



A map of social enterprises and their eco-systems in Europe

Country Report: Bulgaria

European Commission

This report provides a non-exhaustive overview of the social enterprise landscape in Bulgaria based on available information as of August 2014. Although a range of stakeholders were interviewed to verify, update and supplement the information collected from secondary sources, it was not possible to consult all relevant stakeholders within the constraints of the study.

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Headline summary

Definition(s) and concepts

The awareness and recognition of social enterprises among government, businesses and local stakeholders in Bulgaria has improved in recent years, not least as a result of the development of the National Social Economy Concept in 2011. This defines social enterprises as businesses which produce goods and services for the market economy and allocate part of their resources to the accomplishment of social and economic goals.

Policy and legal framework

The policy framework for social enterprises is set out in the National Social Economy Concept. This is accompanied by the Action Plan for the Social Economy 2014-2015 which supports the implementation of the National Social Economy Concept and sets out a series of priority actions aimed at facilitating the development of social economy (including social enterprises) in Bulgaria.

There is no specific legal form for social enterprise in Bulgaria. Consequently, social enterprises adopt a variety of legal forms, the three most common ones being non-profit legal entities (NPLEs) such as associations and foundations; cooperatives for people with disabilities, and specialised enterprises for people with disabilities.

Public support and initiatives

In general support to the sector in Bulgaria is weak and stakeholders note that social enterprises would benefit from more government funding, targeted assistance through dedicated financial instruments, as well as support from the municipalities, the media and the sector itself.

Networks and mutual support mechanisms

There are no networks of social enterprises in Bulgaria at present.

Marks, labels and certification systems

There are no marks, labelling schemes or certification systems for social enterprises in Bulgaria. However, the development of rules for the introduction and application of a kitemark ("social enterprise product") is included as one of the actions under Priority 1 of the Action Plan for the Social Economy 2014-2015.

Social investment markets

There are no specialist investor, intermediaries or financial instruments for social enterprises in Bulgaria.

Spectrum of social enterprise

The traditional form of social enterprises - cooperatives focusing on work integration of people with disabilities - is still predominant, but social enterprises are increasingly being set up by associations and foundations.

Scale and characteristics

There are no official estimates of the scale of social enterprise in Bulgaria. It is estimated that there are 200 to 430 social enterprises in Bulgaria that meet the EU definition. This estimate comprises specialised enterprises and cooperatives for people with disabilities, enterprises set up by Non-profit legal Entities (associations and foundations) and workers producers cooperatives.

Factors constraining the start-up and development of social enterprise

Barriers experienced by social enterprises when starting up or scaling up their activities include access to finance, a lack of government support and difficulties in accessing markets (including public procurement opportunities).

1 Definitions and concepts of social enterprise in Bulgaria

In a concept paper published in 2011, the Ministry of Labour and Social Policy of Bulgaria refers to social enterprises as the “main economic entities of the social economy”.¹ The **National Social Economy Concept**² - which represents the Government’s commitment to and a vision for the development of the social economy in Bulgaria - defines the term ‘social economy’ as being part of both the private as well as the public sector, where volunteer associations or other organised entities (i.e. social enterprises) perform economic activities for the benefit of society and reinvest their profit towards the achievement of social goals. The concept paper also defines social enterprise and related concepts (i.e. social entrepreneur(ship)) - see Box 1 below.

Box 1 Definition of *social enterprise* and related terms in Bulgaria³

According to the National Social Economy Concept, *social enterprises* in Bulgaria are businesses which produce goods and services for the market economy and allocate part of their resources to the accomplishment of social and economic goals. 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.

Social entrepreneurship is 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 utilises available resources optimally and applies innovative approaches to the development of the social economy. There is also a certain level of risk associated with social entrepreneurship: a social entrepreneur is someone who acts, makes a decision and meets his needs in an insecure and risky environment. Social entrepreneur is recognised as a profession in the national classification of occupations.

The National Statistical Institute’s annual reports on the activities of “non-financial and non-profit enterprises”, define a social enterprise as an operator of the social economy whose main goal is to achieve **positive, measurable social impact** rather than generate profit for the benefit of its owners or shareholders. It operates in the market by providing **social services or goods to disadvantaged people** or using a **method of production of goods or services, which reflects its social purpose**. According to the annual reports, social enterprises must self-declare themselves as meeting one of the following criteria:

- **They regularly invest more than 50 per cent of the profit in the achievement of social aims**, such as: assistance to socially vulnerable groups and/ or individuals in isolation; environmental protection with impact on society; social innovation activities; other activities, provision and/ or production of goods and services with a social purpose; and/ or
- **Over 30 per cent of their staff comprises vulnerable people.**

¹ Social Economy website of the Ministry of Labour and Social Policy, <http://seconomy.mlsp.government.bg/index.php>

² National Social Economy Concept, Ministry of Labour and Social Policy, accessed 31st July 2013, http://seconomy.mlsp.government.bg/upload/docs/2013-06//NATIONAL_SOCIAL_ECONOMY_CONCEPT.pdf

³ National Social Economy Concept, <http://seconomy.mlsp.government.bg/en/page.php?c=1&d=54>

According to an opinion on social enterprises and social entrepreneurship⁴ published by the Economic and Social Council (ESC), a consultative body expressing the will of Bulgarian civil society organisations regarding the social and economic development of the country, social enterprises must demonstrate the following characteristics:

- Their economic activity should have a **specific social aim**, namely to improve the living standard of vulnerable people, to ensure employment and provide conditions for their economic independence, and to provide services or other forms of support to them in view of their effective social inclusion;
- Their economic activity should have a **pronounced** and **lasting** social impact. This means that social enterprises need to pursue fundamentally and continuously social aims; for example, a one off social assistance/ service to a vulnerable person is not regarded as social enterprise.

Stakeholders interviewed for this Study shared the view that a social enterprise is an entity which engages in economic activity in pursuit of an explicit and primary social aim; and which has limits on distribution of profits and assets. Stakeholders did not spontaneously refer to inclusive governance or democratic decision-making when describing the characteristics of a social enterprise.

⁴ Economic and Social Council (2013), Analysis of Social Enterprises and Social Entrepreneurship, <http://www.esc.bg/documents/category/3#> [BG version]

2 The ecosystem for social enterprise in Bulgaria

2.1 The policy and legal framework for social enterprise

2.1.1 The national policy framework for social enterprise

As previously stated, the **National Social Economy Concept**⁵ represents the Government's framework for the development of the social economy in Bulgaria. The **Action Plan for the Social Economy 2014-2015** which supports the implementation of the National Social Economy Concept⁶ lays out a series of priority actions aimed at facilitating the development of social economy (including social enterprises) in Bulgaria:

- Priority 1: Raising awareness among stakeholders about the nature and functioning of the social economy;
- Priority 2: Establishment of support structures for the social economy and social enterprises;
- Priority 3: Information about the social economy;
- Priority 4: Creation of favourable conditions for education, training and research in support of the social economy, and
- Priority 5: Creation of a favourable environment that encourages the development of the social economy.

Actions under Priority 1 include information campaigns and events for regional and local authorities, businesses and other stakeholders in order to raise their awareness about the opportunities and conditions for the development of social entrepreneurship in Bulgaria. Also envisaged under this priority are:

- Development of a methodology for assessing the social impact of social enterprises as well as a mechanism for monitoring the social impact;
- Development of rules for introduction and application of a kitemark ("Social enterprise product"); and
- Actions that aim to improve access to financing for social enterprises, such as proposals for introduction of additional financial instruments and incentives (e.g. microcredits at preferential terms, opportunities for more efficient use of EU funds, support for access to markets, stock financing, etc.).

One of the main actions under Priority 2 is the establishment of a standing working group chaired by the Ministry of Labour and Social Policy, whilst Priority 3 actions are mainly concerned with the expansion of the social economy website maintained by the Ministry (<http://seconomy.mlsp.government.bg/>), as well as creating an internet space as a network for social enterprises. Foreseen Priority 4 actions include initial and continuing training of stakeholders in the area of the social economy. Priority 5 of the Action Plan aims to improve access to public procurement opportunities for social enterprises; the action foreseen in this regard is a proposal for amending the Public Procurement Act so that it provides a level playing field to social enterprises when applying for public procurement opportunities.

The Action Plan dedicates specific resources to each action envisaged by it. The sum allocated to the actions is BGN 360,200 in 2014 and BGN 259,700 in 2015; hence **more than half a million BGN** (ca. €317,000) is foreseen for the development of the social economy in Bulgaria over the next couple of years. All measures planned for 2014-2015

⁵ National Social Economy Concept, Ministry of Labour and Social Policy, accessed 31st July 2013, http://seconomy.mlsp.government.bg/upload/docs/2013-06//NATIONAL_SOCIAL_ECONOMY_CONCEPT.pdf

⁶ Action Plan for the Social Economy 2014-2015, http://seconomy.mlsp.government.bg/upload/docs/2014-02//RESENIJE_NA_MS_N_43.pdf

according to the Action Plan, as well as the funds allocated for the development of each measure are presented in Annex 2.

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

- The **National Reform Programme 2011-2015**⁷ which foresees measures such as the development of a Handbook on legal forms for social enterprises, National Concept for Active Live of Elderly People, support in the form of social housing for vulnerable, minority and people on social assistance, as well as support for new and existing social enterprises;
- The **National Youth Strategy 2012-2020**⁸ which states that public-private partnerships and social entrepreneurship in the sphere of services for young people should be encouraged, in order to raise awareness and improve the career development of young people;
- The **National Strategy for Poverty Reduction and Social Inclusion 2020** and the **Long-term Strategy for Employment of Disabled People 2011-2020**.¹⁰

2.1.2 Legal framework for social enterprise

There is no exclusive legal form for social enterprise in Bulgaria. Consequently, social enterprises adopt a variety of legal forms, the three most common ones being:

- Non-Profit Legal Entities (NPLEs) such as associations and foundations;
- Cooperatives for people with disabilities, and
- Specialised enterprises for people with disabilities.

The Not-profit Legal Entities Act¹¹ allows non-profit organisations to engage in economic activity, subject to certain conditions:

- 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.

There are few tax incentives available to social enterprises that use legal forms other than cooperatives for people with disabilities 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

⁷ National Reform Programme 2011-2015, Ministry of Finance, <http://www.minfin.bg/en/page/573>

⁸ National Youth Strategy 2012-2020, http://mpes.government.bg/Documents/Documents/Strategii/strategy_youth_2012-2020.pdf [BG version]

⁹ National Strategy for Poverty Reduction and Social Inclusion 2020, http://www.google.co.uk/url?sa=t&rct=j&q=&esrc=s&source=web&cd=3&ved=0CD4QFjAC&url=http%3A%2F%2Fwww.mlsp.government.bg%2Fbg%2Fdocs%2FNational_Poverty_Strategy_2020.doc&ei=74deU_fAN8fj2QX1u4CoDw&usq=AFQjCNFrVjTIGo5uwfBmeBeLWMwUzMd6SA&bvm=bv.65397613,d.b2l [BG version]

¹⁰ Long-term Strategy for Employment of Disabled People 2011-2020, http://www.google.co.uk/url?sa=t&rct=j&q=&esrc=s&source=web&cd=2&ved=0CDYQFjAB&url=http%3A%2F%2Fahu.mlsp.government.bg%2Fportal%2Fdocument%2F306&ei=RIheU_7AF7S02AW1slIGYBg&usq=AFQjCNF1s24dDwrSTejKQ9ttQEae_uzM4g&bvm=bv.65397613,d.b2l [BG version]

¹¹ Non-profit Legal Entities Act, <http://www.bcnl.org/en/articles/866-law-for-the-nonprofit-corporate-bodies-legal-entities.html>

company. This is notwithstanding the fact that NPLEs are required to use such income to further their, often social, purpose.

Current laws and regulations often fail to consider the particular features and characteristics of a social enterprise, which often acts as a practical impediment to the development of social enterprise. For example, there are sensitive areas of public policy, such as education, health and social care, where the State either is not permitted to contract out the delivery of the services to private entities or if it is permitted to do so, the State often decides to deliver the services directly. The only exception is social contracting – contracting out social services to be provided by private providers (more than 20 per cent of all community based services are currently contracted to private providers).

Another major obstacle is that the term *social enterprise* has no legal recognition in the Bulgarian legislation which makes it difficult to be considered under the legislation which provides incentives for employment and skills development of disadvantaged groups (e.g. tax incentives for WISE).

2.2 Public support schemes targeting social enterprises

According to the National Social Economy Concept support to the social economy sector in Bulgaria will come from a variety of public financial sources, such as:

- Grant schemes for the establishment and development of social enterprises and social platforms;
- Tax relief in the form of extending the existing provisions for corporate businesses to social enterprises, as well as introducing new provisions especially for social enterprises;
- State subsidies admissible under the so-called Block Exemption Regulations for State Aid;¹²
- Access to credit and social funds;
- Defining additional specific criteria in favour of social economy enterprises when they participate in public procurement procedures, and
- Encouraging donations in favour of the social economy through tax relief for donors.

In addition, EU funding under the OPs Human Resources Development¹³ and Competitiveness¹⁴ for the period 2007-2013 and 2014-2020 are also contributing to the development of social enterprises in Bulgaria.¹⁵ Under Priority 5 on social inclusion and promotion of social economy of OP Human Resources Development, financial support has been provided among others to NGOs, specialised enterprises and cooperatives of people with disabilities, social and health service providers, municipalities, etc. In general, the scope of this OP is broader in comparison to OP Competitiveness.

Under OP Competitiveness 22 beneficiaries representing cooperatives of people with disabilities were supported under a scheme for technological modernisation for a total of BGN 5 million in 2007-2013. During the new programming period (2014-2020) a similar scheme is planned under the OP Innovation and Competitiveness which will cover not only cooperatives of disabled people but also other applicants provided that they fulfil the condition that they are registered as commercial entities.

According to one of the interviewed stakeholders, opportunities for financing social enterprises in Bulgaria also exist under the Horizon Programme,¹⁶ the programme COSME of DG Enterprise and Industry,¹⁷ and the new Employment and Social Innovation (EaSI)

¹² http://ec.europa.eu/competition/state_aid/legislation/block.html

¹³ OP Human Resources Development, <http://ophrd.government.bg/>

¹⁴ OP Competitiveness, <http://www.opcompetitiveness.bg/>

¹⁵ <http://www.eurofound.europa.eu/eiro/2011/07/articles/bg1107021i.htm>

¹⁶ <http://ec.europa.eu/programmes/horizon2020/>

¹⁷ http://ec.europa.eu/enterprise/initiatives/cosme/index_en.htm

programme of DG Employment, Social Affairs and Inclusion.¹⁸ Overall, there is limited public support targeting social enterprises in Bulgaria, with a lot of the support coming from the EU.

Table 2.1 Overview of publicly funded schemes specifically designed for or targeting social enterprises in Bulgaria

Support type	Are there any schemes specifically targeting social enterprises?	Are any of these schemes funded by ERDF/ ESF?
Awareness raising (e.g. award schemes, communication, advocacy)	X – though there are plans for this in the Action Plan 2014-2015	X
Social entrepreneurship education (e.g. academic courses)	✓ – e.g. Veliko Tarnovo University major in Entrepreneurship in the social sphere	X
Pre-start / start-up support e.g. <ul style="list-style-type: none"> ▪ Business support e.g. mentoring, consultancy, coaching etc. ▪ Grants ▪ Infrastructure e.g. incubators 	X	X
Grants and business support for established enterprises (e.g. business planning, management skills, marketing, training and coaching etc.)	X	X
Investment readiness support	X	X
Dedicated financial instruments (e.g. loans, guarantee schemes, social impact bonds etc.)	X	X
Physical infrastructure (e.g. shared working space)	X	X
Collaborations and access to markets	✓ – e.g. the International Fair in Plovdiv held annually hosts a European fair for social enterprises and cooperatives	X
Networking, knowledge sharing and mutual learning initiatives	✓ – e.g. through the social economy website of the MLSP and online portals created by beneficiaries of the OPs	✓

2.3 Other specialist support and infrastructure available to social enterprises

The Bulgarian Centre for Not-for-profit Law (BCNL) holds an annual contest¹⁹ for “best business plan” of NGOs, in order to encourage them to undertake economic activities in

¹⁸ <http://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=1093>

support of their primary social, environmental or other aims and to promote the cause of social entrepreneurship. The total award fund of BGN 30,000 is shared between the top three contestants; the initiative is funded by Foundation America for Bulgaria and UniCredit Bulbank. The next contest will be launched in the summer of 2014 and will go through the following stages: first, the NGOs will participate in two trainings where they will receive knowledge and guidance on how to develop a business plan which supports their mission, what is important for the success of the business idea, etc. The NGOs will then have three months to develop their business plans. The third part is the contest for the best business plan in which an independent jury determines the three winners.

2.4 Networks and mutual support mechanisms

There are no networks of social enterprises in Bulgaria at present, though one could argue that the Ministry of Labour and Social Policy's social economy website could serve as the base for establishing one in the future. As mentioned previously, the Action Plan 2014-2015 includes a specific action on developing an online platform which connects social enterprises in a network (see Annex 2).

The Pia Mater Foundation, one of the main social enterprises in the capital Sofia, has set up an online portal called *Institute for Social Entrepreneurship*²⁰ which provides information on social entrepreneurship²¹ and good practice examples from across the country.

The Bulgarian Charities Aid Foundation (BCAF) has launched an information platform *Social enterprises in Bulgaria: When the Business has a Social Mission*²² which provides up-to-date information on contests, funding opportunities and other resources for social enterprises. The platform represents both start-up and existing social enterprises, connects them in a network, and supports the development of their capacity and their growth. The platform is part of a project implemented by BCAF in partnership with Social Enterprise UK and the MLSP.

Other information platforms for social enterprises in Bulgaria have been established within the framework of projects funded by OP Human Resources Development, for example the regional platform *Social Economy* established to support social enterprises in Northern Bulgaria²³ and the *Virtual Resource Centre for the Social Economy*²⁴ maintained by the Millennium Foundation.

2.5 Marks, labels and certification systems

This does not yet exist in Bulgaria but is in the planning under Priority 1 of the Action Plan for the Social Economy 2014-2015. As mentioned previously, the Action Plan envisages the development of: i) rules for introduction and application of a brand for products produced by social enterprises in order to distinguish them from those produced by other types of businesses (Action 2, Objective 3, Priority 2); and ii) a methodology for assessing the social impact of social enterprises to improve the living standard of the target groups, and a monitoring mechanism for this (Action 4, Objective 1, Priority 1).

Some of the products produced by cooperatives have a common logo (e.g. *КООП*); cooperatives such as *Chernomorka*²⁵ - one of the biggest employers of disabled people in

¹⁹ <http://www.bcnl.org/bg/news/1242-тримата-финалисти-в-конкурса-за-найдобър-бизнес-план-на-нпо-са-вече.html> [BG version]

²⁰ <https://sites.google.com/a/piamater.org/theinstitute/>

²¹ According to this platform, social entrepreneurship is a different way of doing business that mixes business acumen with a social mission: the perfect combination and balance of social and economic goals.

²² <http://www.socialenterprise.bg/en/>

²³ <http://www.millenum.bg/platforma>

²⁴ <http://millenum.bg/VirtualResourceCentre>

²⁵ <http://www.chernomorka.com/>

Bulgaria - have their own brand as well. *Chernomorka* is a member of the National Union of Workers Producers' Cooperatives and mainly produces baby and children's clothes for children aged 0-8 years old. The social enterprise received 5 gold medals at the International Fair of Consumer Goods and Technologies in Plovdiv between 2004 and 2010; according to one of the interviewees, it has an excellent rehabilitation programme as well.

2.6 Social investment markets

2.6.1 The supply of finance

There are no specialist investor, intermediaries or financial instruments for social enterprises in Bulgaria. The importance of such specialist financial instruments, however, is recognised both by interviewees and the Action Plan for the Social Economy 2014-2015, which envisages microcredits and stock financing among others under Action 3.2.

Given the above, the social investment market in Bulgaria could be described as emerging and immature at present. The interviewed stakeholders report that most of the financing for social enterprises comes from foundations and savings, friends and family, with only one stakeholder reporting that commercial banks are a source of finance as well. Literature and interviewees note that most of the limited state funding available goes to social enterprises set up by municipalities and cooperatives for disabled people. This might be partially due to the fact that social services are largely provided by the state, through the local branches of the Agency for Social Assistance.

2.6.2 The demand for finance

Whilst there is no secondary literature on this, the interviewed stakeholders implied that there is great demand for financing of both existing and newly-established social enterprises in Bulgaria. Lack of finance and markets is clearly the number one barrier for starting up and scaling up a social enterprise (see section 3.6).

2.6.3 Market gaps/ deficiencies

There appears to be a clear mismatch between supply and demand for social finance in Bulgaria. One of the main market deficiencies seems to be the relatively high reliance of social enterprises on public support. As stated previously, the latter is limited. The lack of legal recognition of social enterprises in the country may be considered an additional obstacle for public authorities in terms of establishing support schemes. Another barrier to the development of social enterprises is the fragmented evidence to demonstrate their social and economic impact and values. This is to be overcome by planned governmental actions²⁶ which may help address or at least reduce gaps in the market.

2.7 Overview of the key actors in the social enterprise ecosystem

The table below provides an overview of the key actors involved in the social enterprise ecosystem in Bulgaria. Please note that this is not an exhaustive list.

<i>Policy makers – Governmental departments or institutions designing or implementing policy, support instruments and measures for social enterprises and infrastructures</i>	Ministry of Labour and Social Policy (MLSP), Ministry of Economy and Energy (MEE), Agency for Social Assistance
<i>Customers – authorities contracting social enterprises</i>	Local authorities/ municipalities

²⁶ http://seconomy.mlsp.government.bg/upload/docs/2014-02//RESENIIE_NA_MS_N_43.pdf

<i>Organisations promoting, certifying and awarding social enterprises labels</i>	None
<i>Institutions, civil society initiatives or other social enterprises promoting social entrepreneurship education and training, and presenting role models</i>	Central Cooperative Union (CCU), Bulgarian Centre for Non-profit Law (BCNL), Centre for Entrepreneurship and Executive Development (CEED), Veliko Tarnovo University
<i>Organisations that have the capacity act as an observatory and to monitor the development and to assess needs and opportunities of social entrepreneurs/social enterprises</i>	ESC, BCNL, KT <i>Podkrepa</i>
<i>Providers of social enterprise start up and development support services and facilities (such as incubators)</i>	BCNL
<i>Business support providers</i>	BCNL, CEED (business support in terms of training)
<i>Facilitators of learning and exchange platforms for social enterprises</i>	MLSP through the website http://seconomy.mlsp.government.bg/ Institute for Social Entrepreneurship https://sites.google.com/a/piamater.org/theinstitute/ Bulgarian Charities Aid Foundation (BCAF) through the information platform "Social enterprises in Bulgaria" (http://www.socialenterprise.bg/en/) Millennium Foundation through the project Virtual Resource Centre for the Social Economy (http://www.millennium.bg/VirtualResourceCentre)
<i>Social enterprise (support) networks, associations</i>	CCU, National Federation of Employers of Disabled People, National Union of Worker Producers Cooperatives
<i>Key providers of finance</i>	None
<i>Research institutions</i>	Bulgarian Academy of Science (BAS), Veliko Tarnovo university (major Entrepreneurship in the social sphere)

3 Mapping social enterprise activity in Bulgaria

3.1 The spectrum of social enterprises in Bulgaria

Social enterprises in Bulgaria are typically one of the following kinds:

- Non-profit Legal Entities with **public benefit status** (associations and foundations) with revenue generating activities;
- Cooperatives pursuing a social mission, including cooperatives for the disabled;
- Specialised enterprises for people with disabilities;
- Social enterprises created by municipalities, and
- Other social enterprises (e.g. cultural centres (читалище), lyceums, etc.).

Mainstream enterprises emphasising on a social mission in their business models are not well-developed in Bulgaria at present.

3.1.1 Non-profit Legal Entities (NPLEs)

The Non-profit Legal Entities Act²⁷ came into force in the beginning of 2002. It defines two types of non-profit legal entities: associations and foundations. The Non-profit Legal Entities Act allows NPLEs to perform economic/ revenue generating activity, subject to certain conditions. The Act defines the following criteria for economic activity, performed by the NGOs:

- 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.

See Annex 1 for more information on the legal characteristics of NPLEs.

According to one of the interviewed stakeholders, because of their access to project financing (e.g. grants received by donors, donations, etc.), for most NPLEs revenue generating activities are only ad-hoc as they are perceived as riskier.

3.1.2 Cooperatives

The Cooperatives Act,²⁸ regulates the activities of cooperatives (see Box) in the country. On the basis of the Cooperatives Act, cooperatives, regional cooperative unions and cooperative companies are organised in four National Cooperative Unions:

- **The Central Cooperative Union** comprises **consumer cooperatives** and represents 155,000 cooperative members and 10,300 employees, members and employees in 808 cooperatives and 34 regional cooperative unions;
- **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.
- **The National Union of Workers Producers' Cooperatives** comprises small and medium-sized enterprises for cooperative production of industrial goods and provision of

²⁷ Non-profit Legal Entities Act, <http://www.bcnl.org/en/articles/866-law-on-nonprofit-legal-entities.html>

²⁸ Cooperatives Act (1999), Article 1, <http://dv.parliament.bg/DVWeb/showMaterialDV.jsp?idMat=3688> [BG version]

services with over 20,000 cooperative members; approximately 15,000 people are employed, including 11,000 workers with disabilities.

- **National Union of Cooperatives of Persons with Disabilities** unites cooperatives of people with disabilities.

Cooperatives generally serve the mutual interests of their members; only cooperatives of persons with disabilities can be regarded as pursuing a social mission. The latter are WISE (they deliver societal impact through the people they employ) – mainly for people with disabilities.

Box 2 What is a cooperative?

A **cooperative**, as defined in Article 19(4) of the Bulgarian Constitution,²⁹ is a form of association of citizens and legal entities pursuing economic and social prosperity.

More recently, Article 1 of the Cooperatives Act³⁰ passed in 1999 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.

3.1.3 Specialised enterprises for people with disabilities

According to the Law for Integration of People with Disabilities, specialised enterprises and cooperatives for people with disabilities are those which:

- Are registered under the Commercial Act or the Cooperatives Act, as well as the register of the Agency for People with Disabilities;
- Produce goods or provide services;
- Have a relative share of persons with disabilities, as follows:
 - Specialised enterprises and cooperatives for blind people - not less than 20 per cent of total staff;
 - Specialised enterprises and cooperatives for deaf people – not less than 30 per cent of total staff;
 - Specialised enterprises and cooperatives for persons with other disabilities – not less than 50 per cent of total staff.

In addition to the above, the Public Procurement Law states that the total staff in specialised enterprises and cooperatives for persons with disabilities should not be less than 10 people. This law appears more rigorous (than the Law for Integration of People with Disabilities) and sets the minimum number of persons with disabilities in such enterprises and cooperatives to 50 per cent of total staff.

3.1.4 Other social enterprises

Other social enterprises include cultural centres (*читалище*) and lyceums. Though not social enterprises per se, Corporate Social Responsibility (CSR) initiatives of private sector enterprises are becoming more widespread in Bulgaria.

3.2 Application of operational definition: determining the boundaries

Task 1 of this project elaborated an EU Operational Definition of Social Enterprise, consisting of a number of eligibility and mapping criteria. Taking into account the common understandings and stakeholder positions outlined above, the following seeks to apply the

²⁹ Constitution of the Republic of Bulgaria, Article 19, paragraph 4, <http://www.parliament.bg/bg/const> [BG version]

³⁰ Cooperatives Act (1999), Article 1, <http://dv.parliament.bg/DVWeb/showMaterialDV.jsp?idMat=3688> [BG version]

Operational Definition to move to an understanding of the spectrum of organisations and enterprises within Bulgaria that might be considered to be social enterprises.

In general, in Bulgaria there seems to be an understanding of the term 'social enterprise' which is relatively similar to the EU Operational Definition. Table 3.1 below summarises the similarities and differences between this definition and the Bulgarian definition of a social enterprise as understood by key literature and stakeholders consulted for this country report:

Table 3.1 Differences and similarities between the Operational Definition and the definition of 'social enterprise' in Bulgaria (as understood in key literature and stakeholders consulted in this country report)

Dimension	Criterion	Similarities/ differences with the definition of 'social enterprise' in Bulgaria
Economic	It must engage in economic activity: this means it must generate income from market sources	<p>Yes it is understood that social enterprises must engage in economic activity.</p> <p>This criterion is met by all active cooperatives, specialised enterprises and cooperatives for the disabled, NGOs who have set up businesses and social enterprises established by municipalities in Bulgaria.</p>
Social	It must pursue an explicit and primary social aim: a social aim is one that benefits the society	<p>Social enterprises must engage in activities with a social and humanitarian result/ which help disadvantaged/ vulnerable people, etc.</p> <p>This criterion is met by all NPLEs with public benefit status, who have set up businesses and social enterprises established by municipalities in Bulgaria. It is also met by cooperatives of persons with disabilities and a proportion of Workers Producers' Cooperatives.</p>
Governance	Limits on distribution of profits and/ or assets	<p>Yes, either invests more than 50 per cent of its profit in the achievement of social aims and/ or employs over 30 per cent of staff from disadvantaged/ vulnerable groups.</p> <p>The National Statistical Institute monitors the activities of these organisations, with one of the conditions for self-identifying as social enterprises being that more than 50 per cent of the profit is regularly invested in the achievement of social aims. In the case of cooperatives, including of the disabled, the profit can be shared among the members of the cooperative.</p>
	Independence – autonomy from the State	Governance autonomy and independence from public authorities is mentioned as one of the common values in the business model of social enterprises, according to the National Social Economy Concept. Please note,

Dimension	Criterion	Similarities/ differences with the definition of 'social enterprise' in Bulgaria
		however, that municipalities in Bulgaria can establish social enterprises, hence the definition is potentially broader.
	Inclusive governance - participatory and/ or democratic decision making	According to the National Social Economy Concept, democratic control on the part of the members is mentioned as one of the common values in the business model of social enterprises. Democratic decision making is also one of the principles of cooperatives. Nevertheless, one stakeholder reported that participatory governance does not seem to be widely understood as a form of governance in Bulgaria, especially among NPLeS.

3.3 Measurement of social enterprises

As mentioned previously, in the case of Bulgaria the national definition in the National Social Economy Concept seems to be quite close to the EU Operational Definition, with the exception of the governance dimension in some cases. Therefore, existing statistics should provide an adequate idea about the size of the sector in the country. Estimates from different sources are presented below:

- An official statistic of the scale of social enterprises in Bulgaria is forthcoming; the results are expected to be published later on in 2014. Unofficially, about 5,000 enterprises self-identified as social enterprises.
- According to the Ministry of Economy and Energy (MEE), which follows the National Social Economy Concept's definition of social enterprises, there are **over 2,000 social enterprises (cooperatives)** in Bulgaria employing **over 500,000 people**.³¹
- In 2012, the number of NGOs in Bulgaria was estimated by a USAID report at **35,000**, an increase from the year before.³² According to another report, there are about **85 social enterprises set up by NGOs** in the country.³³
- In 2012, the number of specialised enterprises and cooperatives for people with disabilities was **131**. Such enterprises employed about **1,200 people**, including 30 per cent people with disabilities.³⁴ The online register of the Agency for People with Disabilities, however, includes **125** specialised enterprises and cooperatives for people with disabilities.³⁵
- As mentioned in section 3.2.1 above, **808** consumer cooperatives are members of the CCU, with total number of employees amounting to **10, 300 people**.

³¹ PowerPoint presentation sent by the Ministry of Economy and Energy (MEE)

³² USAID (2013). Index for Sustainability of NGOs 2012. http://www.bcnl.org/uploadfiles/documents/news_docs/bulgaria.pdf

³³ Kumanova, M. & Shabani, N (2012). Analysis of social entrepreneurship in Bulgaria, http://www.znanielovech.org/Analiz_inovacii.pdf

³⁴ Report – Social Enterprises in Bulgaria, http://www.socialenterprise.bg/docs/conference_1/%D0%9F%D0%B0%D1%80%D1%82%D0%BD%D1%8C%D0%BE%D1%80%D1%81%D1%82%D0%B2%D0%BE%20%D0%B7%D0%B0%20%D1%81%D0%BE%D1%86%D0%B8%D0%B0%D0%BB%D0%BD%D0%B8%20%D0%BF%D1%80%D0%B5%D0%B4%D0%BF%D1%80%D0%B8%D1%8F%D1%82%D0%B8%D1%8F%20-%20%D0%B4%D0%BE%D0%BA%D0%BB%D0%B0%D0%B4%20%D0%BE%D1%82%20%D0%B8%D0%B7%D1%81%D0%BB%D0%B5%D0%B4%D0%B2%D0%B0%D0%BD%D0%B5.pdf

³⁵ <http://ahu.mlsp.government.bg/portal/se/>

- As also mentioned in section 3.2.1 above, **15,000 people** are employed by worker producers' cooperatives. According to the website of the National Union of Worker Producers' Cooperatives, **251** cooperatives are members of the Union, including 30 specialised enterprises for people with disabilities.³⁶

³⁶ <http://www.uniontpk.com/index.php?MhObg5KvM5ODQVWbM5S7UJObQBeLQVG-QtirkJWPMN>

Table 3.2 Estimated scale of social enterprise in Bulgaria

Type	Total number (registered)	Number of SEs – lower bound estimate	Number of SEs - upper bound estimate	Source	Notes
Specialised enterprises and cooperatives for people with disabilities	125	125	125	<i>latest figures (2014) as per online register of the Agency for People with Disabilities</i>	
NPLEs	35,000	-	-	<i>USAID (2013). Index for Sustainability of NGOs 2012</i>	<i>NPLEs/ NGOs are beginning to focus their attention on market-generating activities and provision of paid services as a strategy for financial sustainability; it does not mention any figure for this, however. The report states that only a few NPLEs/ NGOs have properties that can be rented and membership fees are a restricted source of income for most membership organisations.</i>
Number of enterprises set up by NPLEs	85	85	85	<i>Analysis of social entrepreneurship in Bulgaria (2012)</i>	
Agricultural cooperatives	903	-	-	<i>National Union of Agricultural Cooperatives consists of agricultural cooperatives for production and services with 903 agricultural cooperatives established in the period 1992-1994</i>	<i>Not included as these serve members' interests</i>
Consumer cooperatives	808	-	-	<i>Members of the Central Cooperative Union (2014)</i>	<i>Not included as these serve members' interests</i>
Workers Producers' Cooperatives	251	-	221	<i>According to the website of the National Union of Worker Producers' Cooperatives, 251 cooperatives are members of the Union, including 30 specialised enterprises for people with disabilities (2014)</i>	
Total:	37,172	210	431		

3.4 Characteristics of social enterprises

3.4.1 Legal forms

As mentioned in section 3.1 above, Bulgarian social enterprises take different legal forms – primarily cooperatives and associations and foundations undertaking revenue generating activities.

3.4.2 Business models

The business models differ between social enterprises in Bulgaria.

Sources of income

While no official aggregate and comparable data is available, the overall financial condition of social enterprises in Bulgaria – judging by the interviewed representatives of this sector and literature reviewed for this country report – appears to be weak. The main source of income for the interviewed social enterprises is savings, as well as help from friends and family; this is in particular the case for non-profits with revenue generating activities. Cooperatives, on the other hand, usually apply for funding from the Agency for People with Disabilities and the OPs. Interviewees generate revenues from provision of fee-based services, production of goods for sale and participation in tenders announced by the national authorities.

Social impact

Measuring the social impact of social enterprises in Bulgaria is not yet applied in practice. Nevertheless, there are plans for such an assessment in the Action Plan 2014-2015 supporting the implementation of the National Social Economy Concept.

The focus of many social enterprises on work integration implies that their main societal impact is through the disadvantaged groups of people who find employment, such as the disabled and unemployed people. The interviewed social enterprises report different public benefits of their actions. In addition to full work integration of disadvantaged people, these are:

- Providing/ improving social and health care for disadvantaged people;
- Delivering social assistance and care services of general interest;
- Facilitating access to and delivering education and lifelong learning, and
- Supporting the social integration and personal accomplishment of children, youth and other people needing care.

Use of paid workers

Apart from voluntary associations/ NGOs, social enterprises in Bulgaria largely rely on paid workers. The interviewed social enterprises are micro- and medium-sized enterprises, employing a range of 8 to 60 persons, both on a full- and part-time basis; only one of them reports employing about 5 volunteers. Cooperatives are mostly medium-sized enterprises.

3.4.3 Fields of activity

The Economic and Social Council reports³⁷ that the main fields of activity of social enterprises in Bulgaria are:

- Social services delivery;
- Employment of people with disabilities;

³⁷ Economic and Social Council (2013), Analysis of Social Enterprises and Social Entrepreneurship, <http://www.esc.bg/documents/category/3#> [BG version]

- Mediation in finding a job for unemployed people;
- Provision of health services;
- Activities in the sphere of education, etc.

NGOs with revenue generating activities in Bulgaria principally provide social services to elderly or young people, and children. One example of such a NGO-social enterprise is the Pia Mater Foundation³⁸ which is the biggest provider of social services to elderly, disabled and ill people in the capital Sofia. Their services include a 24-hour home care of these people, affordable food delivery and crisis social assistance to people who are not able to afford regular services. The foundation also provides training to the people who perform social services, usually disabled or long-term unemployed people, as well as training of assistants who would like to work in other EU countries (e.g. Germany, Austria, Italy, etc.).

One of the interviewed stakeholders reports that by law NGOs with revenue generating activities cannot provide health services because they have to be registered as commercial entities (*търговски дружества*).

The main field of activity of specialised enterprises or cooperatives of people with disabilities is work integration; such enterprises are mainly working in the 'light' industry.

3.4.4 Target groups

As mentioned previously, the main target groups served by social enterprises in Bulgaria are elderly people, young people and children, people with disabilities and the long-term unemployed ('discouraged workers').

3.5 Summary of mapping results

Box 3 Summary of mapping results

The mapping of social enterprises in Bulgaria can be summarised as follows:

- Social enterprises that meet the operational definition criteria exist under different legal forms in Bulgaria. These mainly include NGOs with revenue generating activities, cooperatives (primarily for disabled people), specialised enterprises (primarily for blind and deaf people) and social enterprises set up by municipalities. Businesses that undertake explicit social aims are not yet well-developed in the country.
- The term 'social enterprise' is not defined in the Bulgarian legislation. However, the term 'cooperative' which is essentially where the social enterprise idea originated from in Bulgaria is recognised in the legal framework. Hence, the assessment of fulfilling the criteria for social enterprises which are not cooperatives is based on a case-by-case basis.
- Work integration remains a very important dimension for cooperatives in Bulgaria and this spans a number of economic sectors. Bulgarian social enterprises engage both in the provision of social services, though the state is still the primary provider in this sphere, and in the production of goods.

³⁸ <http://www.piamater.org/english-version>

Table 3.3 Mapping the ‘universe of social enterprises’ in Bulgaria

Dimension	Core criteria	Non-profit Legal Entities (NPLEs)	Businesses owned by NPLEs	Workers Producers Cooperatives	Specialised enterprises and cooperatives for people with disabilities
Entrepreneurial dimension	Engagement in economic activity	Some do	Yes	Yes	Yes
Social dimension	Social aim (public benefit)	Yes	Yes	Yes	Yes
	Distribution of profits and/or assets according to defined rules and procedures	Yes	Yes	Yes – Agricultural Cooperatives excluded	Yes
	Existence of limits on profit distribution	Yes- by definition	Yes	Profits can in theory be distributed. Level defined in cooperative agreement	Level defined in agreement
Governance	Asset lock - existence of asset lock	Not defined	Not defined	Level defined in cooperative agreement	Not defined
	Autonomy - organisational autonomy	Autonomous	Fully-owned subsidiary	Not defined	Autonomous
	Inclusive governance	Encouraged, but not a requirement	Encouraged, but not a requirement	Autonomous	Yes, limited to members
Estimated number		35,000 (2012)	85 (2012)	251 including 30 specialised cooperatives for people with disabilities (2014)	125

Dimension	Core criteria	Non-profit Legal Entities (NPLEs)	Businesses owned by NPLEs	Workers Producers Cooperatives	Specialised enterprises and cooperatives for people with disabilities
Source of information		USAID (2013) Index for Sustainability of NGOs 2012	Analysis of social entrepreneurship in Bulgaria (2012)	Website of the National Union of Worker Producers' Cooperatives	Online register of the Agency for People with Disabilities
Estimated number of organisations meeting the EU core criteria		Unknown – although according to the above report, NPLEs are beginning to focus their attention on market-generating activities and provision of paid services as a strategy for financial sustainability; it does not mention any figure for this, however. The report states that this is not entirely possible due to economic hardship in Bulgaria and Europe and that few NPLEs/ NGOs have properties that can be rented and membership fees are a restricted source of income for most membership organisations.	85	0 to 221 (excluding 30 specialised cooperatives that are counted elsewhere)	125

3.6 Opportunities and barriers

An important enabling factor for the development of social entrepreneurship in Bulgaria identified by all interviewed stakeholders is awareness-raising among the wider public and education. Several universities (e.g. University of Veliko Tarnovo, etc.) have started offering majors in Social entrepreneurship, but one of the stakeholders comments that it is important to introduce the concept earlier, as part of high school education. Another stakeholder observes that in general in Bulgaria the focus is on money and there is a perception that those who manage to earn “good money” are successful. According to this stakeholder, there needs to be more public talk about people who work for “the greater good” and that they are also successful. He continues that there should be a good understanding of the concept of social entrepreneurship so that the public does not think that those who cannot earn money become socially engaged, instead.

Another key enabling factor for the development of social enterprise in Bulgaria is the creation of micro-finance institutions that can provide start-up support to social enterprises, for example, loans up to BGN 25,000 (ca. €12,800). Such SIFIs can be created under the innovation strand of the ESF but eligible organisations need to express an interest/ apply first. There is a micro-finance institution called Jobs, as part of the Bulgarian Bank for Development, which provides low-interest loans to sole traders (*еднолични търговци*) but there is no special scheme for financing social enterprises in Bulgaria per se.

In general, it is easier to start up a social enterprise in Bulgaria than to scale one up. The interviewed stakeholders comment that accessing finance and markets are clear barriers to both starting and scaling up social enterprises in Bulgaria. This is followed by inability to employ suitably skilled staff and lack of internal skills (e.g. management, etc.) in how to start up a social enterprise. Lack of innovation is also suggested as a barrier to scaling up social enterprises.

The interviewed social enterprises had differing views on the barriers they experienced when starting up or scaling up their activities. One of them reports that the availability of finance is a barrier when starting up a social enterprise, whilst insufficient government support for social enterprises is a barrier to both starting up and scaling up the activities of a social enterprise.

The other interviewed stakeholder representing the sector reports that they experienced the following barriers when starting-up:

- The terms and conditions attached to bank finance (e.g. personal guarantees on loans);
- The amount of finance that banks are willing to provide;
- Access to public procurement opportunities (this one is noted as the only barrier experienced for starting up by another of the interviewed stakeholders (social enterprises));
- Lack of social clauses in public procurement practices;
- Insufficient government support for social enterprises, and
- Availability of skilled workers (paid employees).

This stakeholder also reports that for scaling up its operations they experienced all of the barriers mentioned above, along with:

- Availability of finance;
- Non-availability of financing on suitable terms from sources other than banks;
- General economic conditions, and
- Delays in receiving payment for services delivered.

Further to the above-mentioned barriers, the stakeholder states that the Bulgarian government should establish a voucher model for financing social service providers³⁹ so that social

³⁹ More information about a voucher model for financing of social enterprises which provide social services is available on the website of the Institute for Social Entrepreneurship established by a number of social enterprises in Bulgaria, <https://sites.google.com/a/piamater.org/theinstitute/home>

enterprises can compete for public funding for social services. According to this stakeholder, at present the government prefers to fund its own structures and municipalities aiming to strengthen their capacity. This is viewed as unfair and not appropriate for those who need social services, as well as for the market economy, as only a model based on competitiveness can lead to quality services, improved access and innovation. The stakeholder claims that the approach of municipalities delivering social services will be backed with funds by the ESF in the next programme period 2014-2020. The stakeholder further reports:

“Thus we cannot expect scaling up of our social enterprise, as we provide quality services for the 1 per cent of people who can afford the service fee. The other 99 per cent will be expecting municipal services waiting to be shortlisted or receiving services with quality “as it is”.

The best thing the government could do for social enterprises in Bulgaria is not to compete with them, withdraw from the market and concentrate on regulation and facilitation of the processes. It would be better to allocate the EU funds to the development of a competitive and nurturing environment.”

According to another stakeholder, there is a lack of financing for cooperatives, apart from financing for technical equipment. This stakeholder continues that the state policy is still focussed on providing social assistance to vulnerable groups rather than on creating employment for them.

Some of the interviewed stakeholders pick up on the current lack of statistical recognition of people with disabilities and vulnerable groups in general.

Social dialogue in Bulgaria is reported as difficult by one of the interviewed stakeholders; this has a negative effect on social enterprises such as cooperatives. Even though there are quotas for disabled people in the Labour Code, there are no sanctions for violations and penalties for the non-abiding employers are really small as well; the same applies to the adaptation of workplaces to the needs of disabled people which is sometimes not up to the required standard. According to this stakeholder while all of these exist on paper, there should be more social dialogue with the support of the state.

Annex 1 Comparative overview of legal forms commonly used by social enterprises in Bulgaria

Legal form	Non-Profit Legal Entities (NPLEs): Associations and Foundations	Cooperatives of People with Disabilities	Specialised Enterprises for People with Disabilities (SEPD)
Definition	<p>NPLEs are established to support non-profit purposes and to perform non-profit activity. NPLEs are free to determine their scope of non-profit activity as well as their non-profit purposes.</p> <p>The NPLEs can be established in one of the two non-profit legal forms:</p> <ul style="list-style-type: none"> ▪ An association which is an organisation made up of a group of individuals (its members), who have decided to come together for a particular purpose. ▪ A foundation which is an organisation established to administer and use assets gifted it to by a founder or founders for the promotion of a particular purpose. <p>Each of these legal forms can choose to be either a NPLE with private benefit or with public-benefit status.</p>	<p>Cooperatives of people with disabilities are established under the legal form of a cooperative.</p> <p>In order to qualify as “of people with disabilities”, the legal form must produce goods or provide services and have a relative share of people with permanent disabilities as follows:</p> <ul style="list-style-type: none"> ▪ for cooperatives of blind people, a minimum of 20 per cent of the personnel must be blind people; ▪ for cooperatives of deaf people, a minimum of 30 per cent of the personnel must be deaf people; ▪ for cooperatives of people with other types of disabilities, a minimum of 30 per cent of the personnel must be people with other types of permanent disabilities. 	<p>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.</p> <p>In order to qualify as “of people with disabilities”, the legal form must produce goods or provide services and have a relative share of people with permanent disabilities as follows:</p> <ul style="list-style-type: none"> ▪ for specialised enterprises of blind people, a minimum of 20 per cent of the personnel are blind people; ▪ for specialised enterprises of deaf people, a minimum of 30 per cent of the personnel must be deaf people; ▪ for specialised enterprises of people with other types of disabilities, a minimum of 30 per cent of the personnel must be people with other types of permanent disabilities. <p>In practice, the most common forms of the specialised enterprises are those established as limited liability companies or single member limited liability companies. The answers provided below are for specialised enterprises established as limited liability companies or single member limited liability companies.</p>
Key national legislation governing legal form	Law on the Non-Profit Legal Entities (LNPLE)	Cooperatives Act Integration of People with Disabilities Act.	Commercial Law Law on Integration of People with Disabilities

Legal form	Non-Profit Legal Entities (NPLEs): Associations and Foundations	Cooperatives of People with Disabilities	Specialised Enterprises for People with Disabilities (SEPD)
Whether the legal form is used exclusively or not exclusively for social enterprise	<p>Not exclusively for Social Enterprise.</p> <p>The NPLEs are entitled to self-determine their specific non-profit objectives.</p> <p>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 realisation; protection of human rights or environment. Please note that this list is not exclusive.</p>	<p>Exclusively for Social Enterprise</p> <p>The legal form must aim to satisfy the economic, social and cultural interests of people with disabilities, by trading through mutual assistance and cooperative and to provide employment for persons of vulnerable groups and thus to support their labour integration.</p>	<p>Exclusively for Social Enterprise</p> <p>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.</p> <p>To qualify as a SEPD, the enterprise meets its social aspects by promoting the integration of workers with disabilities.</p>
Methods of creation	<p>The procedure for establishing an association includes:</p> <ul style="list-style-type: none"> ▪ <i>Constituent Assembly</i>: the founders of the association gather and decide on the required issues: <ul style="list-style-type: none"> – to establish the association; – to adopt the bylaws; – to elect the first management bodies and representative of the association ▪ <i>Court Registration</i>: the founders must submit the founding documents to the competent District Court in order to be registered. <p>The procedure for establishment of a foundation is as follows:</p> <ul style="list-style-type: none"> ▪ Founding donation – the founder/s have to provide money or property as a donation for the establishment of the foundation and determine its non-profit purposes; ▪ Act of Incorporation – the founder/s adopt(s) an act of incorporation; ▪ Court Registration – the founder/s must submit 	<p>To establish a cooperative of people with disabilities, at least seven founders must make initial contributions to the share capital of the cooperative.</p> <p>The Constituent Assembly adopts the Statute of the cooperative and elects its chairperson, management board and Control Council.</p> <p>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.</p>	<p>The procedure for establishment of a SEPD includes:</p> <ul style="list-style-type: none"> ▪ <i>Constituent Assembly</i>: the founders (shareholders) gather and decide on the following issues: <ul style="list-style-type: none"> – to sign a Memorandum of Association (the main internal governing document); – to appoint the manager/s and to conclude a managing contract. <p>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.</p> <ul style="list-style-type: none"> ▪ The shareholder/s should pay the size of his/hers individual shares so that at least 35 per cent of the registered capital must be effectively paid; ▪ Registration at the Commercial Registry at the Registry Agency in the Ministry of Justice; ▪ Registration in the Register with the Agency for People with Disabilities.

Legal form	Non-Profit Legal Entities (NPLES): Associations and Foundations	Cooperatives of People with Disabilities	Specialised Enterprises for People with Disabilities (SEPD)
	<p>the founding documents to the competent District Court in order to be registered.</p> <p>Further registration is required for a public benefit organisation at the Central Register of NPLEs in Public Benefit.</p>		
Required capital or assets	<p>Associations are not required hold a minimum level of capital or assets.</p> <p>Foundations are required to have a founding donation but there is no prescribed minimum.</p>	<p>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 statutes.</p>	<p>2 BGN for both a SEPD established as LLC or as a single member LLC</p>
Management and corporate governance	<p>Associations – either acting in private or in public benefit - must have a two-tiered 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.</p> <p>Foundations acting in private benefit should at least have a managing body.</p> <p>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.</p> <p>Foundations in public benefit are required to have a two-tiered governance structure consisting of one supreme collective body (Board of Trustees) and one managing body (collective or not).</p> <p>In principal, the Board of Trustees is entitled to oversee the activity of the managing body and the affairs of the foundation. The founders are also able to reserve the right to oversee the activity of the management body and the affairs of the foundation.</p>	<p>Cooperatives are required to have a management board.</p> <p>The Management 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 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.</p> <p>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 Management Board, then the Council can call a meeting of the</p>	<p>SEPDs are required to have at least one manager. SEPDs are also able to appoint a supervisor to oversee the management of the company.</p> <p>The manager/s and the supervisor/s of the company are appointed/removed by the General Assembly.</p> <p>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.</p>

Legal form	Non-Profit Legal Entities (NPLEs): Associations and Foundations	Cooperatives of People with Disabilities	Specialised Enterprises for People with Disabilities (SEPD)
	<p>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.</p> <p>The first board members are appointed by the founder. After establishment, the competent body to appoint/dismiss may be the board itself or the founder if there is such reserved right.</p> <p>In foundations in public benefit, it is the supreme body which appoint/dismiss the managing board, if the founders do not have such reserved right.</p> <p><u>For both NPLEs</u></p> <p>The Managing Body has the right among others: to represent the entity; to implement the decisions of the supreme body; to administrate the property of the entity; to bear the responsibility for the activity of the entity including those in public benefit; and to prepare and submit to the supreme body a draft annual budget and a report on the activity of the entity.</p>	<p>General Assembly.</p> <p>The Management 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.</p> <p>The General Assembly of the cooperative determines the number of members of the Management Board and Control Council.</p>	
Rights of members	<p>Only associations have members. The members form the Supreme body (General Assembly) and they can vote for any decision that should be taken by that body.</p> <p>The members of an association have the right to participate in the management of the association to vote on decisions of the supreme body, to candidate for a member of the managing or other bodies), to be informed about association's activity, and to use the property and the results from the activity of the association according to the rules of the Bylaws.</p>	<p>A member of a cooperative has the right: 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</p>	<p>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.</p> <p>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.</p>

Legal form	Non-Profit Legal Entities (NPLES): Associations and Foundations	Cooperatives of People with Disabilities	Specialised Enterprises for People with Disabilities (SEPD)
		<p>termination of his/her membership; on social security and health insurance; and on access to the registration book of the cooperative.</p>	<p>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.</p>
Voting and representation of members in general meetings	<p>The association members are represented at the meetings of the supreme body (the General Assembly).</p> <p>Meetings are convened at least once per year by the management body at its initiative or upon request of one third of the members of the association.</p> <p>One person can be authorized to represent no more than three members at the meeting, unless otherwise provided for by the Bylaws.</p>	<p>The General Assembly shall meet at least once a year and extraordinary meetings can be called at the request of the Management Board, Control Council, one-third of the members of the cooperative or their proxies, or the Chairperson of the cooperative.</p> <p>The members of the General assembly have to be invited by the Management Board with a written invitation, publicized in the manner, specified in the Statute, at least 14 days before the meeting.</p>	<p>The members are represented at the meetings of the General Assembly.</p> <p>Meetings are convened at least once per year by the manager at its initiative or upon request of the shareholders owning at least 1/10 of the share capital.</p>
Types of shares, if any	Legal form does not have shares.	Legal form has shares. However, every member only has one vote.	Legal form has shares. The members' voting weight is related to the number of shares owned.
Distribution of dividends on share capital	No distribution of profits is allowed.	<p>Dividends are distributed on paid-up share capital.</p> <p>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.</p>	<p>Dividends are distributed on paid-up share capital.</p> <p>There are no limits on the amount of profit that can be distributed to the shareholders.</p>
Distribution of reserves	Not applicable for this legal form	The cooperatives are required to form a "Reserve Fund" and an "Investments" Fund.	No legal provisions regarding reserves.
Allocation of the surplus particularly to compulsory legal reserve funds	Not applicable for this legal form	No requirement to allocate surpluses to compulsory legal reserve funds.	No requirement to allocate surpluses to compulsory legal reserve funds.

Legal form	Non-Profit Legal Entities (NPLEs): Associations and Foundations	Cooperatives of People with Disabilities	Specialised Enterprises for People with Disabilities (SEPD)
Distinction dividends/refunds and distribution of refunds	Not applicable for this legal form.	Not applicable to this legal form.	Not applicable to this legal form.
Restrictions on ability to trade	<p>NPLEs are allowed to perform direct economic activity, provided:</p> <ul style="list-style-type: none"> ▪ 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 . <p>There are some restrictions on the type of economic activities that NPLEs may perform due to their legal form, for example the provision of healthcare services and the provision of credit and banking services.</p>	<p>The cooperative's purpose must be for satisfying the economic, social and cultural interests of their members.</p> <p>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.</p>	<p>There are no limits to the economic activity except the general restrictions from the Constitution or any additional requirement to be regulated (e.g. performing banking or credit services).</p>
Internal financing (e.g. investment title, member investors, increase in members contributions)	<p>Associations: members may be required to pay membership fees, entering fees or to provide additional support to the activities of the association, if it is prescribed by the Bylaws or the competent body decides so;</p> <p>Foundations: the internal investment may be under the form of a founding donation, or subsequent donations, loans, etc. made by the members of the bodies.</p>	<p>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 Statute.</p> <p>General Assembly can also decide that members pay additional contributions or pay supplementary and other instalments.</p>	<p>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.</p> <p>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.</p>

Legal form	Non-Profit Legal Entities (NPLES): Associations and Foundations	Cooperatives of People with Disabilities	Specialised Enterprises for People with Disabilities (SEPD)
External financing (e.g. banking loans, issuing bonds, specific investment funds) including possibility for non-member investors	NPLEs can attract external investments under various forms: loans, grants, public subsidies, donations, activity incomes, fundraising.	A cooperative of people with disabilities can be financed by loans or other forms of debt as well as grant funding.	The main mechanisms for attracting external investments are: offering equity or shares in the company in return for external investment, loans or other forms of debt; investment schemes; activity incomes and grant funding.
Transparency and publicity requirements (and related auditing issues)	<p>The annual financial reports of NPLEs should be made publicly available.</p> <p>NPLEs in public benefit should submit annual financial reports along with the annual narrative reports on its public-benefit activities to the Central Register.</p> <p>NPLEs in private benefit are required to have an external audit if they meet at least two of the following criteria in the current or the previous year:</p> <ul style="list-style-type: none"> ▪ the book value of assets at 31 December is above 1,5 million BGN; ▪ the amount of the net income from sales for the year is above 2,5 million BGN; ▪ the average number of personnel during the year is above 50 employees . <p>The NPLEs in public benefit are required to have an external audit if they meet one of the following criteria:</p> <ul style="list-style-type: none"> ▪ the book value of assets at 31 of December is above 1 million BGN; ▪ the amount of revenues from the economic and the non-profit activities for the current year is above 2 million BGN; ▪ the total amount of the financings received during the current year and the unspent at 31 December of the current year funding, received in prior periods is above 1 million BGN or more . 	<p>The annual financial reports of the cooperatives should be made publicly available through filing with the Commercial Register.</p> <p>Cooperatives are also required to prepare a report on their specific activity if they are registered as social providers or as career centres.</p> <p>The financial control of the cooperatives has to be evaluated in every three years.</p> <p>Cooperatives are required to have an external audit if they meet at least two of the following criteria in the current or the previous year:</p> <ul style="list-style-type: none"> ▪ the book value of assets at 31 December is above 1,5 million BGN; ▪ the amount of the net income from sales for the year is above 2,5 million BGN; ▪ the average number of personnel during the year is above 50 employees . <p>If the cooperative is receiving public funding (money from the state/municipal budget or from the EU) it is subject to external audit by the Bulgarian National Audit Office.</p>	<p>The annual financial reports of SEPDs should be made publicly available through filing with the Commercial Register.</p> <p>SEPDs are also required to prepare a report on their specific activity if they are registered as social providers or as career centres.</p> <p>SEPD are obliged to have an external audit if they meet at least two of the following criteria in the current or the previous year:</p> <ul style="list-style-type: none"> ▪ the book value of assets at 31 December is above 1,5 million BGN; ▪ the amount of the net income from sales for the year is above 2,5 million BGN; ▪ the average number of personnel during the year is above 50 employees . <p>If the SEPD is receiving public funding (money from the state/municipal budget or from the EU) it is subject to external audit by the Bulgarian National Audit Office.</p>
Employee involvement systems	There is no legal requirement for staff to participate in decision making, however the Bylaws/Act of	Employees can only be involved in decision making	Staff can participate in the decision making but only in cases where the SEPD employs more than 50

Legal form	Non-Profit Legal Entities (NPLES): Associations and Foundations	Cooperatives of People with Disabilities	Specialised Enterprises for People with Disabilities (SEPD)
	<p>Incorporation can prescribe such possibility.</p> <p>Employees cannot receive a proportion of the legal form's profits.</p>	<p>if they are members.</p> <p>A cooperative can structure its internal affairs to incentivise financially staff as it wishes. A range of options are available.</p>	<p>employees. The employees then are represented at the General Assembly by one person who has the right to a consultative vote.</p> <p>The manager may be given the right by the General Assembly to receive a per cent of the profit.</p>
Distribution of the proceeds of dissolution, liquidation, disinvestment (in particular provision of asset lock)	<p>The NPLEs can be wound up either:</p> <ul style="list-style-type: none"> ▪ on the expiration of the term for which it has been founded; ▪ upon a decision of its authorized body. The managing body shall act as a liquidator if the supreme body does not appoints other; ▪ upon a decision of the competent district court if the NPLE has not been founded by the lawful way or carries out activity against the provisions of the Constitution, the laws or the good morals or has been declared bankrupt. <p>Bankruptcy proceedings shall be initiated for a NPLE which is insolvent and in cases of over-indebtedness.</p> <p>During liquidation, the liquidator should manage the property so that the debts to third parties (creditors) are paid and to collect payments that third parties owe to the NPLEs.</p>	<p>A Cooperative can be dissolved by a decision of its General Assembly.</p> <p>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.</p> <p>Bankruptcy proceedings shall be initiated for a cooperative which is insolvent and in cases of over-indebtedness.</p> <p>During liquidation, the liquidator should manage the property so that the debts to third parties (creditors) are paid and to collect payments owed.</p>	<p>The SEPD can be dissolved either on the expiration of the term set in the articles; upon decision of the shareholders; through a consolidation or merger with another company; upon being declared bankrupt; or upon a decision of the district court in cases provided for by law.</p> <p>Bankruptcy proceedings shall be initiated for SEPD which is insolvent and in cases of over-indebtedness of SEPD.</p> <p>During liquidation, the liquidator should manage the property so that the debts to third parties (creditors) are paid and to collect payments owed.</p>
Distribution of the proceeds of dissolution, liquidation, disinvestment (in particular provision of asset lock)	<p>For NPLEs in private benefit: the surplus assets (the property left after the indemnification of the creditors) are distributed among the members of the association or in the case of the foundations - upon the decision of the authorized body according to the Act of Incorporation.</p> <p>For NPLEs in public benefit, the assets, remaining after the indemnification of the creditors, shall be transferred by a decision of the court to another NPLE in public benefit with the same or similar</p>	<p>The remaining assets on dissolution are, unless the Statute provides otherwise, distributed among the cooperative members in proportion to their share instalments.</p>	<p>The surplus assets and capital is distributed among the shareholders unless the internal governing documents prescribe additional provisions.</p>

Legal form	Non-Profit Legal Entities (NPLES): Associations and Foundations	Cooperatives of People with Disabilities	Specialised Enterprises for People with Disabilities (SEPD)
	public benefit objectives, unless otherwise determined by the Bylaws/Act of Incorporation.		
Conversion to another form of company	<p>The NPLEs can only convert into another type of NPLES. An association can be transformed into foundation and vice versa.</p> <p>A NPLE in public benefit cannot transform into NPLE in private benefit.</p>	Not applicable for legal form.	The legal form can convert to a different type of legal form. In principal, the newly formed company becomes the owner of the assets with no restrictions.

Annex 2 Measures envisaged in the Action Plan 2014-2015 supporting the implementation of the National Social Economy Concept

Priority	Objective	Action	Financial resources		
			2014	2015	
Priority 1: Raising the awareness of stakeholders on the nature and functioning of the social economy	Objective 1: Improving the visibility of social entrepreneurship	Action 1: Information campaigns/ events (including workshops) for the promotion of social entrepreneurship to increase awareness of local government, business and other stakeholders on the opportunities and conditions for the development of social entrepreneurship	BGN 5,800	BGN 6,000	
		Action 2: Organisation of discussion forums at national level	BGN 600	BGN 600	
		Action 3: Organisation of forums for best practices of social enterprises by region	BGN 1,400	BGN 1,400	
		Action 4: Development of a methodology for assessing the social impact of social enterprises with regard to increasing the standard of living of the target groups and introduction of tools for monitoring the contribution of social enterprises to this	-	-	
		Action 5: Preparation of annual reports on social economy	-	-	
	Objective 2: Establishment of partnerships and dissemination of best practices in the field of social economy	Action 1: Organisation of an annual European forum for social enterprises	BGN 220,000	BGN 220,000	
		Objective 3: Development of an active supportive environment for the development of social economy entities			
			Action 1: Research on the applicable standards in the social economy, their institutional provision and the practical results of the application of standards	-	BGN 2,600
			Action 2: Development of rules for the introduction and application of the kitemark "Social enterprise product"	-	-
			Action 3: Improving access to finance:	BGN 7,000	-
			Action 4: Research on the European practice and experience at municipal level. Development of a handbook/ rules for the main steps necessary to create a social enterprise	-	BGN 4,800
			Action 5: Approbation of best practices in the creation of social enterprise at local level	-	-

Priority	Objective	Action	Financial resources	
		Action 6: Establishment of an annual national award for social innovation (in support of the social economy)	BGN 2,400	BGN 2,400
Priority 2: Development of support structures for the social economy and social enterprises	Objective 1: Provision of institutional support for the social economy	Action 1: Establishment of a standing Working Group (WG) chaired by the Minister of Labour and Social Policy. Development and approval of the rules of the WG	-	-
		Action 2: Analysis of legal and strategic documents related to the development of the social economy and of existing overlaps and gaps between them. Proposals for improving the national legal and strategic framework for the development of the social economy	-	6,400
Priority 3: Information support to the social economy	Objective 1: Maintain an information environment for the development of social economy	Action 1: Maintenance, update and expansion of the social economy website	-	-
		Action 2: Issuing printed materials on the problems of the social economy (self-sealed)	-	-
		Action 3: Development of a national database of social enterprises under the MLSP	114,000	-
		Action 4: Creation of an internet platform as a network for social enterprises	-	4,000
Priority 4: Creation of favourable conditions for education, training and research in support of the social economy	Objective 1: Development and implementation of education and training programmes in the field of social economy	Action 1: Initial/ induction training on the issues of the social economy	2,800	2,800
		Action 2: Development of a module for continuing training of stakeholders in the social economy field	-	2,500
		Action 3: Workshops with international participation on various aspects of the social economy	6,200	6,200
		Action 4: Development of a network of training companies of high school students for acquiring entrepreneurial, managerial and business skills in the field of social entrepreneurship	-	4,400
	Objective 2: Evaluation of the economic and social impact of the social economy entities on employment, social inclusion and the achievement of social and territorial cohesion	Action 1: Research study to assess the contribution of the social economy sector to achieve social and territorial cohesion	-	9,700
Priority 5: Creating an environment that encourages the development of the social economy	Objective 1: Facilitating access to public procurement opportunities	Action 1: Proposed modification of the Public Procurement Act, which <i>ceteris paribus</i> provides an advantage to social enterprises in applying for public contracts	-	-

Annex 3 List of Information Sources

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List of consultees

Name of the person interviewed	Organisation/ Role	Stakeholder category
Tihomira Palova	Ministry of Economy and Energy (MEE)/ Senior Expert, Small and Medium Size Enterprises and Innovations Department, Innovations and Entrepreneurship Unit	Social enterprise stakeholder
Veselina Starcheva	Confederation of Labour <i>Podkrepa</i> / Chief Expert in the European Policies and International Cooperation Department	Social enterprise stakeholder (social partner)
Mariyana Kurkovska	Agency for People with Disabilities/ General Secretary	Social enterprise stakeholder
Luben Panov	Bulgarian Centre for Not-profit Law (BCNL)/ Programme Director	Social enterprise stakeholder
Marko Ganchev	Pia Mater Foundation/ Project Manager	Social enterprise
Lily Karadjova	Economic and Social Council/ Advisor PR	Social enterprise stakeholder
Oktomvriyka Doncheva	Central Cooperative Union/ Chief Director, International Activities and European Projects	Social enterprise stakeholder
Kalina Koleva	<i>Pregarni Me</i> Association	Social enterprise