

BARRIERS AND OPPORTUNITIES FOR THE DEVELOPMENT OF SOCIAL ENTREPRENEURSHIP IN BULGARIA

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Abstract

The aim of this paper is to examine the evolution of Bulgaria's social economy and social entrepreneurship over the past fifteen years through a review of the literature, analysis of available statistics on social enterprises, and a comparative perspective with developments in other European countries, with Italy as a reference case. Based on that, proposals for the growth, encouragement, and advancement of social entrepreneurship will be made, along with an identification of the obstacles and problems that social entrepreneurship faces in Bulgaria.

The social economy offers an alternative for achieving intelligent, sustainable and socially responsible economic growth, focused on people and social cohesion. They represent an innovative business model that has potential to significantly transform economic and social conditions. In recent years, new trends have been observed related to the development of the circular and shared economy, which create additional opportunities for the growth of social enterprises in Europe, as well in Bulgaria.

The study's analytical component employs a structured desk-based methodology to map the evolution of social entrepreneurship in Bulgaria and to diagnose binding constraints. First, it conducts a longitudinal review of institutional, strategic, and regulatory documents over the past 15 years to trace policy design and implementation consistency. Second, it undertakes a descriptive analysis of national and EU statistical sources on social enterprises (e.g., number, sectors, size, employment, and financing patterns). Third, it synthesizes findings from peer-reviewed literature and policy reports through thematic coding to triangulate evidence. Finally, it benchmarks Bulgaria against selected EU comparators (with attention to Italy) to contextualize national trends. This approach enables the identification of persistent challenges – regulatory instability, insufficient mainstreaming of social entrepreneurship within broader economic and social policy, limited access to finance, and the absence of tax and related incentives.

Bulgaria's social entrepreneurship has grown over 15 years but still faces regulatory instability, weak policy integration, scarce finance and tax incentives, low public awareness, and a fragmented ecosystem. Drawing on Italy's mature model, the study recommends stabilizing regulation, mainstreaming the field in public policy, expanding finance and fiscal incentives, boosting outreach, strengthening cross-sector partnerships, and diversifying – especially via circular/sharing-economy opportunities in agriculture and ecology.

Keywords: social enterprises, challenges, development and promotion

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Introduction

The concept of social economy and social entrepreneurship has undergone significant development in recent decades but can be traced back centuries. The earliest examples are found in religious and charitable activities.

Ancient civilizations practiced “social entrepreneurship” through religious institutions and mutual aid in the community (History of Bulgarian Entrepreneurship, 2022). Other earlier examples lead to the Industrial Revolution and the first pioneers such as Robert Owen (Leopold), who imagined and implemented ideas for social reform in his factories. Owen’s initiative included better living conditions for workers and the creation of cooperative associations, thus formulating principles that are carried out into social entrepreneurship today. Historically, the social economy (SE) can be traced back to popular associations and cooperatives, which formed its foundation. The guiding principles and shared values of these organizations, also reflected in the early cooperative movement, have shaped the modern social economy.

Nowadays, it includes three main types of organizations – cooperatives, mutual societies and associations – and more recently foundations have joined them. These structures originally emerged as interconnected initiatives of vulnerable social groups in response to the challenges posed by industrial capitalism in the 18th and 19th centuries. Cooperatives, mutual societies and resistance societies represent different forms of collective self-help. The role of the social economy is becoming increasingly important, thanks to its effectiveness in addressing key challenges – such as the need for sustainable economic progress, social integration and job creation. In addition, social enterprises address specific social and environmental problems such as migration crises, environmental degradation and gender inequality.

In 2011, the European Commission launched a targeted policy to recognize the role and support the social economy under the title of “Social Entrepreneurship Initiative” (Commission, 2011). The aim is to create a favorable environment for the development of social enterprises as key factors for economic progress and social innovation. The social economy and innovation are becoming a priority for the Commission – both in the context of territorial cohesion and in the search for non-standard solutions to social problems, including the fight against poverty and social exclusion. According to the EC, social enterprises are a part of the social economy that strive primarily for a positive social impact, rather than for profit maximization.

In Bulgaria, the social economy is developing on the basis of three historical pillars (Jeliazkova, 2019), which emerged and developed in the late 19th and early 20th centuries: cooperatives, community centers (Chitalishte), and economic structures – enterprises for people with disabilities. Non-governmental organizations also developed in the 20th century, but they increased after the changes.

Over the last 15 years social economy has been in a process of gradual development with the main need remaining the establishment of a better regulatory environment and greater support for social enterprises so that they can become an active and sustainable partner in the country's social sphere.

Social economy and social entrepreneurship are seen as an important tool for social inclusion and the creation of sustainable jobs, especially for vulnerable groups in society (Jeliazkova, 2019). The National Concept of Social Economy supports the development of social enterprises by creating a favorable legal and institutional environment and coordinating sectoral policies. There are also specific programs and initiatives, supported by funding, that promote social enterprises and social entrepreneurship. State institutions are gradually starting to recognize the social economy as a priority, and the cooperative movement has a long tradition in our country.

Although legislative changes have been implemented to facilitate the activities of social enterprises, there is a need for tax incentives to more widely implement social clauses in public procurement. However, the sector continues to face key obstacles: limited access to financing, an unclear and inconsistent regulatory framework, and insufficient coordination between state institutions and civil society.

Methodology

The aim of this paper is to examine how Bulgaria's social economy and social entrepreneurship have evolved over the past 15 years using a review of the literature and statistical data on social enterprises, as well as a comparison with the growth of social enterprises in other European nations.

To achieve the aim of this paper, a research approach was adopted that combined an exploration of the current state of social enterprises in Bulgaria with exploration of the developments in the past 15 years.

A desk research was conducted to study European and Bulgarian policy documents along with legal documents, evaluation and study reports and publications on the development of social economy and social enterprises in the EU and Bulgaria. The sources included European commission, OECD reports, Bulgarian reports from stakeholders and government. Additionally, the following sources were examined:

- (a) Registry of the Social Enterprises supported by the Bulgarian Ministry of Labour and Social Policy.

- (b) A specialized website on social economy, created and supported by the Bulgarian Ministry of Labour and Social Policy.

- (c) National Statistical Institute which provides data on the social enterprise and non-profit organizations in Bulgaria.

- (d) EU Social Economy Gateway – this platform provides information for and about the social economy in Europe, including the concept of social economy, the social

economy action plan, funding opportunities and social economy ecosystems in the EU Member States

The data was analyzed to study the development of the social economy and enterprises in Europe and Bulgaria. Additionally the NSI data was analyzed to illustrate the progress of social enterprises in Bulgaria as well as to demonstrate support and challenges to the sector.

Finally, a comparison was made with the development of the sector in Italy, one of the most developed states with one of the biggest and most developed social economies in Europe in order to draw attention to support models that work and could be beneficial for the development of Bulgarian social economy sector.

Analysis

The European Commission, with the Social Entrepreneurship Initiative (2011), places the social economy and social innovation at the heart of cohesion policies and addresses societal challenges such as poverty and exclusion. The European Social Entrepreneurship Funds ((EuSEF), 2013) for easier access to financing, and the Employment and Social Innovation (EaSI) programme adds EU-level instruments to promote quality, sustainable employment, adequate social protection, combat social exclusion and improve working conditions. Social enterprises have different legal forms and local contexts, stand between the public and private sectors, pursue social objectives and reinvest profits for social impact. They are within the scope of EU policies for SMEs (including the Small Business Act), which aim to create a favorable legal and administrative environment at EU and Member State level to meet the challenges of globalization and technological change.

At the beginning of the 21st century, legal definitions of NGOs were introduced, and the social and solidarity economy developed according to the Western model with local characteristics related to culture and past experience (Marinova, 2022). The Law on Cooperatives (1999) and the norms for the integration of people with disabilities are key: cooperatives that cover the indicators are recognized as social enterprises and provide meaningful employment for people with disabilities, and their democratic governance makes them a suitable tool for social integration.

Social enterprises registered under the Law on the Integration of People with Disabilities are mainly cooperatives, whose transparent and democratic principles of management make them a particularly suitable form of entrepreneurship in the field of social integration.

Social enterprises registered under the Law on Non-Profit Legal Entities (Law on Non-Profit Legal Entities/Zakon za yuridicheskite litsa s nestopanska tsel), are non-governmental organizations developing economic activities with a pronounced social effect towards persons from vulnerable groups: improving their standard of living, providing employment, providing services and/or other forms of direct

support, the end result of which is their active social inclusion. In some cases, the legal entities registered under the LNPLE themselves establish commercial companies under the Commercial Act (CA), using the income from the company's activities for social purposes.

At the institutional level, in 2012, Bulgaria adopted the National Concept for Social Economy (Policy, 2012) (adopted by the Council of Ministers on 4 April 2012), a strategic document that sets a vision, goals and priorities for promoting the social economy in Bulgaria. It is the framework on which two-year Action Plans (the latest for 2024–2025) are later developed. The Concept commits the state to create a favorable environment for models and practices in the social economy: organizations that combine economic activity with social goals and reinvest profits for public benefit (cooperatives, NGOs, social enterprises, etc.).

Before the adoption of the Law on Social and Solidarity Economy Enterprises in November 2018 (Law on Social and Solidarity Economy Enterprises, 2018), Bulgaria did not have a single comprehensive regulatory or otherwise structured system of rules related to and consistent with the social economy, as well as the conditions, organization and procedure under which social enterprises function and interact with the state and municipalities. The strategic goal of the adopted law is the development and promotion of a socially focused economic sector and generate positive social added value in terms of employment, living standards and social inclusion of vulnerable groups.

The law introduces clear definitions, incentives, better statistics and categories for social enterprises and vulnerable groups. Since the end of 2019, a National Register (Chapter III of the Social Enterprises and Vulnerable Groups Act) has been in operation; registration – based on proven compliance and the “Methodology for Assessing Social Added Value” (May 2019) – is a condition for access to the measures. The MLSP maintains the “Social Economy” e-platform¹, through which status (class A/A+) and registration are applied, and which ensures publicity and partnerships. After registration, measures such as facilitated dialogue, methodological assistance for financing, training and municipal tools are implemented.

In the period 2013–2020, significant support was provided for the social economy and social enterprises via funding from the European Social Fund and the Operational Programme “Human Resources Development” (Evaluation of the efficiency, effectiveness and impact of the measures funded under OP HRD 2007–2012 and OP HRD 2014–2020 promoting social economy, 2021). Under the OP HRD 2007–2013, a separate area of intervention was programmed to promote the development of social economy and support social enterprises. The support covered a range of complementary measures: from providing support for the creation of new

¹ seconomy.mlsp.government.bg

models for the development of social enterprises and support for specialized enterprises and cooperatives for people with disabilities to provide training for acquiring or improving professional qualifications and ensuring employment for people with disabilities, through ensuring a decent life for people who are partially or completely unable to self-serve and are at risk of social isolation, also to support municipalities in their social policies to provide employment for people from vulnerable groups. In 2007–2013, 250 social-economy enterprises were supported with BGN 51,618,563.06, leading to 7,789 new jobs in the social economy. Under OPHRD 2014 – 2020 in the period 2014 – 2020, 233 social enterprises were supported with 51,234,538.91 BGN. Additionally, 30.6 million BGN were allocated for the financial instrument “Microcredit with Shared Risk”, with microloans being provided since December 2017. The financial instrument provides support to individuals who do not have access to financing from banks. The loans are aimed at start-ups and social enterprises, as well as enterprises established by people who have been unemployed for more than 6 months, people with disabilities and young people up to the age of 29. The amount of loans provided varies between 5,000 BGN and 48,895 BGN, and the repayment term of the loans is up to 10 years with the possibility of a 2-year grace period. Interest in this financial instrument is low. In order to study the development of social entrepreneurship, data from the National Statistical Institute (NSI) were reviewed, which tracks the main indicators based on available information (non-financial and non-profit enterprises that have defined themselves as social) for the period 2013–2018¹. NSI has been collecting statistics on social enterprises since 2012 in partnership with the MLSP under a national database project. The data are collected annually through a survey that covers all non-financial and NGOs that have defined themselves as “social”, based on their annual reports. Due to a methodological change in 2013 (a more restrictive definition), 2012 was excluded from the comparability analysis.

¹ The period is selected based on available set of data and supporting activities by ESF.

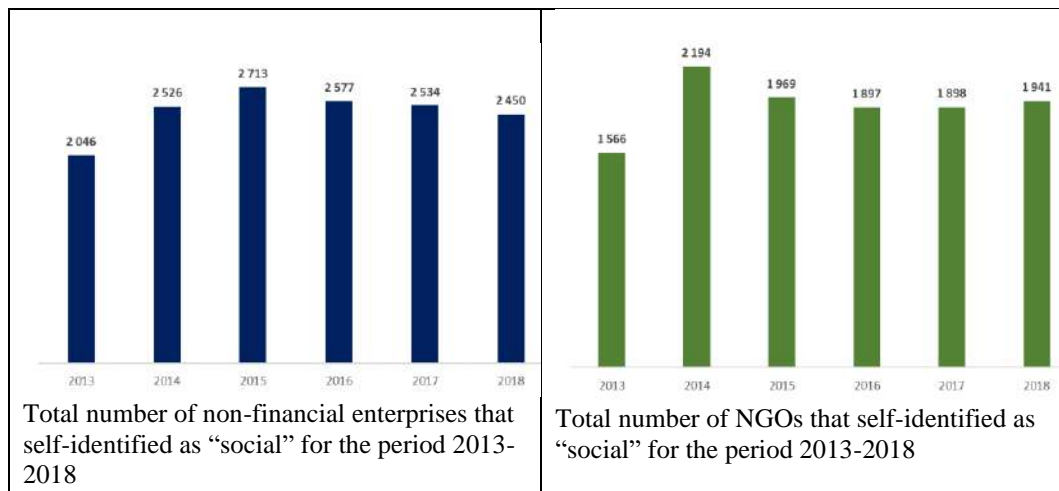


Figure 2. Total number of non-financial enterprises and NGOs self-identified as "social" for the period 2013-2018

Source: NSI

During the reviewed period, the number of non-financial social enterprises increased from 2,046 to 2,450 (by about +20%) or 3.7% per year. Sector-wise: in 2013, "Trade/repair" led with 36.9% (754), manufacturing with 14% (286), "Hotels and restaurants" with 10.1% (207); while in 2018, trade took the largest share with 31.7% (776), hotels and restaurants rose to 22.2% (543), "Professional activities" were 8.2% (200), and agriculture shrank from 96 to 45. Territorially, there is an increased concentration in Sofia with 38.7% (from 586 to 948), high values in Plovdiv, Varna and Burgas. Employment is concentrated in Sofia (4,111; 29.8% in 2018), followed by Plovdiv (1,055; 7.6%) and Varna (888; 6.4%). In addition to non-financial, another major part of the functioning social enterprises in Bulgaria are non-profit enterprises, self-identifying as "social".

For the same period the number of non-profit social enterprises increased from 1,566 to a peak of 2,194 in 2014, then stabilized and ended the period with 1,941, which corresponds to an average annual growth of about 4.4% (about 75 enterprises per year); territorially, a permanent concentration is observed in Sofia – 610 (31.4%) in 2018, followed by Varna (154; 7.9%) and Plovdiv (137; 7.1%). By legal form in 2018, associations dominate (54%), followed by community centers-chitalishte (25%) and foundations (19%). In terms of employment in 2018, Sofia leads with 2,853 people (app. 45% of all employed in social enterprises), followed by Varna (576) and Burgas (331).

For non-financial enterprises the numbers has a peak in 2015 and for NGOs – in 2015. This period coincides with the support provided through ESF and OPHRD that have boosted social entrepreneurship.

Structurally, NGOs are about 45% of social enterprises, but provide 27% of employment, while non-financial ones are about 55% and provide 73% of employment logically given the greater dependence of NGOs on project financing compared to market revenues for non-financial ones.

The period covers the financing of measures to support the social economy and social enterprises under the HRD OP for the two periods under review. Most of the measures under the HRD OP 2007-2013 were implemented in 2012–2014, while the measure for social entrepreneurship under the HRD OP 2014–2020 was launched in 2018. This period is before the adoption of the LSSEE (in force since November 2018), when social enterprises are defined by the definitions of the HRD OP 2007–2013 and the laws on the integration of people with disabilities and social assistance.

The following challenges in the social economy and social enterprises can be outlined:

Limited access to financing and lack of investors (Angelova, 2019). Social enterprises in Bulgaria face serious difficulties in securing sustainable financing, as traditional lenders require guarantees that they can rarely provide. The culture of social investment is poorly developed; there are no investors willing to accept lower financial returns in exchange for social impact. This leads to dependence on short-term projects and donor funding, which hinders sustainable development. Social enterprises have limited access to appropriate financial instruments and are poorly informed about the opportunities. Research data (Angelova, 2019) shows that many enterprises cease operations after the end of projects, which highlights sustainability issues.

Unstable regulatory framework and legal and institutional fragmentation. Social enterprises in Bulgaria operate in an unstable regulatory environment. Despite the Law on Social Enterprises and Social Enterprises (2018, in force from 2019), support is unsynchronized (Jeliazkova, 2019): the envisaged financial incentives and tax breaks are limited or absent, and delayed bylaws make registration and access to measures difficult. Weak institutional culture and poor coordination between state and local authorities undermine the long-term sustainability of the sector.

Lack of tax and financial incentives: The LSSEE (2018) recognizes social enterprises, but they are taxed as ordinary companies (corporate tax, VAT, social security contributions), without compensation for their higher social costs. Registration in the MLSP register is complex, with heavy and non-unified reporting and inspections, which leads to duplication of efforts. The result is low motivation

to register, as out of app. 4,390 self-identified social enterprises, only 187 are registered.

Low recognition of the term “social enterprise” and lack of publicity: often confused with NGO/charity, few positive media stories and inconsistent terminology (“social firm”, “social business”, “solidarity economy enterprises”). An EC report on Bulgaria states that unclear criteria and a fragmented framework “confuse the field”, and that “raising awareness” is a priority. An academic analysis (Kraleva, 2024) also reports low awareness, weak incentives to apply for the status and ineffective communication.

Fragmented ecosystem without coordination and partnership between the NGO sector, business and administration (Jeliazkova, 2019). The social enterprise ecosystem remains fragmented due to a long-standing lack of single definition and coordinated regulatory framework, which makes the interaction between NGOs, business and administration episodic. Public support is poorly targeted and uneven; municipalities rarely implement social clauses and often prefer “in-house” provision. Inter-agency coordination and impact data are limited/dispersed, and the sector lacks sustainable national networks for representation, standards and access to markets.

A comparative analysis was conducted with Italy, recognized as having one of the most developed social economy systems in Europe.

Italy has one of the largest and most developed social economies in the EU (Commission, 2025): by the beginning of 2025, the ecosystem includes over 398 000 organizations, more than 1.5 million employees and over 4.66 million volunteers, with cooperatives providing the majority of employment (around 1.15 million, including approximately 380 thousand in social cooperatives). Italy’s social economy (by CIRIEC-International - Centre international de recherches et d’information sur l’économie publique, 2016) grew alongside its welfare state, spanning five legal forms: social cooperatives, associations and foundations, mutual aid societies, limited-liability companies, and traditional/community cooperatives. Social enterprise emerged in stages over 40 years – first via volunteer groups and social cooperatives, then increasingly entrepreneurial associations/foundations, and finally limited-liability firms with explicit social aims and inclusive governance. Key legal milestones include recognition of social cooperatives (1991), the general “social enterprise” category (2005–06), and the 2016–17 Third Sector reform that unified rules and sought to attract investment. By 2017, Italy counted over 100 000 social enterprises, approximately 900 000 paid workers, and turnover around €42.7 billion, under the policy lead of the Ministry of Labour and Social Policies and the National Council of the Third Sector.

The ecosystem mixes national networks, consortia, support bodies and incubators, additionally research hubs. Support varies by region – from start-up grants and training to investment and consolidation tools, while national measures include tax

incentives, the Guarantee Fund and targeted programmes; private finance from mainstream banks, mission-oriented players (Banca Etica, Banca Prossima/Intesa), impact investors. The result is a visible pipeline of roles across care, catering, work integration, manufacturing, construction, retail, transport and logistics, inviting candidates with social, managerial and research skills.

Suitable models from Italy that can be implemented in Bulgaria are: a consolidated legal framework with uniform statutes (including cooperatives and social enterprises), a single public register and accountability proportional to size. A “shared administration” should be introduced through national and regional councils for joint programming between the state, municipalities and the sector, as well as tax incentives following the Italian example (corporate tax and VAT relief, reduced social security contributions for certain groups). A targeted financial instrument is needed, combining grants, loans and guarantees with fast micro-instruments for start-up initiatives, implemented with the Bulgarian Development Bank/Fund of Funds and complemented by incentives for private investors and donors. In parallel, brand and access to markets should be developed (extended national label, partnerships with chains and online marketplace) and lightweight sector indicators, annual impact reports and open data with dashboards on the MLSP platform should be introduced.

Conclusion

Bulgaria has established the essential pillars for the EU’s social-economy and social-innovation agenda: long-standing cooperative traditions; a strategic National Concept in 2012; a specific law in 2018 with a national register and e-platform; and meaningful ESF (OP HRD) financing that enabled hundreds of social enterprises and created thousands of jobs for people with disabilities and other vulnerable groups. These are not isolated wins but an emerging ecosystem with real momentum.

Yet the system’s potential remains capped. Access to appropriate finance is limited and fragmented; incentives are either underpowered or inconsistently applied; administrative and reporting requirements discourage formal registration; and public awareness – and thus market demand – lags. Governance is dispersed across institutions with unsynchronized measures, which helps explain why many self-identified social enterprises never transition to official status. Compared with mature peers such as Italy, Bulgaria still lacks a unified, investment-ready framework, scalable financial instruments tailored to social-purpose models, and strong intermediaries to provide pipeline building, incubation, and advisory services.

Priorities: streamline the legal framework and unify the register; introduce targeted tax/fee relief; scale blended finance via BDB/Fund of Funds; create shared

national–regional coordination; expand market access (label, social clauses, retail platforms); and standardize light impact metrics with annual MLSP dashboards. If implemented in concert, these measures would turn emergent growth into a mature, investable social economy – one that reliably creates quality jobs, advances inclusion, and delivers measurable public value across Bulgaria’s regions.

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