

## CHALLENGES AND SUPPORT POLICIES FOR SOCIAL ENTERPRISES IN BULGARIA

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### *Abstract*

*The concept of social entrepreneurship is relatively new, both as a theory and as a practice, and is entirely determined by the economic and cultural challenges in Bulgaria. The promotion of innovative ideas in public policy plays a crucial role in supporting the values of an active-oriented problem-solving social system. These views are fundamental to the ongoing social reforms in Bulgaria and focus on the development of social entrepreneurship and policies that support social enterprises. The purpose of this article is to explore and identify the challenges and policies for social enterprises and social entrepreneurship in Bulgaria and their sustainable development. This research presents the results of a pilot study held in Bulgaria under the SESBA Project - Social Enterprise Skills for Business advisors. The field studies were carried out on the basis of primary and secondary data. The collection of the primary data included a questionnaire survey to collect information by using a face-to-face interview. The secondary data were extracted from official data, reports and official websites, etc. The challenges for Bulgaria regarding the development of social enterprises can be formulated as follows: need for sectoral reforms, opportunities for capacity building, opportunities for startup funding available and prioritizing a target group.*

*Key words:* social entrepreneurship, social enterprise, challenges

### INTRODUCTION

Social enterprises are a way for creating jobs and increasing training level of the population as sustained by the EU policy [3].

Social enterprises operate in Bulgaria and develop traditionally as a means of providing employment and in the fields of education, social services and in rare cases, education, health and culture. Therefore, a key factor for their future development are upgraders reforms in these areas, market liberalization and provision of a quick and easy access to services for consumers.

At present in the Bulgarian legislation there is no a legal act that gives the legal regulation of the activities of the social enterprise or social entrepreneurship. There is a fragmented legal regulation of individual sectors (social service providers, specialized enterprises for people with disabilities), where subjects engaged in activities are covered by social enterprises, but this approach is rather negative effect on the development of a coherent state policy to support the social economy and social

enterprises, which ultimately reflects on their sustainability and efficiency.

It is important to note that the National development program: Bulgaria 2020 identifies a specific area of impact and measures related to the social entrepreneurship, in particular in Priority: Reducing poverty and promoting social inclusion, Providing employment opportunities and raising wages: "promoting entrepreneurship - encouraging entrepreneurship, including social entrepreneurship for unemployed persons and persons from disadvantaged groups."

As main features of social enterprise are included: achieving social purpose; making of economic activity; predominantly reinvestment of profits back into the business than distribution among individual partners, shareholders, founders/members.

In terms of the types of legal and organizational forms through which one can develop social enterprise, inconsistencies and discrepancies are observed between different strategic documents and programs (The national concept of social economy;

Operational Program "Human Resources Development" 2014-2020).

There is no unified framework and general binding characteristics of social enterprises. This makes it difficult referencing them in each case to an enterprise and determination what is a social enterprises or not. Solving this problem would have been related to more effective planning and efficient spending of public funds to promote the development of social entrepreneurship.

In the last decade the concept of developing and promoting the social economy and social entrepreneurship has been part of the European Union's policy to tackle the social exclusion of vulnerable individuals and groups [4].

**The purpose of this article** is to explore and identify the challenges and policies for social enterprises and social entrepreneurship in Bulgaria and their sustainable development.

## MATERIALS AND METHODS

This research presents the results of a pilot study held in Bulgaria under the SESBA Project - Social Enterprise Skills for Business advisors. The field studies were carried out on the basis of primary and secondary data.

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The challenges for Bulgaria regarding the development of social entrepreneurship can be formulated as follows: broad understanding of the social enterprise; need for sectoral

reforms; prioritizing a target group; opportunities for capacity building; opportunities for startup funding available. There are no adequate and consistent programs funded with public funds for capacity building for the development of social enterprises as such. Especially it is important for social enterprises NGOs, par excellence recognized their business as social enterprises, to upgrade their entrepreneurial skills and visibility on the market [6]. The implications on the funds allocated for the development of social enterprises in various national initiatives and mechanisms lead to the conclusion that substantial financial resources are allocated, but at the same time social enterprises received support fail to achieve financial sustainability and remain project-oriented. This prevents, on the one hand, social enterprises to build their own image in the business environment and become recognizable in society, and on the other - to establish themselves as a successful tool for achieving the objectives of national social policies [1].

## RESULTS AND DISCUSSIONS

Social enterprises are established in order to accomplish certain social objectives (overcoming social injustice or social inequalities with regard to vulnerable groups of people or achieving socially significant goals in the sphere of ecology and sustainable development) and their whole economic activity is subordinate to these goals and objectives, as opposed to profit-making objectives for the benefit of individuals.

The activities of social enterprises can be defined as crucial in helping the state policy on social inclusion of vulnerable groups.

*Social enterprises pursue socially significant objectives:*

Social benefits are measured by integration and employment of disadvantaged people, the contribution to the process of social inclusion of other vulnerable people [7].

The following **challenges** faced by Bulgarian social enterprises have been identified [11, 12]:

-Lack of regulatory legal framework to provide a definition for a social enterprise so that the policies in the field to be properly targeted; in Bulgaria there is not yet a legal definition for a social enterprise, but there are a set of characteristics (in the National Concept of Social Economy) that can serve as a starting point for defining a social enterprise.

-The majority of social enterprises in Bulgaria focus on providing different types of services (passive), while social entrepreneurship should move towards active inclusion of target groups in the process [8].

-Lack of sufficient preferences related to the marketing of products offered by social enterprises.

-The need of training and motivation of people who work in social enterprises and of those who are willing to work in them [9].

Involvement in social enterprises

Answers to the question concerning the involvement in social enterprises and the following explanations point out the misunderstandings and confusions between volunteering, philanthropy, corporate social responsibility and social entrepreneurship.

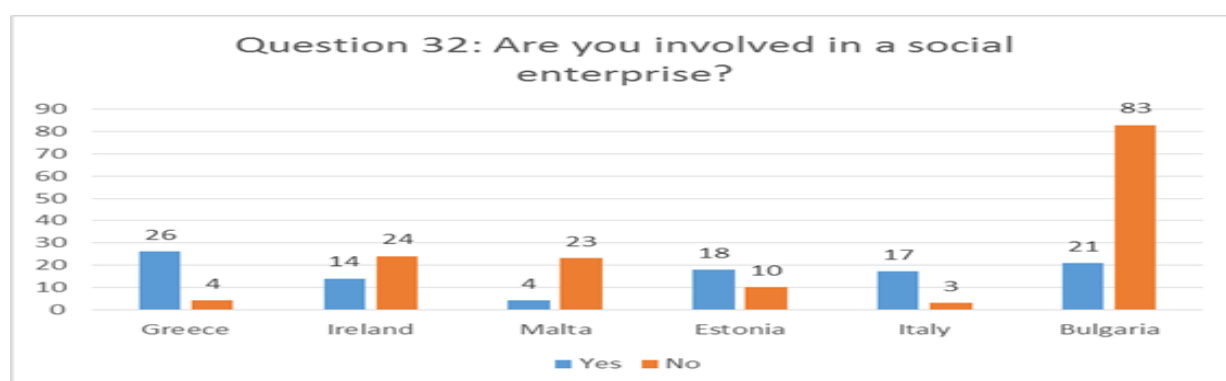


Fig. 1. Distribution of the answers regarding the involvement in social enterprises  
 Source: Own calculation.

National policies to promote social enterprises should provide concrete measures regardless of their nature (legal, financial, administrative) must comply and achieve as a result those principles:

(a) *Promotion and sustainability*

-Support for social entrepreneurship should include the release of public funds to support the activities of social enterprises to deal with social problems;

(b) *Coordination and decentralization*

-Establishment of mechanisms for the participation of social enterprises in the planning and evaluation of policy for social entrepreneurship at national level;

-Creation of conditions for development of social entrepreneurship at the local level, according to the specificities and the needs of the territory by involving the municipalities in this process (in local and regional strategies).

(c) *Solidarity and Partnership*

-Creation of conditions for cooperation, consultations, open dialogue and sharing responsibility among all stakeholders [10].

*Support of the activities undertaken by social enterprises and innovation policies:*

-Social marketing and promotion of social economy and social entrepreneurship;

-Training and qualification for people employed in social enterprises, specialized enterprises and cooperatives of people with disabilities;

-The evaluation on the advisory services needed by social enterprises show a great variety of topics that should be covered. The assessments for all listed options in the question are good to very good: legal services, technology, finances, fund raising, participatory leadership, business planning, market analyses, participation in funding programmes, access to markets, strategic planning, governance [2].

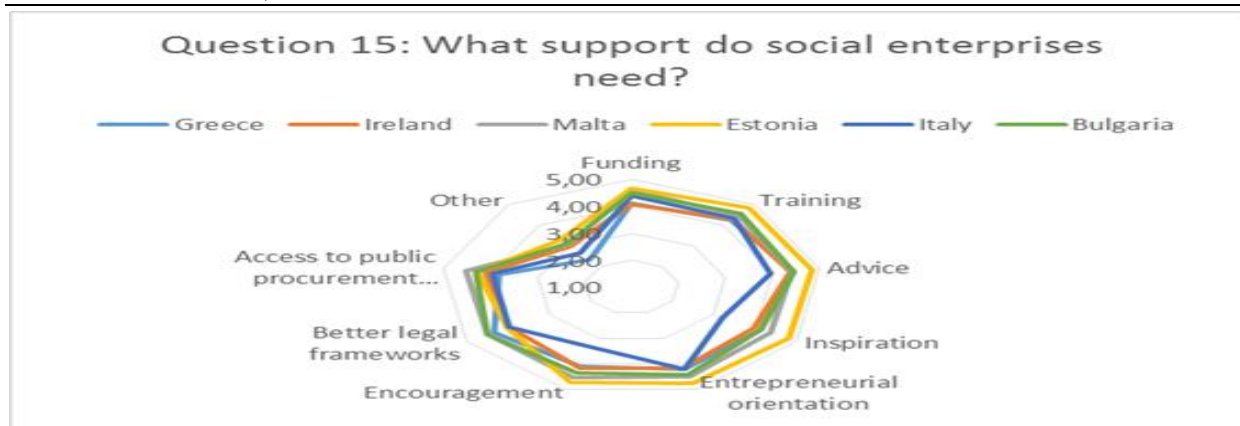


Fig. 2. Answers to the question regarding what kind of support do social enterprises need  
 Source: Own calculation.

## CONCLUSIONS

Implementing the strategy "Europe 2020" in Bulgaria, a National Reform Programme is developed. There are four priority areas: better infrastructure; competitive youth (reducing the share of early school leavers, increasing the number of young graduates, encouraging young scientists realization of young people in Bulgaria); better business environment (higher employment, more investment, incl. in innovation); more trust in state institutions (protection of interests of citizens and businesses, social justice and security).

The concept of social entrepreneurship is relatively new, both as a theory and as a practice, and is entirely determined by the economic and cultural context in Bulgaria.

There is a need key legislative changes to be taken in order the measures set in strategic and political national documents to become real mechanisms to support social entrepreneurship in Bulgaria. The successful development of social enterprises requires the creation of sustainable partnerships between business, NGOs and the public sector - partnerships in which each of these actors recognizes its role to achieve socially important objectives and is willing to invest resources in that.

Social enterprises in Bulgaria carry out their activities in different sectors, with the most significant participation being in delivering of social services; recruitment of people with disabilities; mediation in finding employment of unemployed people; provision of health

services; activities in the field of education, etc. [9].

The challenges for Bulgaria regarding the development of social enterprises can be formulated as follows:

- Need for sectoral reforms;
- Opportunities for capacity building;
- Opportunities for startup funding available;

The need for social entrepreneurship and the challenges faced by Bulgarian social enterprises develops new models of active social support and involvement, in which users and customers are encouraged to assume greater responsibility.

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