EU focusing on improving SMEs' access to public contracts. While most European countries have marked some progress, we could hardly claim that these policies are effective and lead to the desired results in Bulgaria.

Seventh, it is recommended to make additional efforts to implement national initiatives and actions to increase efficiency in the public procurement market and improve the performance of SMEs.

These findings include some important indicators of the state of the Bulgarian public procurement system and the participation of SMEs in this market. Therefore, future research could focus on analysing a longer period and on the main guidelines for its further development.

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