

## CHALLENGES AND OPPORTUNITIES FOR SOCIAL ENTERPRISES

MARIELA BOGDANOVA<sup>1</sup>

---

### Abstract

*The current topic focuses on the new social vision and challenges after the adoption of legislation on the social and solidarity economy in Bulgaria, as well as on the opportunities for access to financing and institutional support for social enterprises.*

*The progress made is seen in a broader perspective, including not only statistics on the number of social enterprises self-identified, but also proven social added value and entered in the Register of social enterprises. Tracking the challenges is in the context of the process and the employment and human resources options and the provision of a supportive environment for the sustainable development of social enterprises. Although 2019 has emerged as a strong startup community, we still don't have startups for social entrepreneurship. This, of course, does not mean that Bulgaria lacks successful models of social enterprises that provide employment for persons from different vulnerable groups and answer questions related to the social impact and benefits of applying the principles of the social economy. The European Union today, more than ever, emphasizes its new social vision, based on opportunity and solidarity.*

**Keywords:** *new social vision, social enterprises, law-making, social added value*

**JEL Codes:** *B55*

---

### Introduction

The validation process of the new social vision and of the institutional support provided by the social enterprises continues to have a significant meaning with a view of the perspective for the development of the social economy as a fraction of the whole concept for EU solidarity, including crisis periods. It is possible to provide concern for the labor group as part of achieving the proposed targets in the Europe 2020 smart and inclusive strategy is also based on breaking up some European citizens for a more social dimension to assessing existing work, consumption and investment. Taking into account the prospects for the social economic development in Bulgaria, over the transfer of basic statistics on the number of social enterprises represented within this framework, which can be defined as such.

Today's opportunities aim to provide an adequate response to many challenges. This includes legal framework, financial resources and measurability of the social added value of a product or service produced by social enterprises. In the context of the consensus reached with regard to social enterprises, the sustainability of trends contributing to their increasing visibility and increasing social impact is observed, including by providing incentives for businesses in the real sector to participate in the social economy. It is the unification of all elements in a single integrated process that leads to the consolidation of the new social vision of enterprises,

---

<sup>1</sup> PhD Student "Faculty of Economics", South-West University "Neofit Rilski", Blagoevgrad, Bulgaria, [bregioni.ltd@gmail.com](mailto:bregioni.ltd@gmail.com)

**ORCID iD** <https://orcid.org/0000-0002-9881-3485>



including a set of measures (economic and institutional tools) to support the processes of overcoming and new social challenges.

### 1. Legislation and social economy

There are numerous initiatives and regulations at EU level aimed at developing the social economy and social enterprises. Until 2018 in Bulgaria, the social economy had no legal regulation, but nevertheless, such forms could be found in practice. The definitions reflected in a number of EU documents were used to define social economy entities. This also led to various difficulties, which were mainly related to the sustainable development of social enterprises, a fragmented legal framework (social service providers, specialized enterprises, etc.), provision of a supportive environment for the development of social enterprises, and regulation of specific requirements, including opportunities for tax relief for economic operators, including uncertainties regarding the measurability of the performance of their business.

The regulation of the social economy at the law level was regulated after the adoption of the Law on Enterprises of the Social and Solidarity Economy (2018). Until now, the social economy has been supported mainly by the National Concept for Social Economy (2012), as an expression of 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 the social economy. It is through the Concept that the anticipatory vision of the future changes in the regulation and practice of the state bodies is ensured, as well as the vision regarding the integration of sectoral policies. In order to clarify the differences in the laws of the European countries, the characteristic of social enterprises given by the European research network - EMES ([https://ec.europa.eu/info/research-and-innovation/strategy/era\\_en](https://ec.europa.eu/info/research-and-innovation/strategy/era_en)) was also used. EMES criteria are connected to the entrepreneurial and social dimensions.

Table 1. Social enterprise legislation in some European countries compared to EMES criteria

EMES criteria ( <a href="http://www.emes.net">www.emes.net</a> )	Community Interest Company CIC UK	Italian law on Social Co-ops	Belgium Social purpose companies	Portugal Integration. Companies	Finnish Act on Social Enterprises.
Continuous production of goods and/or services		x	x	x	x
A high degree of autonomy		x		x	
A significant level of economic risk	x	x	x	x	x
A minimum amount of paid work		x	x	x	x
A initiative launched by a group of citizens	x	x		x	
decision-making power not based on capital ownership		x	x	x	
A participatory nature, which involves the persons affected by the activity	x	x	x	x	
Limited distribution of profits	x	x	x	x	X
An explicit aim to benefit the community					(employment)

Source: Pättiniemi Pekka, 2008

The following presentation of the Law on Social and Solidarity Economic Development in Bulgaria is about public relations, by contacting the social economy you are sure that you have chosen to evaluate and edit for social enterprises. The law clearly defines the social economy as a form of entrepreneurship aimed at one or more social activities and / or social goals pursued by enterprises, including through the production of various goods or the provision of services, in cooperation with state or local authorities or independently. The legitimated legal framework has identified the social economy entities, including vulnerable groups, which leads to involving them in employment that meets the organizational requirements.

Thus the main challenge to the development of the social economy in Bulgaria was achieved, but the subjects of the social economy (social enterprises) were challenged to fulfill the legal requirements under the terms and procedures set by the Rules for the implementation of the Law on Enterprises of the Social and Solidarity Economy (2019). All these legal acts help people with disabilities to have a chance for inclusion in the labor market, this “is crucial for the development of the social insertion activities for people with disabilities” (Atanasova, Krastev, Parvanov & Todorov, 2019, p. 67). The new element is related to proving the social added value produced by their activities. In order to clearly regulate the definition of social added value, a methodology was developed to evaluate the social impact of the activities of social enterprises. The Methodology for assessing the social added value produced by the activity of the social enterprises under Art. 7 and Art. 8 of LESSE also determines the assessment intervals: up to 8 points, social enterprises have no social added value and social added value is demonstrated at 9 points or more. Determining the presence or absence of social added value is a requirement under the Law on Enterprises of the Social and Solidarity Economy.

The economic impact of the activities of social enterprises (organizations) is also an expression of their flexibility and ability to mobilize resources of different origins - market and non-market resources, volunteer work and broad public support. This contributes to maintaining the trend of steady increase and civic initiatives realized through the opportunities provided by funding under the Operational program “Human Resources Development” (2014-2020) with a focus on developing the social economy. This contributes to a positive and stable development of organizations that work in the social sector. Kicheva (2017) reveals that there is a remarkable growth of the social economy, with the ever-expanding spheres of activity of the so-called organizations, social or public goods, mainly labor and social integration, as well as social services and home patronage. To ensure greater public awareness and as a means of interaction between the subjects of the social economy, institutions and civil society, a functioning electronic register of social enterprises was established on the territory of the Republic of Bulgaria. Its main aim is to identify enterprises in the field of social economy and to provide information on the defined indicators for social enterprises, their distribution in the country, areas of activity, class, etc. Social enterprises (by district) to m. April 2020 are presented in Table 2.

*Table no. 2 - Social enterprises (by districts), April 2020*

<b>By District</b>	<b>Status: Active social enterprise</b>	<b>Status: Waiting for verification</b>	<b>Class</b>
Blagoevgrad Region	3	1	A
Varna Region	1	2	A

Vratsa Region	1	-	A+
Kardzhali Region	-	1	A
Kyustendil Region	-	1	A
Lovech Region	-	2	A
Pazardzhik Region	1	-	A
Plovdiv Region	-	1	A
Ruse Region	-	1	A
Silistra Region	-	2	A
Smolyan Region	-	1	A+
Sofia Region	-	1	A
Sofia Region(capital)	2	5	A/A+
Stara Zagora Region	-	1	A

Source: Register social enterprises

According to the public data in the register, social enterprises operate throughout the country, the largest being in the territory of Sofia District (capital), with the registered social enterprises being both Class A and Class A +. Entry in the Register is also a condition for funding under the Operational Program “Human Resources Development”. Registered social enterprises are also entitled to use the certification mark of social enterprise products. The purpose of the certification mark is to raise the awareness of the stakeholders about nature, functioning of the social economy and the development of an active, supportive environment for the subjects of the social economy.

## 2. A supportive environment for social economy subjects

The creation of social enterprises, including in areas such as the creative industries, is a possible way to provide an appropriate supportive environment that reduces the negative impacts. Positioned in a specific business niche, new social entrepreneurs can combine the creativity with economic benefits in a unique way. In Study on the economy of culture in Europe (2006), EU researches indicate that the cultural and creative industries have great potential for development and are among the dynamic sectors contributing about 2.6% of EU GDP. According to the Towards an EU Strategy for International Cultural Relations (2016) the sector is becoming an engine for economic growth not only in its traditional forms but also in particular through the cultural and creative industries, SMEs and tourism. Moreover, in Council conclusions on the contribution of the cultural and creative sectors to the Lisbon objectives (2007) the culture and creativity are important economic resources, and as the link between education and industries is strengthened, the potential of SMEs is maximized. New forms of solidarity, social commitment and civic participation are emerging, increasingly involving the use of new technologies in cultural activities (digitalization of cultural heritage, virtual museums, etc. The Employment and Social Innovation Program (EaSI) (<https://ec.europa.eu/social/main.jsp?catId=1081&langId=en>) draws attention to taking into account the territorial dimensions of unemployment, poverty and social exclusion, as well as the inequalities that exist between regions and within them, between rural and urban areas, as well as within the cities themselves. Considering the perspectives and benefits of the social economy, it should be noted that social enterprises cannot provide universal solutions to problems, and the main challenge remains, to demonstrate their ability to be an equal partner

in solving important social problems and to prove that innovation and flexibility are their main distinguishing features. The tuition of young social entrepreneurs, including in fields such as the creative industries, is a possible way of providing the right supportive environment. Providing a sustainable, supportive environment for the social economy, it will continue to provide benefits related to increasing the social impact of public savings on social benefits and offsetting the social cost of long-term employment/unemployment. It is crucial to note that long-term unemployment is not a wish, but due to a lack of suitable jobs or a lack of awareness of existing opportunities. People aged 50-54 are often left permanently unemployed, and staying out of the job market also reduces their chances of getting a job. The problem of unemployment among older workers is a phenomenon in the labor market not only in our country but also in the other EU Member States. It is much more challenging to return to work if you are in this group, as many employers find that this group is less adaptable to change. From this point of view, they are often rejected even in preliminary selections. This further discourages these individuals and puts them at risk of social exclusion. Overcoming these and other challenges is at the heart of the growing interest in social enterprises that the new social economy can do in human society.

### **Conclusion**

The essence of every social enterprise is in its economic activity with a pronounced social effect. Despite all the steps taken so far, there remains a need for a more focused policy to support social enterprises as a tool for social inclusion and labor integration, including for disadvantaged people.

## References

- Atanasova, I., Krastev, V., Parvanov, P., & Todorov, I. (2019). European Union Legislation for encouraging the Social Entrepreneurship for people with disabilities. *Economics & Law*, 1(2), 59-69.
- Directorate General for Education and Culture. (2006). Study on the economy of culture in Europe. Retrieved from [https://ec.europa.eu/assets/eac/culture/library/studies/cultural-economy\\_en.pdf](https://ec.europa.eu/assets/eac/culture/library/studies/cultural-economy_en.pdf)
- European Union. (2013). *Programme for Employment and Social Innovation (EaSI)*. Retrieved from <https://ec.europa.eu/social/main.jsp?catId=1081&langId=en>
- European Union, European Commission. (2010). *Europe 2020 A strategy for smart, sustainable and inclusive growth*. Retrieved from [http://publications.europa.eu/resource/cellar/6a915e39-0aab-491c-8881-147ec91fe88a.0004.02/DOC\\_1](http://publications.europa.eu/resource/cellar/6a915e39-0aab-491c-8881-147ec91fe88a.0004.02/DOC_1)
- European research network (EMES). Retrieved from [https://ec.europa.eu/info/research-and-innovation/strategy/era\\_en](https://ec.europa.eu/info/research-and-innovation/strategy/era_en)
- European Union, Council of the European Union. (2007). *Council conclusions of 24 May 2007 on the contribution of the cultural and creative sectors to the achievement of the Lisbon objectives*. Retrieved from <https://op.europa.eu/en/publication-detail/-/publication/a80e5812-9864-4817-8ff5-37ae5d65935a/language-en>
- European Union, European Social Fund. *Human resources development operational programme 2014-2020*. Retrieved from [http://ophrd.government.bg/view\\_file.php/21022](http://ophrd.government.bg/view_file.php/21022)
- European Union, Report of the EU Commission. (2016). *Towards an EU strategy for international cultural relations*. (2016/2240(INI)). Retrieved from [https://www.europarl.europa.eu/doceo/document/A-8-2017-0220\\_EN.html](https://www.europarl.europa.eu/doceo/document/A-8-2017-0220_EN.html)
- Kicheva, M. (2017). Social economy – past and present. *The social economy in conditions of limited resources - theory and practice* (pp. 60-62). Blagoevgrad
- Law on Enterprises of Social and Solidarity Economy. (2018). Retrieved from <https://www.lex.bg/bg/laws/ldoc/2137187968>
- Ministry of labor and social policy. (2012). *National Concept for Social Economy*. Retrieved from <http://seconomy.mlsp.government.bg/page.php?c=1&d=54>
- Ministry of labor and social policy. (2019). *Methodology for assessing the social added value produced by the activity of the social enterprises under Art. 7 and Art. 8 of LESSE*. Retrieved from <http://seconomy.mlsp.government.bg/upload/docs/2019-05/METHODOLOGY.pdf>
- Pättiniemi, P. (2008). Social Enterprise Legislation in Finland. Retrieved from [http://seconomy.mlsp.government.bg/upload/docs/2011-12/Finland\\_Soc\\_ent\\_Radi\\_F.pdf](http://seconomy.mlsp.government.bg/upload/docs/2011-12/Finland_Soc_ent_Radi_F.pdf)
- Register social enterprises  
<https://secprod.mlsp.government.bg/index.php?section=REG&lng=eng>

Rules for the implementation of the Law on Enterprises of the Social and Solidarity Economy  
(DCM № 115/13.05.2019). Retrieved from  
<https://www.lex.bg/bg/laws/ldoc/2137193136>