

ACT SOCIAL

Feasibility Study for mapping and collecting the existing financial tools for SE's in Bulgaria

Actions for the Support and enhancement of Social entrepreneurship at local level

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1. Introduction

This text is a joint Guidebook representing the financial tools for SE's in Bulgaria, which is being implemented within the framework of the Work Package 4 “Guidance during the phase before the establishment of enterprises and the development of social enterprises” of the project “ACTions for the SuppOrt and enhancement of SociAl entrepreneurship at Local level” with the acronym ACT SOCIAL. The partnership of the project, which lasts 24 months, consists of Municipality of Thermi (the lead beneficiary), Association of South Western Municipalities and Sdruzhenie Yuni Partners and is funded by the European Territorial Cooperation Program "INTERREG VA Greece - Bulgaria 2014 -2020” (Priority Axis 4: A Socially Inclusive Cross-Border Area, Thematic Objective 9 - Promoting social inclusion, combating poverty and any discrimination, Investment Priority: 9c. Providing support for social enterprises).

2. The Bulgarian legal framework on Social Economy and Social Enterprises

Till the adoption of the ***Social and Solidarity-based Enterprises Act No. 240/2018***, passed by the National Assembly on 18 October 2018¹, the development of the social economy discourse in Bulgaria was supported by the ***National Social Economy Concept***². This was a key policy initiative that introduced in 2012 for the very first-time public definitions on social economy, social enterprises and social entrepreneurship:

- ✚ ***Social Economy*** was defined as being part of both the private as well as the public sector, where volunteer associations or other organized entities (i.e. social enterprises) perform economic activities for the benefit of society and reinvest their profit towards the achievement of social goals.
- ✚ ***Social Enterprises*** were defined as businesses which produce goods and services for the market economy and allocate part of their resources to the accomplishment of social and economic goals³.
- ✚ ***Social entrepreneurship*** was defined as the economic activity aimed entirely at the creation, operation and development of social enterprises, whilst a *social entrepreneur* is someone who creates social good through activities that combine economic and social goals, provide support to socially vulnerable groups of society, stimulate socially positive changes and satisfy social needs. A social entrepreneur utilizes available resources optimally and applies innovative approaches to the development of the social economy.

¹ Social_and_Solidarity_based_Enterprises.pdf.

² Ministry of Labor and Social Policy, *National Social Economy Concept*, http://seconomy.mlsp.government.bg/upload/docs/2013-06//NATIONAL_SOCIAL_ECONOMY_CONCEPT.pdf.

³ Social enterprises are also:

- Developed within a specific local context;
- All types of enterprises regardless of their legal structure can be social enterprises so long as they are established and functioning mostly in view of social goals, e.g. cooperatives, local self-supporting enterprises or groups, associations, mutual-support companies, foundations, unions, etc.;
- Located between the traditional private and public sectors; and
- Their key characteristics are social goals combined with the entrepreneurial potential of the private sector.

The **National Social Economy Concept** is an expression of a key policy initiative of the national public institutions to introduce a favorable framework for the development of social economy models and practices, not to be confused with **traditional social welfare policies** for persons at high risk of poverty and social exclusion⁴. By applying the Concept, it is intended:

- to raise awareness, relevant aspects of social culture and human values;
- to advance the Government's vision and priority goal to promote social economy;
- to express the concentrated will of a wider scope of stake-holders;
- to provide a platform for development of related policies;
- to provide incentives for development of new social inclusion approaches;
- to support inputs into the achievement of "Europe 2020" goals.

Putting People Before Profits



The **objectives** of the Concept are:

1. To enable introduction of indicators for identification of SE-entities;
2. To serve as a source of norms, supporting SE-development and helping stake-holders to widespread and apply the spirit of social economy;
3. To be a ground for streamlining legal and administrative environment for development of SE-entities (access to financing, social provisions in public procurement, tax-alleviation, etc.).

The Directorate "*Living Standards, Demographic Development, Policies and Strategies*" under the Ministry of Labour and Social Policy has been mandated with the implementation of the Concept on the basis of annual Action Plans⁵ designed by the **National Consultative Economic and Social Council**. This body is charged with the design of overall policies concerning the implementation of the Concept, is appointed by the Minister for Labour and Social Policy and functions according to its Rule of Proceedings. Entries in the National Catalogue of SE-entities are monitored by the MLSP - Directorate pursuant to relevant decisions of the National Council.

⁴ These policies are regulated particularly by the **Social Assistance Act**, which provides inter alia legal opportunity and mechanism for delegation of social services from the municipalities to social services contractors. The amendments in the Social Assistance Act from 2003 differentiate two types of social assistance: provision of subsidy and provision of services. Social services are based on social work and include assistance to people in need in doing everyday activities and social inclusion.

⁵ The first *Action Plan for Social Economy 2014 – 2015* was adopted in 30.1.2014 by the Council of Ministers; the present *Action Plan for Social Economy 2018 – 2019* was adopted in 30.3.2018 by the Council of Ministers.

The Economic and Social Council (ESC)

The Council was established as a “consultative body expressing the will of civil society organizations regarding the economic and social development” by the **Economic and Social Council Act** approved by the National Assembly in 2001. It was activated during its first plenary session on 10 December 2003 and started its third four-year mandate in April 2012.

It forms actually the “bridge” between citizens and the national government. Its mission is to support such “bridging” so as to facilitate the communication between the society and the national government.

The active operation of the **Economic and Social Council Act** has strengthened its position as a standing institutional form of consultations, dialogue and information to the civil society. The Council expresses and protects civil society interests by communicating agreed statements and proposals submitted by its members to the executive and legislative authorities. In this context, it adopts opinions, resolutions and analyses and organizes public consultations on key economic, social, education, demographic, health or other issues.

2.1 Traditional legal forms of social economy organizations

Till the adoption of the Social and Solidarity-based Enterprises Act No. 240/2018, there was no exclusive legal form for the regulation of social economy organizations in Bulgaria. Consequently, social economy organizations adopted a variety of legal forms, the three most common ones being:

- Cooperatives pursuing a social mission, including cooperatives of disabled people, regulated by the **Cooperatives Act of 1999**;
- Non-Profit Legal Entities (NPLEs,) such as associations and foundations, regulated by the **Not-profit Legal Entities Act of 2002**;
- Specialized enterprises for people with disabilities, regulated by the **Law for Integration of People with Disabilities of 2004**.

2.1.1 The Cooperatives Act of 1999

The **Cooperatives Act of 1999**⁶ regulates the activities of cooperatives in the country⁷. According to its provisions, cooperatives, regional cooperative unions and cooperative companies are organized in **four National Cooperative Unions**:

- 1) The Central Cooperative Union** consists of consumer cooperatives and represents 155.000 members and 10.300 employees, which belong to 808 cooperatives and 34 regional cooperative unions.

⁶ *Cooperatives Act*, <http://dv.parliament.bg/DVWeb/showMaterialDV.jsp?idMat=3688> (in Bulgarian).

⁷ Article 1 of the *Cooperatives Act* defines cooperatives as “associations of individuals which are legal entities and have variable capital and number of members who, through mutual help and cooperation, engage in economic activities to pursue their economic, social and cultural interests”.

- 2) *The National Union of Agricultural Cooperatives* consists of agricultural cooperatives for production and services with 903 agricultural cooperatives established in the period 1992-1994: 240.000 members provide 16.000 permanent jobs.
- 3) *The National Union of Workers Producers' Cooperatives* comprises small and medium-sized enterprises for cooperative production of industrial goods and provision of services with over 20,000 cooperative members; approximately 15,000 people are employed, including 11,000 workers with disabilities.
- 4) *The National Union of Cooperatives of Persons with Disabilities* unites cooperatives of people with disabilities.

The **first “cooperative”** in Bulgaria appeared in 1890 when Todor Vlaykov and Todor Yonkov from the village of Mirkovo first started a cooperative of savings of rural agriculture workers. Ever since then cooperatives of different kinds and diverse profile started emerging on the territory of Bulgaria – from rural and agricultural cooperatives, to cooperatives of disabled people, people with impaired hearing and sight.

Cooperatives in principle serve the mutual interests of their members⁸; not all cooperatives in Bulgaria have a social or an altruistic mission. The main function of the cooperatives is the promotion of the economic interest and the income of the members. Almost any kind of group is allowed to establish a cooperative with the purpose to protect certain common interest, to develop their field of activity or related activities.

In this context, only cooperatives of persons with disabilities can be regarded as pursuing a social mission⁹, given that deliver societal impact through the people they employ, mainly for people with disabilities.

Par. 3, Article 3 of Act on non-profit-making legal entities

*'Non-profit-making legal entities may engage in additional **business / commercial activities** only provided that they are related to the main field of activities specified in their registration and **their income is used to achieve the enterprises' objectives defined in their statute.***

2.1.2 The Not-profit Legal Entities (Act of 2002)

The **Not-profit Legal Entities Act of 2002** (known also as the NGO Law)¹⁰ defines two types of non-profit legal entities (NPLEs) - associations and foundations¹¹ - and allows them to engage in economic activity, **subject to certain conditions**:

⁸ The cooperative's purpose must be for satisfying the economic, social and cultural interests of their members. Objects set out in the cooperative's Statute may include a reference to a social enterprise' social aim(s). If the cooperative's Statute do not expressly state objects, the company's purposes are unrestricted and it can undertake any economic activity.

⁹ They must have a relative proportion of people with permanent disabilities.

- ✓ The economic activity must be supplementary to the main non-profit activity;
- ✓ The economic activity should be related to the non-profit objectives of the entity;
- ✓ The scope of the economic activity must be explicitly stated in the Bylaws/Act of Incorporation;
- ✓ The economic activity must not be restricted for this legal form by another legal act;
- ✓ The income from economic activity must be reinvested for achieving the non-profit objectives of the NPLE and cannot be distributed in any way.

1. NPLEs are established to support non-profit purposes and to perform non-profit activity.

They are free to determine their scope of non-profit activity as well as their non-profit purposes, but no distribution of profits is allowed. They can attract external investments under various forms: loans, grants, public subsidies, donations, activity incomes, fundraising.

The NPLEs can be established in one of the two non-profit legal forms:

- An **association** which is an organization made up of a group of individuals (its members), who have decided to come together for a particular purpose¹²;
- A **foundation** which is an organization established to administer and use assets gifted it to by a founder or founders for the promotion of a particular purpose¹³.

Each of these legal forms can choose to be either a NPLE with private benefit or with public-benefit status.

2. The NPLEs are entitled to self-determine their specific non-profit objectives. For **public benefit organizations**, the non-profit objectives should address one or more of the following spheres: development and strengthening of spiritual values, civil society, health care, education, science, culture, technologies, equipment or physical culture; supporting socially weak or disabled or persons needing care; supporting social integration and personal realization; protection of human rights or environment.

3. Associations – either acting in private or in public benefit - must have a two-level governance structure consisting of one supreme collective body (General Assembly) and one management body (Management Council/Manager). The General Assembly is entitled to oversee the activity of the managing body and the affairs of the association.

Foundations acting in private benefit should **at least have one managing body**.

The founders of a foundation may reserve certain rights related to the management of the foundation for themselves no matter if they participate in the managing body or not.

¹⁰ *Non-profit Legal Entities Act*, <http://www.bcnl.org/en/articles/866-law-for-the-nonprofit-corporate-bodies-legal-entities.htm>.

¹¹ This Act also distinguishes between organizations acting in the private interest of their members or other persons and organizations whose functions and goals are for the public good. When the Act was enforced, it was not initially clear how the status of organizations acting in public interest would work; as a result, many organizations opted for registering as acting in private interest. Later on, however, most non-profit organizations, except for the community centers (*chitalishte*), started changing their registration to non-profit legal entities acting in public interest.

¹² Associations are not required to hold a minimum level of capital or assets.

¹³ Foundations are required to have a founding donation but there is no prescribed minimum.



Foundations in public benefit are required to have a **two-level governance structure** consisting of one supreme collective body (Board of Trustees) and one managing body (collective or not).

In principal, the Board of Trustees is entitled to oversee the activity of the managing body and the affairs of the foundation.

There are no special legal requirements concerning board members in both private benefit foundations and public benefit foundations. If the foundation has a collective board (as supreme body or as managing body), it should consist of at least three board members.

2.1.3 Cooperatives and specialized enterprises for people with disabilities (Act 81/2004)

The *Law for Integration of People with Disabilities of 2004*¹⁴ regulates public policies regarding the integration of people with disabilities, with the aim to provide conditions and guarantees for:

- ⇒ equality for people with disabilities;
- ⇒ social integration and exercising the rights of people with disabilities;
- ⇒ support to people with disabilities and their families;
- ⇒ integration of people with disabilities in the working environment.

The cooperatives of disabled people

1. To establish a cooperative of people with disabilities, **at least seven founders must make initial contributions to the share capital of the cooperative.**

The Constituent Assembly adopts the Statute of the cooperative and elects its Chairman, Managing Board and Control Council.

The representative of the cooperation makes application for entering it in the Commercial Register at the Registry Agency. The cooperative must then register at the Agency for People with Disabilities.

2. **The Cooperatives Act does not indicate the level of the initial and equity contributions**, made by the founders and members of the cooperative. This amount is determined by the statute.

Members have shares, but every member only has one vote.

3. **Cooperatives are required to have a Managing Board.**

The Managing Board has a duty to adhere to the Statute of the Cooperative; to comply the decisions of the bodies of the Cooperative; to pay share and another kind of instalments, specified in the Statute; to contribute to the achievement of the objectives of the Cooperative; to take part in the process of preparing and presenting to the

¹⁴ This is Act no. 81/2004, which entered into force on 1 January 2005 http://adapt.it/adapt-indice-a-z/wp-content/uploads/2014/11/DISABILITIES_2005.pdf

General Assembly a draft budget; to take part in the process of preparing and presenting to the General Assembly a report on the activity of the cooperative; to participate in the process of taking decisions on all issues which, according to a law or the statute do not belong to the rights of another body; to exercise due care and diligence; to avoid conflict of interests; to promote the success of the Cooperative and to have regard to the its interests; to exercise a duty of loyalty; and to represent the Cooperative during a litigation.

There is also a requirement to have a Control Council, which is elected by the general Assembly. When it finds serious breaches of the law or the Statutes, made by the members of the Managing Board, then the Council can call a meeting of the General Assembly.

The Managing Board meetings shall be called by its Chairperson at least once a month. The Chairperson must call the meeting at the request of at least one-third of its members or the Control Council in 7 days. If he/she does not do so, the Board shall be convened by the Control Council.

The General Assembly of the cooperative determines the number of members of the Managing Board and Control Council.

4. A member of a cooperative has the following rights:

- to participate in and benefit from the activity of the cooperative;
- to attend and vote at the General meeting in person or by an authorized person;
- to be elected as a Board member in the cooperative or in cooperative unions;
- to request information for the implementation of the decisions and to request information on matters which affect his/her interests and the interests of the cooperative;
- to receive dividends;
- to claim for abolition of the illegal, unstatutable and wrong decisions and acts of its bodies;
- to obtain the value of his/her shares upon termination of his/her membership;
- to social security and health insurance;
- to access to the registration book of the cooperative.

5. The General Assembly shall meet at least once a year and extraordinary meetings can be called at the request of the Managing Board, Control Council, one-third of the members of the cooperative or their proxies, or the Chairperson of the cooperative.

The members of the General assembly have to be invited by the Managing Board with a written invitation, publicized in the manner, specified in the Statute, at least 14 days before the meeting.

6. Dividends are distributed on paid-up share capital.

The amount of the profit shall be reduced by the amount of the deductions for the Funds of the cooperative. The remainder of the profit is distributed on a decision, made by the

General Meeting, for the dividends of the members and other purposes, related to the activities of the cooperative.

- 7. It is obligatory for each cooperative member to pay an affiliation fee and a share instalment**, the terms of payment, form and the amount of which are defined in the relevant Statute.

General Assembly can also decide that members pay additional contributions or pay supplementary and other instalments.

- 8. A Cooperative can be dissolved by a decision of its General Assembly.** It could also wind up by a decision of the District Court or at the request of the Cooperative Union, where the Cooperative is a member, when the Cooperative pursues objectives, prohibited by law, or when it is declared bankrupt.

Bankruptcy proceedings shall be initiated for a cooperative which is insolvent and in cases of over-indebtedness.

During liquidation, the liquidator should manage the property so that the debts to third parties (creditors) are paid and to collect payments owed.

- 9. The remaining assets on dissolution are**, unless the Statute provides otherwise, **distributed among the cooperative members in proportion to their share installments.**

The specialized enterprises for people with disabilities

Article 28 of the Law introduced the specific legal type of **specialized enterprises and cooperatives for people with disabilities**, which are defined as legal bodies which:

- are registered under the Commercial Act or the Cooperatives Act, as well as the registry of the Agency for People with Disabilities;
- produce goods or provide services;
- have a relative share of persons with disabilities, in particular:

Specialized enterprises and Cooperatives for	Percentage of the workforce
Blind people	At least 20%
Deaf people	At least 30%
Other disabilities	At least 50%

- 1. SEPDs can be established under one of the legal forms available for commercial entities:**
- limited liability company/single member limited liability company;
 - joint-stock company/stock company with one owner;
 - general partnership company;
 - limited partnership by shares;
 - limited partnership;
 - sole traders.

- 2. There is no legal regulation on the purposes that a SEPD may have.** So SEPDs are free to determine any objectives in their founding documents.

To qualify as a SEPD, the enterprise meets its social aspects by promoting the integration of workers with disabilities.

- 3. The procedure for establishment of a SEPD** includes:

*Constituent Assembly*¹⁵: the founders (shareholders) gather and decide on the following issues:

- to sign a Memorandum of Association (the main internal governing document);
 - to appoint the manager/s and to conclude a managing contract.
 - If the shareholder/s¹⁶ should pay the size of his/hers individual shares so that at least 35 per cent of the registered capital must be effectively paid;
 - the registration at the Commercial Registry at the Registry Agency in the Ministry of Justice;
 - Registration in the Registry with the Agency for People with Disabilities.
- 4. SEPDs are required to have at least one manager.** They are also able to appoint a supervisor to oversee the management of the company. The manager/s¹⁷ and the supervisor/s of the company are appointed/removed by the General Assembly.
- 5. Ultimate control of the company rests with the shareholders.** The shareholders have the right to vote in the General Assembly and this right is bound with the number of shares.

Each shareholder has the right to participate in the management of the company, in the distribution of profits, to be informed of the company's affairs, to review the company's books and to receive a share from the property left after liquidation of the company that is proportional to the shares in the capital.

The General Assembly is able to change the Memorandum of Association/Act of Incorporation; to admit and exclude shareholders; to admit the annual report, to take decision on distribution of dividends; and to elect/dismiss the manager.

- 6. The members are represented at the meetings of the General Assembly.** Meetings are convened at least once per year by the manager at its initiative or upon request of the shareholders owning dissolution at least 1/10 of the share capital.
- 7. Dividends are distributed on paid-up share capital.** There are no limits on the amount of profit that can be distributed to the shareholders.

¹⁵ In the case of a single member LLC, there is no Constituent Assembly. All these issues are decided by the single shareholder in the Act of Incorporation.

¹⁶ Members have shares. The weight of the members' voting is related to the number of shares they hold.

¹⁷ The Manager's duty is to organise and manage the activities of the company in accordance with the law and the general meeting resolutions and to be the representative of the company. Managers must also avoid conflict of interests.

- 8. SEPDs can attract internal investment** by increasing the registered capital either by increasing the value of the available shares or through issuing new shares and/or admitting new partners.

The General Assembly may take a decision to require the shareholders to make additional monetary instalments (loans) for certain period of time in case the company has losses or the activity requires additional investment.

The SEPD can be dissolved:

- on the expiration of the term set in the articles;
- upon decision of the shareholders;
- through a consolidation or merging with another company;
- upon being declared bankrupt;
- upon a decision of the District Court in cases provided for by law.

Bankruptcy proceedings shall be initiated for **SEPD which is insolvent** and in cases of **over-indebtedness** of SEPD.

During liquidation, the liquidator should manage the property so that the debts to third parties (creditors) are paid and to collect payments owed.

- 9. The surplus assets and capital are distributed among the shareholders** unless the internal governing documents prescribe additional provisions.
- 10. The SEPD can convert to a different type of legal form.** In principal, the newly formed company becomes the owner of the assets with no restrictions.

2.2 The different regulation of commercial companies

Social economy organizations (including social enterprises) should be distinguished from the traditional categories of commercial companies, which are regulated by commercial law provisions (established as a separate branch of private law). Bulgarian commercial law is based on the [*Bulgarian Commercial Act \(CA\)*](#), which entered into force on 1 January 1898 and is founded on the following principles:

- enhanced responsibility of the trader — unlimited joint and several liability;
- the principle of redress (no commercial transaction is gratuitous)¹⁸;
- simplified formalities governing the conclusion transactions.

¹⁸ The commercial capital always bears interest, it is at the same maximum rate even if otherwise agreed upon beforehand) is dominant in commercial law and follows the Roman maxim the money of the merchant is worth more than that of the non-merchant.

The General Section of the Commercial Act regulates in detail **three (3) types of companies** (general partnerships, limited partnerships and joint stock companies).

(a) The general partnership is formed by two or more persons bound by a commercial purpose under a single partnership and unlimited joint and several liability. This responsibility usually means a small number of partners, who are normally relatives or persons who have each other's full confidence. Legal relationship between the members of a general partnership are determined by a partnership agreement, and in absence of such agreement - the provisions of the CA. When no particular person has been specified to manage and sign the papers of the partnership it is assumed that all members have equal rights and obligations.

(b) The limited partnership is formed for a commercial purpose, but here one or several of its members have unlimited joint and several responsibility, and one or more of the partners are liable only up to the pre-determined amount that they invested. If only one member has unlimited liability, after his death the company is terminated by law.

(c) The joint stock company is a group of persons bound for a commercial purpose to be fulfilled with capital that has been distributed in advance in equal-sized parts (shares). Partner is any person who has at least one share. The shareholders are liable up to the number of shares owned, not fully or severally. The number of members of the joint stock company is undefined and can therefore vary, depending on whether the shares are concentrated in more or fewer persons. The maximum number of members is equal to the number of shares (one shareholder holds one share). Joint stock companies enable collection of significant capital exceeding the usual means of general and limited partnerships.

2.3 The Law 240/2018 on Social Enterprises

The **Social and Solidarity-based Enterprises Act No. 240/2018**, passed by the National Assembly on 18 October 2018¹⁹, introduced for the very first time a sound legal recognition of social enterprises²⁰, which has been suggested as an essential condition for developing the 'sector' by many academics, experts²¹ and NGOs representatives²², on the basis of the following arguments:

¹⁹ This Act was approved by the Bulgarian government on June 2018. "It aims to develop the social and solidarity economy as an economic sector that will improve access to employment and training of people from vulnerable groups, create conditions for raising their standard of living, and reduce social inequality," the government said in a statement.

²⁰ The Act shall enter into force 6 months after the publication of a specific methodology for valuation of social added value, which shall be issued by the competent Minister of Labour and Social Policy after 6 months from its promulgation.

²¹ See in particular Dulevski L., *Analysis of Social Enterprises and Social Entrepreneurship*, 2013 and Terziev V., Bencheva N., Arabska E., Stoeva T., Tepavicharova M. and Nichev N., "Implications on Social Entrepreneurship Development in Bulgaria", 2016.

²² It should be noted here that the Non-Profit Legal Entities Act which has been in force since 1st of January 2001 (<http://www.bcnl.org/en/articles/866-law-on-nonprofit-legal-entities.html>) gives to NGOs the opportunity to perform economic activities.

- ❑ Legal forms/ statuses recognize the specificity of social enterprise and contributes to giving them a clear, precise and easy-to-convey identity;
- ❑ The definition of the identity of social enterprise allows policy makers to design and implement specific public policies for social enterprises or social investors, including measures under tax and public procurement law;
- ❑ It prevents ‘abuses’ of the social enterprise brand;
- ❑ It helps to identify potential investees for social investors;
- ❑ It sets clearly the boundaries between social enterprise and other concepts (e.g. Corporate Social Responsibility)²³.

2.3.1 Key principles and definitions

(1) The **Social and Solidarity-based Enterprises Act No. 240/2018** provides for public policies related to social and solidarity economy, the types of relevant organizations²⁴ and the measures for the promotion thereof, as well as the conditions and procedures of the activity of social enterprises. Its **aim** is to promote the development of a social and solidarity economy as a branch of the economy with special rules for:

- ❖ improvement of access to employment and training to acquire or improve professional qualification aimed to raise the living standard of the persons referred to in par. 4 of Article 7;
- ❖ the creation of conditions for support of the social inclusion and independent lifestyle of the persons pursuant to par. 4 of Article 7;
- ❖ reduction of social inequality and sustainable territorial development.

Social and solidarity economy:

a form of entrepreneurship aimed at one or several social activities and/or social goals, including by the production of various goods or the provision of services in cooperation with state or local authorities, or independently



It is based on the following **principles**:

- ❑ advantage of social before economic goals;
- ❑ association for public and/or collective benefit;
- ❑ publicity and transparency;
- ❑ independence from state authorities;
- ❑ participation of the members, workers or employees in managerial decision-making.

²³ See in particular Ilieva - Koleva D. and Dobrova J., Social Entrepreneurship as a form of social responsibility in Bulgaria, *Mega Trends*, 2015, Vol. 12 (2), p. 123-136.

²⁴ Art. 5 states that:

*“The subjects of social and solidarity economy shall include **cooperatives, not-for-profit legal persons operating for public benefit and social enterprises**”.*

(2) The Act includes binding **definitions** for the following terms:

“Social enterprise”: an undertaking that, regardless of its legal organizational form, has the main object of its activity the production of goods or the provision of services and combines economic results and social goals, achieves measurable, positive financial added value, is managed transparently with the participation of the members, workers or employees in decision-making, and engages in its economic activity with part of the average payroll of staff being persons under par. 4 of Article 7 and/or with profit predominantly spent on the implementation of social activity and/or towards a social goal according to the articles of association or the statutes.

“Social added value”: the social effect achieved for the target group as a result of the activity of the social enterprise, taking into consideration both the positive and the negative changes and accompanying effects as a result of other actions or lack of actions on the part of the social enterprise.

“Social goal”: a goal in support of persons pursuant to par. 4 of Article 7 in respect to their employment, social inclusion, raising of their living standard, improvement of their access to education and professional qualification, and protection of their rights, as well as improvement of the living environment by protection of the environment and biodiversity, and in support of ecological balance.

“Social activity”: any activity producing social added value as established under the methodology under par. 1 of Article 7 and one that is aimed to achieve a social goal in support of the persons under Item 4 of Article 7 and their social inclusion, higher living standard, improved access to the labour

market and to education, and protection of their rights, as well as to improve the living environment by environmental protection and biodiversity, and in support of ecological balance.

“Appropriate job”: a job that corresponds to the education and/or qualification, and/or the professional experience of the person, as well as to his/her medical condition, where that is located in the same settlement or up to 50 km away from that, providing there is appropriate public transport, for a period of up to 12 months from the date of registration of the person at the Labor Exchange Directorate. After that period “appropriate job” means that which corresponds to the medical condition of the person, if that is located in the same settlement or up to 50 km away from that, providing there is appropriate public transport.”

“Electronic platform”: a single, central, public web-based information system that provides free communication by sending digital notifications between social partners and other stakeholders regarding future activity.

“Long-term unemployed”: the persons in the sense referred to by par. 2 of § 1 of the Supplementary Provisions of the Employment Promotion Act.

“Homeless person”: a person who does not own an own home, is incapable of renting a home with own means and has not been accommodated in a municipal domicile under the procedure of the Municipal Property Act and or who, because of accidental force majeure circumstances (fire, natural disaster, collapse of building and others) has remained without shelter.

2.3.2 Types of Social Enterprises

Social enterprises are categorized in two types: Class A and Class A+.

1. Class A Social Enterprises

A **Class A social enterprise** is any social enterprise, regardless of its legal organizational form, that meets the requirements pursuant to the following conditions 1, 2 and 3 or conditions 1, 2 and 4:

1. engages in social activity that produces social added value determined according to a methodology issued by the Minister of Labor and Social Policy²⁵;
2. is managed in a transparent manner with the participation of the members, workers or employees in decision-making under a procedure established in the articles of association, the statutes or another statutory document;
3. the positive financial balance of the enterprise after taxes for the last reported period shall be spent over 50% and no less than BGN 7,500 for social activity or purpose²⁶;
4. no less than 30% and no less than three of the persons employed at the enterprise at the starting date of legal labor relations shall be:

- people with permanent disabilities;
- long-term unemployed eligible to receive monthly social aid according to the Social Assistance Act and the Rules of Implementation thereof;
- persons under 29 years of age without previous professional experience;
- persons accommodated outside their families under the procedure of Article 26 of the Child Protection Act, including after their accommodation has ended;
- unemployed persons over 55 registered at the Labor Exchange Directorate;
- persons raising children with permanent disabilities and receiving aid pursuant to Article 8e of the Family Allowances for Children Act;
- persons who have served a prison sentence for a period of no less than 5 years where their penalty has expired in the last three years after employment;
- persons with alcohol or drug addiction who have successfully completed treatment or a psycho-social rehabilitation programme in the last two years prior to appointment to a job, which is attested by a document issued by the persons where the treatment of psych-social rehabilitation occurred;

²⁵ This methodology is an approach common to all social enterprises applied to identify the model specifics, social goals, economic and social environment, stakeholders, effective use of invested resources, direct and indirect effect of the activity in support of a target group and/or achievement of a social goal, as for example total amount of costs for social activities/social goals over the year, per cent of taxable financial result after taxes reinvested in social activities, number of employed persons, and others.

²⁶ This condition shall be considered met where the positive financial account balance of the enterprise after taxes has been reinvested in the enterprise itself if its main activity is social in the sense referred to by this Act.

- homeless persons in the sense referred to by section 1 of § 1 of the Supplementary Provisions;
- aliens who have been granted asylum in the Republic of Bulgaria under the procedure of the Asylum and Refugees Act in the last three years after employment;
- persons who have been granted special protection status under the procedure provided by the Fight against Human Trafficking Act;
- persons victims of domestic violence in the sense referred to by the Protection from Domestic Violence Act.

2. Class A+ Social Enterprises

A **Class A+ social enterprise** is any social enterprise, regardless of its legal organizational form, that meets the requirements pursuant to Article 7 or the conditions for a Class A social enterprise, as well as one of the following additional conditions:



- the social added value occurs entirely within the administrative boundaries of municipalities that have a level of unemployment for the previous year equal to or higher than the average for the country as compared to the existing statistical data at the date of submission of the application;
- over 50% and no less than BGN 75,000 of the positive accounting financial balance of the enterprise after taxes is spent on social activity²⁷;
- no less than 30 employees are persons as referred to by Item 4 of Article 7 and have worked at the enterprise non-stop in the last six months.

2.4 Public supportive policies for social economy organizations

- The **Fund "Rehabilitation and Social Integration"**²⁸ may provide funding for the following activities:
 - Maintenance of the Fund – not more than 5% of the raised fund;
 - Support to disabled people for purchase and repair of technical support instruments and equipment;
 - Month subsidies for young people (to 18 years age) with permanent disabilities;
 - **Subsidies for specialized enterprises or cooperatives of disabled people;**
 - Building of infrastructure for access of people with disabilities;

²⁷ This condition shall be considered met where the positive financial account balance of the enterprise after taxes has been reinvested in the enterprise itself if its main activity is social in the sense referred to by this Act.

²⁸ The Fund was established by the **Disabled People Protection, Rehabilitation and Social Integration Law** and is a legal body of public law supervised by the Ministry of Labour and Social Policy.

- Financing of projects and programmes for professional training and vocation for disabled people;
- Culture, sport and tourism for disabled;
- Financing of project for rehabilitation and social integration.

- The **Law for Integration of People with Disabilities of 2004** provides in art. 28 par. 2 that:



“The specialized enterprises and co-operatives of people with disabilities might be funded by the Agency for people with disabilities²⁹ through earmarked projects and programmes under the provisions of the Rules for implementing this Law”.

- **Tax incentives:** There are few tax incentives available to organizations that use legal forms other than cooperatives for people with disabilities³⁰ or specialised enterprises for people with disabilities. NPLeS such as associations and foundations benefit from some tax incentives but are not exempt from tax on dividends that NPLeS receive as a shareholder in a commercial company. This is notwithstanding the fact that NPLeS are required to use such income to further their, often social, purpose.

Art. 35 of the Cooperatives Act

“Cooperatives and cooperative unions are not charged with any taxes regarding their establishment, reorganization, shutdown and liquidation”

²⁹ The Agency was also established by the **Law for Integration of People with Disabilities of 2004** as an executive agency to the Minister of labour and Social Policy. It is charged with the implementation of the state policy for integration of people with disabilities by:

1. approving production, import, sales and maintenance of supportive devices, appliances and facilities, and controlling adherence to the approved criteria and standards for provision of supportive devices;
2. keeping a Register of the specialised enterprises and co-operatives of people with disabilities;
3. participating and mandatory issuing an opinion in drafting legislation related to people with disabilities;
4. developing programmes and funding projects for encouraging the business initiative of people with disabilities and business initiative which shall benefit people with disabilities;
5. perform additional activities provided by act of Council of Ministers.

³⁰ According to the Corporate Income Tax Act, cooperatives are partly exempted from corporate taxation – 60% of the tax /the tax is 10% of the annual corporate incomes of the companies.

In addition, the **Public Procurement Law** contains favorable arrangements for people with disabilities, as Article 12 provides that³¹:

The Council of Ministers, upon proposal of the Minister of Labour and Social Policy shall determine by decisions:

1. a *list of the goods and services according, which are intended for awarding to specialized undertakings or cooperation of disabled people*, which basic purpose is social and professional integration of disabled people or people in unfavorable situation;
2. *programmes for creating protected jobs* within the frames of which the contracting authorities have the right to keep procurements.

Other strategic documents providing measures to support the development of the social economy (including social enterprises) in Bulgaria:

- ❖ **Action Plan for the Implementation of the Social Economy during the Period 2018-2019³²**. The document defines activities that will contribute to the development of the social economy and social entrepreneurship in Bulgaria. The Plan foresees that some of the activities will be implemented independently of government bodies, while others will be implemented in cooperation with stakeholders in the non-governmental sector, the social partners, employers' associations and others. In any case, the main objective of the foreseen measures is to contribute to the creation of the social enterprises sector in the country and to give priority to the development of all these conditions that create a positive change in the operational environment of social enterprises.
- ❖ **National Reform Program 2011-2015³³**. It provides for measures such as the development of a Manual on the legal forms that social enterprises can take the development of a framework for the active life of elderly, the support of vulnerable groups and of new and existing social enterprises.
- ❖ **National Youth Strategy 2012-2020³⁴**. It states that public-private sector partnerships and social entrepreneurship in the youth services sector should be encouraged so as the professional development of young people to be enhanced.
- ❖ **National Strategy for Poverty Reduction and Social Inclusion 2020³⁵**. It provides for the encouragement of partnerships, taking advantage of the opportunities offered by the social economy to meet the challenges of poverty reduction and social exclusion.

³¹ Pp. 5, http://www.aop.bg/fckedit2/user/File/en/Normativna%20baza/ZOP_03_05_2016_EN.pdf

³² <http://seconomy.mlsp.government.bg/upload/docs/2018-03//18RH151prEN.pdf>

³³ National Reform Programme 2011-2015, Ministry of Finance, <http://www.minfin.bg/en/page/573>

³⁴ http://mpes.government.bg/Documents/Documents/Strategii/strategy_youth_2012-2020.pdf [BG version]

³⁵ <http://www.strategy.bg/FileHandler.ashx?fileId=9429>

3. Sources of SE's funding in Bulgaria and in Greece

3.1 Funding, available through the EU funds



The European Structural and Cohesion Funds (in particular the European Social Fund - ESF) are considered as the main sources of funding for the Social Entrepreneurship sector, since Bulgaria has joined the European Union in 2007.

There are three options funding: through the Operational Programmes (on National level), through European Territorial Cooperation/IPA Programmes and through EC Programmes.

3.1.1 Funding through the Operational Programmes on National level in Bulgaria

In particular, in the Operational Programme "Human Resources" 2014-2020³⁶, with funding for social inclusion amounts to 658 million BGN in Bulgaria over the period 2014-2020, which is almost double the amount from the previous period (2007-2013), 382 million BGN?

The main priority, which aims specifically Social Entrepreneurship is included in axis "Promoting social entrepreneurship and professional integration in social enterprises and stimulating the social economy to facilitate access to employment", where priority is given to limiting the poverty and stimulating social inclusion.

Under the Operational Programme "Human Resources" 2014-2020, has been launched three calls for Development of Social Entrepreneurship (two of them was cancelled). The purpose of the procedure Development of Social Entrepreneurship is to facilitate access to employment and to ensure it support for the social inclusion of vulnerable groups by creating appropriate conditions for their professional integration in the sphere of the social economy. The call Development of Social Entrepreneurship had allocated 15 mln. BGN as funding with individual grants between 50 000 and 391 166 BGN and the co-financing rate is 100%.

Programme's Funding is addressed to the following eligible applicants:

- ⇒ Social Enterprises;
- ⇒ Employers;
- ⇒ Specialized enterprise for people with disabilities;
- ⇒ Cooperation of persons with disabilities;
- ⇒ Municipality or municipal district;
- ⇒ Provider of social services;
- ⇒ NGOs.

³⁶ Operational Programme Human Resource Development 2014-2020, <https://esf.bg/>

Potential partnerships are allowed, but not obligatory. Partner's organizations will be covered only staff costs.

The main target groups are:

- ✓ Persons disadvantaged on the labor market and other socially excluded persons;
- ✓ Representatives of different communities employed in Social Enterprises, cooperatives and specialized enterprises for people with disabilities;
- ✓ Persons employed in institutions and organizations related to Social Entrepreneurship.

Activities, which are supported aim at providing support for creating new and expanding the activity of already existing social enterprises, specialized enterprises and cooperatives of people with disabilities in connection with the provision of employment through:

- Psychological support and motivation of persons from vulnerable groups to be included in employment;
- Social and professional integration of representatives of vulnerable groups in the Social Economy;
- Providing training to persons for whom employment is provided in the social enterprises, specialized enterprises and cooperatives of people with disabilities;
- Provision of a mentor by the employer for newcomers. Every mentor responds for a minimum of 1 and a maximum of 7 people – representatives of the target group.
- Equipping newly created jobs and, where appropriate, their own adaptation for people with disabilities;
- Provide training to improve management and business skills for increasing the efficiency of management of social enterprises, specialized ones enterprises and cooperatives of people with disabilities;
- Support for employment for up to 12 months;
- Exploring the demand and the possibilities for marketing the manufactured goods and the services provided;
- Social marketing and promotion of social economy and Social Entrepreneurship.

3.1.2 Funding through the Operational Programmes on National level in Greece

According to **Greek National Strategic Reference Framework of 2014-2020**³⁷, the provision of supportive services for the development of Social Cooperative Enterprises is an action that can be supported through three options:

- from the Operational Programme "Human Resources Development, Education and Lifelong Learning" (under Priority Axis 2 "Improving employment prospects and skills development of human resources" - Specific Objective 9.5 (i) "Creating New Jobs by Enhancing the Establishment and Operation of Social Enterprises")

³⁷ It was approved by Commission Decision C (2014) 7801 of 29.10.2014 and its total budget is approximately 19.89 billion euros of EU Assistance 24.79 billion euros of estimated total public expenditure.

- from the Operational Programme 'Competitiveness, Entrepreneurship and Innovation' (actions to boost entrepreneurship)
- from the Regional Operational Program of the Region in which enterprises are or will be established (implementation of actions of the **Regional Strategy for Social Integration**)³⁸, with the aim of combating poverty and social exclusion at regional level, implemented by all Regions on the basis of the principles of the National Strategy and international best practices, exploiting resources of the **Thematic Objective 9 "Promoting social inclusion and combating poverty and all discrimination"**.

3.1.3 Funding through European Territorial Cooperation and Operational Programmes



Funding through European Territorial Cooperation Programmes for Social Entrepreneurship has been dedicated mainly through INTERREG V-A Greece - Bulgaria 2014-2020 Programme. The other European

Territorial Cooperation Programme (INTERREG V-A Romania – Bulgaria 2014-2020 Programme), Transnational Programmes (Danube 2014-2020, BALKAN-MED 2014-2020 or Black Sea 2014-2020) or IPA Cross-Border Cooperation Programmes (Bulgaria – Turkey 2014-2020, Bulgaria – Serbia 2014-2020 or Bulgaria – FYROM 2014-2020) does not have the Social Entrepreneurship as specific priority. However, it is possible to apply for other priorities (like Competitiveness, Tourism or Youth), where Social Entrepreneurship could be proposed as viable idea.

3.2. Funding through the EC Programmes

3.2.1 Employment and Social Innovation (EaSI) programme



The **Employment and Social Innovation (EaSI)**³⁹ programme is a financing instrument at EU level to promote a high level of quality and sustainable employment, guaranteeing adequate and decent social protection, combating social exclusion and poverty and improving working conditions. EaSI is managed directly by the European Commission. It brings together three EU programmes managed separately between 2007 and 2013: PROGRESS, EURES and Progress Microfinance.

As of January 2014, these programmes form the three axes of EaSI. They support:

³⁸ Regional Strategies are basically a new tool for social planning and programming of policies for combating poverty and social exclusion at regional level, implemented by all Regions on the basis of the principles of the National Strategy and international best practices, exploiting resources of the **Thematic Objective 9 "Promoting social inclusion and combating poverty and all discrimination"** in the framework of the 13 Regional Operational Programmes of 2014-2020. See Ministry of Labor, Social Security and Welfare, National Strategic Framework for Social Inclusion, December 2014, pg. 121.

³⁹ Employment and Social Innovation (EaSI), <https://ec.europa.eu/social/main.jsp?catId=1081>

- Modernisation of employment and social policies with the PROGRESS axis;
- Job mobility with the EURES axis;
- Access to micro-finance and social entrepreneurship with the Microfinance and Social Entrepreneurship axis.

The main objectives of EaSI are:

- 🔍 Strengthen ownership of EU objectives and coordination of action at EU and national level in the areas of employment, social affairs and inclusion.
- 🔍 Support the development of adequate social protection systems and labour market policies.
- 🔍 Modernise EU legislation and ensure its effective application.
- 🔍 Promote geographical mobility and boost employment opportunities by developing an open labour market.
- 🔍 Increase the availability and accessibility of microfinance for vulnerable groups and micro-enterprises, and increase access to finance for social enterprises.

In pursuing these objectives, EaSI will:

- ✓ Pay particular attention to vulnerable groups, such as young people,
- ✓ Promote equality between women and men,
- ✓ Combat discriminations,
- ✓ Promote a high level of quality and sustainable employment,
- ✓ Guarantee adequate and decent social protection,
- ✓ Combat long-term unemployment,
- ✓ Fight against poverty and social exclusion.

The total budget of Employment and Social Innovation for 2014-2020 is 919,469,000 EUR.

3.2.2 ESF - European Social Fund



ESF (European Social Fund) is an important Fund for the Social Economy and the development of its institutions. ESF is in line with the objectives and action of social enterprises, since its main objective is to **create opportunities for quality and stable work for European citizens**, especially for those who are unable to work because they belong to vulnerable groups such **as disabled, refugees, migrants, etc.** Its operation is based on the investment in Europe's human capital - its employees, young people and job seekers. **ESF yearly funding of € 10 billion.**

European Union allocates ESF resources to member states, in order to fund national operational programmes. A key feature of ESF funding is the fact that it finances projects involving bodies, social enterprises and non-profit organizations.

The ESF has been designed and implemented through the cooperation of the European Commission and national governments of the Member States, i.e. projects co-funded by ESF in 50% - 85% or 95% in exceptional cases by national or regional authorities⁴⁰.

3.2.3 The European Globalization Adjustment Fund



This European Fund seeks to help people who are out of the labor market due to globalization and the economic crisis in order to reintegration into social, economic and business life⁴¹.

The objectives of the Fund are:

- ④ Support on Job search.
- ④ Provide Career advice.
- ④ Provide education, training and retraining.
- ④ Provide guidance.
- ④ Development of entrepreneurship and the establishment of new enterprises.
- ④ Provide training, mobility / resettlement, subsistence, etc.

3.2.4 Europe's programme for small and medium-sized enterprises COSME



The objective of the COSME programme is to facilitate the participation of small and medium-sized enterprises in development projects and to enable their access to funding, as well as bank loans through credit guarantees by official European Institutions⁴².

COSME helps enterprises to **access markets** across and beyond European Union. It helps small and medium-sized enterprises to **find business and technology partners** and provides them with services to inform entrepreneurs about **European legislation** and the **business opportunities**. Moreover, it supports entrepreneurs, especially young people, women, people with disabilities, refugees, etc., to develop and practice their entrepreneurial skills. The programme aims to develop innovative business ideas and practices and to enhance competitiveness by improving administrative and Union legislation.

3.3 State and private sources of funding in Bulgaria

3.3.1 State aid

One of the most significant challenges for social enterprises in Bulgaria is their limited access to funding.

⁴⁰ <http://ec.europa.eu/esf/home.jsp?langId=en>

⁴¹ <https://ec.europa.eu/social/main.jsp?langId=en&catId=326>

⁴² https://ec.europa.eu/growth/smes/cosme_en

Bulgarian State Aid is defined as follows (Marinova T., 2018):

The main state aid for social enterprises is provided by the financial instrument "Small credit at common risk", the budget of which amounts to 53 million BGN. This instrument is managed by the Financial Instruments Company – EAD in Bulgaria, which provides loans to intermediaries, which it is possible to extend at zero interest rate under certain conditions. Intermediate co-financing is based on the market rate, while loans are provided for up to 10 years. The amount of individual micro-credits ranges from 5,000 to 48,895 leva in Bulgaria. The loans are intended for the establishment or exploitation of existing social enterprises.

The Bulgarian Development Bank has recently signed an agreement with the European Investment Fund to take part in the Social Impact Accelerator (SIA) initiative. Its aim is to create a sustainable stock market for social enterprises, which will make them more economically independent and market-oriented.

In addition, the Bulgarian Development Bank **provides loans to credit cooperatives of mutual assistance for private farmers** that are members of the national cooperative "Evrostart". All members of the cooperative are eligible for such loans and the maximum amount of credit is 1,500,000 Leva of Bulgaria. Loans are provided up to a maximum of five years. In addition, the Bulgarian Development Bank extends investment loans for agricultural machinery, other machinery, facilities and transport equipment for members of cooperatives.

Participation in the “Social Impact Accelerator” (SIA) initiative



The Social Impact Accelerator (SIA) is the first pan-European public-private partnership addressing the growing need for availability of equity finance to support social enterprises.⁴³ SIA is a first step in the EIB Group's (European Investment Bank and European Investment Fund) strategy to pioneer the impact investing space and respond to the wider EU policy aim of establishing a sustainable funding market for social entrepreneurship in Europe. This segment of the business world is becoming increasingly instrumental in promoting social inclusion, providing alternative sources of employment for marginalised social groups, and contributing to growth. These positive results underline the importance of SIA's aim to build up the existing market infrastructure for social impact investing in such a way that this emerging asset class is placed on a path to long-term sustainability.

The Social Impact Accelerator reached its final closing in July 2015 at the size of EUR 243m, combining resources from the EIB Group and external investors, including Credit Cooperatif, Deutsche Bank as well as the Finnish group SITRA and the Bulgarian Development Bank (BDB).

The Social Impact Accelerator operates as a fund-of-funds managed by European Investment Fund and invests in social impact funds which strategically target social enterprises across Europe. In the context of the SIA, a social enterprise shall be a self-sustainable SME whose

⁴³ Social Impact Accelerator (SIA) Initiative of the EIF,
http://www.eif.europa.eu/what_we_do/equity/sia/index.htm

business model serves to achieve a social impact. It shall provide an entrepreneurial solution to a societal issue based on a scalable approach, and shall have a measurable impact.

Its aim is to create a sustainable stock market for social enterprises, which will make them more economically independent and market-oriented.

3.3.2 Bulgarian Center for Nonprofit Law



The **NGO Entrepreneurship Program** implemented by the Bulgarian Center for Nonprofit Law (BCNL)⁴⁴, with the support of the America for Bulgaria Foundation and the

UniCredit Foundation in cooperation with UniCredit Bulbank and TELUS International Europe. The programme allocates 20,000 EUR to social enterprises in an annual competition for the best business plan for NGOs.

The Programme is suitable for:

- ⇒ All non-governmental organizations (including Social Enterprises) that develop or intend to develop business to support their mission and goals;
- ⇒ Non-governmental organizations (associations, foundations, social enterprises, community centers, etc.) can apply if:
 - ✓ There are at least two successfully implemented projects / initiatives alone or in partnership (the projects can be both non-profit and economic);
 - ✓ Has an annual revenue of more than 5,000 BGN for the last two years – 2017 and 2018 (the requirement is for both non-profit and business revenue, and on the form you will have to specify separately the amount of income only from business activity for the two respective years).

The Programme has *three stages*:

1. Through training sessions and individual consultations between September and November 2019, the participants in the first stage of the Programme will improve their organization's business plans and the presentation skills. Two training sessions (two or three days) and individual consultations are planned according to the needs of each participant.
2. By December 20th, each participant will be able to send the organization's final business plan for inclusion in the second stage of the NGO's Best Business Plan 2020 Programme. Business plans will be reviewed and evaluated by a jury composed of representatives of the Programme's partners; The winners of the "Best Business Plan for NGOs" Competition 2020 will be announced on official ceremony, where will be given prizes. Traditionally, the ceremony takes place in February and is accompanied by the Social Entrepreneurs' Market "Little Is Many".

⁴⁴ Bulgarian Center for Nonprofit Law, <http://bcnl.org/trainings/kandidatstvay-v-programata-predpriemachestvo-za-nestopanski-organizatsii-20192020.html>

3. The third stage in the Program - "Lab4e - Mentoring Program for a Successful Start" is where the Competitors will receive additional training and mentoring support from business experts in the period March-September 2020.

The successful applicants are expected to be announced by August 2019.

3.3.3 National Cooperative "Evrostart"



The **National Cooperative "Evrostart"** provides loans with maximum amount of credit 1,500,000 BGN to a maximum of five years to members of the cooperative. The National Cooperative is established in 2001 in Bulgaria as a voluntary cooperative structure, uniting other cooperatives like "Mutual Agricultural Credit Associations of Private Owners" and "Mutual Credit Cooperatives of Private Farmers"⁴⁵.

Cooperatives, members of the Union, retain their legal and economic autonomy by joining together to achieve the common objectives and tasks, observing the principle of freedom of association and the community of interests and observing the provisions of the Cooperatives Act.

National Cooperative "Evrostart" functions as a specialized expert body, a methodological manager, an intermediary and a co-ordinator regarding the activities of the cooperatives, enhancing the members qualification norms, providing information on the activities and priorities of the member cooperatives, contacts and cooperation with international organizations and institutions etc.

The National Cooperative "Evrostart" vocation is to protect the interests of its member credit cooperatives before national institutions, to facilitate their access to funds and other forms of agricultural financing, to cooperate through a system of measures to limit activity risk and to approximate the European standards in the sector , including. and for the adequate legal regulation of their activity.

3.3.4 Reach for Change institution



The **Reach for Change institution** was established in Sweden in 2010 and today it has presence in 18 countries and 3 continents and supports social entrepreneurs in developing sustainable business models. It is a non-profit organization founded by the Kinnevik Group and Sara Damber (Social Entrepreneur) to improve children's lives. Its goal is to find and develop 'Leaders for Change' - local social entrepreneurs, aiming at developing innovations that solve the issues children face. Reach for Change operates in Bulgaria since 2014.

Reach for Change supports social entrepreneurs in developing sustainable business models.⁴⁶ Part of it is the provision of start-up capital. The financial support Reach for Change provides

⁴⁵ National Cooperative "Evrostart", <http://www.evrostart.org/bg/about>

aim to help the developer concentrate fully on the development and expansion of its core business and achieve sustainability. Normally, the level of funding is gradually decreasing as it is expected the developer to develop other sustainable sources of income.

Entrepreneurs are supported to innovate through funding for business development and for exploring networking opportunities.

Financial support aims to help one entrepreneur to fully focus on the development of its core business and to create the necessary conditions in order to remain sustainable. Typically, the level of funding is gradually decreasing as the entrepreneur is expected to develop other sources of sustainable revenue. This requires guidance, training and tools in areas such as strategic planning, impact assessment and leadership development. Social entrepreneurs get in touch with personal consultants from their business partners who provide empirical knowledge and strategic advice. They are given access to their business partner network, including potential investors, media contacts and other valuable interconnections.

3.3.5 Rinker Center



The Rinker Center is another annual funding initiative launched in Bulgaria by the **BCause Foundation** in 2014. It provides **grants** to social and traditional businesses to carry out economic activities that have a positive impact on people's lives in various fields such as health, culture and values, education and training, social inclusion and human rights, etc.

The Rinker Center mission is to promote education, lifelong learning and support entrepreneurship and business development in Bulgaria.

Its programs are aimed at creating opportunities for sustainable employment, enhancing competitiveness, adding value and innovation, in order to improve the quality of life in Bulgaria with a focus on rural areas. Rinker Center supports the upgrading training and qualification of Bulgarian teachers, stimulating the use of the latest technologies, interactive teaching methods and understanding of students with special needs - disabilities, learning difficulties, ethnic minorities. The Center also supports the development of active young people and children.

The main activities of the Center are:

- ⇒ Support for start-up entrepreneurs
- ⇒ Youth entrepreneurial training
- ⇒ Child Financial Literacy Programs
- ⇒ Specialized Programmes

The Rinker Center has launched specific initiatives (accelerators), which support and encourage entrepreneurial ideas (including social entrepreneurship):

⁴⁶ Reach for Change – Bulgaria, <http://bulgaria.reachforchange.org/bg/>

The **Rinker Youth Challenge** aims to support the development of entrepreneurial worldview and leadership skills among young people - start-up entrepreneurs. It is expected more than 500 young people to take part in the different stages of the programme and to come up with new knowledge, new friendships and prepared to do business planning and encouraged for public speaking⁴⁷.

The Rinker Youth Challenge is aimed at:

- ✓ Upper secondary school or college/university students;
- ✓ Recently completed secondary or tertiary education;
- ✓ Age between 17 and 26 years old;
- ✓ Initiative young people with ideas and desire for entrepreneurship;

The participants will receive:

- Entrepreneurial courses and Mentorship;
- Developing business concepts and plans;
- Public speaking to explain ideas, attract funding or influencing others;
- Up to four prizes from 20 000 BGN.

The Rinker Youth Challenge started with six Regional Forums "Join the Challenge". The "Mixer" (4-day camp) in Sofia was held during March 2019 and the Accelerator in April 2019.

One of the other initiatives, **Academy for Local Entrepreneurs** is aimed for people with entrepreneurial ideas from Blagoevgrad, Kardzhali and Haskovo Districts, which are within the area of intervention of the European Territorial Cooperation Programme INTERREG V-A Greece – Bulgaria 2014-2020 Programme as well with prize fund of 24 000 BGN.

The Rinker Center also provides **trainings "Knowledge and Skills for Successful Business"**, which targets:

- ▶ Unemployed and working people (but not entrepreneurs or self-employed);
- ▶ Students;
- ▶ Young and Elderly;

Specific requirement is the participants to have graduated at least middle school.

The trainings aim to provide:

- ✓ Forming an idea(s);
- ✓ Understanding the complexity of running a business;
- ✓ Elaborate a business plan that is understandable to the participant as well as to potential investors;
- ✓ Receive individual help to register the participant's business;
- ✓ Receive support from a professional in the first difficult months of business development;

⁴⁷ Rinker Youth Challenge – Bulgaria, <https://www.rinkercenter.org/bg/accelerators/rinker-youth-challenge.html>

3.3.6 Family Economic Success Programme (by Trust for Social Achievement)



The **Family Economic Success Programme** sponsored by the **Trust for Social Achievement** and is aimed to individuals (specifically from Roma Community), who wants to develop economic activity (entrepreneurship, social entrepreneurship, etc.) but lack skills, knowledge, or pathways to do so. Trust for Social Achievement (TSA) is dedicated to helping people in Bulgaria reach their full potential by creating opportunities for disadvantaged groups, with a focus on the Roma, 72% of whom currently live below the poverty line⁴⁸.

Trust for Social Achievement is a grant-making, non-governmental organization dedicated to reducing poverty and decreasing achievement gaps. Toward this end, Trust for Social Achievement supports activities in four program areas: First Foundations, Early Learning and Care, Educational Achievement, and Family Economic Success.

As a pioneer and an incubator for new approaches and ideas, Trust for Social Achievement tests how best to tackle deeply rooted achievement gaps. Achieving scale and sustainability will take time and cooperation. This is why TSA values partnership and the creation of networks and coalitions of like-minded allies.

Finally, an alternative source of funding for social enterprises is the Open Society - Bulgaria Foundation grants, aimed at companies working to promote the social inclusion of disadvantaged social groups, including Roma.

The Family Economic Success Programme is designed to help beneficiaries who want to increase their income, but lack skills, knowledge, or pathways to employment. We begin by focusing on projects that bolster the entire family, such as support for the start and expansion of family businesses and small farms, through hands-on mentoring and support, together with access to capital.

Special attention is also directed toward youth. Many lack the skills needed to connect with the labor market. This includes hard skills as well as soft skills such as communication, teamwork, critical thinking, and problem solving, with one fourth of all employers citing soft skills as a reason for difficulty in filling a vacancy. For this reason Trust for Social Achievement has supported projects that help young people to develop a variety of hard and soft skills as well as deepen necessary knowledge for a specific profession.

Lastly, given that discrimination continues to play a role, Trust for Social Achievement is also working closely with employers to address stereotypes and to create better pathways for minorities to access employment opportunities.

Trust for Social Achievement *aims to promote opportunities that help Bulgaria's most disadvantaged citizens achieve educational and economic success*. When selecting projects to support, Trust for Social Achievement is guided by the following **principles**:

- integrity
- transparency

⁴⁸ Trust for Social Achievement, <https://socialachievement.org/en/>

- scalability
- effectiveness.

Trust for Social Achievement reviews Small Grant Applications as well as Standard Grant Applications throughout the year, as our grant review process presumes collaborative planning between the Trust for Social Achievement team and grantees. As a start, Trust for Social Achievement advises applicants to first email project outlines (in accordance with our Guidelines for Small Grants Application or Guidelines for Standard Grants Application.) Applicants submitting outlines that correspond to the priority goals established for one or more of TSA's program areas (Early Childhood Development, Educational Achievement, Family Economic Success) may be contacted for further information.

After applicants have successfully passed through the first round of evaluation, they may be asked to submit a full Grant Application and Grant Budget. The Trust for Social Achievement will not review full Grant Applications from applicants that have not successfully passed through the first round. Applicants may expect an initial response from the TSA within one month of submitting their project outline.

3.3.7 America for Bulgaria Foundation Business Enabling Environment and Vibrant Communities support



America for Bulgaria Foundation is founded in 2009. The America for Bulgaria Foundation works in partnership with Bulgarians to support the country's private sector and democratic institutions.⁴⁹ The America for Bulgaria Foundation seeks to enhance the longstanding legacy of goodwill and friendship between the American and Bulgarian people to promote the US – Bulgaria people-to-people contacts. Through its grants and programs, the Foundation represents the generous spirit of the American people and embodies the highest standards of US ethical conduct, transparency, and core values.

Each year America for Bulgaria Foundation (ABF) donates about 20 million USD out of its \$400 million endowment. The corpus is invested to allow America for Bulgaria Foundation to continue as a perpetual foundation in its five key areas of interest:

- Business Enabling Environment
- Developing and Retaining Human Capital
- A Level Playing Field
- Independent Media
- Vibrant Communities

Some of these **areas of interest** are having as priorities:

⁴⁹ America for Bulgaria Foundation (ABF), <https://www.us4bg.org/who-we-are/our-mission/>

- ✓ Foster the adoption of market-oriented policies to improve the business and innovation environment. Create local capacity to analyze current economic policies and invest in leaders who drive positive change to enhance the business environment.
- ✓ Expand opportunities through training. Provide multiple levels of training for entrepreneurs and small businesses. Support programs for new career track development in industries with labor shortages.
- ✓ Prepare students and workers for jobs. Help students acquire the skills that will contribute to the value-added, knowledge-based sectors of the global economy. Foster their interest in science, technology, engineering, and math (STEM) careers by strengthening their critical and logical thinking skills, digital literacy, English language proficiency, and problem-solving and coding skills.
- ✓ Increase family economic success. Initiatives help low-income families obtain the skills and job opportunities that lead to economic independence and success. They support targeted micro-credit and entrepreneurship programs and promote legalization of long-standing communities and home ownership.

3.4 State sources of funding in Greece

In Greece, although state aid for social cooperative enterprises is limited, there are programmes aiming at supporting the development, as well as the establishment of this kind of enterprises through employment financing actions.

The aim of the grants is **to strengthen the business structure** of start-ups or existing social enterprises, to **create new employment opportunities** for vulnerable population groups, **to implement vocational training and other inclusion actions** for the social and employment integration of vulnerable people into social enterprises.

Specific funding tools

Social Cooperative Enterprises have access to funding from the Social Economy Fund, the National Entrepreneurship and Development Fund, in accordance with case (c) of paragraph 1, Article 4 of Chapter A of Law 3912/2011 and may be subject to the provisions of Law 3908/2011 (article 5 par. 1 of Law 4430/2016). At the same time, they can be included in entrepreneurship support programs and in the Labor Force Employment Organization programs to support employment (Article 5 (2), Law 4430/2016).

Exploitation of public movable and immovable property

The Local Authorities, the Public and Private Law Entities - General Government entities may grant, by decision of their managing body, the use of their movable and immovable property in Social Cooperatives Enterprises for the promotion of collective and social benefit activities

(Article 5 paragraph 3 of Law 4430/2016)⁵⁰, as well as to sign contracts with the Cooperatives for the implementation of projects and other programmes of social benefit.

Public Works Contracts

The Social Cooperative Enterprises may conclude Public Work Contracts for the study and execution of projects and programmes of social benefit that refer to the constitutional purposes with public sector bodies.

Tax incentives



- (a) No favorable income tax system is provided for Social Cooperative Enterprises profits. In particular, par. 3 of article 10, Law 4019/2011, which provided a favorable income tax system for profits of Social Cooperative Enterprises, not only was not applied but was abolished by par. 2 of Article 10, Law 4110/2013.
- (b) Gross income from paid employment and pensions is considered to be up to 35% of earnings before taxes, paid by Social Cooperative Enterprises to their employees (Article 72, Law 4430/2016).
- (c) In determining the profit from business activity of Social Cooperative Enterprises, 35% of profits before taxes is not included, if paid to their employees (Article 72, Law 4430/2016).
- (d) Social Cooperative Enterprises are required to pay an annual business fee, which is set at five hundred euros (par.1 of Article 73, Law 4430/2016). Social Cooperative Enterprises are not subject to the payment of the fee, provided that have not elapsed five years, since their business activity commencement (par. 2 of Article 73, Law 4430/2016).





Access to public procurement

The existing institutional framework provides for a complex regulation for access to public procurement by social entrepreneurship bodies, included in Law 4412/2016 " Public Works, Public Supply and Public Services Contracts (Adaptation to Directives 2014/24/EU and 2014/25/EU)"⁵¹.

⁵⁰ The criteria and the transparent procedure for using the movable or immovable property of legal persons shall be regulated by joint decision of the Ministers for Labor, Social Security and Social Solidarity, Finance and the competent Minister occasionally. The aforementioned decision determines the duration of property use, the obligations of the body to which the property use is granted, as well as any other relevant matter. Formation, maintenance, operation, issuing of town planning or other licenses shall be borne by the body to whom the property use is granted.

⁵¹ The Law refers to: (a) procurement procedures falling within the scope of Book I (Articles 2 to 221); (b) planning and contracting procedures falling within the scope of Book II (Articles 2 and 222 to 338); (c) Governance by contracting authorities and bodies, falling within the scope of Book III (Articles 339 to 344); and (d) conclusion of contracts falling within the scope of Book IV (Articles 345-374). The provisions of the Law shall apply, subject to paragraphs 3 to 7, to all contracts in cases a 'and b', irrespective of their type and estimated value, unless otherwise specified in their individual provisions.

In particular, Article 20 provides that contracting authorities may only grant the right to participate in public procurement procedures to:

-  **Protected Productive Laboratories** under Article 17 of Law 2646/1998.
-  **Social Cooperatives of Limited Liability** under Article 12 of Law 2716/1999.
-  **Social Cooperative Enterprises of Integration** of the case a' of Article 2 par. 2 of Law 4019/2011.
-  **Any other economic organization** whose main purpose, under its statute, is the vocational and social integration of people with disabilities or disadvantaged people, provided that more than 30% of its employees are disabled or disadvantaged employees.



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ACT SOCIAL - Actions for the Support and enhancement of Social entrepreneurship at Local level

Del.4.1.1 Feasibility Study for mapping and collecting the existing financial tools for SE's in Bulgaria

