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Factsheet for case BG-2020-11/497

COVID - 19: Increase in liquidity of the banking system

Factsheet generated on 23 April 2020, 12:57

Country	Bulgaria, applies nationwide
Time period	Open ended, started on 13 March 2020
Type	Legislation or other statutory regulation
Category	Supporting businesses to stay afloat – Access to finance
Case created	12 April 2020

Background Information

Capital increase of the state-owned Bulgarian Development Bank (BDB) by BGN 700 million (0.6 percent of 2019 GDP), of which BGN 500 million to be used for the issuance of portfolio guarantees to commercial banks for the extension of corporate loans.

BDB will create a portfolio guarantee scheme worth BGN 500 million, which will be able to guarantee loan portfolios for about BGN 2.5 billion at commercial banks. This will provide an instrument for banks to siphon on the most affected businesses in the crisis: companies in the trade, services, including transport, tourism, hospitality, restaurant, logistics, export companies

Content of measure

The Bulgarian Development Bank (BDB) will play a major role in the support the country plans to provide to Bulgarian businesses affected by the COVID-19 crisis. The state will increase the capital of the financial institution by BGN 700 million (BGN 500 million of which is intended for guarantees against corporate loans), which through commercial banks must activate a credit facility for BGN 2.5 billion for companies. The money will be used to issue portfolio guarantees to banks, enabling them to provide more flexible conditions for business loans for a specified period under certain conditions and individual judgment on a case by case basis.

The measures the BDB will take are to provide access to finance to support the turnover and activity of small

and medium-sized enterprises affected by the COVID-19 pandemic. The aim is to minimize the risks of liquidity crisis and preventive business support, including through risk sharing with commercial banks in the country

Use of measure

All companies can apply for the measure, as long as they meet the individual conditions that each commercial bank requires. The conditions are strictly individual and may vary for each company according to the financial position and debt of that company

Actors, target groups and funding

Actors	Target groups	Funding
National government Company / Companies	All companies Larger corporations	National funds

Social partners

Role of social partners	Informed
Form of involvement	No involvement

The social partners were not involved in any way in the preparation of the measure. It was the sole decision of the government in the context of measures that applied to all other economies

Sectors and occupations

This case is not sector-specific.

This case is not occupation-specific.

Sources

- 26 March 2020: Прекият ефект от правителствените мерки през банката се оценява на над 2% от БВ (www.economic.bg)
- 06 April 2020: ЗИД на ЗДБРБ (parliament.bg)
- 16 April 2020: Министерство на финансите на Република България (www.minfin.bg)