

News bulletin

SOCIAL  
ECONOMY



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# **SOCIAL ECONOMY AND SOCIAL ENTREPRENEURSHIP IN BULGARIA**

## **INTRODUCTION**

Bulgaria, just like the rest of the European Societies, is facing multiple challenges resulting from increased global competition, accelerated technical progress, and climate changes. The economic and financial crisis has impacted all the Member States and regions in the Union, including Bulgaria, and has lead to a complicated situation and unclear perspectives. In the field of employment and other social issues' policies, Bulgaria is still faced with escalating problems, such as: growing unemployment, mostly among low-qualified and young people; job insecurity; decreasing workforce as a result of demographic problems affecting the social protection system; a large number of people living below the poverty threshold and in social exclusion; difficulties in acceptably combining professional and family responsibilities.

A particular role in the solving of specific socio-economic issues is played by social economy – a sector of the national economy working towards specific social goals on the society's agenda.

In recent years, the interest towards social economy has been increasing due to its ability to mobilize the necessary (mainly non-state owned) voluntary resources in the solving of specific socio-economic problem. Moreover, it turns out to be more viable in the crisis environment and proves to be more sustainable under varying conditions as compared to the public and the private business sector.

There is growing interest towards social entrepreneurship. That interest has been generated by the developments in the business sector and the public sector's reduced ability to adequately deal with socio-economic issues. It turns out that in the environment of cutting social expenses and many business organizations' behaving unethically, a number of social problems remain unresolved. One of the ways is local groups and unions' self-organization and self-help to deal with certain social problems. Starting a business with a view to achieving a social goal is in the basis of a social entrepreneurship. Thus, by mobilizing its own resources and using other possibilities, the social entrepreneurship can adequately solve any local issues and contribute to the common national good.

## **NATIONAL SOCIAL ECONOMY CONCEPT**

With a view to supporting the establishment of an environment favouring the development of social economy and social entrepreneurship in Bulgaria **on 04.04.2012, by a Protocol Decision No. 13, the Council of Ministers approved a NATIONAL SOCIAL ECONOMY CONCEPT** thereby initiating more systematized and targeted activities and the development of policies supporting social economy and social entrepreneurship.

The **National Social Economy Concept ("The Concept")** is a reflection of the political commitment of state institutions of the Republic of Bulgaria to the creation of an environment favouring social economy models and practices. The Concept is expected to:

- increase awareness, related aspects of social culture and human values;
- follow the vision of the government and the priority target of encouraging social economy;
- allow for the concentrated expression of a large scope of stakeholders' will;
- provide a platform for the development of its related policies;
- develop stimuli for the creation of new social inclusion approaches;
- contribute the targets of Europe 2020.

### **Nature and scope of social economy (SE)**

Social economy is a part of the real economy, as well as of the civil society with the companies' financial results being re-invested in accomplishing social targets and activities, and only a reasonable part of them is used for overhead costs. Given its functions, SE is effective in the field of social inclusion of population sections suffering social difficulties, thereby differing from corporate economy regardless of the fact that social economy entities operate under the Commercial Act.

The main point in this concept is the relation of the idea of social economy to social entrepreneurship. The initiative development's ultimate goal is to thoroughly review in the following years all the legal, institutional and financial prerequisites for the implementation of individual initiatives that build the national social economy network.

In accordance with the rest of the economic development, social economy transfers good European practices on the national and the transnational level.

The national social economy concept is a further step in harmonizing national social policies and good European practices.

It is related to all the 3 priorities, 4 goals and 7 leading initiatives of Europe 2020 Strategy adopted on July 13<sup>th</sup>, 2010, and is aimed at turning into practice the points in the Communication of the Commission of 27.10.2010: "Towards a Single Market Act – for a highly competitive social market economy".

Although having developed in a different socio-economic context, Bulgaria has national traditions in social economy that can be a constructive prerequisite, in particular when initiating the present concept.

It is expected for social economy to provide employment for a group of people dealing with significant difficulties that will join the labour market.

The Concept is also aimed at opening career possibilities for people with disabilities or at providing them with sufficient subsistence means through social entrepreneurship.

The rationalization of social economy is aimed at encouraging sustainable development, economic growth and improving the quality of living mostly of disadvantaged groups.

### **Vision**

The Government's vision is to create a reliable social economy sector that contributes to the pro-active inclusion of vulnerable groups, flexible and stable employment, and modern territorial cohesion.

### **The goals of the concept are:**

1. to introduce indicators identifying social economy entities;
2. to serve as a source of standards in support of the development of social economy and to support interested parties in the wide reach and application of the social economy spirit.
3. to be the basis for rationalizing the legal and the administrative environment for the development of social economy entities (access to funding, social provisions in the field of public procurements, tax reliefs, etc.)

### **Legal aspects of social economy**

The legal resource supporting social economy individuals must include: legal provisions; legal model; legal recognition; statistical recognition, legislative changes.

European legislation provides solid support to social economy. Respective acts vary from the EU Treaty to different regulations, directives and other legal documents.

Despite that it does not directly address social economy enterprises; the current national legislation highly favours the provision of fair conditions for the establishment and protection of social entrepreneurship in various legal and economic forms. The application of this concept is expected to help identify any possible legislative and institutional gaps, as well as to provide the basis for legislative proposals.

The text of the concept is largely based on already effective legal provisions in Spain, Great Britain, Poland, Belgium, and Finland. Numerous proven political and administrative decisions have also been included in the text.

The concept's successful implementation is largely dependent on the role of the government in the legal recognition of social economy entities within the current national legislation. The main task of the government is to support social economy entities so that they can benefit from the possibilities provided to them by current laws. In cooperation with the social economy entities the government must direct its efforts at encouraging social economy in accordance with the European Parliament positions on this issue (A6-0015/2009; EC Comm. 608/2010 - proposals 36 &37).

**The statistical recognition, and in particular the monitoring of social economy** is crucial to making political decisions. The present concept is aimed at the development of national approaches in accordance with the European Parliament's Decision and the UN's document on non-governmental organizations – on the establishment of satellite statistical reports of social economy.

Legislative and institutional improvement is planned on the basis of a thorough study of the Concept's impact during its initiation and the stage of its implementation. Such a monitoring must serve for:

1. identifying immediate needs for legal adaptation;
2. staged complex legal adaptation.

Social economy's material aspect is closely related to individual entrepreneurship through the mobilization of one's own material resources. The state's participation cannot be different from that concerning corporate economy but through continuous monitoring of social economy network, creating legal and institutional prerequisites for social economy it will assist in dealing with temporary and long-term barriers to the development and maintaining of partnerships for social inclusion.

### **Political aspects**

The Government will also support the social economy network through the implementation of Regulation (EC) No. 800/2008 and other similar instruments. Besides, national professional qualification, employment and environment protection programmes will be formed in such a way so as to allow for social economy entities such as beneficiaries or partners to have access to implementation.

Local authorities must be supported in encouraging social economy through the national institutional frameworks and the executive power.

Bulgaria's traditions and experience in social dialogue are a prerequisite for the social economy entities to join the tripartite cooperation.

The Government recognizes and encourages education in the field of social entrepreneurship so as to provide this process with educated human resources.

### **Organization for the implementation of the Concept**

The Concept's target group includes the social economy subjects having quite differing organizational and legal status. However, the Government may interact with persons established and operating in accordance with the law. The State plans to provide human resources, institutional and financial resources, in order to support informal groups to join the social economy network.

A key point of the concept is constructing and adopting a number of indicators for identifying and monitoring the social economy entities. The European Parliament's indicators are the basis for the number of national indicators.

**The Social Enterprise Product brand** is a national initiative aimed at having a triple effect – 1) identifying the best operating social economy entities that are able to sustain and distribute the social economy model; 2) encouraging solidarity within the social economy network; 3) encouraging social solidarity through social economy.

## **Planning and implementation**

The Concept is a national programme document – part of the legislation. The Concept's practical implementation is based on the cooperation between social economy entities and central or local institutions.

The Concept will be implemented within the framework of the Ministry of Labour and Social Policy via Directorate "Living Standard, Demographic Development, Policies and Strategies". This directorate is responsible for organizing the activities for the Concept's implementation based on two-year action plans developed by a working group comprised by a large scope of stakeholders. The Directorate must keep a National Catalogue of social economy entities. The main policies concerning the Concept's implementation will be the subject of the work of a National Social Economy Advisory Council. The Council within the Ministry of Labour and Social Policy will adopt a Guideline for its activities. The social economy entities' registration on the National Catalogue will be performed on the basis of respective decisions of the National Council. The directorate at the Ministry will act as the Council's Secretariat.

The measures from the action plans are funded from the Ministry's administrative budget and/or through external support – for example EU funds.

In order to allow for the better awareness and to provide a means of interaction between the social economy entities, the institutions and the civil society, MLSP's Directorate keeps a website ([seconomy.mlsp.government.bg](http://seconomy.mlsp.government.bg)).

The Concept is subject to continuous amendments and complementation so as to reflect any developments. Amendments to the Concept shall be proposed/introduced by the National Social Economy Advisory Committee.

## DEFINITIONS

The national social economy concept includes the following definitions:

**social economy** – a collective term nominating natural and/or legal persons, volunteer associations or other organized entities performing socially beneficial business activities that re-invest their profits into achieving social goals;

**social enterprise** – a business whose main targets are social and whose surplus is re-invested back to the business or the community.

**social entrepreneur** – a person who mobilizes resources and utilizes possibilities to meet current needs and to help disadvantaged people;

**social entrepreneurship** – a business activity combining market possibilities with social causes focusing on people and their needs;

**social enterprise compass** – a method for identifying a legal person's involvement with social economy;

Regulation (EU) No. 346/2013 of the European Parliament and of the Council of April 17<sup>th</sup>, 2013 on European social entrepreneurship funds stipulates that „**A social undertaking should be defined as an operator in the social economy, the main objective of which is to have a social impact rather than to make a profit for its owners or shareholders. It operates by providing goods and services for the market and uses its profits primarily to achieve social objectives. It is managed in an accountable and transparent manner, in particular, by involving employees, consumers and stakeholders that are affected by its commercial activities**“. It also states that social enterprises' main goal is to achieve a positive social impact, and not maximum profit; as well as for social enterprises to cover a wide range of enterprises of various legal forms that provide social services or goods to vulnerable, marginalized, disadvantaged or isolated people.

A research ordered by the EC<sup>1</sup> **defines social economy** as follows: a group of private enterprises with a formal structure which make independent decisions and allow for free choice of membership, established so as to meet its members' needs through the market by producing goods and providing services in the field of insurance and finance, where decision-making and allocation of profits or surpluses among members are not directly related to the capital deposited or the members' contributions; with each member having the right to one vote. Social economy also includes private, formally established organizations, where decision-making is independent, and people are free to join as members, which provide non-market services to households and whose surplus, if any, may not be a source of profit for the economic entities that create, control or fund them.

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<sup>1</sup> "The Social economy in the European Union", CIRIEC, 2012



## KEY EUROPEAN DOCUMENTS AND INITIATIVES

On the European level, social economy and social entrepreneurship obtain support justified in key documents such as:

1. **Communication from the Commission** to the European Parliament, the Council, the Economic and Social Committee and the Committee of Regions of **25.10.2011** – "**Social Business Initiative** — Creating a favourable climate for social enterprises, key stakeholders in the social economy and innovation";

2. **Act on the Single Market: Twelve pillars to encourage growth and strengthen trust**". **Pillar No. 8 concerns social entrepreneurship**;

3. **Act on the Single Market II – Together for new growth**". The Act on the Single Market II follows the first range of measures presented by the Commission – Act on the Single Market I ([IP/11/469](#)), — and represents a new stage in the process of expanding and enhancing integration on the single market. A part of the measures planned concern social entrepreneurship, social cohesion and trust in consumers.<sup>2</sup>

4. **REGULATION (EU) No. 346/2013 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 17 April 2013 on European Social Entrepreneurship Funds**. This Regulation is part of the social enterprises initiative presented by the Commission in its Communication of October 25<sup>th</sup>, 2011, and named "Social Business Initiative — Creating a favourable climate for social enterprises, key stakeholders in the social economy and innovation".

5. **Proposal for a Regulation of EP and of the Council for an EU Programme of social change and social innovations**. This programme is an instrument directly managed by the European Commission, aimed at supporting employment and social policies within the European Union. The Programme of Social Change and Innovations is part of the European Commission's legislative package for cohesion policy 2014-2020. The purpose of this is for the Regulation to ensure the implementation of effective reforms in the social protection systems, the pension systems, as well as the labour markets in EU Member States; the improvement of access to funding and micro-credits for social enterprises, unemployed people and people at risk of losing their job; more microcredits to support self-employment and business development; improved support for working in other EU countries. It is expected that the proposal will come into effect as of January 1<sup>st</sup>, 2014.

6. **An expert working group under EC** has been established in the field of social economy and social entrepreneurship<sup>3</sup>. The Social Business Entrepreneurship Initiative stipulates Communication that " the Commission ... shall ... set up a consultative multi-stakeholder group on social business to examine the progress of the measures envisaged in this Communication ... this group could be made up of representatives of the Member States, local authorities, social entrepreneurs' organizations, the banking and finance sector and the academic and university sector."

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<sup>2</sup> [http://ec.europa.eu/bulgaria/press\\_corner/news/031012-single\\_market\\_act\\_bg.htm](http://ec.europa.eu/bulgaria/press_corner/news/031012-single_market_act_bg.htm)

<sup>3</sup> [http://ec.europa.eu/internal\\_market/social\\_business/expert-group/index\\_en.htm](http://ec.europa.eu/internal_market/social_business/expert-group/index_en.htm)

The group has been established for 6 years (2012-2017) and will advise the Commission on the possibilities, development, creation and implementation of all the activities specified in the Social Entrepreneurship Initiative, as well as on the future development of social entrepreneurship and social economy.

## WHAT HAS BEEN DONE IN BULGARIA SO FAR

1. The following procedures have been executed under Human Resources Development Operational Programme:

✓ **Under operation BG051PO001-5.1.01 “Social Entrepreneurship – Supporting and Promoting Social Enterprises – pilot stage”** have been established **29** and supported **10** enterprises in the field of social economy. **The total amount of the persons** covered under the projects is **3612** people from different risk groups, including 1606 people with disabilities and 166 children. Protected employment has been provided to **335** people from vulnerable groups. As a result of the integrated social services provided, **173** people have moved from the social economy sector to the real labour market.

✓ **Under operation BG051PO001-5.1.02 “New Possibilities”** **35** social enterprises have been established and are functioning. It is planned that the total number of direct beneficiaries to be covered by project activities – people with permanent disabilities; people who have suffered imprisonment, people from minority ethnic groups leaving special institutions, suffering various dependencies; single parents, mothers of many children; long-term unemployed people subject to social support – will be **approximately 530**, and that of the people involved as the staff of social enterprises, will be **181** persons.

**The following types of social enterprises have been established and are functioning:**

- for landscaping and public works;
- for public catering, incl.:
- soup kitchens;
- canteen;
- social care for home;
- for the performing of technical activities in support of public administration;
- for launderette;
- for traditional crafts.

✓ **Under operation BG051PO001-5.1.03 “A Chance for All”** are supported **5** specialized enterprises and **2** cooperatives for people with disabilities for the social inclusion of people with disabilities through the provision of training aimed at obtaining or improving professional qualification and providing employment to people with disabilities.

✓ **The beginning of 2013** was the start of projects’ implementation under the scheme **“Help at Home”**. It is expected that within the scheme 16 and 152 units for home services will be established which shall provide part-time services for personal assistance, social inclusion support and support for utilities. The users of these services will be more than 7 628 people with permanent disabilities, limited or no abilities of self-service incl. 1062 children and 5 198 adults having limited or no abilities of self-service.

2. The National Vocations and Positions Classification (NVPC) of 01. 01. 2013 officially includes the vocation of **“Social Entrepreneur”**.

Single group 1344 – Managers of social services

Position code: 1344-6005

National Vocations Classification Code 96:

Name of the position: Social Entrepreneur

3. Since 2011 the Ministry of Labour and Social Policy, in cooperation of the Center for the development of human resources and regional initiatives within project “Supporting the Ministry of Labour and Social Policy of the Republic of Bulgaria in the development of human resources in South-Eastern Europe” together with the International Educational Center /IEC/ of ILO, has been organizing annual internationally-attended seminars devoted to various aspects related to the development of social economy and social entrepreneurship:

✓ The seminar held in 2011 on the topic of “Perspectives of the development of social economy in Bulgaria” was aimed at estimating the perspectives and possibilities of developing the principles and ideas stipulated in the National Social Economy Concept, as well as at establishing cooperation between social partners and other stakeholders in Europe and Bulgaria through the exchange of good practices concerning key ideas and initiatives for the sector. The international participants came from the EC, the Ministry of Labour, Family and Social Protection of Romania, IEC of ILO;

✓ The topic of the second internationally-attended seminar was “Institutional and legal basis of social economy. Institutions’ support of good practices – international experience and standards“. The seminar allowed the stakeholders to take part in an in-depth discussion and to strengthen their professional relations. The seminar contributed to the defining of the common perspectives of social economy. It was attended by employer organizations, trade-union enterprises, financial institutions as well as representatives of the European Commission, IEC of ILO and representatives of EPVET Emilia-Romagna in Italy;

✓ The third internationally-attended seminar held in April 2013 was on the topic of “Economic impact of social enterprises. Statistics and social innovations. International experience and good practices.” The seminar was attended by representatives of international organizations; several films were shot to reflect the development of social economy in different countries, and there was internet connection with a representative of “Social Enterprise UK“.

4. The webpage <http://seconomy.mlsp.government.bg>, was created in order to cover the events related to social economy and social entrepreneurship in Bulgaria, as well as to provide updated information about events, news, documents in the field of social economy.

5. In the field of social economy and social entrepreneurship a number of articles and information materials were published in Information Newsletter on Labour issued by Labour and Law Publishing House, by experts from the Directorate of “Living Standard, Demographic Development, Policies and Strategies:

- “Socio-economic development through the prism of social economy. Good European Practices ”, ed. 12, 2009;
- “Social Economy – possibilities for social inclusion and employment of vulnerable groups of society ”, ed. 11, 2010;
- “Aspects of the interrelation between corporate social responsibility and social economy” ed. 5/2011;
- “Aspects of the impact of social economy on the living standard”, ed. 1/2012
- “National Social Economy Concept – nature and purpose ”, ed. 5, 2012;
- “Social entrepreneurs – leaders of the new millennium“- ed. 2/2013;
- “Social economy – laying the foundations of innovative solutions for modern challenges. The experience of ten EU Member States having relation to the development of Action Plan 2013 – 2014 for the national social economy concept of the Republic of Bulgaria.“, ed. 2/2013.

6. **The Republic of Bulgaria’s Economic and Social Council** has adopted **two opinions** related to social economy, on the following topics: “The role of Bulgarian cooperatives in the development of social economy in the context of Europe 2020 Strategy, 2011; “Social economy – development”, 2012; **one resolution** on COMMUNICATION FROM THE COMMISSION Single Market Act II Together for new growth, 2013 and **one analysis** on the topic of “Social enterprise and Social entrepreneurship”, 2013.

7. At the request of MLSP, the Bulgarian Non-Profit Law devised a Guideline – “Legal standards in the field of social entrepreneurship” aimed at monitoring and analyzing legal documents and bases in Bulgaria concerning social entrepreneurship.

8. The following studies and research were performed:

- Aspects of social economy’s impact on the living standard – the research was held in the second half of April, 2011, and the results were published in the Informational Newsletter on Labour, a body of MLSP, issued and distributed by Labour and Law Publishing House;
- Through a public procurement of the MLSP, in 2011 was held a research on the topic of: “Attitudes and awareness of stakeholders on the issues of corporate social responsibility (CSR), in different regions, enterprises on the field of social economy included”. The research was performed by the Institute of Social Research and Marketing – MBMD” EOOD;
- A research among social enterprises concerning the social impact of their activities – the research was held in the second half of April 2013. The results were announced at the internationally-attended seminar held in April 2013.