




Municipal Guarantee Fund for Small
and Medium Enterprises - main tool for
carrying out the policy of
Sofia Municipality
to support SMEs



Sofia Municipality and MGFSME to support SMEs

Main priority of Sofia Municipality (SM) and Municipal Guarantee Fund for Small and Medium Enterprises (MGFSME) is maintaining constant contact with small and medium business throughout the capital city. There are conditions for open dialogue with entrepreneurs to discuss their current problems and to facilitate their access to financial resources for the realization of their projects.

SM and MGFSME continuously organize and participate in numerous forums, seminars and conferences on these issues with the active participation of representatives of small and medium enterprises (SMEs). Among the most significant of these is the ninth edition of the European Day of Entrepreneur (EDE) as now traditional joint initiative of [Sofia Municipality](#) and [Sofia University "St.Kliment Ohridski"](#)



“Open forum for dialogue between Sofia municipality and Small and Medium Business“

At the initiative of the National Association of Small and Medium Business (NASMB) in partnership with MGFSME was made a successful preparation of the forum of open dialogue between Sofia municipality and SMEs. On April 29, 2011 was established the first ever permanent “Open forum for dialogue between Sofia municipality and Small and Medium Business“, which can be visited on the website <http://www.nasmb-bg.org/forum/>. The Forum holds reunions every two months.

Within the framework of the bilateral partnership agreement, MGFSME and NASMB defined the following areas of co-operation:

- Applying for Grants under the Operational Programme Competitiveness of the Bulgarian economy and other programs related to facilitating access of SMEs to loans and guarantee support;
- Disseminate information on the Fund's products and services provided by NASMB among SMEs in Sofia.



About MGFSME



The Municipal Guarantee Fund for Small and Medium Enterprises is established by decision of the Sofia Municipal Council (SMC) on 17th of June 2002. MGFSME is a specialized body of SMC and manages 10% of the proceeds from the municipal privatization;



The bodies of management of MGFSME are the Sofia Municipal Council (SMC), the Council for Management of the Municipal Guarantee Fund (CMMGF) and the Manager.



Mission and objectives of MGFSME



The Mission:

To implement the policy of the Sofia Municipality for assisting the small and Medium Business and for promotion of entrepreneurship on its territory;



Objectives:

- Assistance and help for the implementation of the Municipal plan for development of the Capital City. Assistance for the implementation of the Lisbon Strategy of the European Union for carrying out of policy for promotion of Small and Medium Business and for improving the conditions for its operation;
- The undertaking and exercise of initiatives for promotion of the Capital City and for attraction of investments in Small and Medium Enterprises;
- Improving of the conditions for entrepreneurial initiatives in the Capital City;
- Assistance for financial support of Small and Medium Enterprises in the Capital City and enhancement of their access to the Structural Funds of the European Union, through the Operational Programs;
- Improving the quality of the information environment for Small and Medium Enterprises in the Capital City.



How does MGFSME achieve its objectives (1)?

- Development of schemes for guaranteeing loans for Small and Medium companies. Guaranteeing of part of the credit risk under loans, granted by financial institutions and targeted to Small and Medium Enterprises, which SMEs are registered, or develop their activity on the territory of the Sofia Municipality;
- Entry of agreements with commercial banks and other financial institutions, which exercise special programs for borrowing to Small and Medium companies;
- Issuing guarantees in favor of the Sofia Municipality and its structures, by applying under various international and national programs and projects, inclusive of programs and projects funded by the European Structural Funds. Such guarantees cannot be issued on the account of the income from privatization but only to the amount of the other income of the Fund;
- Provision, as a loan, to the Sofia Municipality, of free monetary funds upon the arising of temporary insufficiencies in the budget of the Municipality – under the terms and conditions, as determined by the SMC;
- Analysis and monitoring of the state of the Small and Medium Business on the territory of the Sofia Municipality;



How does MGFSME achieve its objectives (2)?

- Interaction with organizations and associations of the Small and Medium Business, plus the development of targeted proposals and programs for cooperation with bodies of the European Union and other institutions under the problems of the Small Business;
- Targeted consultancies for assisting the Small and Medium Business. Provision of information and assistance for establishing business contacts in this country and abroad;
- Collection of information, investigation of the best practices of other capital cities and towns, analyses and projections under current municipal problems, as assigned by the Sofia Municipality;
- Organization of, or assistance in the organizing of local public events such as seminars, work-shops, exhibitions, fairs, and other of this kind, aiming the promotion of business in the Capital City;
- Participation in the establishment and the management of a Fund for risk capital, of Funds for micro-credits, and other initiatives of the Sofia Municipality.



MGFSME Activities



MGFSME supports SME's economic development and helps the raising of their competitiveness. Fund's objective is to facilitate the access of SMEs to bank loans as well as to shorten the terms of receiving credits from the banks. MGFSME partly covers the credit risk associated to loans extended to SMEs by the banks-partners of the Fund at a value up to BGN 100,000 and/or up to 50% of the principal of the loans.



Until now MGFSME supported more than 300 companies by issuing guarantees of about 11,4 mln. BGN on loans extended to SMEs amounting to circa 47,3 mln. BGN. In most cases financial institutions and not companies apply to MGFSME and thus the benefit is bilateral –companies get profitable lending and banks increase their clientele.



Besides issuing guarantees for SME loans, MGFSME also provides consulting services to companies in the following areas:

- Services connected to development of projects for applying to opened schemes of Operational Programs of EU;
- Accounting Services;
- Legal Services;
- Management services
- Services related to the awarding of international certificates – ISO 9001, 14001 connected to obtaining international certificates ISO 9001, 14001, awarding of initial credit rating, etc.




For the purpose of bringing its services to companies MGFSME created his Information and Consulting Center.



Requirements for SMEs to obtain warranty support by MGFSME

For applying to obtain warranty support by the Fund, SMEs shall:

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- ❑ meet the criteria for small and medium enterprises as defined in the Law on SMEs;
 - ❑ have their seat in the territory of Sofia Municipality or their business project has to be implemented in Sofia Municipality;
 - ❑ have collateral of at least 60% of loan's value.



MGFSME, in compliance with all requirements, assign a priority to projects of:



Depending on the category of entrepreneurs :

- ❑ women-entrepreneurs;
- ❑ disabled persons;
- ❑ young entrepreneurs;



Depending on the type of projects for funding :

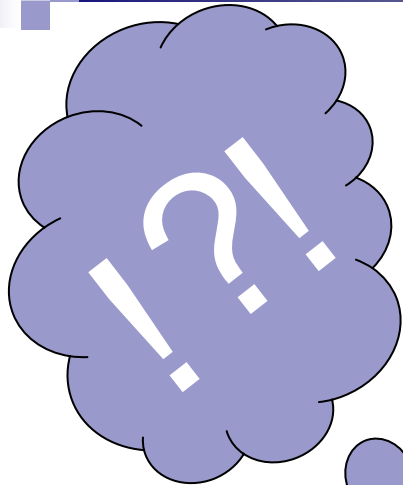
- ❑ SME beneficiaries to the European Union and other specialized programs for SME financing by international financial institutions;
- ❑ projects under the Program “For energy efficiency in the territory of Sofia municipality”
- ❑ small family business;
- ❑ business development in the peripheral areas and districts of Sofia Municipality;
- ❑ leisure - sports, cultural and youth activities;
- ❑ export-oriented industries ;
- ❑ production of environmentally friendly products, machinery and equipment, contributing to conservation and environmental improvement;
- ❑ transfer of know-how and training of staff.

How SMEs can receive a guarantee of the Fund on their bank credit?

- ❑ *First option* - the company receives from MGFSME an approval letter in which the Fund notifies the bank that the company covers the formal conditions for issuance of a MGFSME guarantee on the bank's loan;
- ❑ *Second option* – banks-partners propose to MGFSME to issue a guarantee on a bank loan.

- ❑ Banks-partners of MGFSME are :
 - ❑ Allianz Bank Bulgaria AD
 - ❑ DSK Bank
 - ❑ Piraeus Bank Bulgaria AD
 - ❑ Investbank Bulgaria AD
 - ❑ Municipal Bank Plc
 - ❑ First Investment Bank AD
 - ❑ CIBANK JSC
 - ❑ Tokuda Bank AD
 - ❑ D Commerce Bank AD
 - ❑ Central Cooperative Bank Plc
 - ❑ Eurobank EFG Bulgaria AD





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