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OVERCOMING
INSTITUTIONAL BARRIERS
FOR SOCIAL
ENTREPRENEURSHIP

National report

Bulgaria

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Executive Summary

This national report is an attempt to define the legal framework for the operation of social enterprises. Its main objective is to light the path in order to overcome any institutional barriers against the promotion of social entrepreneurship in Bulgaria.

The lack of information about the processes required for the development of social enterprises is often an obstacle and an excuse for someone to resign the idea of developing a social enterprise. For this reason, through this report, the due process and the legal steps that lead to its foundation will be clarified. In particular, this report will analyse issues such as:

- Main characteristics of social enterprise, functions, business areas with reference to specific examples,
- Analysis of the various social enterprise types and their main features,
- Benefits of social enterprises over other types of business,
- Regulations for establishing a social enterprise, in accordance with the applicable law,
- Step-by-step analysis of the process the establishment of social enterprise,
- Recommendations for the proper establishment of social enterprise in Roma communities' level and institutional level.

The above issues will be analysed under the current legislation on social entrepreneurship and useful conclusions will be drawn about the development of social entrepreneurship in Bulgaria. Considering the time-consuming process of setting up a social enterprise, the report will show the right steps to establishing, so that the beneficiaries are discouraged when encounter any difficulties.



1. SOCIAL ENTERPRISE IN BULGARIA

1.1 Definition

In Bulgaria there is no commonly agreed definition of social enterprise. However, social enterprise may be identified as a legal institution regulated by social purpose. It's a different way of economic activity (making business) that mixes ingenuity of business with a social mission; represent successful combination and balance of social and economic goals. Social entrepreneurship represents activities aimed at resolving public issues, and at the same time these activities also bring income to the entrepreneur. It is a balance between non-profit organizations and ordinary business, because it can be self-supporting and wear profit and at the same time helps to overcome social difficulties.



From a social perspective, in regards with the State's inability to design effective policies for social inclusion, social enterprise is considered as a strong means of combating social exclusion, that is able to cover the needs arising from unemployment and poverty.

1.2 Main Features

Development of the working environment is the first big economic benefit of the social entrepreneurship and the most obvious one, which it shares with other entrepreneurs and companies: to create new jobs.

Social enterprises develop and implement innovations important for social and economic development and at the same time offer new products and services.

After the economic capital one of the most important goods created by social enterprises is the social capital. This term refers to the institutions, relationships and rules that determine the quantity and quality of social relationships in a society.

Social entrepreneurship is conducive to the development of more equal society while focusing on social problems and trying to achieve permanent sustainable effect through its social mission, rather than seeking profits.

Social Entrepreneurship overcomes the barrier between business and public sector. It is related to "nonprofit" or "third" sector, as well as the concept of "social economy" that

emphasizes goals that serve the community and society as a whole, rather than only company profits.

Key characteristics of the social enterprises are:

- **Sociality:** context, process and / or effect, which are for public sake;
- **Innovation:** creating new ideas and models that meet social and environmental issues;
- **Market orientation:** future-oriented perspective, directed to competition and efficiency, which leads to greater responsibility and cooperation between different sectors.

Social enterprises are mainly mission-driven (not only profit-driven), thus they tend to reinvest any profits made towards growing their social impact. Most of the social enterprises in Bulgaria have a non-profit legal statute. However, they often combine it with another statute.

1.3 Main fields of activities

The main field of activities of the social enterprises in Bulgaria are different types of public social services, fields of healthcare and education.

Social services are activities, focused at supporting vulnerable groups to have a better life and to be successfully included in the society. One of the important areas of the social services is working with children in need.

Healthcare services – organizations, operating as social enterprises in this area usually provide basic medical services, such as blood pressure measuring, psychological support, anonymous consulting, etc...

Education - This specific social activity is focused on hiring people of vulnerable groups or with disabilities to become trainers or to organize trainings for other people with disabilities.

Other services and activities – consulting, production and sale of goods, etc...

Through social enterprise legal non-profit entities manage to achieve a particular social effect on people from vulnerable groups, with a special focus on Roma, in order to enhance their quality of life and overcoming their social isolation.

In this regard, the activities of social enterprises can be defined as extremely important in helping the state in making policy for social inclusion of vulnerable and/or marginalized groups.

1.4 Examples of social enterprises



“Hope Soap” Handicraft – a social enterprise, which involved disabled young people, who started producing soap.

Samaritans Association was one of the first social enterprises in Bulgaria. Their product “a honey spoon” supports women and children, victims of violation.

Another example is Father Ivan from the village of Novi Han, who bought 35 houses in the village of Yakimovo, district of Montana, where 90 people, half of them children and of Roma origin were settled down, because their houses were illegal and demolished by the government.

SOCIAL SHOP - It operates in the town of Varna, located in the Palace of Culture and Sports. The shop sells products, made by persons with disabilities from the Labour - productive cooperative "Rodina", as well as handmade souvenirs by blind persons. Products, offered in the social shop are made manually from vulnerable and marginalized groups. The initiative is part of a project "Social shop - Live Heritage ", which is implemented by Association "My Town" by financial support of the Municipality of Varna.

2. TYPES OF SOCIAL ENTERPRISES

I. Non - profit organizations

A non-profit organization (Association, foundation) is a structure that does not engage in industrial or commercial operations and does not seek to provide its members with material gain. A non-profit organization is a group of natural or legal persons that have an activity without self-purpose.

- NGOs providing services to representatives of their members or of the target groups that their efforts are directed to - services can be educational, advisory services for people from vulnerable social groups, social or health services, social assistance, basic medical services and so on...
- In practice there are organizations that perform business activity - they use profits from this business to finance activities implementing the social mission of the organization;
- Another type of organizations falling within social enterprises are NGOs, employing people from marginalized or vulnerable groups, usually people with disabilities;
- In recent years, particularly encouraged by the funding provided by the EU and donor organizations are NGOs that create employment and workforce development. There are a number of NGOs whose main task is precisely to create new jobs for certain social groups that are assigned to it. Often this model is associated with the so-called "protecting employment "where social enterprise employs people with disabilities - typical example of this are the



various unions and associations of disabled people - Association of blind people, Association of deaf people and so on.

- Another commonly distributed model of an NGO - Social enterprise is the organizations that act as intermediaries between the target group - mostly disabled people and the market. These organizations develop work habits, create work environment and opportunities for people with disabilities to work, and then mediate the sale of manufactured - either through bazaar, through special outlets and so on... Profits are used to purchase new materials and the development of additional services.
- Providing social services is another model of social enterprise within NGOs - paid social services to external customers are provided and at the same time the organization is a provider of social services for its members, which is subsidized by the municipality or the state after signing a contract.

II. Social cooperatives

Social cooperatives exist in many countries in Europe. There is a similar type of social enterprises in Bulgaria, as "socially oriented" cooperatives are also business-oriented - they are profit - oriented, and at the same time have social orientation, as well. In fact, they have the longest history of being in Bulgaria, but were rarely classified as a social enterprise. However they possess all the specifics of this type of company:

- Provide employment of people with disabilities;
- Often seek employment adjustment of its members and creating sustainable employment;
- Reach a professional and financial support to start their own business;
- Provide support through the delivery of social services;
- Ensure the delivery of specialized services for people with physical or mental disability or financial difficulties.

3. ADVANTAGES OF SOCIAL ENTERPRISES

3.1 Regulations

Non – profit organizations

The Juridical Persons with Non-Profit Purposes Act defines the registration, structure and activities of the Non-profit organizations in Bulgaria. According to this Act, minimum 7 people, having Bulgarian or other nationality, are needed to register a non-profit organization (association). The registration is made in the Registry Agency, which is a



department of the Ministry of Justice. Each non-profit organization receives a registration number, which must be included in all official documents.

Social cooperative

The cooperative is an autonomous association of persons who voluntarily cooperate on common social, economic and cultural issues. Cooperatives are non-profit public organizations and companies that are owned and managed by people who provide services (consumer cooperative) or the people who work there (Workers' Cooperative) or people who live there (condominium), hybrid organizations such as workers' cooperatives and consumer cooperatives or credit unions, cooperatives that bring together civil society and local politicians in response to community needs.

The cooperative is a legal entity, which registration and fields of activity are defined in the Cooperative Act (from 28 December 1999). Cooperative may be established by at least 7 persons with a decision of the Constituent Assembly. Constituent Assembly adopts statutes and elects a chairman of the cooperative, management board and supervisory board. The cooperative is registered in the Commercial register. Cooperatives and cooperative unions are exempt from all fees in connection with their establishment, reorganization, dissolution and liquidation.

3.2 Procedures for starting up a social enterprise

Non-profit organizations (NPO)

Non-profit organizations are Juridical Persons with Non-Profit Purposes. They are established by minimum 7 people. The NPO should be registered in the Court (the District Court by the address of the organization) and in the so called BULSTAT register (Registry Agency – a department of the Ministry of Justice), which provides the organization with a unique registration number, that must be included in all official documents of the organization.

Necessary registration documents

The following documents must be submitted in court:

1. Application for registration. The application shall be signed by all board members. If instead of a board, the association, NPO has sole governing body - Manager, the application must be signed by the governor.
2. Statute
3. Minutes of the Constituent Assembly;



4. Samples of signatures (specimen) of the persons who will represent the association - notarized;
5. Certificate of uniqueness of the name;
6. Certificate of conviction of members of the Board;
7. Document for paid state fee for registration of the association.

The registration of NPO is about 250 levs and it takes about 25 days.

Cooperatives

The cooperative is registered in the commercial register at a request of the management board, along with the following documents:

1. copies of the minutes of the founding meeting and the statutes;
2. notarized specimen signatures of the persons representing the cooperative;
3. (amend. - SG. 13 of 2003) declarations by the president of the cooperative and members of management and supervisory board that are not deprived of the right to occupy managerial, accounting or material responsibility, and that they do not find each other in marriage or kinship in a straight line and are not siblings;
4. (suppl. - SG. 13 of 2003) certificate of conviction of the chairman and members of the management and supervisory board.

(2) (amend. - SG. 13 of 2003) entry in the register shall be subject to the data of art. 2 para. 3 pt. 1 and 3 (only bodies) as well as:

1. (amend. - SG. 13 of 2003) the name and the Unified birth number of the chairman of the cooperative;
2. The amount of liability of the members of the cooperative over their share payments when such liability is provided in the statute.

(3) (amend. - SG. 34 of 2006, effective 01.01.2008) In merging and acquisition of new cooperatives, the new one or changes of art. 37, para. 1 shall be entered in the commercial register after presenting the corresponding authorization issued by the Commission for Protection of Competition, where the issue is mandatory under the Law on Protection of Competition.

(4) (amend. - SG. 13 of 2003, amended. - SG. 41 of 2007) The chairman of the cooperative is obliged to request entry in the register of changes in circumstances, subject to entry in 14 days from the decision of the general Assembly.

4. RECOMMENDATIONS FOR THE PROMOTION OF SOCIAL ENTERPRISES

4.1 Roma communities

At present Roma are the most vulnerable groups in the field of employment. This situation is additionally worsened by the crisis in mainstream economy. The aspects of Roma social exclusion are numerous and recognized: low level of education and qualification, extremely low employment rate, significantly disadvantaged health and social status, disastrous living conditions, wide-spread segregation and discrimination, strong anti-Roma stereotypes and hatred, etc. As pointed above all these phenomena form sustainable exclusion pattern that is difficult to be broken.

Two important factors stay behind and maintain the exclusion patterns in the rural areas: namely, the extreme poverty and the absence of democratic traditions. Both of them define and preserve the exclusion making the rural societies more exclusive compared to the urban ones. They relate to the rural population as a whole. Among the rural Roma communities these factors have additional strong negative impact that makes impossible to break the vicious circle or social exclusion since:

- the poverty and lack of democratic traditions are completed with the absence of social structures within the local Roma communities. The mainstream social structures (such as cultural centers, pensioners clubs, etc.) usually do not include Roma. The community based services could be a way to support establishing community social structures but the mainstream services are significantly less developed and seldom in the rural areas, they rarely reach the Roma communities. That is why developing community based services for fostering the activation of Roma and establishing inner-community structures is a must; This already sets a safe ground for building social economy as a tool for developing Roma community.

- social exclusion of rural Roma is linked not only with the high unemployment (widespread also among the majority of rural population in Eastern Europe) but also with the low level of education, vocational training and the quality / existence of services provided. It needs complex approach of intervention that focuses on all these areas. Therefore, social entrepreneurship when designed to support the development of Roma community and alleviate the situation of Roma, in rural areas should be diverse and broader as perspective.

The following action should be done:

a. For Roma communities

- Awareness and information should be raised on social economy networks, so that Roma become acquainted with the social economy sector;
- Roma have to be more encouraged, and awareness-raising campaigns among these communities should be implemented to convince people to send their children to school.



b. For institutional players

- Reduce the administrative complexity and barriers to entrepreneurship, including the administrative burden of subsidy search;
- Make better use of the available funds, including EU funds, to promote Roma social enterprises;
- A stronger political will is needed in order to improve the integration of Roma in the field of social economy, and in society in general;

5. CONCLUSIONS

Although still modest, entrepreneurial initiatives are more effective than traditional "welfare state" because they are less bureaucratic, more flexible and able to form more affection.

Social entrepreneurship develops new models of active social support and inclusion in which users and customers are encouraged to assume greater responsibility.

Despite the profound changes taking place in recent years - legislative and administrative - there is still the lack of commitment of state and local authorities to the activities of social enterprises. They are still perceived more as yet another "new course" and not as a conscious factor in supporting and development of local communities.

The SerCo project is an opportunity to provide the necessary entrepreneur knowledge and skills by training Roma mediators how to create and how to manage a social enterprise and thus have the chance to make their life better.

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