

# 1 Social Enterprises in Bulgaria

## Historical and Institutional Perspective

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### Introduction

In the last decade, the development of the social economy and social enterprise (SE) has drawn the attention of policymakers, scholars and large groups of people in Bulgaria. Various domestic and international factors have fostered their growth. As regards domestic factors, the transition to a market economy, during the 1990s, has been characterised by the emergence and deepening of a great number of negative economic and social processes and trends. The 1996/1997 crisis led to a radical restructuring of the economy; this was followed by an orthodox monetary and conservative budget policy, under a currency board system. The monetary regime that was implemented imposed significant restrictions on many public policies and further limited the role of the state in providing social care, assistance and services to the people in need. The weakness of the welfare state, in combination with rising poverty, inequality and social exclusion among the population, led to a fast growth in the number of vulnerable people. As a result, many social initiatives and organisations have appeared; they aim to contribute to solving some of the key socio-economic problems.

From the perspective of international influence, the most important driver of the SE sector's development has been the integration into the European Union (EU) in 2007. Bulgaria has made a commitment to achieve EU priorities and goals in this field, and the EU's policies and measures to promote social entrepreneurship and social enterprise have been taken into consideration in the design of a national policy. We argue that the Bulgarian government has acknowledged the role that social enterprise can play in the economy and in catching up with other more developed European countries.

This chapter aims to study social enterprise in Bulgaria in a historical and institutional perspective. The first part deals with the emergence and historical evolution of social institutions and social enterprises in Bulgaria. In the second part, we focus on public policy in the field of the

social economy and social enterprise. The main features of Bulgarian SE models are outlined in the third section.

## **1. Genesis and Evolution of Social Institutions and Social Enterprises in Bulgaria**

A historical overview of the evolution of social institutions and social enterprises in Bulgaria bears testimony to their century-long existence in the country.<sup>1</sup> In such a historical perspective, we distinguish three major types of social institutions and social enterprises in the country; these are described in the following paragraphs. The social institutions presented later can be considered as the forerunners of social enterprises.

### ***1.1. Charitable Activities of the Church***

In the Bulgarian territories of the Ottoman Empire, the churches and monasteries developed as social institutions committed to charity and mutual aid. After the Liberation of the country, the first charitable activities of the Bulgarian Orthodox Church (the Bulgarian Exarchate, established in 1870) developed in response to the needs of the poorest people. Later, in 1934, the Law on Public Assistance for Social and Charitable Activities was passed. Until 1944, the church made remarkable achievements in the field of orphanages, rest homes and summer camps, but with the imposition of the communist regime, in 1944, the charitable work of the church was ruined and its property confiscated or destroyed (Lyubenova 2014).

Many charity activities were also based on private initiatives by wealthy people and influential elites' representatives, who funded different social causes and projects. These initiatives proliferated especially during the Bulgarian National Revival.<sup>2</sup>

### ***1.2. Voluntary Organisations***

Many voluntary organisations appeared after the Liberation. The first *Red Cross societies* emerged in 1878, and the National Red Cross Organisation was created in 1885. They performed a wide variety of social activities to help sick people, injured men and refugees, especially during the wars. But in the period spanning from the 19th century, when Bulgaria was still under Ottoman rule, to World War II, the most important social institutions in Bulgaria were the so-called *chitalishta*<sup>3</sup> and the cooperatives (analysed in Section 1.3).

*Chitalishta* are community centres, engaged in charity and volunteer programmes. They fulfil educational, cultural and art-related functions. These institutions have an autonomous governance and a unique self-support and funding system.

The first *chitalishte* emerged in January 1856 in Svishtov (Velikov and Zhechev 1987). *Chitalishta* played a crucial role in the socio-political upbringing of the Bulgarians during the Ottoman period. They also acted as an effective tool for the social and cultural integration of Bulgaria at the international level, facilitating the transfer and the adoption of modern ideas and practices from other European countries. After the Liberation, *chitalishta* continued to deliver social services to local communities. In 1945, the first legal act on *chitalishta* was adopted, and the state played an important role in their development until the collapse of socialism, in 1989.

The Chitalishta Act of 1996<sup>4</sup> stipulates that *chitalishta* are non-governmental self-regulatory organisations. According to the National Register of Chitalishta, as of June 2018, there were 3,668 *chitalishta* in Bulgaria.<sup>5</sup> Developed within a local context, established by and for the communities themselves, *chitalishta* combine their social goals with an entrepreneurial component.

### 1.3. Cooperatives

Cooperatives (particularly agricultural credit cooperatives and popular banks) played an important role in the economic development of Bulgaria from the beginning of the 20th century to the Second World War. We distinguish three major periods in the development of cooperatives in the country.

#### *From the Liberation to World War II*

The first period, from the Liberation to World War II, was marked by the emergence, rapid dissemination and strong acknowledgement of the role and importance of cooperatives by the Bulgarian population and national authorities. Bulgaria developed as an agrarian country in which the major part of the active population (about 80%) was engaged in agriculture. The backwardness of the Bulgarian villages and the poverty and misery of the farmers created favourable conditions for the expansion of agricultural cooperatives and their transformation into multi-service organisations.

Cooperatives emerged as a social institution based on the principles of voluntary membership, solidarity, democratic decision-making and autonomous governance. Their emergence was related to the forms of mutual aid and solidarity that had existed among Bulgarians ever since the Ottoman period and had persisted until the Liberation, and it can also be linked to a strong European influence (transfer of the practice of Raiffeisen savings and credit cooperatives).

During the Ottoman period, the oldest known associations of collective labour in agriculture (*zadruga*) appeared spontaneously and spread

in the Bulgarian and many other Balkan territories of the empire. The *zadruga* was an informal institution, a form of cooperative within a barter economy, based on family customs and values (Iorga 1929; Laveleye 1888; Novakovitch 1905).

The first formal social institutions in the Bulgarian territories of the Ottoman empire were the *credit funds of public utility*, established by the Turkish authorities in the period 1864–1868. They aimed at providing cheap and accessible credit to farmers to combat poverty and widespread usury. These funds also financed public projects in the Ottoman empire (Atanasov 2017; Bakardzhieva 2009).

In the Bulgarian territories, the Turkish authorities also developed a social policy for orphans and widows by establishing special *funds* (*sirot-ski kasi*), through which savings and donations were collected to support them.

As regards the social institutions in the cities, during the Ottoman period, the main forms of collective labour in the towns were *guilds* called *esnaf*. The *esnaf* was a social and economic craftsmen association representing a specific craft. *Esnaf* existed in the 18th and 19th centuries and gained official recognition by virtue of a sultan's *firman* in 1773; they organised the delivery of raw materials or the resale of goods with a view to supporting the competitiveness of Bulgarian producers.

*Urban mutual credit associations* were the predecessors of savings and credit cooperatives in the cities before the Liberation. The first urban mutual credit association was founded in 1871.

After the Liberation, Bulgarian authorities acknowledged the significant role of agricultural credit for the country's development and decided to maintain the main functions of the existing state-owned credit funds of public utility while transforming them, in 1878–1879, into *agricultural funds*. In the absence of private banking institutions, agricultural funds became the only savings and credit institutions in the countryside; they operated in a context marked by peasants' growing indebtedness and need of capital. They also extended their offer of loan services to agricultural cooperatives.

In 1903, the *Bulgarian Agricultural Bank* (BAB) was established as the only state-owned bank supplying farmers with cheap and accessible loans through local support to cooperatives. Then, in 1910, a second state cooperative bank—the *Bulgarian Central Cooperative Bank*—was established to promote different types of cooperatives by providing them with loans and to attract their savings. These two state cooperative banks became (and remained until World War II) the biggest creditors of the cooperative sector in Bulgaria (Marinova and Nenovsky 2017a).

The first *agricultural credit cooperative*, “Oralo”, was established in 1890. It was the first cooperative not only in Bulgaria—but also in the Balkans—based on the principles of Raiffeisen savings and credit cooperatives.

In the course of time, agricultural credit cooperatives developed into *multi-service cooperatives*, as their lending activities were complemented by other activities, such as the sale of consumer goods and farming machinery, the manufacturing of materials and the sale of farm produce. These cooperatives engaged in cultural and educational activities among the rural population (Tsentrallen kooperativen sayuz 1986a, 1986b).

It is noteworthy that the Bulgarian cooperative movement developed in the framework of the first Cooperative Law (1907)<sup>6</sup>, which was based on most of the modern European legislation and practices at that time, namely the German and Hungarian cooperative laws. The implementation of the law contributed to the boom of the cooperative movement in the country at the beginning of the 20th century (Palazov 2005 [1935]).

Cooperative credit in urban settings developed from the beginning of the 20th century onwards. During the period 1903–1939, the cooperative savings and credit institutions in the cities were the *popular banks*. The first popular bank in Bulgaria was the Popular Bank of Sofia (1903)<sup>7</sup>. The bank's by-laws were inspired by those of the popular banks in Milan (Italy) and Menton (France), which had been created by Luigi Luzzatti. The Bulgarian popular banks, which brought together mainly small artisans and tradesmen, appeared much later than those in Western Europe because of the poor development of urban crafts during the Ottoman period. These banks gradually became a powerful tool to combat usury and the shortage of capital among artisans. The popular banks financed many social projects in fields, such as the development of the electricity grid and the water-supply system, and the construction of cooperative wineries. Although popular banks emerged and developed primarily in urban areas, some also appeared and operated in rural settings. In many villages, the popular banks found themselves in competition with agricultural credit cooperatives (Marinova and Nenovsky 2017b).

In 1939, about 16% of the country's total population (6.3 million people) participated in the cooperative movement. During the interwar period, many different types of cooperative—such as consumer, production, tobacco and rose distillery cooperatives—proliferated in the country.

Before the outbreak of World War II, the state started to strictly regulate and limit the activities of cooperatives but that did not stop their growth. Nevertheless, the state succeeded in putting them under control and in taking over the management of the funds on which they operated, thereby using the cooperatives for political goals and struggles; such evolution was evidenced by the merging of the two state cooperative banks into the Bulgarian Agricultural Cooperative Bank in 1934. That process of gradual submission of the cooperative sector to the state created favourable preliminary conditions for the new communist regime.

*The Socialist Period*

During the socialist period (1945–1989), the cooperative movement developed in the broader framework of building the socialist economy in the country. Cooperatives evolved under the Cooperative Law, passed in 1948. The socialist period was characterised by the “transplantation” of the Soviet cooperative model in Bulgaria. The socialist state functioned on the principle of public ownership of the means of production, and the cooperative sector was totally subordinated to and dependent on the state. Cooperatives were deprived of their autonomy, self-governance and democratic nature; that was clearly discernible in the agricultural sector, in which agricultural credit cooperatives were transformed into labour cooperative agricultural farms (*trudovo kooperativni zemedelski stopanstva*, or TKZS), which were quite similar to the Soviet kolkhozes. Table 1.1 illustrates some of the basic differences between agricultural cooperatives under the capitalist system and TKZS under socialism.

Due to the institutional transformation they underwent under socialism, cooperatives practically became “forms without substance” (Daskalov and Mishkova 2014).

*From 1989 Onwards*

After the fall of socialism, in 1989, the state embarked on a rapid application of the principles of market economy and private property through price liberalisation and privatisation. This trend was further accentuated after the 1996–1997 crisis, which was followed by the orthodox monetary policy and the conservative fiscal policy of the currency board. Cooperative financial institutions have disappeared, mainly due to the unfavourable legal environment that subjects them to the same regulations as private financial institutions. As for agricultural cooperatives, they mostly operate today as traditional businesses. Cooperatives, due to their links to the country’s socialist past, are still considered incompatible with the market and capitalist economy.

**2. Institutional Environment**

Public policies play a crucial role in fostering social enterprise. In this section, we present the laws, policies, definitions and funding sources of social enterprises in Bulgaria.

**2.1. Laws and Policies**

In the absence of a legal definition of social enterprise, the first legal acts that were enacted and can be related to the field of social enterprise in

Table 1.1 Comparison between agricultural cooperatives and TKZS

<i>Criteria</i>	<i>Agricultural cooperatives</i>	<i>TKZS</i>
Membership	Voluntary	Initially voluntary; later on, the state imposed constraints through legislative changes
Governance	Autonomous governance (adopted by-laws); democratic decision-making ("one member, one vote" rule); election of the managing bodies	By-laws elaborated and adopted by the state; each cooperative member had one vote in the management body; election of the management body
Basic principles and values	Self-help, self-responsibility, equality, democracy and solidarity	Abolition of inequality and collectivism
Ownership of the means of production	Preservation of the private ownership of the land, cattle and equipment of each cooperative member	Members brought their land, livestock and equipment in the farm; the ownership of the land was transferred to the cooperative and became public
Funds	Share contributions by the members and loans from the BAB	The farm's revenue came from its produce and from loans granted by the BNB
Remuneration of the cooperative members	Members were not paid; they used their own labour and that of their families	Initially, a rent was paid by the state to the farmers for cultivating the land and part of the income was distributed among the farmers. Later on, farmers were paid according to the number of days of work
Termination of membership	At any time; the invested capital was paid back	Each cooperative member had to be a member of the farm for a minimum of three years
Activities	Provision of short-term social credit; supply of industrial goods to the members; manufacturing and sale of agricultural produce; involvement in cultural and educational activities in the village	Collective cultivation of the land; supply of produce to the state at administered prices; sale of part of the produce on the market. The activities were subject to state planning

Source: Compilation by the authors

Bulgaria were the Cooperative Law, in 1999,<sup>8</sup> and the Non-Profit Legal Entities (NPLE) Act, in 2000.<sup>9</sup>

The government elaborated the national policy on the social economy and social enterprise in compliance with the European priorities and policy measures in this field. The first important policy measure was the adoption of the National Social Economy Concept (*Nacionalna koncepcia za socialna ikonomika*) by the Council of Ministers, in 2012.<sup>10</sup> The implementation of the Concept is supported by biannual action plans, adopted by the Council of Ministers, which focus on the improvement of the legal framework, measures aiming to create favourable conditions for education, training and research on the social economy and assessment of the economic and social impact of social enterprises on employment and social inclusion.

In the Governmental Programme of Bulgaria for the period 2017–2021,<sup>11</sup> social entrepreneurship is one of the priorities. The goal is for social entrepreneurship to achieve a 2% contribution to the country's GDP. Meanwhile, estimates show that, by 2017, such contribution amounted to less than 1% of the GDP.<sup>12</sup>

Fostering social enterprise has become a national priority, as is clear from the adoption, in October 2018, of the Law on Social and Solidarity-Economy Enterprises, which entered into force in May 2019.<sup>13</sup> This law aims to create a favourable ecosystem for social enterprises, providing them with a better access to the market and improving their competitiveness. Moreover, a Social-Economy and Social-Responsibility Department was established in 2018 within the Ministry of Labour and Social Policy.

## 2.2. Definitions

The first official definition of the social economy was provided in the National Social-Economy Concept: “The social economy is part of both the private and the public sectors. [It includes] volunteer associations or other organised entities (i.e. social enterprises) [that] pursue economic activities for public benefit and reinvest [their] profit to achieve social goals” (p. 6). This definition was subsequently further developed in the Law on Social and Solidarity-Economy Enterprises, which stipulates:

*The social and solidarity economy is a form of entrepreneurship oriented to one or several social activities and/or social aims, performed by enterprises, including through the production of goods or the provision of services in cooperation with the state or the municipal authorities, or independently.*

Law on Social and Solidarity-Economy  
Enterprises, article 3

According to Article 5 of the law, social and solidarity-economy entities are cooperatives, public-benefit non-profit legal entities and social enterprises.



The law defines a social enterprise as:

*an enterprise which, regardless of its legal organisational form, performs activities—producing goods or providing services—that combine economic results and social aims. Moreover, it achieves a measurable, positive social added value; it is managed by its members, workers or employees through transparent decision-making processes; and its economic activity [is characterised by one or several of the following elements:] its staff belongs to specific groups or/and its profit is mainly allocated to a social activity or/and to the social aim defined in its by-laws.*

Law on Social and Solidarity-Economy  
Enterprises, § 1.5

This legal definition is in line with the EMES approach to social enterprise and its three dimensions—the economic, social and governance-related dimensions.

The law distinguishes two groups among social enterprises: “class-A social enterprises” and “class-A+ social enterprises”. According to article 7 of the law, class-A social enterprises are those enterprises that, regardless of their legal form, meet the first two criteria of the following list and one of the last two criteria:

- The enterprise performs a social activity which produces a social added value, measured by a methodology adopted by the Minister of Labour and Social Policy.
- The enterprise has transparent management, involving its members, workers or employees in the decision-making processes through a procedure defined in its by-laws or articles of association.
- More than 50% of the profits and at least BGN7,500 (€3,750) are allocated to the enterprise’s social activity or aim.
- At least 30% of the staff and not less than three persons belong to (a) vulnerable group(s) (people with disabilities, long-term unemployed, people under the age of 30 without professional experience, homeless people, refugees, ex-convicts, former drug and alcohol addicts, etc.).

Class-A+ social enterprises are those enterprises that, regardless of their legal form, either fulfil all these criteria or fulfil class-A criteria and at least one of the following criteria:

- The social added value is realised in municipalities in which the recorded unemployment rate corresponds to the average rate in the country or was higher than this average in the preceding year.
- More than 50% of the profits and at least BGN75,000 (€37,500) are allocated to the enterprise’s social activity.

- At least 30 workers belong to a certain vulnerable group and they have been working for this enterprise for the preceding six months.

Another important goal of the Bulgarian government is the establishment of a national public register of social enterprises, to be published on the website of the Ministry of Labour and Social Policy. The entry in the register shall be made at the request of the undertaking concerned, and the certificate will be issued by the Minister of Labour and Social Policy.

Moreover, the law provides for the creation of a digital platform by the Ministry of Labour and Social Policy to promote and support interaction among different stakeholders of the social and solidarity economy through the establishment of partnerships, and to arrange collective purchase, by the populations, of the goods and services provided by social enterprises. The platform shall also provide online training courses on social entrepreneurship and qualifications and employment opportunities for disadvantaged and vulnerable people. In this regard, the platform will foster the development of all social enterprises and facilitate their access to the market. The platform is currently in an initial stage of preparation.

### **2.3. Incentive Measures**

The law envisages different types of incentive measures for different groups of organisations. Registered social enterprises will be eligible for non-financial aid, such as participation in national educational and training programmes, methodical assistance in obtaining funds, and brand-creation and certification of their goods and services by the Minister of Labour and Social Policy. Additional incentive measures are envisaged by article 15 of the law for class-A+ social enterprises, such as:

- the establishment of a building right on private municipal property for these social enterprises, by decision of the municipal council, without tender or competition, with a view to helping these enterprises achieve their social objective, and under the condition that the social enterprise continues to exist and operate for at least ten years after it has benefited from such right (in case of violation of this condition, a financial compensation will be owed to the municipality);
- the establishment of the right for social enterprises to use private municipal property or objects by decision of the municipal council, without tender or competition, with a view to helping these enterprises achieve their social objective. This right is given to the social enterprise until the latter is deleted from the register or for a ten-year period;
- financial aid to support the education and the development of the qualifications of employees belonging to a vulnerable group. Such aid is granted on the basis of a proposal by the Minister of Labour and Social Policy; the economic activity must be performed entirely in

municipalities with a recorded unemployment rate that corresponds to or is higher than the average in the country in the preceding year.

## 2.4. *Funding*

The biggest challenge for social enterprises in Bulgaria is the fact that access to funding is limited and difficult. EU funds (namely the European Social Fund and the European Regional Development Fund)<sup>14</sup> have become the main funding source (providing grants) for social enterprises. Furthermore, the Bulgarian Development Bank has signed an agreement with the European Investment Fund to participate in the “Social Impact Accelerator” (SIA), which aims to create a sustainable stock exchange for social enterprises. Some of the biggest NGOs also provide funding opportunities for social enterprises.

## 2.5. *Synthetic Overview of Public Policies on the Social Economy and Social Enterprise*

In Table 1.2, we use the analytical framework put forward by Chaves Ávila and Monzón-Campos (2018) to present and summarise the most recent development of public policies on the social economy and social enterprise in Bulgaria.

## 3. SE Models

The process of EU integration has given a new impetus to the social economy and social enterprise in Bulgaria. It is worth noting, though, that as far as cooperatives are concerned, and unlike what is the case in many other EU member states, their role remains limited in Bulgaria.

It is also noteworthy that new models of social enterprise have emerged and developed in the country from the 1990s onwards. International influence on the development of the civil society has been clearly visible in the financing of social projects and in the provision of consultancy and expertise. In the late 1990s, the first projects on social entrepreneurship were funded mainly by foreign donors (such as USAID).

We present in Table 1.3 (at the end of this third section) the different SE models in Bulgaria, their legal forms and their main characteristics based on the EMES approach. This approach puts forward three sets of indicators for three dimensions:

Indicators of the economic dimension:

- a continuous activity producing goods or services;
- a significant level of economic risk;
- a minimum amount of paid work.

*Table 1.2* Public policies on the social economy and social enterprise in Bulgaria

<b>Soft policies</b> Policies aimed at creating a favourable ecosystem for social enterprises	<b>Institutional measures</b>	<b>Measures aimed at creating a legal definition of social enterprise:</b> Law on Social and Solidarity-Economy Enterprises (2018) <b>Measures aiming to recognise social-economy enterprises as policymakers and as an interlocutor in public-policy processes:</b> Creation of the Social-Economy and Social-Responsibility Department of the Ministry of Labour and Social Policy (2018)
	<b>Cognitive measures</b>	<b>Measures focusing on awareness-raising and on disseminating knowledge about the social economy and social enterprise:</b> National Social-Economy Concept and Social-Economy Action Plan Regional forums on the social economy and social enterprises organised by the Ministry of Labour and Social Policy <b>Measures promoting training on social entrepreneurship:</b> Setting up of an academy for social entrepreneurs Creation of master programmes and courses on social entrepreneurship at several universities
<b>Hard policies</b> Economic policies promoting social enterprises	<b>Supply-side measures, aimed at improving competitiveness among social-economy enterprises</b>	<b>Measures focusing on access to funds:</b> Operational programme “Human resources”, funded by the European Social Fund 2014–2020 Financial instrument “Microcredit with shared risk”, managed by the Fund of Funds Annual social innovation award, granted by the Minister of Labour and Social Policy
	<b>Demand-side measures, aimed at supporting the activity of social-economy enterprises</b>	<b>Measures aiming to ease access to public markets:</b> Digital on-line platform (digital cluster) for interaction between stakeholders in the social and solidarity economy and aiming to support the development of e-commerce, e-education, e-investment and e-recruitment in the sector

Source: Ministry of Labour and Social Policy and authors' analysis

Table 1.3 Main features of SE models in Bulgaria

<i>SE models</i>	<i>Legal forms</i>	<i>Economic model</i>	<i>Social mission</i>	<i>Governance model</i>
Social-business model	Small- and medium-sized enterprises registered under commercial law, specialised enterprises for people with disabilities	Production of goods and services; economic risk	Primacy of the social mission; civil-society initiative	High autonomy; participatory governance
Social-cooperative model	Cooperatives pursuing a social mission, cooperatives for the disabled, credit cooperatives	Production of goods and services; economic risk	Primacy of the social mission; civil-society initiative; limited profit distribution	High autonomy; participatory governance
Entrepreneurial non-profit model	Associations, foundations, <i>chitalishta</i> , informal organisations	Production of goods and services; minimum paid work	Primacy of the social mission; civil-society initiative; limited profit distribution	High autonomy; participatory governance
Public-sector SE model	Specialised enterprises for people with disabilities created by municipalities, social enterprises created by municipalities	Provision of social services; economic risk	Primacy of the social mission; limited profit distribution	Participatory governance

Sources: European Commission (2014); Ministry of Labour and Social Policy; authors' study

#### Indicators of the social dimension:

- an explicit aim to benefit the community;
- an initiative launched by a group of citizens or civil-society organisations;
- a limited profit distribution.

Indicators of the governance dimension:

- a high degree of autonomy;
- a decision-making power not based on capital ownership;
- a participatory nature that involves various parties affected by the activity (Defourny and Nyssens 2012).

The four SE models identified and studied by Defourny and Nyssens (2017) and by Defourny *et al.* (2019)—namely the social-business model, the social-cooperative model, the entrepreneurial non-profit model and the public-sector SE model—have been developing in Bulgaria.

### **3.1. *The Social-Business Model***

In Bulgaria, the main legal forms of social enterprises belonging to the social-business model are those of *specialised enterprises for people with disabilities* and *commercial companies* (SMEs registered under the 1991 Trade Law). These enterprises and companies combine the provision of goods or services with the primacy of a social mission.

According to the Law for the Integration of People with Disabilities (2004)<sup>15</sup>, specialised enterprises for people with disabilities are established under the Trade Law or the Cooperative Law and are registered by the Agency for People with Disabilities. Data published by this agency show that there are 242 specialised enterprises for people with disabilities in Bulgaria.<sup>16</sup> These enterprises are active in various areas, most of them in tailoring; other—less important—fields of activity are the production of plastics goods, souvenirs and accessories, cosmetic products, web advertising and design, publishing, touristic services, etc.<sup>17</sup>

### **3.2. *The Social-Cooperative Model***

*Cooperatives pursuing a social mission, cooperatives for the disabled, credit cooperatives* and *microfinance organisations* correspond to the social-cooperative model. Nowadays, the most developed form of social cooperative in Bulgaria is that of cooperative for people with disabilities. These organisations are allowed to perform economic activities, but the social aim must have primacy over the profit-making purpose.

### **3.3. *The Entrepreneurial Non-Profit Model***

As regards the entrepreneurial non-profit model, we distinguish the following legal forms of social enterprise in Bulgaria: *associations*, *foundations* and *chitalishta*. The Non-Profit Legal Entities Act defines two main types of organisation: associations and foundations. They can work

for public or private benefit. Public-benefit non-profit legal entities are allowed to engage in economic activity, subject to certain conditions.

### 3.4. *The Public-Sector SE Model*

The public-sector SE model includes *specialised enterprises for people with disabilities created by the municipalities and other social enterprises established by the municipalities*. These enterprises are mostly set up under public-private partnerships. These social enterprises provide social services, paid for by the municipality, to their members and to other people. Recently, many municipal social enterprises have been established under the Operational Programme “Human resources”, funded by the European Social Fund.

## Conclusion

In recent years, the collective spirit and culture, mutualism and solidarity embedded in the Bulgarian society and deeply rooted in the country's past have been revitalised. We have observed a very dynamic trend towards the creation of social organisations, linked to both domestic and external drivers and influences (such as rising poverty and inequality in the country, the EU integration and the global economic crisis).

Nevertheless, regardless of the country's century-old traditions (especially as regards the cooperative movement) and the upward trend in the establishment of social enterprises after EU accession, Bulgaria is still lagging behind many developed European countries in terms of SE development. The communist period and its legacy constitute one of the reasons for this backwardness. We argue that further explanation can be found in the “crony” redistribution of wealth at the beginning of transition (in the 1990s), the process of private-capital accumulation in the country and the growing individualistic spirit, which totally crashed with the basic principles and goals of social-economy organisations.

The recent adoption of the Law on Social and Solidarity-Economy Enterprises is considered to be the first step towards the definition of social enterprises and the creation of a favourable ecosystem for them in the country.

Furthermore, reinforcing research about social enterprise as well as education and training among the population could constitute major drivers for increasing the interest in social enterprise in Bulgaria.

## Notes

1. The Bulgarian state was established in the 7th century in the Balkan Peninsula. The Bulgarian territories were part of the Ottoman Empire from 1396 to 1878, when, at the end of the Russo-Turkish war, Bulgaria once more

- emerged as a national state; this is referred to as the “Liberation of Bulgaria”. In 1885, Bulgaria effected the fusion between the autonomous principality and Eastern Rumelia, which had been separated by the Treaty of Berlin. In 1908, Bulgaria declared itself a fully independent state.
2. The Bulgarian National Revival started in the 18th century and ended with the Russo-Turkish war and the Liberation, in 1878.
  3. In Bulgarian, *chitalishte* is singular and *chitalishta* is plural.
  4. Chitalishta Act: [www.lex.bg/laws/ldoc/2133897729](http://www.lex.bg/laws/ldoc/2133897729).
  5. National Register of Chitalishta: <http://chitalishta.com/>
  6. Palazov (2005 [1935]).
  7. Tsentralen kooperativen sayuz (1986a).
  8. Cooperative Law: [www.lex.bg/laws/ldoc/2134696966](http://www.lex.bg/laws/ldoc/2134696966).
  9. Non-Profit Legal Entities Act: [www.lex.bg/laws/ldoc/2134942720](http://www.lex.bg/laws/ldoc/2134942720).
  10. National Social Economy Concept: <http://seconomy.mlsp.government.bg/page.php?c=1&d=54>.
  11. Governmental Programme of Bulgaria for the period 2017–2021: [www.government.bg/files/common/GovPr\\_2017-2021.pdf](http://www.government.bg/files/common/GovPr_2017-2021.pdf).
  12. Approximate estimates by the Ministry of Labour and Social Policy, National Statistical Institute.
  13. Law on Social and Solidarity-Economy Enterprises: <http://dv.parliament.bg/DVWeb/showMaterialDV.jsp?idMat=131143>.
  14. One of the key priorities of the Operational programme “Human resources development” (2014–2020), funded by the European Social Fund, is “fostering social entrepreneurship and professional integration in social enterprises and stimulating the social economy to facilitate access to employment”. Social entrepreneurship is also funded by the Operational programme “Innovations and competitiveness” (2014–2020) of the European Regional Development Fund.
  15. Law for the Integration of People with Disabilities: <http://dv.parliament.bg/DVWeb/showMaterialDV.jsp?idMat=132871>.
  16. Agency for People with Disabilities: <https://ahu.mlsp.government.bg/portal/se/>
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