



*ReinFORCE SOCIAL Entrepreneurial Spirit through setting up Innovative Support Structures in the cross-border Territory „SOCIAL FORCES”*

### **D.3.8.2: Round Table**

#### **REPORT PAPER**

**BY**

**PB8 – Faculty of Economics and Social Sciences**

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#### General Provisions

The Leading Beneficiary of the project is the Regional Development Agency of Rhodope, Greece. The Partners and beneficiaries of the project are: Haskovo Municipality; the Chamber of Commerce and Industry of the town of Xanthi; the Chamber of Commerce and Industry of the town of Drama; NGO for Knowledge and Development, Thessaloniki, Greece; Haskovo Chamber of Commerce and Industry; Union for Reconstruction and Development, Haskovo; Faculty of Economics and Social Sciences, Plovdiv University "Paisii Hilendarski"; University of Macedonia - Department of Educational and Social Policy, Thessaloniki, Greece. The contract has a duration of 24 months and the total cost of the project is 563 589, 10 euros.

The purpose of the project is to encourage the introduction of social structures in support of citizens, the organization of joint information campaigns to promote social entrepreneurship, raising awareness among local authorities, businesses and other interested parties about the opportunities and conditions for the development of social entrepreneurship. The project aims to improve the effectiveness of local policies for the development of economic growth as well as the quality of social entrepreneurs in the cross-border area.

The specific sub-objectives of the project are:

- to improve the skills and knowledge of decision-makers on issues such as national and regional schemes to support and promote social entrepreneurship;
- to specify which regulations and measures will improve this sector, as well as identify unnecessary legal barriers;
- to allow the policy makers identify the most important aspects of the legal framework and public policies developed in this sector by each country;
- to increase the capacity of policy makers as well as local interested parties to outline the needs of social entrepreneurs and define common strategies and best practices promoting social entrepreneurs' support and innovation;
- to increase the number and type of funds in the cross-border area to promote social entrepreneurship models that meet the needs of the local community by identifying and testing new approaches as well as using collaborative work and co-operation between causes;
- to improve the entrepreneurial competence of the human resources of social enterprises planning to develop activities in the sphere of the social economy;
- to enhance the knowledge and skills required for the set up and management of social entrepreneurial structures.

### THE NATURE OF SOCIAL ENTREPRENEURSHIP, SOCIAL ENTERPRISE AND SOCIAL ECONOMY

Social entrepreneurship is a business enterprise that operates through enterprises working for the benefit of social change. This is defined as an economic activity entirely aimed at the creation, functioning and development of social enterprises, and the social entrepreneur is a person who

creates a social good through activities that combine economic and social goals, support socially vulnerable groups of society, stimulate socially positive changes to meet social needs.

The social enterprise is not a social agency or a charity. Social enterprises have all the distinctive features of traditional businesses: they produce goods and services; use means of production that have an obvious cost; they are autonomous and take a significant level of economic risk. In fact, a social enterprise that is a participant in the social economy is an undertaking which main purpose is to provide a beneficial social impact than to make a profit for the owners or partners. It operates on the market by delivering goods and services in an entrepreneurial and innovative way and uses the earnings primarily for social purposes. It is subject to responsible and transparent management, in particular by linking its employees, clients and interested parties with its economic activity.

By putting social goals first, the social economy contributes in an innovative way to address the social, economic and environmental needs of society that have been overlooked or misinterpreted by the private or public sector. People are placed before profits, as this gives priority of personal and social goals to the interests of capital. There is a gap between the business and the public sector. The idea is to develop the concept of the social economy with a main objective to improve the well-being of the representatives of vulnerable social groups as well as the social conditions at the expense of the generated profits by the company. The economy of solidarity is an alternative response, an element of social transformation, of new economic relations that puts man ahead of profit to benefit all interested parties. The activities in the economy of solidarity are values in themselves, as they encourage the development of the one who gets a chance to develop, while at the same time contributing to the development of society to create a more favorable social, economic, cultural and political environment that are sustainable.

The European Parliament defines the social economy as a fundamental pillar and the basis of the European social model. Social business in practice can be a very powerful program of change, because it achieves better results for the common good. It also turns out that it is possible to do things in a more responsible and fairer way and at the same time achieve better market success. Thus, social entrepreneurship becomes a true driver of growth in the EU. The social enterprise is

identified at European Union level as a key instrument for bringing the regions closer together and overcoming the problems of poverty and social exclusion.

## SOCIAL ENTREPRENEURSHIP IN BULGARIA

At the end of the 1970s, the economic growth rates declined, and unemployment increased. The social models of states are insufficient to guarantee social benefits for all, and it is impossible to overcome the growing inequality and social exclusion. This situation has provoked the expansion of some volunteer organizations that are gradually becoming social enterprises as well as the setup of enterprises that aim to improve the standard of living of a vulnerable group or other type of cause. In Bulgaria, in spite of the traditions in the cooperative movement and the network of specialized enterprises for people with disabilities, the imposition of economic models during the transition period based on extreme market liberalism put at risk the very existence of social enterprises in the country. It could be said, that the social enterprises in the country started to appear after 2000, mainly with the support of external donors. For example, in 2002, Counterpart International - Bulgaria started the implementation of a program for the creation and support of social enterprises financed by the US Agency for International Development. According to the data of the Ministry of Labour and Social Policy in Bulgaria, there are currently about 5 000 enterprises and organizations that identify themselves as "social enterprises".

The first step toward providing institutional support for social entrepreneurship was made in 2009 when the Social Assistance Agency opened a procedure for direct grant awarding under scheme BG051P0001-5.1.01 "Social Entrepreneurship - Promotion and Support of Social Enterprises" / Pilot phase /. The aim of the procedure is to support the development of social entrepreneurship as an opportunity to improve the quality of life of people in risk groups and to overcome their social isolation. In 2011, a new procedure - BG051PO001-5.1.02 - "New Opportunities" was launched.

Other state agencies and NGOs providing support for social entrepreneurship activities are the Disability Agency (DA), the National Association of Employers of Disabled People (NAFDP), the Open Society Institute and the Trust for Social Alternative "(TSA). The National Social Economy Concept, approved by the Council of Ministers in April 2012, expressed the political

commitment of the state institutions of the Republic of Bulgaria to create a favorable environment for the development of models and practices for social economy. Another important document is the “National Reform Program of Bulgaria 2020” (updated in 2015), which regulates some of the main areas of structural reforms related to the modernization of labor market access services, social support, health care and education. Particularly important for the development of the SP is the “Act on Enterprises of the Social and Solidarity Economy”, published in the state journal on 2 November 2018, which entered into force on 03.05.2018. The AESSE has been developed in connection with the implementation of the Governmental Program of the Government of the Republic of Bulgaria for the 2017-2021 period; the National Concept for Social Economy adopted by decision of the Council of Ministers under item 2 of Protocol No. 13 of the Council of Ministers’ meeting on 4 April 2012; Decision No 151 of the Council of Ministers of 15 March 2018 adopting the Social Action Plan for the 2018-2019 period, and the Program and objectives of the Bulgarian Presidency of the Council of the European Union. This normative document aligns the issue with European legislation by enabling social enterprises in Bulgaria to benefit from the acquis: (1) Regulation (EC) No 1296/2013 of the European Parliament and of the Council of 11 December 2013 on The European Union Program for Employment and Social Innovation (EaSI), and amending Decision No 283/2010 / EU establishing a European Microfinance Facility for Employment and Social Inclusion; (2) Regulation (EU) No 346/2013 of the European Parliament and of the Council of 17 April 2013 on European Social Entrepreneurship Funds; (3) Directive 2014/24 / EC of the European Parliament and of the Council of 26 February 2014 on public procurement.

The creation of a specialized legal framework in the field of the social and solidarity economy is an essential element of the overall ecosystem supporting the development of the subjects of this type of economy. The institutional, political and legal framework are the main pillars of the development of the social and solidarity economy.

The profession of a Social Entrepreneur exists in the National Classification of Occupations and Positions. Although until recently there has been a lack of regulation on social entrepreneurship, the practice shows that there are a number of enterprises in Bulgaria, which are defined and identified as social. The social enterprises in Bulgaria have so far carried out their activities in different sectors, the most important being in the delivery of social services; the provision of

work for people with disabilities; assistance in job searching for unemployed persons; provision of health services; activities in the field of education and others. As already mentioned above, the main subject of the social economy in Bulgaria is the cooperative. They have had a 120-year long tradition in the country. In Bulgaria there are nearly 2,000 functioning cooperatives, which have 0.5 million members and provide 50 thousand jobs. About 50% of the people with disabilities work in them.

The legal organizational forms of the social enterprises are the NGO (Non-Profit Legal Entity) - they have a legally guaranteed right to carry out direct economic activity, which must meet strictly defined criteria, the Cooperatives for people with disabilities and Specialized enterprises for people with disabilities.

According to the form of support for the risk groups, four main groups of enterprises can be distinguished:

- (1) Enterprises offering opportunities to people from vulnerable groups to participate in a production process / service provision, i.e. they are not passive recipients;
- (2) Enterprises offering a standard product / service with a social impact;
- (3) Innovative products which are themselves linked to social assistance or revolutionary social products;
- (4) Enterprises that offer free products / services or help financially vulnerable groups. At present, this form of support is characteristic of social entrepreneurship-borderline areas such as corporate social responsibility, charity, and so on.

### THE CURRENT SITUATION

Studies and preparation of regional reports on the social enterprises sector have been carried out and a methodology has been developed, incl. drawing up survey questionnaires and research tools. Data has been entered and processed and the results obtained are analyzed. A report has been produced summarizing the results of the study.

The **main objective** of the survey is to present the socio-economic environment that provides social entrepreneurship at European, national and regional level by:

- Outlining the strengths and opportunities;
- Identifying problems and trends in the social economy sector in recent years in the EU and Bulgaria;
- Outlining the prospects for its future development;
- Presenting concrete positive practices and their impact on the target groups.

Methods of study:

- **Cabinet Survey** - Review of information sources on the subject, review and secondary analysis of existing research data, statistical analysis and document analysis.
- **Terrain survey** - Provides information on the level of social entrepreneurship development and outlines the readiness and attitudes of target groups for the development and marketing of products and services.
- **Statistical methods**, including descriptive data analysis method, graphical method for data analysis. The SPSS statistical software is used to process the data, which allows the processing and presentation of multivariate issues, both in tabular and graphic way, to overcome the distortion of results.
- **Inquiry method** - registers information through questionnaires according to the specifics of the target groups.
- **Focus groups** - used to register information and exchange views among participants on current and emerging trends in the social and solidarity economy sector.
- **Analytical methods** - provide primary review and secondary analysis of data from existing studies, analysis of statistical information, analysis of documents, etc.

The study report presents the challenges for social entrepreneurship in the context of its growth prospects, the main barriers based on an assessment of the existing institutional and legislative framework of the social and solidarity economy sector, as well as suggests improvements in that sector.

*Analysis of the regulatory framework and funding opportunities*

Law on Social Entrepreneurship

Based on of the collected information from primary and secondary data on social entrepreneurship and its opportunities in Bulgaria, it is possible to express the opinion that the country is pursuing a policy for social entrepreneurship growth. Bulgaria has been following a National Strategy for Poverty Reduction and Promotion of Social Inclusion 2020, part of the Europe 2020 Strategy. The Council of Ministers annually approves an Action Plan, part of the National Strategy, following different points of the Smart Growth Strategy of the European Union. In 2018 Bulgaria also adopted the Law on Social Entrepreneurship in the Social and Solidarity Economy, which provides for a series of incentive measures to help and facilitate social enterprises by giving them easier access to finance, social clauses in public procurement tenders, tax relief, etc. Despite the efforts that have been made in recent years, both legislative and administrative, there is still a lack of clear recognition in society of social enterprises as a particular type of enterprise. The Law on Social Entrepreneurship in the Social and Solidarity Economy envisages the creation of a distinctive sign identifying the social enterprises, which does not solve the problem of the insufficient confidence of the population in the activities of social enterprises. In view of the negative trends related to demography, low economic activity, low education, lack of work experience, etc., as well as insecurity and distrust of the institutions, social entrepreneurship is not a priority among the population. The Law on Entrepreneurship in the Social and Solidarity Economy was published in the stare journal on 2 November 2018, and entered into force on 2 May 2019.

Social entrepreneurship in the social and solidarity economy, according to the law, is: "Social entrepreneurship is a form of entrepreneurship that combines economic activity with the pursuit of objectives of public benefit resulting in social added value, measurable according to the methodology of a class social enterprise A, A +".

In order to benefit from the incentives to develop social entrepreneurship, the interested parties must register the social enterprise in the National Register of Social Enterprises in the Republic of Bulgaria. (This register will be created after the law enters into force.) The stimulus model set out in the law provides for universal measures for both classes:

- the free use of the distinctive certification mark "product of a social enterprise", which will be created by the Ministry and will be provided by it;
- opportunity for companies that make donations to social enterprises to benefit from tax

relief for these donation;

- training;
- a specific incentive measure for A + class, which is expressed in the possibility to use paid municipal property, but without an tender or a competition.

The ministry's functions, related to the development of the sector, are mainly intended to provide specialized expert support for business development and funding demands, training and joint initiatives in the sector and promotion via an electronic platform. The law explicitly states, "The incentives under this law do not restrict or exclude the application of any other support measures, provided for in other legal acts.

Weaknesses of the law:

- The introduction of a requirement for a positive accounting financial result after tax for the last reporting period of at least BGN 7 500 for Class A and BGN 75 000 for Class A + for the SE (Social Enterprise) - which is a higher criterion for the Bulgarian context defining the SE and will result in the narrowing of the persons who can be identified as SEs. The introduction of such "regulation" of the sector is not justified either in the National Concept for Social Economy or in the National Reform Program Bulgaria 2020 as well as in relevant European documents where clear criteria have been adopted on what should be understood as a " social enterprise ".
- Introduction of an "authorization" mode rather than a registration one.
- The introduction of a ban on carrying out activities in cases where there is no entry in the National Register, when only Class A and / or Class A + enterprises can be registered.
- The option to use paid municipal or state property under a relaxed regime (without a tender or competition) and the provision of training will be available only to large and developed enterprises of Class A +;
- Option to use tax breaks by corporate donors for donations made by them in favor of social enterprises.

#### Financial instruments of social entrepreneurship

The definition, given of the financial instruments by the Financial Instruments Fund Manager in Bulgaria (FIFMB), defines them as specialized financing schemes co-financed through the European Structural and Investment Funds (ESIS) and national funding from the Operational

Programs (OPs), as well as through additional attracted funds from the private and public sectors. The financial instruments aim ensure a more effective use of public resources compared to grants and provide financial support to target groups of end-recipients to deliver economically viable projects, thus helping to overcome identified market imperfections as well as meeting EU strategic goals and policies.

The Human Resources Development Operational Program 2014-2020 (HRDOP) is aimed at achieving higher and better quality employment, reducing poverty and promoting social inclusion, as well as modernizing public policies. The 2014-2020 HRDOP supports the achievement of national employment targets, the fight against poverty and social exclusion in the context of the Europe 2020 Strategy.

Operational Program "Innovation and Competitiveness" 2014-2020 aims at stimulating economic growth and increased productivity, especially of (SMEs). It relies on the cooperation between business and research networks and the increase of entrepreneurial activity in Bulgaria. It provides financial instruments such as bank loans, guarantees and equity investments. The objectives of the Program are addressed in five priority axes, three of which fall into the subject we are considering. They are the following:

- **Priority Axis 1** - "Improving access to employment and job quality" includes two thematic objectives: (1) Promoting sustainable and quality employment and labor mobility support, (2) "Investing in education, training, vocational training for skills acquisition and lifelong learning".
- **Priority Axis 2** - "Poverty Reduction and Promotion of Social Inclusion" - covers only the less developed regions and the targeted communities are migrants, Roma and other disadvantaged groups.
- **Priority Axis 4** - "Transnational Cooperation" - Grants are awarded to promote transnational cooperation in the fields of labor market, social inclusion, health, equal opportunities, non-discrimination and strengthening of institutional capacity.

"Sole trader" - part of the programs and projects for starting and developing independent economic activity of people with disabilities funded by the Agency for People with Disabilities. It is directed towards the development of a business of the disabled people. Individuals with

permanent disabilities can apply for this investment project. The priority objective of the project is to assist the sole trader in securing his / her income from the operation of his / her own enterprise in fulfillment of the obligations by independently carrying out the main activity (s) recorded in the Commercial Register at the time of establishment of the enterprise. In this sense, for the needs of the economic activity carried out, the sole proprietor may also hire other persons to carry out only supportive, non-managerial, non-essential business activities of the enterprise.

The conclusions of the study can be summarized in the following directions:

- Social enterprises are recognized as a suitable form for the integration of disadvantaged people. They depend largely on both the established practices and the laws of the individual countries, as well as on the EU's policies in this direction.
- The common European documents allow the implementation of different approaches at national level regarding the regulation and functioning of social enterprises. The EU Member States as a whole are making a serious step forward in the field of the social economy and its development.
- The efforts of social enterprises and their access to public funding to finance their activities enjoy strong public support.
- The provision of tax incentives to stimulate the activities of social enterprises also impact their sustainability, which in turn enables them to work in the long run to meet the needs of the target groups targeted by their practice. In addition, social enterprises actively use the opportunity to generate additional funds through economic activity.
- The European Structural Funds aimed at supporting social entrepreneurship are used as a solid and effective financial source to support people in socially vulnerable groups.
- The social enterprises in Haskovo district are diverse in terms of size, turnover, sectors in which they are developing, number of staff, income and profit.
- The solidarity economy sector as a whole is well developed, evidenced by domestic practices, the diversity of objectives, the involvement of networks of regional, national and supranational nature.
- There is an established practice for using regulated funding sources, a joint effort of a number of partner organizations of institutional and private nature.
- A number of groups have attracted the attention by many enterprises with different

types of activity, while others experience shortages of services offered to them.

- Participants in the sector clearly formulate the challenges and plans to overcome them.
- Despite people's traditionally skeptical opinion of state intervention, half of respondents perceive its role positively.
- The assessment of the effects of the functioning of social enterprises shows that the positive effects are significant. The role of social enterprises in promoting employment among disadvantaged groups is important.
- The current picture of the socio-economic development, incl. and the development of social enterprises in Haskovo region, shows complex processes with difficult to measure effects mainly due to the impact of the global crisis.
- Based on the dynamics of the surveyed indicators, it can be concluded that Haskovo's contribution to the development of the national economy is limited.
- The low level of Foreign Direct Investments (FDI), poor absorption of EU funds, degraded quality and reduced workforce due to the rapid aging of the population are just some of the unfavorable factors that hinder the achievement of sustainable growth in the region.

A number of negative characteristics outlines the social economy in Bulgaria, which is still a poorly developed sector despite the long-standing traditions in the cooperative movement. Specialized legislation has not yet entered into force. Access to preferential funding for social enterprises is also limited. People with disabilities remain at odds with the possibility of professional and social realization. There are still no in-depth analyses and data about the state of the sector in our country and about its real potential.

#### Social enterprises in Haskovo region

Undoubtedly, social enterprises (at regional, national and international level) are becoming more and more important for the development of the economy and, in particular, the labor market. It is particularly important that all people, whether from vulnerable groups or not, participate in the labor market and contribute to the creation of the public product. According to NSI data, the profile of enterprises, identified as "social" in the region of Haskovo for the 2015-2016 period were predominantly non-financial ones. What immediately stands out is the decreasing number of

SEs. In 2015, there were 127 of them and in the year 2016 down to 113. The social enterprises in Haskovo region are different in size, type, legal status; services provided, profit volume, etc. The surveyed social enterprises in the region of Haskovo aim at enabling disadvantaged people to move more smoothly towards the labor market and ensure employment. The surveyed enterprises mainly outline three profit-sharing options - on job creation, investment and distribution among members. Enterprises range from having between two and sixty employees. Depending on the number of employees, social enterprises can be distinguished as micro, small and medium-sized enterprises.

Of the surveyed enterprises, 50% declared people with physical disabilities as beneficiaries of their services. 30% of enterprises were targeted at the long-term unemployed, while the remaining 20% involved homeless people, people with mental disabilities, the elderly and others.

The conducted social survey identifies the variety of social enterprises in the district of Haskovo.

- Sole trader businesses, that hire people from risk groups and / or offer services or products to such people. Specialized enterprises for people with disabilities, who provide employment to these vulnerable groups;
- Non-governmental organizations that develop business activities within the framework of the statutory option or register commercial companies for the development of such activity, providing work for people from vulnerable groups;
- Municipal social enterprises, which provide employment to people from risk groups (most often people with disabilities);
- Social enterprises in the form of public-private partnerships with municipalities;
- Day care centers for people with disabilities who seek business opportunities for the purpose of socialization and adaptation of their clients.

The social enterprises find their main difficulties in securing access to additional financial resources, recruitment, and the institutional and legal framework. In order to remove the main obstacles to the development of social entrepreneurship, their regulation needs improvement. It is of particular importance to have a precise definition of these business entities as well as a legal framework for the legal nature of the social enterprises. National legislation regulating this type

of enterprise could contribute to resolving the issues facing social entrepreneurship.

Many survey respondents, as well as the general public opinion, are inclined to think that there are no opportunities for the development of this sector, and that public policies are failing in the promotion and assistance for the development of social enterprises and the social economy as a whole.

### OPPORTUNITIES FOR THE DEVELOPMENT OF THE SECTOR

Social enterprises are primarily associated with a more active state intervention. This could be achieved through the effective implementation of an institutional policy that is adequate for the needs of the sector. The institutional and legal environment has been defined by all institutions as a major impediment to the development of social enterprises but has also been identified as a major opportunity to promote the sector. Public policies are identified as a major factor, which at this time operates inadequately to the needs of the sector. Promoting the social economy inevitably goes through a review of local and national policies, also by changing the institutional public structure as well as the legislative framework at national level.

The expected outcomes during work on the project and on its completion should strengthen the interest in social entrepreneurship in both regions - Bulgaria and Greece. The purpose of the project is to identify and analyze regional needs in the area of social entrepreneurship. The two regions will work closely together to implement Information and Communication Technologies (ICT) as a tool to improve the level of entrepreneurial skills, promote entrepreneurial attitudes and transversal skills of individuals interested in creating a socio-economic enterprise or of those already working in a socio-economic enterprise. It will also provide opportunities for the existing and future promising social entrepreneurs with a training program, training materials aimed at developing the entrepreneur's competence to start and manage the socio-economic enterprise. An electronic platform and a manual for social entrepreneurship will be set up, which will remain permanent and every interested person will have access to the necessary information. There are already many programs and trainings in Bulgaria that can help any new entrepreneur. What a person would need is just an idea and a desire to do it!

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