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SOCIAL ECONOMY IN THE CONTEXT OF SUSTAINABLE DEVELOPMENT AND SOCIAL INCLUSION (ECONOMIC AND LEGAL ASPECTS)

This paper aims to explore the social economy in the context of sustainable development and social inclusion, while tracking the developments in the legal framework of the social economy in Bulgaria and analysing some basic concepts. On the basis of this analysis, the authors have made generalisations and drawn conclusions.

JEL: K29; K31; L31

Introduction

Poverty, income inequality, unemployment and economic crises continue to affect the modern world. In response to this, policymakers intensify their search for opportunities for inclusive and sustainable development that is economically, socially and environmentally viable.

As early as in 1987 the United Nations World Commission on Environment and Development prepared a report entitled “Our Common Future”. It focused on sustainability as the ability to meet the current needs of society in a way that does not restrict the ability of future generations to meet their own needs (UN, 1987). The report highlighted the fact that decision-makers have to take into account the economic, social and environmental effects of decisions on development. The development of humankind has to go in the direction of a better income distribution, development of green technology and meeting the basic needs of people. In the context of sustainable development, the emphasis is on such inclusive goals as improving the working environment, reducing unemployment, investing in people’s education and skills and combating poverty.

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On this basis, social economy began gaining more attention, given that its priorities are not maximising profits, but increasing social and environmental benefits, local development, equitable access to health resources and improved general welfare of society. Social economy is also on the agenda of the European Union (EU), which, realising its importance, has adopted a wide range of policies to promote it. At the EU level, in 2009 the European Parliament prepared a report on social economy. In 2013, Regulation (EU) 346/2013 on European social entrepreneurship funds was adopted. Until recently (2018), the lack of special legal framework on social economy in Bulgaria created difficulties for the development of the sector, conditions for abuse and overall lagging of the country in the common European process of social economy development.

The topicality of the subject is determined by the contemporary socio-economic environment and the fact that Bulgaria has the lowest income in the EU and the most widespread poverty. This puts the emphasis on solving many of the problems of the needy through new legislative methods and economic mechanisms. The relevance of the subject increases in view of the People with Disabilities Act, which introduced solutions for the employment of people with disabilities.

In recent years, measures taken by EU institutions have focused on issues of social cohesion and sustainable development. It has been realised that to achieve the goal of a more prosperous and fair society it is necessary to combine economic growth with social inclusion. The promotion of innovative ideas in public policy is crucial to support the values of every active, solution-oriented social system.

Social economy and social entrepreneurship are very important tools for social inclusion. The process of harmonisation of the national legal framework with EU legislation started already in the pre-accession period, and the national legislation is now to a high degree compliant with the European one. However, this process is on-going in terms of new social realities and statutory instruments that have yet to be harmonised.

This paper aims to explore the social economy in the context of sustainable development and social inclusion, while tracking the developments in the legal framework of the social economy in Bulgaria and analysing some basic concepts.

The study will be arranged around two main axes directly linked to the research **objectives** undertaken, namely:

- Economic analysis of the social economy in the context of sustainable development and social inclusion;
- Analysis of the current, new to Bulgaria's legislation legal framework of social economy in order to clarify the related principles and legal constructs.

The analysis of these issues and the proposal of adequate solutions have not only theoretical, but also practical significance. Theoretical research is a challenge for both economic and legal doctrine. Conducting an interdisciplinary research could be useful both for the elaboration of the theory in these scholarly fields and for the development of the legislation. The appropriate promotion and encouragement of social enterprises will utilise

fully their potential for growth and add value to society. This is particularly important for Bulgaria in terms of the low incomes and significant poverty of the population.

The study has been conducted using complex methods, in view of its interdisciplinarity, with priority given to economic methods. The paper does not analyse in detail the legal framework; it focuses on issues corresponding to the needs of the study and the related research tasks.

1. The growing importance of the social economy

Among the objectives of sustainable development to be reached by 2030, as formulated at the UN Sustainable Development summit (UN, 2015), the prevalent ones are those with social and environmental focus: elimination of poverty in all its forms; reducing income inequality and increasing welfare; promoting sustainable economic growth, accompanied by full and productive employment and decent work; quality education and opportunities for learning at all ages; ensuring healthy life; access to energy; providing water and sanitation; combating climate change and biodiversity loss; environmental protection, etc.

It should be also borne in mind that the economic growth is usually concentrated in certain economic sectors and does not occur equally in all regions. As a consequence people and geographical areas where poverty is in higher concentrations cannot take full advantage of the economic growth due to lack of better jobs, higher pay or other social benefits (Vickers et al. 2017, p. 8). A situation like this is not only morally unjust; it by itself delays the growth in the general welfare of society (Cingano, 2014).

In its search of solutions to these challenges, OECD issued a report emphasising the role of social economy in facilitating the access to employment and providing opportunities for the development of entrepreneurial activity (Noya and Clarence, 2007), and the Council of the EU defined social economy (SE) as a key driver of economic and social development in Europe (Council of the European Union, 2015). A report by the United Nations defined the objectives of social economy as promotion of the values of equity, humanisation of the economy and the offering of innovative solutions in the agenda of people (UNRISD, 2016).

It is believed that the term “social economy” first appeared in the economic literature in 1830, when French economist Charles Dunoyer, arguing for a moral approach to the economy, published his *Treatise on Social Economy* (Campos, Ávila, 2012, p. 16). Schools of social economists emerged over time, influenced by the occurrence of market failures in economies and the need to focus on stabilising the social welfare of society. The social economy was nicknamed “the third sector” (Amin, Cameron, Hudson, 2002; Defourny, Nyssens, 2010), which gives a combined return on investments: profit from invested financial resources plus social, environmental and cultural effects (Elson, Hall, 2012). The social economy model is a new business model which has the capability of filling the void between the social activities of the government and the activities of businesses. Some define it as “entrepreneurial activity with an embedded social purpose” (Austin, Stevenson, Wei-Skillern, 2006, p. 1).

At the end of the twentieth century, the EU created two important institutions. Established in 1990, the Social Economy Intergroup under the European Parliament operates to ensure a constant dialogue between all European institutions, Member States and the social economy sector. The group comprises members of the European Parliament and representatives of various European organisations operating within the field of social economy. At the initiative of the Intergroup, in 2009 the European Parliament issued a report recognising social economy as social partner and key player for achieving the objectives of the Lisbon strategy (EU, 2010). Subsequently, the Madrid Declaration stated that social economy values are key to achieving the objectives of the “Europe 2020” strategy, in particular with regard to the social and labour market inclusion of the most disadvantaged and vulnerable groups (EU, 2017).

The Consultative Committee of Cooperatives, Mutual Societies, Associations and Foundations (CMAF) was established in 1998 with the main task of dealing with issues related to the promotion of SE throughout the European Union. This Committee was dismantled in 2000, but a new European platform for communication among European institutions was established in its place, namely the European Standing Conference on Cooperatives, Mutual Societies, Associations and Foundations (CEP-CMAF) (Campos, Ávila, 2012, p. 95). In 2008 it was renamed to Social Economy Europe. Its members include European organisations of mutual and cooperative insurers, non-profit healthcare players, health mutuals and health insurance funds; industrial and service cooperatives; foundations, associations of general interest, work integration social enterprises, paritarian institutions of social protection, ethical banks and financiers, and the European Cities and Regions for the social economy (Social Economy Europe, 2018, p. 2).

The social economy model corresponds to the objectives of the sustainable and inclusive development, as it provides multiple benefits. On the one hand, its enterprises are instrumental in combating poverty and social exclusion: they provide employment or services and support to disadvantaged people. On the other hand, social enterprises provide economic benefits by reducing the need for public spending for social benefits and maintenance of long-term unemployed. The persons engaged therein do not rely on social benefit from the state budget, and they have the opportunity to earn the necessary means of subsistence on the market and thus feel like fulfilled, financially independent members of society (Blagoycheva, 2014). This is why on 20 July 2016, at the High-Level Political Forum on Sustainable Development held in New York, the European Commission defined social and solidarity economy as a strategic tool for achieving the goals of social development (EC, 2016).

A broader perception of the social economy regards it as an economic activity that is not governed by the market logic of profit generation, nor is controlled directly by the State, but rather is an activity which puts first the welfare of communities and of the marginalised people, before the partisan political directives or the individual profit (McMurtry, 2010, p. 4). The Social Economy Charter contends that the success of social economy cannot be measured solely in terms of economic and financial results, but rather has to be judged primarily in terms of its contribution to social cohesion, creation of quality employment, civic involvement in the economy, solidarity and territorial relations (Social Economy Europe, 2015). It is even believed that social economy is one of the paths to the future,

which would allow future generations to meet their needs better than we can satisfy the needs of today’s population (Seelos, Mair, 2005).

Businesses and organisations engaged in social economy emerge in response to the present economic and social needs. They are characterised by democratic governance, volunteering and civic engagement in the public interest. They can be both small and medium enterprises and large companies or groups of companies operating in different economic sectors – industry, construction, agriculture, healthcare, education, culture, tourism, social services, cooperative banking, insurance, circular economy, leisure time organisations and many others (Table 1).

Table 1

Social economy main sectors of economic activities in the EU

Total	100%
Social Services	16.70%
Employment and Training	14.88%
Environment	14.52%
Education	14.52%
Economic, Social and Community Development	14.34%
Culture, the Arts and Recreation	7.08%
Health	6.90%
Business Associations	2.00%
Law, Advocacy and Politics	1.63%
Other	4.72%

Source: Liger, Stefan and Britton, 2016, p. 58.

The data in the table show that the presence of social enterprises in the EU is strongest in social services, employment, environment, education and socio-economic development. Their activities in various other spheres of public life, such as healthcare, culture and legal services are smaller in scope, but nonetheless as important.

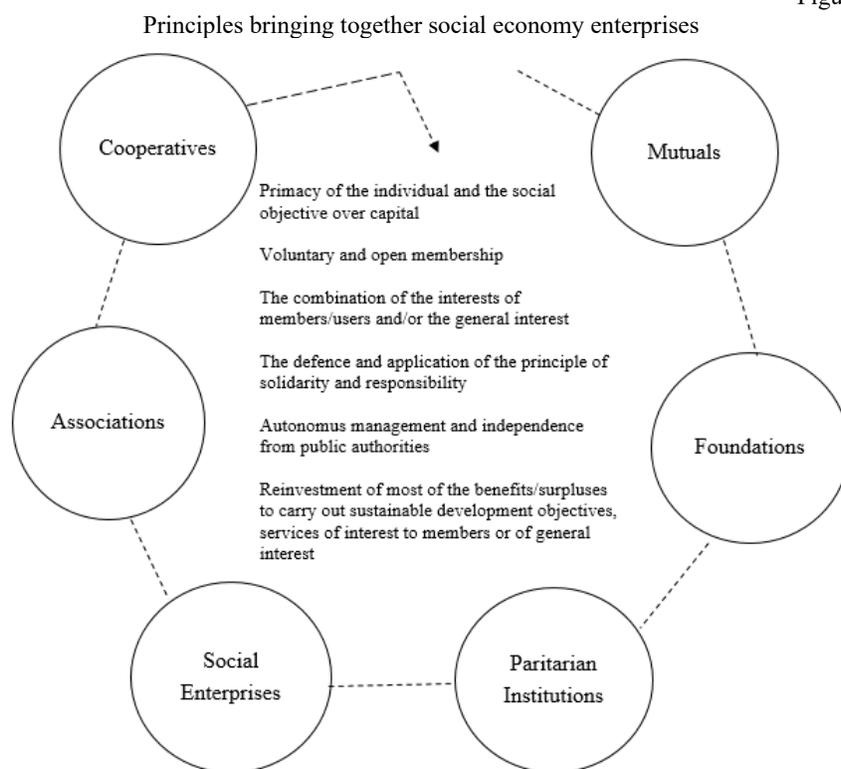
The activities, performed by institutions, engaged in social economy spread across a wide spectrum, as they are capable of being adapted to the needs and interests of society. They often take the shape of innovative economic and social activities.

Research conducted under the SELUSI Project between 2009 and 2011 in five Member States (Hungary, Romania, Spain, Sweden and the UK), covering over 600 social enterprises, found that in recent years the rate of innovation is much higher among social enterprises than among other institutions operating in the market. The researchers have concluded that social entrepreneurs appear to be much less conformist and radically more “universalist” (with values transcending the self) than mainstream entrepreneurs (EC, 2013a).

Entities operating within social economy include social enterprises, associations, foundations, cooperatives, paritarian institutions, mutuals and others. All of them share common principles of operation (Figure 1). These principles are set out in Social Economy

Europe's Charter of Principles of the Social Economy (CEP-CMAF, 2002) and in practice can serve as a summary concept for the organisation and operation of the social economy.

Figure 1



Source: *Social Economy Europe, 2018, p. 3.*

These principles have already been recognised in several official documents of the EU: Council conclusions on the social economy (Council of the European Union, 2015), reports by the European Parliament (European Parliament, 2009), studies by the European Economic and Social Committee on social economy (EESC, 2016), etc. The principles have been adopted in the legislation of some Member States, which is a major step forward in promoting the social economy and increasing its visibility.

Social economy enterprises carry out a wide range of commercial activities, provide various products and services to the population and create a significant number of jobs. Around two million enterprises are engaged in the EU's social economy (about 10% of all business entities in the EU). Their members are about 160 million (small businesses, banking and agricultural cooperatives, and mutual societies offering services complementary to social

security schemes) (EC, 2019a). Salaried employees in social economy enterprises are over 13 million (6.3% of the total employment in the EU) (Table 2).

Table 2
Paid employment in the social economy (2014-2015) compared to total paid employment in the EU (15-65 years old)

Country	Employment in SE (A)	Total employment (B)	% A / B
Austria	308,050	4,068,000	7.6%
Belgium	403,921	4,499,000	9.0%
Bulgaria	82,050	2,974,000	2.8%
Croatia	15,848	1,559,000	1.0%
Cyprus	6,984	350,000	2.0%
Czech R.	162,921	4,934,000	3.3%
Denmark	158,961	2,678,000	5.9%
Estonia	38,036	613,000	6.2%
Finland	182,105	2,368,000	7.7%
France	2,372,812	26,118,000	9.1%
Germany	2,635,980	39,176,000	6.7%
Greece	117,516	3,548,000	3.3%
Hungary	234,747	4,176,000	5.6%
Ireland	95,147	1,899,000	5.0%
Italy	1,923,745	21,973,000	8.8%
Latvia	19,341	868,000	2.2%
Lithuania	7,332	1,301,000	0.6%
Luxembourg	25,345	255,000	9.9%
Malta	2,404	182,000	1.3%
Netherlands	798,778	8,115,000	9.8%
Poland	365,900	15,812,000	2.3%
Portugal	215,963	4,309,000	5.0%
Romania	136,385	8,235,000	1.7%
Slovakia	51,611	2,405,000	2.1%
Slovenia	10,710	902,000	1.2%
Spain	1,358,401	17,717,000	7.7%
Sweden	195,832	4,660,000	4.2%
U. Kingdom	1,694,710	30,028,000	5.6%
TOTAL EU-28	13,621,535	215,722,000	6.3%

Source: EESC, 2016, p. 69.

This outlines a significant and crucial part of the socio-economic landscape of each European country. On the whole, social economy enterprises create a sustainable trend of a close relationship between the social security system and the social economy by transferring the burden of social protection from state aid to the realisation of real earnings (Yolova, 2019). An important feature of the social economy is that it is adaptable to the specific needs and interests of the community where the relevant social enterprise operates. This adaptability is particularly useful for dealing with the challenges of an economic crisis or for the employment of a workforce that is not attractive to other market participants.

2. Challenges facing the social economy and Europe's response

The "Europe 2020" strategy requires smart, sustainable and inclusive growth. Social economy has the potential to contribute to achieving these three objectives and this is reflected in a number of studies and empirical evidence (European Parliament, 2009; Social Economy Europe, 2010; Van Iersel, 2011; Cooperatives Europe, 2012; Rosenblatt, 2013). It has even been said that the objective functions of social economy enterprises constitute a multiple matrix that integrates economic and social goals, making them compatible with each other. And it is on such basis that all social economy enterprises generate important macroeconomic and social benefits to society (Campos, Ávila, 2012, p. 98).

Social economy contributes to smart growth. Its activities extend into different fields of education, culture and science. For example, in the UK following the "Big Society" policies cooperatives are stepping in to the field of education, with close to 400 schools already managed in a cooperative form (EC, 2013b). It should not be forgotten that it is precisely social enterprises that are the incubators of social innovation. On the other hand, the underlying value systems of social economy enterprises promote their solidarity with the environment, creating a mixed value (both economic and social) and generating positive effects that will enable future generations to benefit from sustainable growth. No lesser is the role of social economy in terms of inclusive growth, as its activities are largely focused on aiding vulnerable members of society and reducing poverty. Such activities comply with the three themes of the European Pillar of Social Rights: equal opportunities and access to the labour market; fair working conditions; social protection and inclusion (EC, 2017).

Despite their proven positive impact on society, however, social economy enterprises in Europe do not always receive the necessary visibility or recognition, and, moreover, they often face serious challenges when carrying out their activities.

One of their main problems is low visibility. Society and businesses still do not recognise them to the full extent as equal and important partners. This necessitates raising the awareness of their activity and recognising the social value they generate. Another problem in this regard is the lack of specialised education in social entrepreneurship, which makes it very difficult for social economy enterprises to find staff with the necessary skills and specific qualifications.

Social economy operators comprise mostly micro, small and medium-sized enterprises and as such, these face the challenge of overcoming the lack of understanding of their activity and finding the right financing opportunities despite their small size. Like any small business, they can fail at the very beginning of their operations, for various (mostly financial) reasons. Their earnings are most often from donations, membership fees, grants, revenues from contracts, sales revenues, including revenue from retail and investment (Allinson et al., 2011). The financial sustainability of social economy enterprises often depends on the ability of their members to provide the necessary resources. This is why the European Commission has recommended that EU countries give priority to the activities of social enterprises in the 2014-2020 national operational programmes. The social enterprises themselves can benefit from Europe's programme for small and medium-sized enterprises (COSME) (EC, 2015), the Regional Development Fund and the European Social Fund.

The activity of social economy enterprises takes place most often at the local level. One of the major prerogatives of social economy and social enterprises, in particular, is to tackle urgent problems and find solutions to specific emerging needs, revive social connections in the particular region, as well as those orientated towards sustainable regional development. (Blagoycheva, 2019, p. 490). The economic literature lists examples that give reason to assume that social enterprises are more resistant than the ordinary business-oriented small and medium-sized enterprises (Birchall, Ketilson, 2009). Their entrepreneurial dynamism is usually bottom-up, involving civil society and multiple stakeholders, which contributes to strengthening their social capital and the general support for their operation.

For their part, by positioning themselves in less developed regions, social economy enterprises help to strengthen the social capital in the relevant community by attracting and retaining resources (financial, material and human) and supporting local opportunities for consumers. However, their local particularism hinders their access to information about other best practices or coordinated inter-regional activities with similar social enterprises (EC, 2019b). A significant contribution to increased visibility and collaboration between social economy enterprises and their stakeholders has been made through the initiatives of the European Commission Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs – European Social Economy Regions (ESER) 2018 and 2019. These events attracted the participation of more than 80 regions and cities from EU countries (including Bulgaria) and third countries (EC, 2019b). The third edition of ESER will be held in November 2020 in the city of Mannheim, Germany. Besides continuing to raise awareness of social enterprises and promote social innovation, ESER 2020 will seek new opportunities for engaging the Commission in regional events arranged by ESER through online and offline tools (webinars, live chats, etc.) and creating a social economy community (EC, 2019b).

Social economy enterprises can benefit from the funding provided by the European Social Fund in the implementation of the principles and rules of the European Pillar of Social Rights. The Employment and Social Innovation (EaSI) programme also provides funds to support social policies and modernisation of employment, job mobility and improving the digital skills of the workforce. One of the priorities of the programme for 2020 is to create jobs through social entrepreneurship and international activities seeking to promote international and labour standards (EC, 2019c).

At the same time, the small size of social economy enterprises can be a barrier to participation in public tenders or public procurement procedures (especially if the award policy focuses on economic costs, without taking into account the value-added created by social enterprises). Moreover, their small size limits their opportunities for more serious investments in occupational safety and health. The interruption of activity due to an accident at work can lead to loss of customers or missed opportunity to conclude important contracts (Blagoycheva, Andreeva, Yolova, 2019).

It is believed that in the context of sustainable development one of the major problems facing the social economy is the lack of uniform regulation in European countries (EC, 2013b) and the fact that social economy can flourish only if a legal framework with suitable political, legislative and operational conditions is introduced at EU level (Social Economy Europe, 2018, p. 16). The adoption of such a common legal framework is currently

hampered by the diversity of the national economic and social realities of the individual Member States. Such common framework would contribute greatly to the development and implementation of an effective single public policy with regard to social economy enterprises so as to increase their cross-border recognition, bring closer their activities and exchange good sustainable practices.

3. Economic preconditions for the development of the social economy in Bulgaria

One of the main goals of the “Europe 2020” strategy is to decrease the number of the poor people in Europe by 20 million by 2020. On the threshold of the year 2020, Bulgaria is the Member State with the lowest income and most significant poverty in the EU (Table 3).

Table 3
People at risk of poverty or social exclusion as a percentage of the total population in EU countries

GEO/TIME	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
EU-28 countries	:	23,8	24,3	24,8	24,6	24,4	23,8	23,5	22,4	21,9
Belgium	20,2	20,8	21,0	21,6	20,8	21,2	21,1	20,7	20,3	19,8
Bulgaria	46,2	49,2	49,1	49,3	48,0	40,1	41,3	40,4	38,9	32,8
Czechia	14,0	14,4	15,3	15,4	14,6	14,8	14,0	13,3	12,2	12,2
Denmark	17,6	18,3	17,6	17,5	18,3	17,9	17,7	16,8	17,2	17,4
Germany	20,0	19,7	19,9	19,6	20,3	20,6	20,0	19,7	19,0	18,7
Estonia	23,4	21,7	23,1	23,4	23,5	26,0	24,2	24,4	23,4	24,4
Ireland	25,7	27,3	29,4	30,1	29,9	27,7	26,2	24,4	22,7	21,1
Greece	27,6	27,7	31,0	34,6	35,7	36,0	35,7	35,6	34,8	31,8
Spain	24,7	26,1	26,7	27,2	27,3	29,2	28,6	27,9	26,6	26,1
France	18,5	19,2	19,3	19,1	18,1	18,5	17,7	18,2	17,0	17,4
Croatia	:	31,1	32,6	32,6	29,9	29,3	29,1	27,9	26,4	24,8
Italy	24,9	25,0	28,1	29,9	28,5	28,3	28,7	30,0	28,9	27,3
Cyprus	23,5	24,6	24,6	27,1	27,8	27,4	28,9	27,7	25,2	23,9
Latvia	37,9	38,2	40,1	36,2	35,1	32,7	30,9	28,5	28,2	28,4
Lithuania	29,6	34,0	33,1	32,5	30,8	27,3	29,3	30,1	29,6	28,3
Luxembourg	17,8	17,1	16,8	18,4	19,0	19,0	18,5	19,8	21,5	21,9
Hungary	29,6	29,9	31,5	33,5	34,8	31,8	28,2	26,3	25,6	19,6
Malta	20,3	21,2	22,1	23,1	24,6	23,9	23,0	20,3	19,3	19,0
Netherlands	15,1	15,1	15,7	15,0	15,9	16,5	16,4	16,7	17,0	16,7
Austria	19,1	18,9	19,2	18,5	18,8	19,2	18,3	18,0	18,1	17,5
Poland	27,8	27,8	27,2	26,7	25,8	24,7	23,4	21,9	19,5	18,9
Portugal	24,9	25,3	24,4	25,3	27,5	27,5	26,6	25,1	23,3	21,6
Romania	43,0	41,5	40,9	43,2	41,9	40,3	37,4	38,8	35,7	32,5
Slovenia	17,1	18,3	19,3	19,6	20,4	20,4	19,2	18,4	17,1	16,2
Slovakia	19,6	20,6	20,6	20,5	19,8	18,4	18,4	18,1	16,3	16,3
Finland	16,9	16,9	17,9	17,2	16,0	17,3	16,8	16,6	15,7	16,5
Sweden	17,8	17,7	18,5	17,7	18,3	18,2	18,6	18,3	17,7	18,0
United Kingdom	22,0	23,2	22,7	24,1	24,8	24,1	23,5	22,2	22,0	23,6

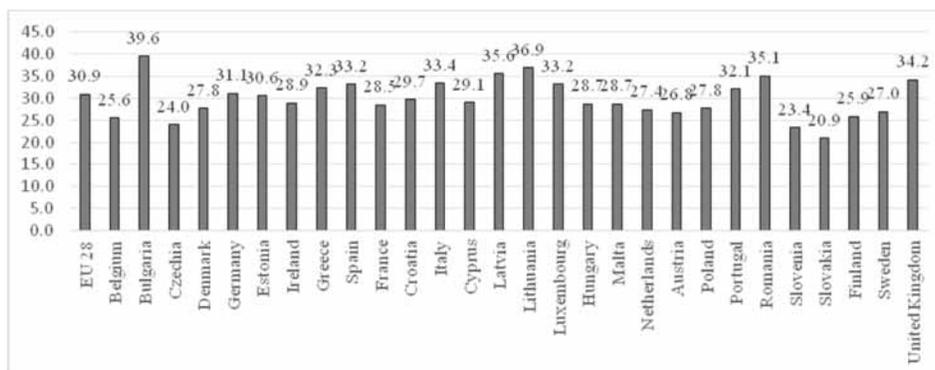
Source: Eurostat, *EU-Statistics on Income and Living Conditions (EU-SILC)*.

In all the years covered by the table, Bulgaria is the country with the most significant share of people at risk of poverty and social exclusion, compared to other EU countries. Of course, seen in dynamics, we should not ignore the fact that in the ten years under consideration our country experienced the most significant reduction of poverty (from 46.2 to 32.8%). Only Romania has gone through a similar process (from 43 to 32.5%). But despite this positive trend, the parameters of poverty in Bulgaria still fail to meet the objective set in the “Europe 2020” strategy.

Bulgaria shows improvement in its economic development. The gross domestic product per capita in 2007 was 41% of the EU average, while in 2018 it was 50% of the EU average. But we are still “last in line”. Before us are Croatia with 63%, Romania with 65%, Greece with 68% and Latvia and Hungary with 70% of the average level of GDP in the EU (according to Eurostat). Within the EU, Bulgaria is also the country with the highest income inequality (Figure 2).

Figure 2

Member States of the EU listed by the Gini coefficient (2018)



Source: Eurostat, Gini coefficient of equivalised disposable income - EU-SILC survey

In the past three years the Gini coefficient calculated for Bulgaria by Eurostat is the highest in the Union: 37.7 in 2016, 40.2 in 2017 and 39.6 in 2018. All this shows that social economy not only has a wide scope for action, but is also vital for the escape of Bulgaria from its unfavourable position compared to other European countries.

Social economy enterprises are typically positioned in a specific space between the public sector and private businesses. This position provides the opportunity for (or necessitates) the development of new business models to redirect resources to solving societal problems that have been ignored by both the business and the government. Vulnerable groups and their problems are of diverse nature, so the activities of social enterprises must be flexibly organised and with diverse orientation. The majority of their activities in Bulgaria are related to the provision of social or health services, employment of persons with disabilities and other social inclusion initiatives.

In May 2017 the government of Bulgaria, along with the governments of Romania, Slovenia, Greece, Cyprus, Italy, Malta, Portugal, Luxembourg, Spain and Sweden, adopted the Madrid Declaration “The Social Economy, a business model for the future of the European Union” (EU, 2017), which called on the European Commission to include in its work plan for 2018 a European Action Plan 2018-2020 to address the economic and social development and social cohesion of all citizens, with particular emphasis on disadvantaged and vulnerable people (EU, 2017).

This opens a wide scope for action for social economy enterprises in Bulgaria. At the same time, their public visibility in our country is not at the required level. The Ministry of Labour and Social Policy has created a Register of social enterprises in Bulgaria, but the latest information in the Register is from 2013. No information is available for the years thereafter. Table 4 presents information on self-identified social enterprises in 2013.

Table 4
Basic indicators of enterprises in Bulgaria, which have defined themselves as social

Indicators	Non-financial enterprises which have defined themselves as social	Non-profit enterprises which have defined themselves as social	Total for Bulgaria
Total number:	2,046	1,566	3,612
Number of entities which have realised profit from business activity	1,381	197	1,578
Number of self-employed and hired persons	32,561	5,985	38,546
Revenue from non-profit activities (in BGN)	5,557,597	179,675	5,737,272
Expenses for non-profit activities (in BGN)	5,611,198	184,989	5,796,187

Source: Ministry of Labour and Social Policy.

It is obvious that social economy enterprises have had their imprint on the economic system in Bulgaria. But in order to develop effectively, they require strong support from the government towards visibility, collaboration and ensuring a proper working environment.

4. Statutory regulation of the social economy in Bulgaria

The principles of sustainable development should be considered and analysed in direct correlation to the principles of national labour legislation, in a cumulative unity. Regional economy and policy, in the context of national and European policies, are inextricably linked to labour law, mainly at the regional level, given the different regional policies to boost employment and the right to work. Insofar as in the current period of its development

Bulgarian labour law is undergoing harmonisation with European law (as Bulgaria is a member of the EU), the acts of the EU are an important part of the sources of labour law.

One of the main challenges is the need for balance between the economic and social aspects of employment, which is achieved through a legal framework corresponding to the current needs of modern society and guaranteed by applicable and operational legal mechanisms seeking to protect the rights of working people (Andreeva, Yolova, 2018). This is also the main trend of modern society, proclaimed in the “Europe 2020” strategy, whose key concept is inclusive growth used as a tool for combating poverty and social exclusion through the development of the labour market, including in crisis conditions. The strategy identifies and interconnects three priorities, five goals and seven key initiatives. Its most direct link to the social economy is in Priority Three – inclusive growth by stimulating a high-employment economy leading to social and territorial cohesion.

Viewed in the context of European Community policies, the social economy is established as an integral part of the social environment and the social protection networks, by successfully combining economic profitability with social solidarity. In this sense, the National Social Economy Concept appropriately regards it as a “vehicle of democratic values that put people first, by creating jobs and promoting active civic involvement” (MLSP, 2011). This document, which precedes the formal legal framework, defines social economy as “a collective concept focusing on the direct social impact of the activities of enterprises and/or organisations that have been established with a social purpose and are deliberately organising their activities to achieve such result”. Thus, the emphasis is on the understanding that “within the social economy, a sustainable business model is being created, which is not characterised by size and scope of activity, but by respecting common values... by allocating surplus income to the benefit of the members combined with the common interest in achieving the sustainable development goals.” (MLSP, 2011).

In the further development of the Strategy, a series of national instruments upgrading the vision of social entrepreneurship have been adopted, which precede the adoption of the special law and serve as its foundation, directly or indirectly. In particular, these are the following: National Social Economy Concept (MLSP, 2011), Action Plan for Social Economy 2014-2015 (Council of Ministers, 2014), Action Plan for Social Economy 2016-2017 (Council of Ministers, 2016), Social Economy Action Plan for the period 2018-2019 (Council of Ministers, 2018), Updated Employment Strategy of the Republic of Bulgaria 2013-2020 (Council of Ministers, 2013), National Youth Strategy 2010-2020 (Council of Ministers, 2010), National Strategy for Reducing Poverty and Promoting Social Inclusion, 2020 (MLSP, 2019), Long-term Strategy for Employment Disability 2011-2020 (Council of Ministers, 2011), etc.

The statutory framework governing the development and strengthening of the social economy has been laid down by means of the Social and Solidarity Economy Enterprises Act, whose main objective is “the development of social and solidarity economy as an economic sector, which will improve access to employment and training of people from vulnerable groups, create conditions to increase their standard of living and reduce social inequality”. The Act defines the nature of social and solidarity economy and is built around three key concepts – social activity and social purpose, social entrepreneurship and social enterprise. The Act also introduces several basic guidelines, namely definition of the

essence of social entrepreneurship and social activities; introduction of the concept of social enterprise; the conditions, organisation and manner of functioning of entities engaged in the social economy, as well as mechanisms for promotion and support of such entities (Andreeva, 2018).

In this respect, the development of the social and solidarity economy is envisaged at the statutory level through three key objectives, namely:

- improving the access to employment and training for acquisition or enhancement of professional qualification in order to raise the living standard of people from vulnerable groups,
- creating conditions for support of persons from vulnerable groups aimed at social inclusion and independent living,
- reducing social inequalities and achieving sustainable territorial development.

Along with the traditional and typical for the social economy forms of association such as cooperatives and non-profit legal entities carrying out activity in the public interest, the Act introduces the so-called social enterprises. According to the definition given in the Act, “a social enterprise” is an enterprise that, regardless of its legal form, is engaged in the manufacture of goods or provision of services by combining economic performance with social purposes, achieves measurable, positive social value-added; it is managed transparently with the participation of members and employees in managerial decision-making, and carries out its economic activities with part of the average number of staff being persons from vulnerable groups and/or with the profit being spent predominantly for carrying out the social activity and/or social purpose laid down in its articles of association or statute.

Social enterprises, divided into class A and class A+, are subject to entry into the National Register of Social Enterprises in the Republic of Bulgaria, which not only ensures transparency, but also facilitates the dialogue with national and local authorities.

A class A social enterprise is any enterprise which, regardless of its legal form, meets the established statutory requirements, which is possible in two varieties. The first has to meet the following conditions: 1. To carry out the social activity of public significance that produces social value-added, measurable under a methodology approved by the Minister of Labour and Social Policy; 2. To be managed transparently with high awareness of its employees, according to a procedure prescribed in the articles of association, the statute or any other constituent document; 3. More than 50 per cent but not less than BGN 7,500 of the positive financial result of the enterprise after tax for the last reporting period must be spent for social activity and/or social purpose.

The second variety of the social enterprise is one where, besides it carrying out the activity of public significance while being transparently managed with high awareness of the employees, not less than 30 per cent but in any case not less than three persons of its employees as at the effective date of the employment relationship are from any of the vulnerable groups listed in detail in the Act. This second variety is, in essence, the authentic social enterprise where the social dimensions of the activity carried out, the high level of

social solidarity, inclusiveness and integrity of individual and community interests are most clearly visible.

For its part, a class A+ social enterprise is any enterprise, regardless of its legal form, which meets simultaneously all the conditions for a class A social enterprise, and also at least one of the following alternative conditions: 1. The social value-added is realised entirely within the administrative boundaries of municipalities where the previous year's rate of unemployment was equal to or higher than the national average; 2. More than 50 per cent but not less than BGN 75,000 of the positive financial result of the enterprise after tax must be spent for carrying out the social activity; 3. At least 30 employees are persons engaged in a class A social enterprise, provided that they have worked in the enterprise over the past six months without interruption.

It is important to clarify that the requirements for social enterprises regarding the positive balance sheet should be considered fulfilled also where the positive financial result after tax is reinvested in the enterprise itself, if its main activity is social within the meaning of the Act.

It is clear that a solid legal basis has been laid down, completely in line with European trends, which should undergo its further elaboration in relevant regulations. The undeniably positive solutions in the Act can be summarised as follows:

- clear legal definition of the main concepts and constructs of social economy;
- a proper and accurate systematisation of the conditions for obtaining the status of a social enterprise;
- a basic system of incentives and support mechanisms, which certainly need further development, but are nevertheless correctly and specifically formulated at the level of this basic act of legislation;
- transparent rules for registration with appropriate administrative relief.

Conclusion

The social economy model corresponds to the objectives of the sustainable and inclusive development, as it provides multiple benefits. On the one hand, its enterprises are instrumental in combating poverty and social exclusion: they provide employment or services and support to disadvantaged people. On the other hand, social enterprises provide economic benefits by reducing the need for public spending for social benefits and maintenance of long-term unemployed.

An important feature of the social economy is that it is adaptable to the specific needs and interests of the community where the relevant social enterprise operates. This adaptability is particularly useful for dealing with the challenges of an economic crisis or for the employment of a workforce that is not attractive to other market participants.

The activities of the social economy constitute an opportunity for the present generation not to cause harm to future ones, but to provide them with the conditions to satisfy even more

successfully their future needs. In addition, the economic activities carried out by social enterprises are a resource that could significantly relieve the State's expenditure for social assistance. In view of the categories of people envisaged to participate in social enterprises, it is clear that there will be quite positive outcomes also for the social security system. In that respect, it should not be open to dispute that the sustainable employment and social inclusion of marginalised categories of people transfer the burden of payments from to the social security system to the system of employment, relieves budgets from spending on social benefits and gives employees adequate insurance – legal status.

Bulgaria is the country with the most significant share of people at risk of poverty and social exclusion, compared to other EU countries. It is also the country with the highest income inequality. In addition, the effects of economic growth usually vary from region to region. Thus, people from poorer regions cannot rely on quality employment, higher pay and other social benefits.

The social economy model is a new business model which has the capability of filling the void between the social activities of the government and the activities of businesses. Social economy enterprises have had their imprint on the economic system in Bulgaria. The majority of their activities are related to the provision of social or health services, employment of persons with disabilities and other social inclusion initiatives. At the same time, their public visibility is not at the required level.

In order for them to develop effectively, they require strong support from the government towards visibility, collaboration and ensuring a proper working environment. One of the main challenges is the need for balance between the economic and social aspects of employment, which is achieved through a legal framework corresponding to the current needs of modern society and guaranteed by applicable and operational legal mechanisms. In this respect, it can be reasonably stated that entirely in the spirit of the European Community policies in our national legislation already exists a coherent and consistent system of documents for applying the model of social economy and accordingly a special law with well-regulated normative aspects. This law is characterised by clearly formulated principles and institutes, enabling an effective and efficient practical mechanism.

In this respect, along with the measures taken at the European level and by central authorities in different countries, it is necessary to increase the role of local authorities. They can contribute through various forms of support by providing publicity or establishing public-private partnerships. The choice of mechanism will depend on the needs and capabilities of the respective municipality or region, based on the good system of incentive measures and mechanism, provided for by the law and respectively concretised in the secondary normative acts, which shall be adopted. The support given through a well-organised implementation practice of the legal framework would contribute to greater efficiency in overcoming the social exclusion of many of the disadvantaged people.

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