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SOCIAL ENTREPRENEURSHIP IN BULGARIA – PRESENT AND PROSPECT

Abstract: The present paper is focused on the development of social entrepreneurship and social enterprises in Bulgaria. The article presents a theoretical analysis of the legislation that regulates the existence of social enterprises in the country. It outlines and describes the main aspects and effect of social enterprises activity at present.

Keywords: social entrepreneurship, social enterprise, social economy, social services, product of a social enterprise, disabled people cooperatives

The concept of social economy has emerged for the last few decades. It is described as second economy which includes enterprises established and acting primarily for achieving social goals but they can also perform profitable economic activities. The main subject of social economy is the social enterprise. These enterprises have the ability to meet the needs of different groups of people in risk. This is why it is necessary a more in-depth examination of the social enterprises in Bulgaria. A serious examination will highlight the difference between Bulgarian social enterprises and international ones and the activities that need to be encouraged at national and local levels.

The purpose of this article is to highlight the importance of social entrepreneurship for the positive social development of the country and to outline the main features of social enterprises, as well as the challenges their development faces.

The object of this study is the legislation which regulates the establishment and operation of social enterprises, and the enterprises themselves as main actors in the social economy.

The subject of the research are the different legal forms of operating of a social enterprise and its various activities.

The main hypothesis is that social enterprises in Bulgaria develop according to Bulgarian law, traditions and socio-economic reality, but do not differ significantly from social enterprises in the other European countries.

1. Definition of key concepts – social economy, social entrepreneurship, social enterprise

Entrepreneurship is a special type of activity which aims to gain profit. In order to understand social entrepreneurship as a phenomenon we need to understand other related concepts, such as social economy and social enterprise. This understanding is important in order to be able to define the boundaries between entrepreneurship as an economic activity and social entrepreneurship as a different concept, seeking social effects.

Social economy refers to the third economy sector – located between the private (business) sector and the public (government) sector. Only a few decades ago scientists were convinced that market economy can regulate itself and control the distribution of goods. At present many researchers accept the idea that another type of organization should also exist – one that should act as a mediator between the business and the public sector. From a theoretical point of view it is difficult to perceive the existence of an organization that combines economic and social objectives, but the practical development of such organizations provokes the theory.

National concept for social economy in Bulgaria is published in 2012. According to this document *social economy is a complex concept, which focuses on the direct social impact of the activities of enterprises and/or organizations that are formed with a social purpose and purposely organize their activities in order to achieve such a result*¹.

¹ Национална концепция за социална икономика, МТСП, София, 2011 г.

Despite the different terms and definitions of the social economy, some main characteristics can be outlined:

- Social aim is more important than the capital
- Voluntary and open membership
- Members right of democratic control
- Meeting the needs of the members and the general interest of the activity
- Applying the principles of solidarity and responsibility *one person-one vote*
- Self-management and independence of public authorities
- Distribution of surpluses and profits firstly for the social aim and then in favor of the development the organization or equal benefit of the members².

On the basis of these key features different definitions of social economy are built. In 1990 the European Commission accepted the following definition: *Social economy includes independent of the state organizations and enterprises that produce commercial and non-commercial services with a social purpose, which are characterized by democratic participation to their members, users and workers, based on solidarity between members and do not distribute profits to shareholders*³. In The National concept for social economy in Bulgaria it is written that *social economy is a part of the real economy and at the same time a part of the civil society, in which the physical and/or legal subjects, associations of volunteers or other organized entities are doing business in public benefit, as almost or at all do not distribute profits but reinvest them for social aims*⁴.

Social economy must not be confused with corporate social responsibility. The reason for this is the understanding that corporate social responsibility is increasingly oriented towards market performance, i.e. investment in the human capital of the company resulting

² Социалната икономика в Европейския съюз, Доклад на Международен център за изследвания и информация за публичната икономика, социалната икономика и икономиката на кооперациите, с. 16, 2007 г.

³ Наръчник по социално предприемачество, сдружение СИЛА, сдружение 3 НЕТ, с. 8.

⁴ Национална концепция за социална икономика, МТСП, 2012 г.

in financial returns in long term, which is actually shifting the social objective to the financial ones.

Development of social economy is primarily local, not global. When we talk about regular economy we have to take account of the local market. In the case of social economy we can assume that the market includes the demand and supply of social services and support.

In today's world social economy is the one that brings democratic values that promote active citizenship and personal approach to human problems. All social enterprises develop in this framework.

Social enterprise is the basic economic unit of the social economy. This term is getting really popular in Europe. It consists of a wide range of social services or different proceedings with a social purpose, provided outside of the public sector. This practice is leading to new and specific hybrid forms that are engaged in business activities with a social purpose.

On one hand, Bulgarian law system describes the concept of enterprise as implementing various resources – human, material, financial, non-financial and others, with the aim of performing different business activities. On other hand, social enterprise is described by practitioners as *business with leading social aims whose surpluses are reinvested back into the business or in the community, rather than being driven by the need to maximize profit for the owners of capital or shareholders*⁵.

Social enterprise is a collective concept that includes organizations with various legal forms, but aims to highlight their participation in the real economy with increased focus on achieving their social goals. There are substantial differences between traditional business enterprises and social enterprises (Table 1).

⁵ Наръчник по социално предприемачество, сдружение СИЛА, сдружение 3 НЕТ, с. 7.

Table 1. Differences between social enterprises and traditional business enterprises

Differences between social enterprises and traditional business enterprises:	
Social enterprise	Traditional business enterprise
The main objective is to increase social benefits for the community	The main objective is to maximize the profit
Combines private and public resources	Uses only private resources
The profits are reinvested in the social enterprise	The profit is distributed among the owners
Collective management, based on justice, <i>one person – one vote</i>	Limited number of owners, participation equal to financial contribution

In the national concept for social entrepreneurship it is written that social enterprises are run like business, produce goods and services for the market economy, direct a part of their resources to the pursuit of social and environmental aims. Social enterprises exist in various forms and can be classified according to different criteria such as size, legal form, the manner of funding, goals etc. The diversity of existing social enterprises and policies of various countries, in their terms, makes their brief and exhaustive enumeration impossible. Social enterprises can be both sole traders (physical or legal bodies) and large enterprises, civil associations, non-governmental organizations or municipal enterprises financed by the municipal budget, providers of social services and manufacturers of various goods.

According to Bulgarian legislation, the following forms of social enterprise are accepted:

- Non-profit organizations, associations and foundations, registered under the Law for non-profit legal enterprises.
- Micro, small and medium-sized enterprises
- Cooperatives and mutual societies.

Social enterprises in Bulgaria distribute their activities in the following areas:

- Provision of social services
- Providing jobs for people with disabilities and those in risk
- Mediation and support for finding jobs for people in risk
- Provision of health services
- Activities in the field of education⁶.

Social enterprise, social entrepreneurship and social entrepreneur are all those that make up the complete picture of the social economy not only in the whole world, but in each country as well.

The national concept for social economy defines **social entrepreneurship** as business that combines the capabilities of the market with social aims, orientated towards people and their needs.

Social entrepreneurship means seeing a social problem and using entrepreneurial approaches to organize, create and manage a social enterprise to achieve the desired change. Business entrepreneurs most often measure benefits through return of financial investments, but social entrepreneurs take note to the positive consequences for the society. Social entrepreneurship is often associated with the non-profit sector and volunteering, but it is important to note that it differs significantly from philanthropy.

Schwab Foundation defines social entrepreneurship as a term that captures the unique approach to economic and social problems, an approach that builds links between sectors and disciplines; based on certain values and processes that are common to any social entrepreneur, no matter if its focus is education, health, environment, economic development, agriculture, etc. and whether the organizations that it creates are commercial or non-profit⁷.

Social entrepreneurship has the potential to affect positively the development of various institutions. The development of entrepreneurship in the social sphere stimulates competition, which leads to the supply of better quality and adequate services. It is a mechanism for solving problems in society. Social entrepreneurship is not an aim for

⁶Анализ на социалното предприемачество в България, Сдружение Знание – Ловеч, с. 15.

⁷ www.schwabfound.org

itself, it does not arise because of the financial benefit, but to satisfy a specific imbalance in the specific sphere of public life in a specific place.

2. Regulation and institutionalization of social entrepreneurship in Bulgaria

The development of social enterprises in Bulgaria is promoted by several strategic law changes. The first of these laws was adopted in 2001. It is the Law for non-profit legal enterprises, which creates a legal framework for the establishment of non-profit organizations such as associations and foundations. At the beginning of 2003 some changes were made in the Law for social care and they gave municipalities the right to outsource social services provision to non-governmental organizations. Other basic legal documents that create the basis for the development of social enterprises are the Law for integration of people with disabilities and the Law for cooperatives. Social entrepreneurship as a concept appeared in the public life of organizations in 2001 when, funded by the U.S. Agency for international development, the organization Counterpart International – Bulgaria launched a program for development of social enterprises in the country⁸. Another event which gives a visible boost to the development of social enterprises is the launch in 2009 of the scheme "Social entrepreneurship – Promoting and supporting social enterprises" under the Operational Program "Human resources development", within which there are executed 46 projects for creating or supporting existing social enterprises. Despite all of the above, there is no specific legislation for Bulgarian social enterprises. Establishment of social enterprise label was foreseen in the National concept of social economy in 2012, but has not been achieved yet. The various legal forms through which social entrepreneurs can implement are non-profit organizations; commercial companies and cooperatives.

Nonprofit organizations such as foundations and associations are being created according to the Law for non-profit organizations (NGO Law). When registering an NGO its founders have to state its mission

⁸ Радев, Н., *Предприемачество и социални услуги*, Велико Търново, 2011 г., с. 50.

and prepare a Development Act. NGOs can be created both in private or in public benefit. They have the right to operate business only if it meets the objectives set out in their act and its incomes are used to achieve the main mission of the organization. It is typical for the Bulgarian practice to separate the business activity in a particular commercial company, the sole owner of which is the NGO itself. This legal form is the most used one in Bulgaria, because of the possibility of tax reduction, financial and economic incentives⁹.

Social enterprises can also be registered as cooperatives. There are two types of cooperatives in Bulgaria - commercial cooperatives, registered under the Law for cooperatives and associations of people with disabilities, regulated by the Law for integration of people with disabilities.

The second type – associations of people with disabilities, have to meet certain democratic principles and do not need additional logging as social enterprise. According to the Law for integration of people with disabilities, cooperatives have to comply with the following requirements – to be registered under the Commercial law or the Law for cooperatives; to produce goods or services; to have the share of people with disabilities, as follows:

- For specialized enterprises and cooperatives of blind and visually impaired people – not less than 20 percent of the average number of the staff.
- For specialized enterprises and cooperatives of deaf people – not less than 30 percent of the average number of the staff.
- For specialized enterprises and cooperatives of people with other disabilities – not less than 30 percent of the average number of the staff.

Cooperatives of people with disabilities can benefit from government and corporate tax reduction.

Companies also have the opportunity to convert to social enterprises. In cases in which the sole owner of the trading company is a

⁹ Анализ на социалното предприемачество в България, Сдружение Знание – Ловеч, с. 14.

NGO, this is actual. In all other cases, companies must demonstrate that they do not distribute profits and have social aims.

The legal form is not the most important thing for social enterprises. The idea and the good practice are more important.

3. Activities of social enterprises in Bulgaria

The legislation in the country does not differ significantly from that in the other European countries, but a comprehensive review indicates that it must undergo more changes – e.g. formalization of the brand “social enterprise”, and describing the requirements for its acquisition of different organizations. The development of social services in Bulgaria depends on some historical peculiarities. It has been assumed for a long time that only the State is responsible for the provision of social services and assistance for people in risk. Recently authorities have realized that this model is not the most suitable and actions for decentralization of social services have begun. The decentralization reform started in 2002 with a change in the Law for social care, which allows nongovernmental organizations to be delegated as suppliers of community social services. Over the last decade many of the social services in the municipalities were delegated to different NGOs. The reform in the country has not ended yet and new projects for secure housing for people with disabilities, centers for social support, social service complexes etc. will continue to be launched. The effect of decentralization will be measured and assessed over a period of years after the full completion of the reforms, but up to date we can assume that this stimulates the social entrepreneurship.

For the purposes of this article various social enterprises from Europe were researched. All of these enterprises are identified as good practices and most of them are nominated by Schwab Foundation as successful social enterprises. Schwab Foundation for social entrepreneurship, situated in Geneva, supports outstanding social entrepreneurs from all around the world. The areas of activity of the enterprises surveyed ranged from public Bank (BancaPopolareEtica in Italy), to

ecological production (Bioregional, UK), support for people with disabilities (Alliance for rehabilitation, Hungary), support for training and employment (Job factory, Switzerland), manufacture of food products by people with mental retardation (La Fageda, Spain). These social enterprises have acquired publicity, some of them have conducted their business for decades and have established as a good practice both in business and in social area.

The range of social enterprises in Bulgaria is not narrow too. Description and listing of various practices show that there were many strong associations of people with disabilities in the country. Before the political changes in 1989, these cooperatives had been assisted by the State, products made by disabled people had been recognizable and competition from private sector had been impossible. After the political changes of 1989 cooperatives of people with disability, lost most of their positions, they are no longer so heavily patronized by the Government and face up competition and the conditions of market economy. During this follow-up period most of the cooperatives of people with disabilities constrict their activities and cease. Today, when we are talking about social economy and social entrepreneurship these cooperatives are coming again to the fore. They should take advantage of the opportunities for funding of the European structural funds and refresh its structures, enrich and broaden their knowledge and skills. Thus the available large-scale units of cooperatives of disabled people can be used to re-start and revival of existing enterprises.

In addition to the existing associations of people with disabilities in Bulgaria there have also been developed other social enterprises for the last decade. We can find The Business incubator for social entrepreneurship, The Center for labor support, Social services for children and people with disabilities, Social enterprises which produce different goods and many others. The list of social enterprises and initiatives in the country could be continued with organizations with a religious focus, small and medium-sized enterprises that produce goods etc. In a short overview of the practice of social entrepreneurship in the country

the frequent mention of the word "project" makes an impression. Increasingly enhanced project work indicates, on one hand, the need for direct financing and on another an increasingly high demand for good working examples. In Bulgaria there haven't been established strong traditions of social entrepreneurship yet, they have to be developed, but there is the opportunity to benefit from the experience of other countries.

4. Main effect of social enterprises work in Bulgaria

The social economy occupies this specific place between the State and the business. The more unmet social needs in a society, the bigger the need of social economy. The main criterion for evaluation of the social economy is the well-being of the population. When all possible risks are insured, the ideal goal of the State and its social policy and economy then will be achieved. If the scope of the social economy can be determined according to the specific needs of the social services and products, the basic criterion for the benefit of the social economy will be a decline of the demand and satisfaction of the relevant market.

Social economy and social entrepreneurship aim to achieve certain social and economic effects, such as filling the gaps between the traditional economic sectors and public institutions. In Bulgaria it is still early to talk about equal distribution of social enterprises and fulfilling the need of social services, but nevertheless we can find and describe the main effects from the work of social enterprises up to this point.

The main effects from social enterprises work in Bulgaria so far are:

- Promotion of the social economy
- Rising a discussion between the involved parties
- Building partnerships
- Creating employment and job positions
- Providing training and acquisition of qualifications and skills
- Satisfying the demand of specific markets
- Improving access to social services

- Increased efficiency of spending funds
- Generating new social policy ideas.

One of the main effects of the work of social enterprises is the re-integration of people with disabilities – this can be achieved through provision of social services, education and training, or inclusion in labor market. As I have already mentioned Bulgaria has strong tradition in this area, and there are currently 22 Labor productive cooperatives of disabled people. The projects for development of social entrepreneurship plan to support approximately 2700 people from different risk groups, 1090 of them disabled.

So described, the effect of work of social enterprises can be measured in qualitative and quantitative variations. For measuring the quantitative values we can use accurate numbers as the number of people that have undergone training; number of people started working; number of people in risk, which are not included any more in this category, and more on. As quality indicators we can use the percentage of individuals covered in the entrance and the exit of a specific service; the ability of the target groups to reintegrate and so on.

Main conclusions and recommendations for the social practice and science:

The study of social economy and entrepreneurship faces many difficulties. These should be overcome with the help of young educated social entrepreneurs, those already familiar with the area and the local authorities. Changes in legislation should be made, and they could be initiated by both the entrepreneurs and the authorities, but it is necessary to support the establishment of new and the development of already existing social enterprises.

Previous researches carried out by various organizations do not provide enough information for the current picture of social enterprises in Bulgaria. It is necessary to develop criteria by which to explore social enterprises and to clarify the status of some organizations of importance for the social economy – e.g. municipalities, business associations and others. It would be useful to create a map of social enterprises which to mark all kinds of social enterprises in the settlements. This map

should be available (e.g., on a website for social enterprises). This, on the one hand, would facilitate their study, but also would allow building of useful partnerships among business and non-profit organizations, as well as access to information for volunteers or people in need.

The Ministry of labor and social policy shows its commitment to social entrepreneurship, conducted by junior expert Ilya Garaliev study, as well as through the development of a special Web site for social enterprises, both funded by the project of Operational Program "Human resources development". Highly valuable it would be the expansion of this research and engagement with social enterprises that are not financed by the European Structural Fund. Furthermore, information about the achievements of the funded projects should be collected and summarized – how many of them have achieved the objectives set in advance, how many of them continue their activity, how they fund their work or if they receive financial support, etc.

From the theoretical study it stands out, that social enterprises started as projects with external funding prevail. They are not only better promoted and well researched, but also have capacity for a short time to cover more people from the target group. This shows us that it is necessary after the beginning of the project, which is a short period of time, social enterprises to be supported and provided with different funding mechanisms. Otherwise, the real existing social economy would be limited only to the fixed-term projects which do not have the possibility, due to its short existence, to affect the region and the target groups.

Knowing and considering the effects of social economy and social enterprises are a key points which can highlight the benefits of these enterprises and attract more professionals in the social and business sphere, who work for the benefit of the social economy.

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