

PROJECT TITLE:
SOCIAL AGRI-ENTREPRENEURSHIP FOR PEOPLE WITH DISABILITIES IN THE CROSSBORDER AREA (AGRI-ABILITY)

DELIVERABLE:
3.3.1 STUDY ON THE LEGAL FRAMEWORK OF ESTABLISHMENT AND OPERATION OF SOCIAL ENTERPRISES IN BULGARIA

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Project Partner: PB3 South-West University “Neofit Rilski” – Faculty of Law and History

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1. Literature review and development of theoretical thought development

The social enterprises are relatively new economic structure for the Republic of Bulgaria. Their appearance should to be considered in the context of European Union policy, which is related to the Communication from the European Commission of 3th March 2010, entitled Europe 2020: A strategy for smart, sustainable and inclusive growth and with “Social Business Initiative - Creating a favourable climate for social enterprises, key stakeholders in the social economy and innovation”. After adoption of the above-mentioned documents, the European Union continues with their legal regulation and the implementation of relevant policies. In the beginning of second decade of XXI the situation is changing when the Republic of Bulgaria as a part of European Union develop the politics and regulations for the social enterprises. Additionally, the Bulgarian theoretical, scientific studies analyse the social enterprises issues. Thus, in 2011 one text examining the problem is published; in 2013 these texts are 3; in 2014 there are 8 texts, in 2015 – 1 text; in 2016 – 11 texts; in 2017 – 3 texts and in 2018 – 2 texts. Clarity of the texts with the European Union programming period 2014-2020 is clear. The connection between the numbers of texts and the European Union programming period of 2014-2020 is obvious.

2. International legal framework

2.1. Social Entrepreneurship as a concept. Social Enterprises- SE

As it is used in the academic literature, the term social entrepreneurship covers a broad range of activities and initiatives that fall along a continuum, including more generally speaking non-conventional entrepreneurial initiatives. These activities are neither necessarily finalized to production, nor doomed to remain stable throughout time, ranging from social initiatives occurring in profit-seeking businesses, institutionalized entities explicitly pursuing a social goal, relations, and practices that yield social benefits, entrepreneurial trends in non-profit organizations up to ventures

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developed within the public sector^{1, 2, 3}. Such initiatives can be undertaken by individuals, non-profit organizations, public agencies or non-profit organizations in partnership with for-profit enterprises in an attempt to balance corporate profit with a commitment to social responsibility

Social enterprises are a relatively new and expanding field of study. There is a large number of definitions for social enterprises, which are sometimes conflicting. The comparative reviews of various definitions identify different schools of thought, most of which agree on the broad definition of social enterprises: social enterprises could be private for-profit, non-profit and hybrid organizations with a social mission that use business approaches to achieve their objectives.⁴

Other definitions:

- an “organization or initiative that marries the social mission of a non-profit or government program with the market-driven approach of a business.”
- an “organization or venture that achieves its primary social or environmental mission using business methods, typically by operating a revenue-generating business”;
- a “for-profit vehicle [...] committed to philanthropic activity”;
- an entity that offers “market-based solutions to social and environmental problems”;

Social enterprises typically draw upon a range of laws to govern their creation, day-to-day management, tax arrangements and dissolution. Since social enterprise sits at the inter-section of the for-profit and non-profit sectors, policy makers have, in certain countries, sought to encourage it by creating a tailored legal framework.

Concerning the legal status, a range of different approaches exist.

A country can:

¹ Johnson, G., (2000). Exploring Public Sector Strategy. Harlow, Financial Times Prentice Hall.

² Roper J., & Cheney, G., (2005). Leadership, learning and human resource management. The meanings of social entrepreneurship today. Corporate Governance International Journal of Business in Society 5(3), 95-104, DOI: 10.1108/14720700510604733.

³ Mair J., & Marti, I. (2006). Social Entrepreneurship Research: A Source of Explanation, Prediction, and Delight February 2006, Journal of World Business 41(1):36-44, DOI: 10.1016/j.jwb.2005.09.002.

⁴ Dacin T., Dacin P., & Tracey P. (2010). Social Entrepreneurship: A Critique and Future Directions. Organization Science 22(5):1203-1213, DOI: 10.2307/41303113.

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- Not define social enterprise, and leave it to social entrepreneurs to adapt pre-existing structures to social enterprise (e.g., Malaysia);
- not define social enterprise, while creating a range of legal forms that can be used for social enterprise (e.g., United States);
- adopt a working definition of social enterprise (which is adopted by the executive branch) and complement this working definition with a legal form specifically created for social enterprise (e.g., United Kingdom);
- adopt a legal definition for social enterprise (which is adopted by the legislative branch) and combine this with a legal form that could be used for social enterprise-type activities (e.g., Italy, South Korea).

A precise definition of the social enterprise, shared at EU level, does not exist yet. In Europe the concept made its first appearance in the early 1990s, following an impetus which was first Italian, in close link with the cooperative movement.⁵ A social enterprise definition was developed by the British government in July 2002. According to this definition: “A social enterprise is a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximize profit for shareholders and owners”.⁶ This latter explains their capacity of providing innovative responses that are more efficient and effective than those provided by public agencies and for-profit enterprises. The salient features of social enterprises are: i) the social goal pursued; ii) the non-profit distribution constraint; iii) the assignment of ownership rights and control power to stakeholders other than investors coupled with an open and participatory governance model.

Social enterprises can theoretically select any of the legal forms provided for by law in its country of operation and use any flexibility that is provided in the law to adapt the legal form to its social or environmental mission. The legal form chosen is irrelevant to the status of social enterprise:

⁵ Defourny, J., & Nissens, M. (2006). *Defining Social Enterprise*. Taylor & Francis Group. Retrieved from https://www.researchgate.net/publication/277151275_Defining_Social_Enterprise/stats#fullTextFileContent.

⁶ Department of Trade and Industry. (2002). *SOCIAL ENTERPRISE: A STRATEGY FOR SUCCESS*. <http://www.dti.gov.uk/socialenterprise>.

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what matters is that as structured, the entity fulfils the components for social enterprise that are generally accepted in its particular country of operation.

In response, governments in some countries have opted to create new legal forms that can be used for social enterprise. This does not remove the ability to continue to use traditional legal forms, but adds an additional option to founders of social enterprise. It is also relevant to note that what is considered a legal form for social enterprise in one country may not be considered a form for social enterprise in another. The legal form will need to fit with the definition for social enterprise used in that country. For instance, in the United States, a new legal form called the benefit corporation, as well as B corporations (companies that have been awarded a certification from non-profit B Lab), are commonly associated with social enterprise ventures. However, for U.K. commentators, these would not qualify as social enterprises because they do not require an asset lock or a redistribution of profits to the company's social mission.

2.2. Governance, economic and social criteria:

The governance criteria: SE are voluntarily established, independent, private legal entities. They may heavily depend on public subsidies, when providing services which are otherwise the responsibilities of public authorities, but they are not managed, directly or indirectly, by public authorities. Their owners have the right of both “voice” and “exit” i.e., the right to take their own positions and to terminate their activity. Decision-making power not based on capital share. The governance is usually not dependent on the founders/members' stake in the share capital or assets of the organization, in particular in the case of membership organizations (associations, co-operatives), but is rather democratic (one member - one vote). However, there are some notable departures from the principles of democratic governance (e.g., non-membership organizations, such as foundations, limited liability companies, but also membership organizations i.e., social cooperatives with outside investors having the voting rights). Although SE which operate as membership organizations are collectively owned through co-operative or non-profit structures (i.e., they are part of the third sector or social economy), private companies (joint stock companies, limited liability companies) may also

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be considered social enterprises, insofar as they are established to pursue social goals, rather than generate profit.

The economic criteria: An economic activity producing goods and/or selling services. SE are typically not engaged in advocacy, or in distribution of public or private funds. Rather, they are engaged in regular production of goods or service provision. Although SE may engage volunteers in their activities, an organization must have at least one employee to be considered a social enterprise.

The social criteria: to benefit the community or a specific group of people. The primary purpose of a SE is to pursue social goals (or generate social value), rather than generate profit. They serve the public at large or recognized social groups, rather than individuals. SE include not only not-for-profit organizations (associations, foundations, private institutions), which are generally obliged by the non-distribution constraints, but also organizations that may distribute some portion of their profits (cooperatives). As a norm, SE re-invest the majority of profit or surplus to further their main statutory goals. This excludes profit-maximizing organizations.

2.3. Legal Frameworks for the establishment and operation for Social Enterprises

2.3.1. United States

In the United States social enterprises can take various legal forms, including sole proprietorship, corporation, partnerships, limited liability company, non-profit and for-profit organization. Noteworthy is that no new legal frameworks have been introduced in the last 50 years to regulate the growing business activities of service-producing non-profit organizations. Not for-profit organizations are acknowledged and defined by the tax law; to this end a list of charitable organizations is periodically updated by the Internal Revenue Service. By contrast, in Europe the policy and legal context appears to be much more conducive to the development of social enterprises as welfare actors, given also the more institutionalized nature of the phenomenon dealt with. Legal frameworks reflect the specific legal tradition, welfare regime model, and main social and economic issues dealt with at national level; hence, come into view the diversity in approaches and solutions

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envisaged. Two phases can be identified in Europe as far as the legal evolution of social enterprises is concerned. Initially, most social enterprises have been set up through the use of the legal forms of cooperative and association and in a number of several cases this continues to be the case. Social enterprises were initially established as associations in those countries where the legal form of association allows for a degree of freedom in selling goods and services on the open market, such as for instance France and Belgium. In countries where associations are more limited in this regard, such as the Nordic countries and Italy, social enterprises were more often created under the legal form of cooperative. Cooperatives are more interesting as they have a clear entrepreneurial nature. The second trend is characterized by the adoption of specific legal forms either via the adaptation of the cooperative formula or through the introduction of legal brands and categories that recognize the social commitment taken on by certain economic entities. The trend of recognizing social enterprises via the cooperative formula was marked by the acknowledgment of specific activities (supply of social services or work integration) carried out beyond the boundaries of the cooperative membership. This trend undermines the traditional model of cooperatives, which is based on a single stockholding system and it is supposed to promote the interests of its members. It started formally in Italy in 1991 when the law N° 381 on social cooperatives provided the legislative framework for a phenomenon, which had developed spontaneously in the previous twenty years.

In the United States, social enterprise has not been defined by Congress, the U.S. administration or states. Instead, some U.S. federal states have focused on creating legal structures to enable social enterprise. For example, benefit corporations, which have recently been created in a number of states, are seen as a version of social enterprise. Although there is no legal or governmental working definition of social enterprise, the features present in these recently created legal forms are helpful indications of the kinds of features states see as inherent to social enterprise.

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Figure 1. Four legal forms in United States



Social purpose corporations and benefit corporations have become particularly popular vehicles for social enterprise activities in the United States. They enable founders of social enterprise to benefit from a structure that is well known to investors, a corporation, while providing enhanced transparency to their stakeholders on how they are fulfilling the enterprise’s mission and protecting those running the enterprise from liability for prioritizing a social mission over shareholder returns.

These legal forms are not available in all federal states. However, it is possible for founders of social enterprises to choose their state of incorporation. While specific components of each form will vary on a state-by-state basis, the following provides key features of the legal forms recently created in the United States for social enterprise.

Social Purpose Corporations

Where is this available? In 2011, the first social purpose corporation (SPC) was created in Florida, where it was referred to as a flexible purpose corporation before its name change to social purpose corporation. As of writing, three states provide for SPCs: California, Washington and Florida.

What are its key features? An SPC benefits from the advantages of its corporate form, including access to capital. SPCs assist social enterprise in three ways.

- 1) A social purpose that extends beyond shareholder wealth maximization

SPCs have a social purpose of creating a public benefit and may also have specific public

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benefits. This purpose is specifically provided for by law and refined in the company's articles of incorporation.

2) Directors can make decisions that pursue the special purpose without fear of a shareholder derivative lawsuit for not maximizing profit

Shareholders cannot expect the same fiduciary duty of directors of SPCs as directors of traditional corporations. At the same time, stakeholders that are benefiting from the social purpose are not provided a new recourse against directors: directors remain responsible to the corporation's shareholders. The degree to which directors are to consider the social purpose in their decision-making varies between states.

3) Enhanced public transparency with regard to the social purpose pursued

The laws specifically require the SPC to prepare information that is relevant in assessing how it delivers on its purpose.

Benefit Corporations

Where is this available? In 2010, the first law creating a benefit corporation was passed in Maryland. At the time of writing, 30 states and Washington, DC enable benefit corporations, and seven states are working on legislation.

What are its key features? Benefit corporations operate as a triple-bottom line business, which is defined to consider the business impact on the community and the environment, as well as generate profits for its shareholders. They are required to have a purpose of creating "general public benefit," which is defined as a "material positive impact on society and the environment, taken as a whole, as assessed against a third-party standard, from the business and operations of a benefit corporation." Benefit corporations may in addition recognize specific public benefits, which can include "(i) providing beneficial products or services to low income or underserved individuals or communities, (ii) promoting economic opportunity beyond job creation, (iii) preserving the environment, (iv) improving human health, (v) promoting the arts, sciences or knowledge, (vi) increasing capital flow to public benefit entities, and (vii) accomplishing other particular benefits for society or the

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environment⁷.”

Low-Profit Limited Liability Companies

Where is this available? Vermont first allowed the Low-Profit Limited Liability Company (L3C) in 2008. Ten other states have followed (Illinois, Kansas, Louisiana, Maine, Michigan, North Dakota, Rhode Island, Utah, Vermont, and Wyoming) as well as two Native American nations (the Crow Indian Nation of Montana and the Oglala Sioux Tribe). The state of North Carolina passed its L3C statute in 2010, but then repealed it three years later.

What are its key features? L3Cs are LLCs that further the accomplishment of a charitable purpose. They are structured so as to have the ability to receive financing (known as Program Related Investments) from private foundations, according to the Tax Reform Act of 1969. Program Related Investments enable private foundations to invest in LLCs, in addition to investing in charities. They were permitted before the creation of L3Cs but it was difficult for foundations to determine exactly when an investment would qualify as a Program Related Investment, and when it would not (and therefore be subject to tax).

Low-profit LLCs are required by law to follow standards similar to those contained in the guidelines issued by the Internal Revenue Service in this area. This enables them to become corporate entities that can qualify for funding from private foundations⁸. The low-profit LLC benefits from the flexibility offered by LLCs (as compared to corporations) and can earn a profit (as opposed to non-profit entities). Further, managers of the low-profit LLC benefit from the branding associated with the name and can make decisions that prioritize their mission over profit.

At the same time, the low-profit LLC has been criticized due to a continued lack of certainty regarding which investments qualify as tax-exempt investments⁹. Foundations still have the burden

⁷Thomson Reuters Foundation (2013) Corporate Responsibility Report

<https://www.thomsonreuters.com/content/dam/ewp-m/documents/thomsonreuters/en/pdf/corporate-responsibility/2013-cr-report.pdf>

⁸ Doeringer, M. (2010) Fostering Social Enterprise: A Historical and International Analysis,

https://www.researchgate.net/publication/228155621_Fostering_Social_Enterprise_A_Historical_and_International_Analysis

⁹ Callison J., and Vestal, A. (2010) The L3C Illusion: Why Low-Profit Limited Liability Companies Will Not Stimulate Socially Optimal Private Foundation Investment in Entrepreneurial Ventures (September 1, 2010). Drake University

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of verifying that their investment qualifies as a Program Related Investment, based on their own charitable purposes. Although some recent attempts have been made to clarify this point, there is still lack of clear regulation. Further, low-profit LLCs are seen to lack oversight and regulations, as compared to, for instance, the United Kingdom's Community Interest Company (CIC)¹⁰.

Benefit LLC

Where is this available? These are allowed in Maryland and Oregon. Both of these states also allow for benefit corporations.

What are its key features? The purpose of the benefit LLC is to create a general public benefit. It follows a similar structure to the benefit corporation, except that the LLC form is used rather than the corporation form, so founders can benefit from the enhanced flexibility LLCs provide. Accountability of managers is not as strong as that of directors in benefit corporations.

2.3.2. Portugal

In Portugal, the decree N° 323/81 recognized “social solidarity” as a field of activity where service cooperatives were allowed to operate. In addition, “special education and integration cooperatives”, regulated by the decree N° 441-A/82, art. 3, were established as a result of the 1974 democratic revolution. These kinds of cooperatives started to be used by parents of disabled children and professionals operating in the same field in order to cope with the need of special education and rehabilitation institutes. The cooperative form, beside reasons of economic convenience, was chosen because of its important elements of autonomy, solidarity and economic organization. The introduction of a new form of cooperative, namely the social solidarity cooperative, was thus meant to put all these kind of cooperatives under the same definition¹¹. Their statute was specified by the

Law School Research Paper No. 11-07, Vermont Law Review, Vol. 35, p. 273, 2010, Available at SSRN: <https://ssrn.com/abstract=1755283>

¹⁰ Pearce J and Hopkins J. 2014. Regulation of L3Cs for Social Entrepreneurship: A Prerequisite to Increased Utilization. Nebraska Law Review, 92(2). https://www.researchgate.net/publication/280071339_Regulation_of_LLCs_for_Social_Entrepreneurship_A_Prerequisite_to_Increased_Utilization

¹¹ Do Campos, C. (1998), “Cooperativa di Solidarieta` Sociale nel Portogallo”, Impresa Sociale, Vol. 39, pp. 38-9.

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1998 law, which defined their goals as follows: to give support to vulnerable groups (children, youth, disadvantaged persons, old persons), families and socially disadvantaged communities in view of their economic integration, as well as to Portuguese emigrants in difficulties; to establish support programs; and to promote both education and work integration of socially disadvantaged groups. The 1998 law differentiates regular members – beneficiaries of the services supplied, members of the family benefiting or collaborators remunerated – from voluntary members – bearers of goods and services not remunerated, donors. The latter do not have the right to vote and are and are not eligible, but they may constitute with the social bodies a consulting committee called “general council” (Articles 5 and 6). The surplus generated has to be assigned to the reserves, which are entirely indivisible (articles 7 and 8). Social solidarity cooperatives, as defined by law 1998, are expected to satisfy the social needs of their members, their promotion and integration. At the same time, social solidarity cooperatives are expected to carry out activities characterized by an extroverted connotation¹². Social solidarity cooperatives are supposed to play an active role against social exclusion, which is not limited to the rehabilitation of disabled persons, but which covers also the support given to elderly people and the inclusion of both individuals and communities socially disadvantaged. So far social solidarity cooperatives seem to be weakly embedded in the social fabric¹³.

2.3.3. Spain

In Spain, social initiative cooperatives were acknowledged in 1999 through the introduction of a national law. Furthermore, specific legal frameworks at regional level have allowed for the recognition of work-integration cooperatives in 12 autonomous regions. The general law of 1987 did not refer to this type of cooperative, while the law introduced in 1999 provides for cooperatives of social initiative, which are engaged in educational, welfare, medical, and work integration services.

¹² Espagne, F. (1999), “Les Coope’ratives a` But Social et le Multisocietariat”, RECMA Revue International de l’Economie Sociale, Vol. 272, pp. 77-84.

¹³ Perista, H. and Nogueira, S. (2006), “Work integration social enterprises in Portugal: a tool for work integration?”, in Nyssens, M. (Ed.), Social Enterprise, Routledge, London.

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Social initiative cooperatives are ruled by the cooperative regulations referred to the activities carried out. An additional provision specifies what does the absence of a profit goal mean: no results distribution, capital rate limited to the legal rate, mandate at the board of directors free of charge, employed members' and hired workers' remuneration not higher than a predefined percentage of the remuneration established by the collective bargaining. Co-operatives of social initiative bring in some new elements. Their legal definition underlines their extroverted vocation. According to article 106 (Law N° 27/99), cooperative of social initiative may supply services, which benefit cooperative members, through a consumer cooperative. The same article 106 opens up to the supply of services of general-interest and to the work integration of socially excluded persons¹⁴.

2.3.4. France

2.3.5. UK

There is no a legal definition of a SE in the U.K. The Government defines a SE as: "a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximize profit for shareholders and owners".²² The government's definition is thus concerned with the nature of the organization's activities, rather than the legal forms in which they operate. In its simplest form, a SE can be a sole trader who has decided to donate the majority of generated profit to social purposes (good cause), or a partnership. SE may also take an unincorporated legal form, such as an unincorporated association or a trust (or a combination of the two). However, because of tax and other ensuing benefits associated with incorporation (limitation of business risks; clear ownership structure; developing a sense of ownership; accountability and disclosure giving public confidence; recognition by financial institutions and investors; and availability of equity finance), most SE operate in the form of the limited liability company, the community interest company (CIC), and industrial and provident **society**. Some SE also operate in the form of the limited liability partnership (LLP). The purpose and the nature of a particular SE, including the benefits and obligations attached to the specific legal form,

¹⁴ Espagne, F. (1999), "Les Coope'ratives a` But Social et le Multisocietariat", RECMA Revue International de l'Economie Sociale, Vol. 272, pp. 77-84.

will usually determine the institutional tool of choice.

between the CICs and CLG/CLSs in that CICs are required by law to state in their articles of association their social purpose ("the community interest test"), and have provisions governing an 'asset lock' and cap on the maximum dividend and interest payments it can make (infra). In addition, a CIC may convert into a charity, or into a community benefit socie

Limited Liability Company

There are two kinds of limited liability companies: company limited by guarantee (CLG), which may be established by one or more persons, and company limited by shares (CLS), which may be established by at least two persons. There is a major distinction between CLG and CLS in that members of the former do not have a right to share in dividends or distribution of the remaining assets, in case of the dissolution of the company. In addition, CLG may be democratically governed (one member–one vote), and its members may play a consultative role in the management of the company; the features which make CLG a common institutional form of choices for charities, trade associations and not-for-profits, but also bring CLG closer to the ideal type of social enterprises (supra, I. 2). There is also the possibility of creating different categories of members representing different constituencies, e.g. local authority members, users' members. If members wish that CLG or CLS pursue social goals they need to define those goals in the founding documents, or if they subsequently wish to transform a company into a SE, they need to convene the general meeting and adopt a special resolution to that effect. This transformation is not irreversible, as members retain the right to amend or annul such resolution and restore the for-profit goals of a company. However, in case of a wholly-owned trading subsidiary of a charity, or if shares are given to other benefitting from a SE, this is likely not to be an option.

Community Interest Company

Definition. A community interest company (CIC) was introduced in 2004²³ as a distinct type of company and regulated in detail by the Community Interest Company Regulations of 2005.²⁴ The reason for introducing CIC was to offer a greater choice and flexibility of institutional forms suitable to operate as SE. CIC is a limited liability company which is established to further business in order to benefit community, rather than to generate profits. It mostly operates in the form of company

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limited by guarantee (CLG), while very few operate in the form of a company limited by shares (CLS). There is an important institutional distinction between the CICs and CLG/CLSs in that CICs are required by law to state in their articles of association their social purpose (“the community interest test”), and have provisions governing an ‘asset lock’ and cap on the maximum dividend and interest payments it can make (infra). In addition, a CIC may convert into a charity, or into a community benefit society, but once established it may not convert into a standard limited liability company. It is said that CIC structure provides a clear signal to investors that the enterprise operates for the benefit of the community, and that this social purpose is protected by proportionate regulation.

As already noted, the key features of CIC are the “community interest test” and the “asset lock”, which ensure that a CIC is established for community purposes and that assets and profits are dedicated to those purposes. There is no minimum founding capital requirement for CIC. It may be established as a new company, however, the already operating company may also transform into CIC. In either case, a company must provide evidence in the form of a community interest statement that it meets the community interest test. It doesn’t mean to imply that each activity of the applicant company shall be directly beneficial to the community, or a defined section thereof, but rather that its overall activities shall contribute towards achieving the defined community-benefit purpose. In addition, the statement contains a description of how any surpluses will be used by the company, and a declaration that the company will not be a political party, an advocacy organization for a political party, or a subsidiary of a political party or advocacy organization for a political party. An independent public office holder, the Regulator of CIC, decides whether a company is eligible to be formed as a CIC and provides guidance and undertakes supervision throughout their operation.

CIC may distribute assets to their members and pay interest on debentures and debts in conformity with the limitations set out by the CIC Regulations. Those limitations pertain to the distribution of dividends, the reduction of share capital, and the distribution of assets. The directors may receive remuneration for their services, however, in the light of the community interest test and the asset lock rule (supra), it must be reasonable and transparent.

However, CIC does not enjoy any tax or other corresponding benefits, which makes it a less attractive form as compared to charities

Industrial and Provident Societies (IPS)

IPS is a distinct legal form conducting business or trade which is mainly used to benefit local communities (community benefit society) or to set up a consumer, agricultural and housing cooperatives (bona fide cooperatives, commonly known as co-operative or co-operative society). IPSs are registered and administered by the Financial Services Authority. Similar to companies, not all IPSs meet the definition of a SE.

Charities

Definition. Charities (public benefit organizations) are governed by the Charities Act of 2011, which defines charity as body or trust which is for a charitable purpose that provides benefit to the public. Thus, similar to other countries surveyed which have the charity regulation (Italy, Spain), a charity is not a distinct institutional form.

Most charities operate as companies limited by guarantee, industrial and provident societies, and trusts, but they may also operate as unincorporated associations. Charitable purposes are deemed only purposes specifically listed in the Charities Act, or other purposes that are currently recognized as charitable, or are in the spirit of any purposes currently recognized as charitable; this allows new purposes to be also recognized as charitable by the Charity Commission or the High Court. A charity may not be formed for the purpose of engaging in political activities, however, it may engage in some political activities as a means of achieving its charitable purposes. While many SE operate as charities, not all of them necessarily regard themselves as SE; it will ultimately depend on the nature of their goals and activities.

Governance. A charity typically has a single-tier governing body with members known as trustees, directors, board members, governors or committee members (trustees). It is considered as a good practice to have at least 3 trustees in the governing body.

Income. A charity may generate income from fundraising, grants, donations, passive or direct investments and other legitimate sources. In order to make investments in the best interest of the charity, the Commission recommends adopting a clearly recorded and regularly reviewed investment policy. It also prepares a guidance for charities on both fundraising and managing assets and resources.

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Economic Activities. A charity may engage in economic activities which further the primary purpose of the organization (“primary purpose trading.”). Examples include: the provision of educational services by a charitable school or college in return for course fees; the carrying out of trading involving the charity’s beneficiaries; the holding of an art exhibition by a charitable art gallery or museum in return for admission fees; the provision of residential accommodation by a residential care charity in return for payment; the sale of tickets for a theatrical production staged by a theatre charity; and the sale of certain educational goods by a charitable art gallery or museum. Commercial and economic activities other than the exceptions set out above cannot be conducted directly by the charity. However, any commercial and economic activities can be conducted through a for-profit subsidiary with the profits then transferred tax-free to a charity. Many charities now have trading subsidiaries for fundraising purposes

Distribution of Income and Assets. A charity may not distribute profits as dividends or otherwise, and all expenditures must further the organization's charitable purposes. This principle applies to salaries as well as other expenditures. As a general rule, trustees may not receive payment for their services or be employed by the charity, unless the charity's governing documents permit it. If the governing documents do not contain such a provision, the charity must seek authorization to that effect from the Charity Commission or the High Court of England and Wales.

The proprietary interests in the assets of a charity generally belong to a charity itself. Donors can, however, retain a proprietary interest in their donations by reaching an agreement with the charity at the time of the donation.

Distribution of Remaining Property. The assets of a charity, upon its dissolution, must be transferred to another charity or other charities pursuing the same or similar purposes.

Charitable Incorporated Organization (CIO)

CIO is a new incorporated form for a charity designed to offer a more efficient way to run a charitable venture without the burden of being a company. It is easier to establish a CIO than a CIC, since it becomes a body corporate by the registration in the Register of Charities and does not need to be registered at the Companies House. The rules of CIOs are laid down in Part 11 of the 2011 Charities Act.²⁶

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A CIO is managed by charity trustees and may have one or more members. A CIO may be set up in a way that members are not liable to contribute to the assets of the CIO if it is wound up, but the constitution of the CIO may also regulate that they are liable for the debts incurred by the organization up to a certain amount. A CIO must use and apply its property to further its statutory purposes and in accordance with its governing documents.

2.3.6. Austria

Austria does not have a framework regulation for SE and generally has a rather narrow concept of the social economy, which is primarily concerned with social inclusion and work integration. Social inclusion is primarily carried out by two types of "social enterprises": socio-economic establishments (SÖB) and non-profit employment projects/enterprise (GBP), which operate as associations or not-for-profit limited liability company (gGmbH). Sheltered workshops are governed by the Disabled Persons Employment Act; they operate as a regular commercial company (GmbH) and thus fall out of the remit of this Report. Cooperatives are not used as forms for SE due to their mutual character.

Not-for-Profit Limited Liability Company (gGmbH).

GGmbH is a limited liability company which is established to pursue public benefit (not-for-profit) goals, rather than generate profits. It is expected to become a viable legal form for SE in Austria, not least due to certain tax benefits it enjoys. The gGmbH is principally governed by the Law on Limited Liability Company (GmbH-Gesetz) of 1906. The Law does not envisage the "public benefit (non-profit)" purpose ("gemeinnützige") as one of the legitimate purposes of GmbH, rather, the public benefit concept of GmbH has been developed in tax law. Accordingly, tax benefits are provided for any organization (GmbH included), which pursues public benefit (nonprofit, charitable or religious goals) and its assets are solely and directly used to further those goals. A purpose is deemed for public benefit in case its implementation supports the community at large in intellectual, cultural, moral or material terms (promotion of health care, art and science, care for old, public education, nature etc.). A group of individuals is not considered as general public in case there are close ties between the beneficiaries and the organization, or in case the number of eligible beneficiaries is insignificant.

2. 3.7. Italy

Italy has had a legal definition for social enterprise since 2006. The components of this legal definition (based on the Italian Law on Social Enterprises, as translated by academics) are:

- A social enterprise is a private organization—it cannot be, or controlled by, a public entity. It cannot be an individual enterprise.

- It performs an entrepreneurial activity of production of social utility goods and services. Income from this activity has to be at least 70 percent of the total income of the organization. Social utility is defined by law.

- It acts for the common interest and not for profit. Earnings cannot be distributed to owners, and have to be invested in the business or in increasing assets.

Expanding on some features of this legal definition:

- Similar to the U.K. working definition of social enterprise, Italy’s legal definition does not prescribe a certain legal form (e.g., a company, a non-profit, a cooperative) to be used for social enterprise. Rather, any legal form can be used. This includes traditional companies as well as non-profits. The restriction on the distribution of earning does not necessarily imply a non-profit legal form.

- Social utility is defined by law as encompassing one of the following two categories:
 - o All goods and services related to social utility sectors. These sectors are welfare, health, welfare-health, education, instruction and professional training, environmental and eco-system protection, development of cultural heritage, social tourism, academic and post academic education, research and delivery of cultural services, extra-curricular training and support to social enterprises.

- o The activity of the business is carried out by employees, of whom at least 30 percent are underprivileged or disabled. This category of social enterprise focuses on workplace integration, regardless of the sector of activity.

- According to the Italian Civil Code, Italian social enterprises are expected to be entrepreneurial, which means that an “entrepreneur professionally carries out an economic and organized activity with the aim of production or exchange of goods and services.” The activity pursued must account for over 70 percent of the entity’s income.

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- At the same time, the social enterprise cannot distribute, directly or indirectly, profits or parts of the assets to its owners or members. The law seeks to ensure that this distribution does not take place. For instance, it defines indirect profits distribution as including rewarding directors more than 20 percent of the remuneration awarded in other similar entities.

The Italian law also provides rules on the structure Italian social enterprises must comply with. Although these rules are not included in the legal definition per se, they are requirements for any entity seeking to be recorded as a social enterprise in Italy's business register. They therefore become de facto features of the legal definition.

The typical features of Italian social enterprises (based on the Italian Law on Social Enterprises, as translated by academics) are:

- **Correct and efficient management.** The bylaws must require the consideration of reputation, professionalism, and impartiality by those governing the organization.
- **Transparency.** The bylaws are made public and an annual social balance sheet provides information on the pursuit of the common interest.
- **“Open door”.** Individuals seeking to become members of the enterprise are protected by non-discrimination. Rejected candidates can appeal to the assembly of members.
- **Participation.** The majority of those directing the organization are elected by members. Workers and customers have to be involved in the decisions of the enterprise.
- **Worker protection.** Certain minimum standards are placed on the treatment of workers.

Once an entity meets the criteria laid out in the Italian Law on Social Enterprises, it can be legally recognized as a social enterprise. Entities become social enterprise ex lege (i.e., by force of law) once they are recorded in a special section of the business register, Section L.

Academics, commentators and practitioners in Italy generally do not perceive the list of registered social enterprises as an indication of the actual number of social enterprises in Italy¹⁵. In particular:

- There are entities in Italy that meet these legal requirements but are not registered as social

¹⁵ European Commission. (2014) A Map of Social Enterprises and Their Eco-systems in Europe. Country Report: Italy.

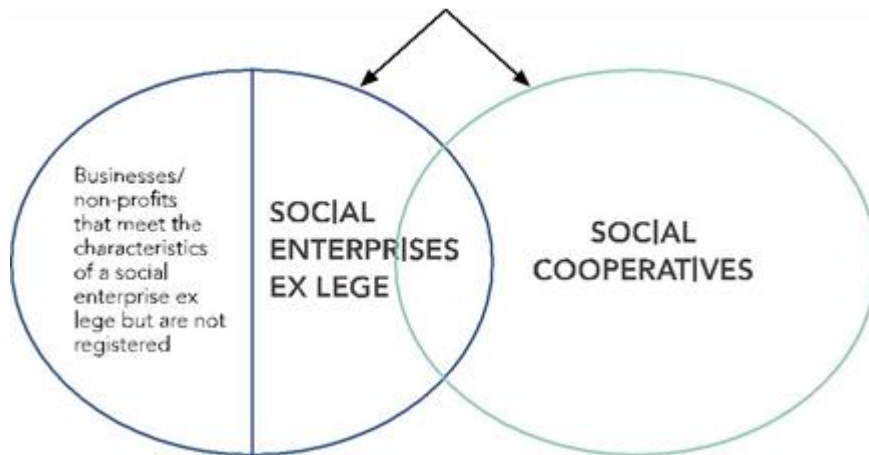
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enterprises. Iris Network, the national network of research institutes on social enterprises, finds that a number of entities include the term social enterprise in their name but are not registered, perhaps for reasons of timing or simplicity¹⁶.

- Italy offers a specific legal form, social cooperatives, which are viewed by commentators as being social enterprises even though they do not meet the requirements of this legal definition. Iris Network states that social cooperatives are “the most popular and consolidated legal and organizational model for social enterprises”; they “best represent the characteristics referred to by the legislator in the most recent regulations and therefore they can be considered social enterprises to all intents and purposes.”

- Accordingly, the components of a social cooperative could be seen to complement the legal definition of social enterprise in Italy. These will be described further in Section 3.3.2. Only a small number of social cooperatives are registered as social enterprises ex lege.

Figure 2. Italian social enterprises according to Iris Network



Italy’s Social Cooperative

In 1991, Italy introduced the social cooperative form because of the acute need for social

¹⁶ Venturi P and Zandonai F. (2012) Istituti di Ricerca sull’Impresa Sociale, Social enterprise in Italy, Plurality of models and contribution to growth Iris Network Report – Executive Summary.

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services and employment. This form enabled individuals to use entrepreneurial initiatives to tackle issues faced by the state relating to welfare and development. The typical key features of an Italian social cooperative (based on Italian law translated by academics) are:

- A company (public or private) with clear branding;
- Pursues the general interest;
- Provides social, health and educational services or produces goods and services through activities that further the work integration of defined disadvantaged groups;
- Ultimate control rests with the members;
- Limited dividends can be distributed (calculated with reference to the maximum interest of postal bonds);
- Transparency on how its activities have been of benefit to the community.

An Italian social cooperative can register as a social enterprise if it meets the components of the legal definition. Some social cooperatives have registered to become social enterprises, while others have not. There are more than 11,000 social cooperatives in Italy and 365 entities that meet the legal definition of social enterprise and have registered as a social enterprise with the state. Of those 365 entities, 43 (just over 10 percent) are social cooperatives¹⁷.

Key differences between the Italian legal definition of social enterprise and social cooperative, according to the European Commission (2014).

| Area | Social Cooperative | Social Enterprise Ex Lege |
|--------|---|--|
| Status | A legal form that relies on the company form (public or private). | A legal status that can be applied to any legal form. Those that meet the legal requirements for a social enterprise can register as a social enterprise ex lege, regardless of their legal form. Legal forms include non-profits, which is not possible |

¹⁷ Venturi P and Zandonai F. (2012) Istituti di Ricerca sull’Impresa Sociale, Social enterprise in Italy, Plurality of models and contribution to growth Iris Network Report – Executive Summary.

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| | | |
|---------------------------|--|--|
| | | for a social cooperative. |
| Purpose | Provides social, health and educational services or produces goods and services through activities that further the work integration of defined disadvantaged groups. | Provides goods and services related to social utility sectors defined by law, or, the activity of the business is carried out by employees, of whom at least 30 percent are underprivileged or disabled. |
| Distribution of dividends | Distribution of dividends is allowed, with a cap on the maximum amount of dividends payable. | Dividends cannot be distributed. Profit is used to either further the activity of the social enterprise or to increase its capital. This places restrictions on equity financing. |
| Inclusion | Workers who are also members of the cooperative are involved in decision-making. | Social enterprises ex lege are required to consider forms of inclusion for workers and beneficiaries of the activities. |
| Asset lock | Conversion to a regular company is possible. If the social cooperative is dissolved, the surplus is provided to the government to promote and develop other cooperatives. | If converting to an organization that is not a social enterprise ex lege, the members are not allowed to receive any distribution of the assets on this conversion. If the social enterprise is dissolved, the surplus is distributed to non-profit organizations of social utility, associations, committees, foundations, and ecclesiastical organizations. |

In Italy, a social enterprise is only considered as such if it reinvests all of its profits into its mission. It is their non-profit orientation that enables them to qualify for social enterprise status. This may help explain why Italian social cooperatives, which allow for limited profits to be distributed, have continued to remain the primary feature of Italian social enterprise, as defined by practitioners.

2.3.8. Greece

In the Republic of Greece, until recently all forms of social economics were created for specific cases, without central support and within a fragmented institutional environment. These

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aspects of the social economics are in the form of cooperatives of women, agricultural cooperatives, social limited liability cooperatives, especially certified bodies with activities for people with mental disabilities, etc., cultural associations with specific economic activities, as well as social enterprises, which are created within the framework of the European Union initiative.¹⁸ The social economics is usually targeted at the less favoured sections of the population, for whom the sector is often the only option to engage in employment. These people usually do not have high professional experience and educational qualifications. The sector is typically characterized by relatively low payment and moderate working conditions.¹⁹

Law 4019/2011 "Social Economics and Social Entrepreneurship and other provisions"²⁰, as well as the new Law 4430/2016" Social and Solidarity Economics and Development of its Agencies and Other Provisions "²¹ regulate social enterprises and subdivide them into social enterprises for integration, social enterprises for social welfare and productive / collective purpose and foresee the creation of a social economics' register covering all social economy organizations.

The legal forms of social enterprises in the Republic of Greece are two:

- Social cooperative societies (KINSEP) and
- Social Cooperatives with Limited Responsibility (KOISPE).

Social cooperative societies are divided into three main categories categories, depending on their specific purpose:

- Integration: to integrate vulnerable groups of the population in economic and social life. In specific social enterprises, at least 40% of the employees involved must be necessarily by vulnerable groups.

- Social care: focused on production and provision of products and services related to social well-being to certain groups of the population.

¹⁸ EQUAL á Κύκλου (2005), Προτάσεις πολιτικής

¹⁹ Γεωργιάς Κ. (Επιμέλεια), (2013), «Κοινωνική Οικονομία: Θεωρία, εμπειρία, πρακτικές», σελ.158.

²⁰ Φ.Ε.Κ, (30/09/2011), ΝΟΜΟΣ ΥΠ' ΑΡΙΘ. 4019/2011, «Κοινωνική Οικονομία και Κοινωνική Επιχειρηματικότητα και Λοιπές Διατάξεις», Τεύχος Α216.

²¹ Φ.Ε.Κ, (31.10.2016) ΝΟΜΟΣ ΥΠ' ΑΡΙΘ. 4430/2016, «Κοινωνική και Αλληλέγγυα Οικονομία και ανάπτυξη των φορέων της και άλλες διατάξεις», Τεύχος 205/Α.

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- Social and production objective: targeting the promotion of local and collective interests, employment, strengthening social cohesion and local or regional development. They concern the production of products and services in areas such as culture, environment, ecology, education, utilities, local products, preservation of traditional products activities and professions.

A crucial point for the proper development of the social enterprises and of the social economics sector as a whole is to improve the managerial and administrative capabilities of the management sector.²²

2.3.9. Slovenia

Private institutes

Private institutes are non-membership organizations that can conduct activities in the areas of education, science, culture, sports, health, social welfare, children's care, care of the disabled, social security, or other not-for-profit activities. It may be established by domestic or foreign legal entities, and may engage in economic activities intended to further their objectives. Public institutes must provide "public services," or services available to the general public, which are otherwise the responsibility of the Government. As a norm, the Law does not mandate private institutes to provide "public services" or services available to the general public. A private institute may, however, seek permission from the competent public authority to provide such services. If permission is granted, a private institute becomes an "institute with public rights," and possesses the rights, obligations, and responsibilities of a public institute. Private institutes providing public services are the functional equivalent of the Slovakia not-for-profit organizations providing publicly beneficial services (NPOs).

Public Benefit Organizations

Slovenia has not developed a comprehensive concept of public benefit organizations. Rather, an association that engages in public benefit activities as defined by the Law on Association may apply with the competent ministry for the status of "an association in the public interest". A minister responsible for the field in which the association operates decides on the status and keeps the Registry

²² Γεωργιάς Κ. (Επιμέλεια), (2013), «Κοινωνική Οικονομία: Θεωρία, εμπειρία, πρακτικές», σελ.158.

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of Public Interest Associations. The criteria for obtaining this status can vary depending on the ministry in question, though the basic criteria are prescribed by the Law. The chief among them are that an association must have the legal entity status at least two years prior to the application for a public interest status, and that in the same period preceding the application it has regularly implemented programs, projects or other activities in order to further its goals for public interest. Some public benefit activities of associations are regulated by special legislation, such as the Law on Humanitarian Organizations and the Law on Organizations for the Disabled, which set forth special procedures for attaining public benefit status by those and define some of the rights and obligations that accompany such a status.

The Law on Social Entrepreneurship

Definition of Social Entrepreneurship. As already noted, in 2011 the Slovenia introduced the Law on Social Entrepreneurship. The Law defines social entrepreneurship as regular pursuing of “social entrepreneurship activity” or regular performance of any other activities, under special conditions set out for employment, production and sale of products or services in a market where profit is not the exclusive or main aim of the activity. “Social entrepreneurship activities” can be carried out in any of the following fields: social care; family care; protection of persons with disabilities; science; research; education; providing and organizing youth work; the protection and promotion of health; social inclusion; promoting employment and vocational training for persons who are unemployed or facing unemployment; job matching for vulnerable groups (employment agencies); organic food production; nature conservation; management and protection of the environment and animal welfare; promotion of renewable energy and developing green economy; country tourism; social and fair trade; culture, technical culture and preservation of cultural, technical and natural heritage; amateur sports and physical culture, whose purpose is recreation and socialization; rescue and protection; encouraging the development of local communities; and, support services for social enterprises. The Law does not set out which concrete activities in the stated fields are “social entrepreneurship activities”; this is left to the Government to address in the implementing regulation, which is yet to be enacted.

Definition of Social Enterprise. Under the Law, any private legal person which fulfils the

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following criteria is deemed a SE: 1) it is established to pursue qualified public benefit goals or to facilitate employment of the recognized vulnerable groups, rather than to generate profits; 2) it engages in regular production of good and provision of services on the market; 3) it is governed democratically (one member, one vote), rather than by contribution to the share capital; 4) it engages volunteers in its activities; 5) it provides for worker and volunteer participation in the decision-making process; 6) it does not distribute profits among members and affiliated persons thereof, or distribute it to a limited extent. Based on the foregoing criteria, in addition to associations, foundations and private institutes (supra), the Law also enables a commercial company to operate as SE, if it meets the prescribed conditions, including non-distribution or limited distribution of profits (20% of the overall profits, as provided by the Law), and democratic governance. In practice, this would typically pertain to labor insertion companies, if so provided by their statute, given that they are otherwise subject to rules governing commercial companies. Cooperatives may not operate as SE, because they can only pursue mutual benefit goals.

Types of SE. The Law explicitly provides for two types of social enterprises: 1) type "A", which: carries out (one or several) “social entrepreneurship activities”; employs at least two workers, and generates at least 50% of its total revenues from “social entrepreneurship activities”; and 2) type "B", which can engage in any type of business, but at least one third of all employees most come from the most vulnerable groups in the labor market (long-term unemployed, disabled, Roma and others). The status of SE is approved by the authority responsible for the initial registration of the legal entity applying for that status.

Based on the foregoing there are some notable similarities and differences in the framework regulation for social enterprises in Italy, Spain and Slovenia, which are summarized as follows:

| SIMILARITIES: | | DIFFERENCES | |
|--|--|--|--|
| The primary purpose of the framework regulation for SE is to make the social economy more visible. | | <u>Italy</u> : no request for SE democratic governance (but only stakeholders' participation); | |
| | | | |

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| | | | |
|--|--|---|---|
| "Open model" of SE, no distinct institutional form. | | <u>Spain and Slovenia</u> : SE must be democratically governed. | |
| | | Implication of this requirement. for | |
| Emphasis on policy measures, other than providing specific tax and other financial benefits (with the exception of Slovenia). | | non-membership | organizations (foundations, private institutes) and commercial companies on their social enterprise status not clear. |
| | | | |
| Concept of SE much broader than work integration and social inclusion; includes host of activities deemed for public benefit (and in case of Spain, mutual benefit). | | | |

2.3.10. South Korea

South Korea has had a legal definition of social enterprise since 2007, under the Social Enterprise Promotion Act (SEPA). This is the first and only legal definition for social enterprise in Asia (Defourny and Kim 2011).

Article 2 of SEPA defines social enterprise as “an enterprise certified in accordance with Article 7 as one that pursues a social objective, such as raising local residents' quality of life, etc., by providing vulnerable groups with social services or jobs while conducting business activities, such as the production and sale of goods and services, etc.” The law provides definitions for a number of the terms used in this definition.

Article 7 of SEPA provides that a social enterprise must (i) satisfy the requirements for certification and (ii) obtain certification from the Ministry of Employment and Labor. Article 8 provides a list of requirements for certification. When looking at the law on social enterprise as a whole, the key components of a South Korean social enterprise are (based on the ILO translation of the 2006 Social Enterprise Promotion Act):

- Pursues a social objective (e.g., raising local resident’s way of life
- Provides vulnerable groups with social services or jobs or contributes to local communities.

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Vulnerable groups are defined as people who have difficulties in purchasing the social services they need at the market price or are particularly hard to be employed. Social service refers to service in the areas of education, health, social welfare, the environment and culture, and other equivalent services.

- Employs paid workers and conducts business activities (e.g., the production and sale of goods and services);
- Ensures that two-thirds of distributable profits are spent on social objectives (33 percent of the profits can be distributed, with 66 percent to be spent on social objectives). The law states that this is only if the social enterprise is of a form that already allows distributable profits (for instance, a company or a limited partnership rather than a non-profit);
- Uses a participatory decision-making structure;
- Meets specific requirements for minimum revenue, content of articles of incorporation, reporting, and asset distribution;
- Is certified as a social enterprise by the Ministry of Employment and Labour Expanding on some key features of this legal definition;
- The social enterprise must take on a specific legal form. However, the organizations allowed are very broad and include a range of profit and non-profit forms. Therefore, similar to the practice in other countries, the social enterprise can choose a range of legal forms.
- According to the Korea Social Enterprise Promotion Agency, set up by the Ministry of Employment and Labour to foster and promote social enterprises, social enterprises can be classified as one of the following five types:
 - Job-Creation Type: The main purpose is to offer jobs to vulnerable social groups.
 - Social Service Provision Type: The main purpose is to provide vulnerable social groups with social services.
 - Mixed Type: Job-Creation Type plus Social Service Provision Type.
 - Other Types: A social enterprise of which realization of social purposes is difficult to judge on the basis of the ratio of employment or provision of social service.
 - Local Community Contribution Type: An enterprise that helps improve the quality of

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life of the local community.

- There is an asset lock provision in the form of a restriction on where the entity's assets can be distributed if the enterprise dissolves.

The term social enterprise is legally protected. An entity has to meet these requirements and be certified to use the term social enterprise. This is in contrast to Italy, where some entities use the term social enterprise but are not registered as such, although the Iris Network stipulates that these entities are those who will in due course register as social enterprises ex lege.

There has been a rapid increase in legal social enterprises in South Korea, from 55 in 2007 to more than 1,000 in 2014²³. In addition, the South Korean Ministry of Labour adopted a system of “pre-certification” in 2011 to assist social enterprises that meet some, but not all, of the legal conditions for social enterprise.

One of the key drivers for companies registering as social enterprise under the law relates to the extensive support provided by regional organizations (coordinated by the Korean Social Enterprise Promotion Agency) to registered social enterprises. Financial support includes subsidies to the labour cost of workers, subsidies for social insurance fees and project funding for business development, and tax exemptions and tax rebates linked to donations to social enterprises. Non-financial support includes support in consulting services, marketing, and advertising.

Differences on what constitutes a social enterprise remain in South Korea. What people perceive as social enterprise can be divided into three categories²⁴:

- Social enterprises that meet the legal requirements and are certified.
- Entities that are viewed as social enterprise based on their function and role (even if they do not recognize themselves as social enterprise). These include certified self-sufficiency enterprises (some of which are certified social enterprises).

Entities that follow a social purpose and involve social innovation.

South Korea's Social Cooperative

²³ Bidet E and Eum H. (2015) Social Enterprise in South Korea: General Presentation of the Phenomenon, ICSEM Working Papers No. 06.

²⁴ Bidet E and Eum H. (2011) Social Enterprise in South Korea: History and Diversity. *Social Enterprise*, 7 (1): 69-85.

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A wide range of legal forms can qualify a social enterprise in South Korea. They can be for-profit or non-profit forms. The legal form is irrelevant, as long as they are structured to meet the requirements for the legal definition of social enterprise.

As in Italy, there is one form that can help in the creation of a social enterprise: the social cooperative. The social cooperative was created in 2012 to encourage the use of entrepreneurial activities to tackle issues of unemployment and community welfare. It is a cooperative that carries out business activities related to the enhancement of welfare of local residents or provides social services or jobs to disadvantaged people²⁵.

While traditional cooperatives are business organizations that carry out the purchase of goods or services, production, sales or distribution among their members, social cooperatives are non-profit organizations intended to improve the welfare of local residents or provide the disadvantaged with jobs and/or social services²⁶.

When this law was passed, the presidential decree which listed the legal forms allowed to qualify as a social enterprise was amended to include social cooperatives. Therefore, similarly to in Italy, not all social cooperatives qualify as social enterprises under the law, although they can choose to register if they meet the requirements of the definition. The social cooperative provides one clear advantage to founders of social enterprise which relates to participative governance. The legal definition of social enterprise requires stakeholders to participate in the social enterprise's governance. The social cooperative is the only legal form which specifically addresses this requirement of participatory governance²⁷.

²⁵ Jang J. (2013) Emerging Dual Legal Frameworks of Social Enterprise in South Korea: Backgrounds and Prospects, EMES-SOCENT Conference Selected Papers, no. LG13-10.

²⁶ Lee E and Kim Y. September (2013) Social Economy and Public Policy Development.

²⁷ Bidet E and Eum H. (2015) Social Enterprise in South Korea: General Presentation of the Phenomenon, ICSEM Working Papers No. 06.

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Distinctions between South Korean social cooperatives and social enterprises

| Area | Social Cooperative | Social Enterprise Ex Lege |
|-----------------------|---|---|
| Structure | Non-profit form. | A legal status. Can be a range of legal forms, including for-profit or non-profit forms. |
| Government support | Some grounds for government support, but relies less on government support. | Benefits from a large number of government support measures (such as subsidy to wage for employment of disadvantaged people). |
| Purpose | Engaged in one or more business activities among the following: (i) programs for contributing to the renewal of local communities, the invigoration of the local economy, the enhancement of rights, interests, and welfare of local residents, and the resolution of other problems that local communities face, (ii) programs for providing disadvantaged people with social services or jobs in the aspects of welfare, medical services, or environment, (iii) projects entrusted by the central government or a local government, and (iv) other projects for enhancing the public interest. | (i) To provide vulnerable groups with social services or jobs, or (ii) to contribute to local communities. |
| Approval | Ministry of Strategy and Finance (or related agencies). | Ministry of Employment and Labor. |
| Dividend distribution | Not allowed to distribute surplus to members. | Distribution of profits up to 1/3 total surplus, if a for-profit form is chosen. |

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Source: Adapted from Jongick Jang, Emerging Dual Legal Frameworks of Social Enterprise in South Korea: Backgrounds and Prospects, EMES-SOCENT Conference Selected Papers, no. LG13-10 (2013) at 8.

2.3.11. Malaysia

Malaysia has neither a legal nor a working definition for social enterprise. Practitioners and consultancies have stepped in to define social enterprise. The Malaysian Global Innovation and Creativity Centre (MaGIC), which receives funding from the government to promote social enterprise, proposes the following working definition: “social enterprise is an entity that achieves a social mission by using a business model. Social enterprises combine elements of NGOs and for-profit companies.”

According to MaGIC, a social enterprise combines two elements:

- **A social mission**, which is the social or environmental issue the organization wishes to solve. This enterprise’s mission responds to a legitimate issue that has been neglected by the private and public sectors. It has a specific target group of beneficiaries (e.g., individuals who are underserved by the market). This extends beyond access to employment.
- **A business model**, which generates income and profit. The entity sells products or services in demand by the market. Malaysian social enterprises are entitled to pay dividends to investors “after reinvesting a certain portion back into the business.”

MaGIC adds that social enterprises have the following secondary characteristics: fair compensation and returns, responsible and transparent, inclusive equity and just governance.

A consultant in this field, Tandemic,²⁸ also makes clear that social enterprises combine both a social cause with the use of a private sector business model. In their proposed definition, however, “there are no limitations on the dividends issued to investors in a social enterprise.” There remains a lack of clarity in Malaysia on some of the key features of social enterprise. Malaysia does not have a **specific legal structure** for social enterprise. Founders of social enterprise will typically resort to one of the traditional legal forms already provided for, including private limited companies and

²⁸ Tandemic. What is Social Enterprise? <http://www.socialenterprise.org.my/what-is-socialenterprise/>.

associations. They will typically make changes to the legal form so that it enables social enterprise.

Since there is no legal or working definition of social enterprise provided by the government, founders rely on components of social enterprise that they believe are important to qualify as a social enterprise. In particular, there is a strong influence from the United Kingdom, with a range of social enterprise founders returning from studying and working in the United Kingdom²⁹. Accordingly, some legal forms in Malaysia have been adapted by the founders to follow the U.K. CIC. This includes opting for a business that can be measured against its social objective (the U.K. community interest test), which benefits from an asset lock and restricts the payment of dividends. These restrictions can be built into the Malaysian company form³⁰.

2.3.12. Indonesia

In Indonesia, there are four legal forms that business organisations may register as to comply with the law: Limited Corporation, cooperative, foundation, and association or societal organisation. Social enterprise has not yet become a legal form. The only legal form in Indonesia that recognizes both business activities and social activities in one body is the cooperative, which is regulated under cooperative law. However, the dynamic government transition is bringing change to the legal forms.

First, the foundation is the most popular model for third-sector organisations. This type of legal form is associated with non-profit organisations because its assets should belong to the community instead of to the management. The Indonesian Law No 16/2001 states that the foundation is a legal entity constituted by the founder, who dedicates assets to social activity (act 1).

From the administrative perspective, the foundation's legal form requires less capital and has a registration process simpler than that of the limited corporation. However, this is a non-membership organisation, which implies a more centralized governance instead of a participation approach.

The Law states that the foundation has no members and exists exclusively on legally independent assets. In 2004, a new law was enacted with a new definition of the foundation; it should

²⁹ Grave, I. (2014) 10 Striking Features of the Malaysian Social Enterprise Landscape. Pioneers Post.

³⁰ Arkitek, The Nitty-gritty of Social Enterprise (February 2014).

<http://arkitek.com/http://arkitek.com/the-nitty-gritty-of-social-enterprise/>.

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be a non-membership legal entity and a separate asset-based organisation and have a social-goal orientation. Another article states that payment is allowed to the staff and management. However, the regulation was amended for some reasons, including ambiguity on profit versus non-profit orientation.

Second, the cooperative refers to a member-based organisation with cooperative and collegiality principle (Indonesian Law No 25/1992). There are more than 200,000 cooperatives, making it the most popular social enterprise model in this country³¹. In 2012, Law No 17 was introduced to redefine the Indonesian cooperative, that it should be a legal form with liability separate from the owners. This regulation not only sets a minimum required amount of assets for cooperatives but also mandates their goal, which should fulfil economic, social and cultural value. However, the Constitutional Court amended this law in May 2014.

Third, the Limited Corporation is a legal form of for-profit organisations. Law No 40 2007 states that this legal form requires at least two parties to hold shares and at least one director and one commissioner to be appointed by these shareholders. Firms with the limited corporation legal form are allowed to exercise public offering for shares in accordance with the provisions and legislation in the capital market. However, no foreigner is allowed to own a corporation with such legal form. Foreign firms should register as foreign owned company at the Investment Bureau (BKPM).

Last is the association, which refers to a membership-based organization. This legal form represents fraction interest, which determines the decision-making process. Law No 13/2013 requires that all societal organizations should maintain the value of religion and believe in Almighty God. All social organizations need to register at the Home Affair Ministry. This regulation raises a concern for international organizations with different religious values or secularism.

³¹ : Pratono, A., Sutanti, A., (2016), The ecosystem of social enterprise: Social culture, legal framework, and policy review in Indonesia, Pacific Science Review B: Humanities and Social Sciences
<http://dx.doi.org/10.1016/j.psrb.2016.09.020>

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Questions to consider when creating legal forms for social enterprises

| Questions to Consider | Comments |
|---|---|
| Do we need a legal form? | In the United Kingdom, the legal form (CIC) aligns with the working definition of social enterprise adopted by the government and shared by stakeholders and was created to help protect the mission of social enterprise. In South Korea, the discussion about legal forms stimulated public debate and learning from international lessons. Adopting a specific legal form can have advantages (e.g., sectorial stimulation and consolidation, better targeting of government programs) and disadvantages (e.g., social enterprise operating outside of the legal form may not be so easily recognized as social enterprise). |
| Which form should this legal form follow? | Most legal forms are companies. For instance, the U.K. CIC has to be a company limited by shares or a company limited by guarantee and the Italian social cooperative relies on the company form, whether public or private. In contrast, the South Korean legal form is a non-profit form. |

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| | |
|---|--|
| Should this legal form clarify the responsibilities of those governing the entity? | This has proven particularly helpful where social enterprises have faced threats of shareholder derivative lawsuits, for instance in the United States. In the United Kingdom, the CIC Regulator is ultimately empowered to act where he/she deems that the CIC has not adequately prioritized community interests. |
| Should this legal form allow for specific accountability provisions in the event the social mission is not prioritized? | Legal forms based on company forms tend not to provide direct recourse to stakeholders who may wish to contest director decisions. The benefit corporation can bring a “benefit enforcement proceeding” against a director or officer to further general public benefit. By contrast, the SPC has no comparable statutory provisions to enforce its special purpose, which leaves the corporation and its shareholders with no internal recourse to compel directors and officers to carry out the entity’s special purpose. |
| Should this legal form require specific participatory governance? | The South Korean social cooperative provides for participatory governance. In the other forms, participatory governance tends to be encouraged, although not technically required. |
| Should this legal form have a specific oversight mechanism? | The U.K. CIC Regulator oversees CICs to maintain integrity in the CIC brand. This has been deemed helpful since the Regulator provides guidance and support to CICs to help promote the sector’s growth. The CIC Regulator sits within the U.K. ministry that oversees all companies (BIS), thereby ensuring coordination with that ministry. Alternatively, the legal form can be subject to the authority of the relevant business authority as for any other company, as is the case for benefit corporations in the United States. Nonetheless, the performance of benefit corporations needs to be assessed against a third-party standard. |
| Should the purpose for the legal form be clearly defined or left open? | Governments can decide to clearly define the categories within which this legal form can operate (as in South Korea and Italy) or provide for a more general purpose. |
| Should the distribution of dividends be restricted and if so, how? | Governments may or may not choose to cap the dividends that can be transferred to shareholders. This is the case in Italy. This was the case in the United Kingdom before 2014 (although the maximum aggregate dividend cap remains). |
| What kind of transparency with regard to the entity’s mission should be | Governments typically require some form of transparency with regard to the social mission involved. For instance, the US benefit corporation has to produce a report of social and environmental |

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| | |
|-------------|--|
| prescribed? | performance assessed against a third-party standard while information produced by SPCs is not typically assessed against a third-party standard. |
|-------------|--|

3. European legal framework

Following EU membership of the Republic of Bulgaria, European law is relevant in our country. The regional development policy is one of the European Union’s most important policies which has been developing vigorously in the last two programming periods and it is implemented through legislation. This trend is particularly strong in 2013, just before the start of 2014-2020 financial framework and the Europe 2020 strategy.³² All things considered, there has been a remarkable growth in social enterprise. For this reason, much of the European legislation for the regional development, particularly the European Investment Funds there, has been legally regulated in the last 10-15 years. As a part of this investment policy, the European Union gives the opportunity to develop social enterprises in its underdeveloped regions by legal regulation.

Some of the European regulations that governing social enterprises are: Decision No 283/2010 / EU³³ of the European Parliament and of the Council of 25 March 2010 establishing a European Progress Microfinance Facility for employment and social inclusion. In accordance: “the ongoing efforts of the Union and of the Member States need to be strengthened to increase the access to, and availability of, microfinance to a sufficient scale and within a reasonable time-frame so as to address the high demand of those who need it most in this period of crisis - that is, those who have lost their job, those at risk of losing their job or who have difficulties entering or re- entering the labour market, as well as those who are facing the threat of social exclusion or vulnerable people who are in a disadvantaged position with regard to access to the conventional credit market and who want to start or further develop their own micro-enterprise, including self-employment - whilst actively promoting equal opportunities for women and men.”³⁴ The Commission Communication of 3 June 2009 entitled “Shared Commitment to Employment” emphasizes the following: “the need to to offer a new chance

³² Check the link: <https://www.niokso.bg/strategia-evropa-2020.html>

³³ Check the link: <https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2010:087:0001:0005:BG:PDF>

³⁴ *ibid*

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to unemployed persons and open the road to entrepreneurship for some of Europe's most disadvantaged groups who have difficulty in accessing the conventional credit market... The Commission therefore announced a proposal for a new EU-wide microfinance facility (hereinafter the Facility) to extend the outreach of microfinance to particular at-risk groups and to further support the development of entrepreneurship, the social economy and micro-enterprises.”³⁵

The Decision No 283/2010/EU of the European Parliament relates specifically to disadvantaged people: “An increasing amount of microfinance to vulnerable people who are in a disadvantaged position with regard to access to the conventional credit market in the European Union is provided by non-commercial microfinance institutions, credit unions and banks implementing corporate social responsibility. The Facility should help these providers, which supplement the commercial banking market, by increasing the availability of microfinance to meet the current levels of demand.”³⁶

Apparently, the Decision No 283/2010/EU of the European Parliament establishes a pattern for the financing of disadvantaged people enterprises. This Decision was amended by Regulation (EU) No 1296/2013³⁷ of the European Parliament and of the Council of 11 December 2013 on a European Union Programme for Employment and Social Innovation (EaSI) and amending Decision No 283/2010/EU establishing a European Progress Microfinance Facility for employment and social inclusion (Text with EEA relevance) in order to relate the social policy to Europe 2020.

The next series of legislations are from 2013. Regulation (EU) No 228/2013³⁸ of the European Parliament and of the Council of 13 March 2013 lays down specific measures for agriculture in the outermost regions of the Union and repealing Council Regulation (EC) No 247/2006. In accordance to this Regulation: „support for traditional sectors is all the more necessary because it enables them to remain competitive on the Union market in the face of competition from third countries.”³⁹

Particularly, the activity of social enterprises is regulated by the Regulation (EU) No 346/2013 of the European Parliament and of the Council of 17 April 2013 on European social entrepreneurship

³⁵ ibid

³⁶ ibid

³⁷ Check the link: <https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:347:0238:0252:BG:PDF>

³⁸ Check the link: <https://op.europa.eu/en/publication-detail/-/publication/37d6d3a5-916b-11e2-b5c3-01aa75ed71a1/language-bg>

³⁹ Регламент (ЕО) № 247/2006 на Съвета от 30 януари 2006 година за определяне на специфични мерки за селското стопанство в най-отдалечените райони на Съюза. <https://eur-lex.europa.eu/legal-content/BG/TXT/?uri=CELEX:32006R0247>.

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funds (text with EEA relevance).⁴⁰ Art. 1 of this Regulation defines the objective of funding (supporting) social enterprises: “increasingly, as investors also pursue social goals and are not only seeking financial returns, a social investment market has been emerging in the Union, comprising, in part, investment funds targeting social undertakings.” Such investment funds provide funding to social undertakings that act as drivers of social change by offering innovative solutions to social problems, for example by helping to tackle the social consequences of the financial crisis, and by making a valuable contribution to meeting the objectives of the Europe 2020 Strategy set out in the Commission Communication of 3 March 2010 entitled “Europe 2020: A strategy for delivering smart, sustainable and inclusive growth”.⁴¹ Art. 2 of this Regulation states: “this Regulation is part of the Social Business Initiative established by the Commission in its Communication of 25 October 2011 entitled “Social Business Initiative - Creating a favourable climate for social enterprises, key stakeholders in the social economy and innovation.”⁴² The Regulation introduces common rules for the financing of social enterprises throughout the European Economic Area and encourages their development. Art. 13 defines the aim of the social enterprises: “as the principal objective of social undertakings is to have a positive social impact rather than to maximize profits this Regulation should only promote support for qualifying portfolio undertakings that have the achievement of a measurable and positive social impact as their focus. A measurable and positive social impact could include the provision of services to immigrants who are otherwise excluded, or the reintegration of marginalized groups into the labour market by providing employment, training or other support. Social undertakings use their profits to achieve their primary social objective and are managed in an accountable and transparent way. Where, on an exceptional basis, a qualifying portfolio undertaking wishes to distribute profits to its shareholders and owners, it should have predefined procedures and rules on how profits are to be distributed. Those rules should specify that such distribution of profits does not undermine the primary social objective of the qualifying social portfolio undertaking.”⁴³ Art. 14 determines the social enterprise: “social undertakings include a large range of undertakings, taking various legal forms, which provide social services or goods to vulnerable, marginalized, disadvantaged or excluded persons. Such services include access to housing, healthcare, assistance

⁴⁰ <https://eur-lex.europa.eu/legal-content/bg/TXT/?uri=CELEX%3A32013R0346>.

⁴¹ Ibid

⁴² Ibid

⁴³ ibid

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for elderly or disabled persons, child care, access to employment and training as well as dependency management. Social undertakings also include undertakings that employ a method of production of goods or services which embodies their social objective, but the activities of which be outside the realm of the provision of social goods or services. Those activities include social and professional integration by means of access to employment for people disadvantaged in particular by insufficient qualifications or social or professional problems leading to exclusion and marginalization. Those activities may also concern environmental protection with a societal impact, such as anti-pollution, recycling and renewable energy.”⁴⁴

In accordance to Regulation (EU) No 1287/2013 of the European Parliament and of the Council of 11 December 2013 establishing a Programme for the Competitiveness of Enterprises and small and medium-sized enterprises (COSME) (2014 - 2020) and repealing Decision No 1639/2006/EC (Text with EEA relevance)⁴⁵: “Small and medium-sized enterprises (SMEs) should play a crucial role in reaching the Europe 2020 Strategy objectives.”.

The above-mentioned regulations establish tendency to influence on the EU economy and the engagement with social functions through the law.

4. National legal framework

One of the contemporary challenges for Bulgarian sociality and state is to establish policies and legislation in order to provide opportunities for people from vulnerable groups for social inclusion and to improve their standard of living. Bulgaria is facing problems that are almost entirely connecting to the philosophy and socio-economic practices regarded as important instrument for implementing policies for the basic needs, benefits and services of disadvantaged people. However, it needs to take account of the fact that the contemporary challenges for the people from vulnerable groups, their lifestyle, social realities and social policies in the Republic of Bulgaria define the social entrepreneurship and social enterprises, almost as a “panacea” for solving these difficult social issues.

According to authors Terziev et al: “social entrepreneurship is defined at the level of the European Union (EU) as a key tool for the regions cohesion and to overcome the issues of poverty and social exclusion.” Undoubtedly, social entrepreneurs have the capability through localization of

⁴⁴ ibid

⁴⁵ <https://eur-lex.europa.eu/legal-content/BG/TXT/?uri=celex:32013R1287>.

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usable resources - human capital, buildings and equipment, to find flexible approaches to satisfy unmet social needs. An important feature of all social enterprises is a special symbiosis that carry a priori - between financial viability and ability to have a social impact. So, they achieve simultaneous realization of economic, financial and social objectives, which become even greater value and cost to society.⁴⁶

The legal regulation of the social enterprises is very important. Every EU County has its own national legal framework, based on the European Union's policies for the social inclusion of people from vulnerable groups. There is a lack of legal framework relating to the definition of social enterprises in order to properly guide policies - in Bulgaria there have not had legal definition of social enterprise until 2018. This legislative omission had a negative effect both on the legal status of the "social enterprise" as a legal person and on the issues concerning the conditions, the organization and the order in which it can interact with the authorities of the central and local authorities. Last but not least, without the legal regulation, with the relevant characteristics and peculiarities of the activity of the social enterprise, it was really difficult and unreliable to define a legal person as a social enterprise.

Although, there was not social enterprises legislation until the middle of 2018 a number of strategies, programs, concepts and legal instruments which regulate the social enterprise and its activities in the Republic of Bulgaria:

- Trade Act;
- Law for Cooperatives;
- Law On Non-Profit Legal Entities;
- Law on Integration of People with Disabilities;
- Employment Promotion Act;
- Social Assistance Act;
- Small and Medium Enterprises Act;
- Crafts Act;
- Law on Protection and Development of Culture;

⁴⁶ Терзиев В., Бенчева, Н., Стоева, Т., Тепавичарова, М. & Арабска, Е. (2016). Предизвикателства пред социалното предприемачество в България. Годишник на Минно-геоложкия университет „Св. Иван Рилски”, Том 59, Св. IV, Хуманитарни и стопански науки.

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- Corporate Income Tax Act;
- National Concept for Social Economy;
- Employment Strategy of the Republic of Bulgaria 2012-2020;
- National Youth Strategy 2010-2020;
- National Poverty Reduction Strategy to Promote Social Inclusion 2020;
- Long-term employment strategy for people with disabilities 2011-2020;
- Government Program of the Government of the Republic of Bulgaria for the period 2017-2021;
- National Concept for Social Economy, adopted by the decision under item 2 of Protocol No. 13 of the Council of Ministers meeting on 4.04.2012;
- Decision No. 151 of the Ministerial Council of 2018 for the adoption of the Social Economy Action Plan 2018-2019;
- Draft Law on Enterprises of the Social and Solidarity Economy.

As can be seen from the above-mentioned documents, the social enterprise is legally relevant in the Republic of Bulgaria, despite the lack of specific legal regulation of the social enterprise. In the Republic of Bulgaria there are organizations that develop social entrepreneurship and identify themselves as social enterprises supporting the fact that the precise legal regulation is needed in this moment. For example, in 2013, the National Statistical Institute Annual Reports includes the criteria for their self-determination as social enterprises or not. Respectively, a “social enterprise“ is defined as an operator in the social economy whose primary goal is to achieve positive measurable social impact rather than to generate profit for owners or shareholders. It operates in the market by providing social services or goods to the disadvantaged, or uses methods of production of goods or services in which the social purpose is embedded.⁴⁷ Furthermore, your enterprise is social when:

1. Over 50% of the profit is regularly invested to achieve social objectives:
 - support for socially vulnerable groups and/ or individuals in isolation;
 - environmental protection with impact on the society;
 - social innovation;

⁴⁷ Атанасова, И., & Стефанова, Л. (2014). Наръчник за оценка на устойчивостта на социалните предприятия. Фондация „Помощ за благотворителността в България“ (ФПББ).

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- implementation of other activities, supply and/ or production of goods and services with a social purpose.

and / or

2. Over 30% of the hired staff come from socially vulnerable groups.

Consequently, the main characteristics of the social enterprise can be defined as:

- pursuing non-profit (socially significant) goals;
- the activity which is carried out is by nature economic;
- reinvestment of the profits from the economic activity;
- create adequate opportunities for social inclusion of the vulnerable groups;
- institutional independence and internal self-government.

Social enterprises can be divided into several groups:

- depending on the sphere in which they work - social enterprises as a provider of social and health services; social enterprises as coaching and educational organizations; as an employer of people from marginalized groups or people with disabilities; dealing with production and trade;
- depending on the target groups - social enterprises oriented towards the socially disadvantaged; persons with physical or mental disabilities; children and families at risk; young people who are not integrated in society; ethnic minorities; women - victims of violence; elderly; (improving living standards, employment, provision of services and other forms of direct support in order to overcome social exclusion of the target group.);
- depending on goals - economic development through target groups employment and their well-being establishment; through labour integration of socially disadvantaged or disabled people and marginalized groups; business orientation and entrepreneurship; social protection.

The main characteristic of social enterprises is that they give priority to social rather than the economic goals - primarily in terms of personnel selection and financial allocation. Therefore, generally, the social enterprise is associated with the existence of two compulsory elements - economic and social. On this basis, the following definition of a social enterprise was given: “a social enterprise is a legal entity that carries out sustainable economic activity for the sake of a social cause”.⁴⁸

⁴⁸ ibid

Social enterprises can be registered as cooperatives, enterprises or organizations under the Bulgarian national legislation and carry out an activity that has predominant social character. Consequently, the social economy also examines several legal forms of organization that promote social entrepreneurship.

4.1. Social enterprises - non-profit legal entities for the purpose of socially useful activity

The Law on Non-Profit Legal Entities (Non-Profit Legal Entities)⁴⁹ establishes two types of legal entities: associations and foundations. Specific for them is their non-profit goal and the opportunity to develop their activities for public or private benefit. Characteristic of their activity is that they do not distribute profit (Article 2 of the Law on Non-Profit Legal Entities). Their designation for the performance of publicly beneficial activities is irrevocable after the entry of this circumstance into the Register for Non-Profit Legal Entities kept by the Registry Agency with the Minister of Justice.

According to the provision of Art. 38 of the Non-Profit Legal Entities Act, non-profit legal entities designated for the performance of public benefit activities spend their property for carrying out activities such as:

- the development and promotion of civil society, civic participation and good governance;
- the development and validation of spiritual values, health, education, science, culture, technology, technology or physical culture;
- the support for children, people with disabilities and people and communities at risk of social exclusion; the protection of human rights or the environment;
- other purposes set by law.

Non-profit legal entities registered in accordance with the Law on Non-Profit Legal Entities and foreign legal entities carrying out similar non-profit activities may operate on the territory of the Republic of Bulgaria. Inevitably, foreign legal entities in order to operate on the territory of the country need to register their branches in accordance with the Law on Non-Profit Legal Entities.

The management of the legal entities registered under the law in question is assigned to a collective supreme body and management body (Art. 39, para. 1 of the Law on Non-Profit Legal

⁴⁹ <https://www.lex.bg/laws/ldoc/2134942720>

Entities), and their annual financial statements are subject to independent financial audit under the Accounting Act.

In connection with the accountability of non-profit legal entities for public benefit activities, they are obliged to prepare an annual report on their activities. It should contain data on the main activities, the spending of their funds, their relationship with the goals and programs of the organization and the results; the amount of the gratuitously received property and the income from the other fundraising activities; the type, amount, value and purpose of the donations received and given, as well as data on the donors; financial results (art. 40, para. 2 of the Law on Non-Profit Legal Entities).

According to the provision of art. 41, para. 1 of the Law on Non-Profit Legal Entities, the non-profit legal entity for the purpose of socially useful activity is obliged to prepare a report on its activities once a year. The report contains data on: the essential activities, the resources spent on them, their relationship with the organization's objectives and programs, as well as on the achieved results; the amount of the property received free of charge and the proceeds from other fundraising activities; the type, size, value and purpose of donations received and provided as well as donor data; the financial result (Article 40 (2) of the Law on Non-Profit Legal Entities). Fundamental to the existence of these legal entities is their non-profit and when the registration is made in public benefit, the law does not allow legal possibility to transform such a person into a non-profit legal entity for private benefit (Article 42 of the Law on Non-Profit Legal Entities).

4.2. Social enterprises under the Law on Integration of People with Disabilities - specialized enterprises and cooperatives of people with disabilities

The integration of people with disabilities in Bulgaria is achieved through the creation of appropriate conditions and environment for their development and adaptation, including the provision of adequate education and vocational training as well as the provision of employment and professional realization and last but not least, personal evolution.

Unlike the social enterprises considered so far, the specialized enterprises and cooperatives were legally regulated in the Law on Integration of People with Disabilities (repealed), and in December 2018 their regulation continued to exist in the Law on People with Disabilities. According

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to its provisions “specialized enterprises” and “cooperatives of people with disabilities” are those that meet the following conditions Art. 48, para. 1:

- are registered under the Commercial Law or the Law on Cooperatives;
- produce goods or perform services;
- have a relative share of people with permanent disabilities, as follows:
- for specialized enterprises and cooperatives for blind and partially sighted persons - not less than 20 per cent of the list number of staff;
- for specialized enterprises and cooperatives of persons with hearing impairment - not less than 30 percent of the list of staff;
- for specialized enterprises and cooperatives of persons with other disabilities - not less than 30 percent of the list of staff;
- for specialized enterprises and cooperatives of persons with intellectual disabilities or mental disorders - not less than 20 percent of the list of staff.
- are entered in the register of specialized enterprises and cooperatives of people with disabilities, which is kept by the Agency for People with Disabilities.

In this regard, it is appropriate to consider the more specific legal issues related to the registration of the enterprises in question. For example, according to the provisions of Art. 85, para. 1 of the Law on People with Disabilities, the register of specialized enterprises and cooperatives of people with disabilities is public and is maintained in electronic form, and the following circumstances are entered in it: data on the specialized enterprise or cooperative of people with disabilities; data on representation of the specialized enterprise or cooperative of people with disabilities by registration with a competent authority; subject of the activity; data on the production of goods and services; data on the relative share of persons with permanent disabilities; the date of deletion of the registration and the grounds for that, etc. In addition to the listed registration obligations, the registered specialized enterprises and cooperatives for people with disabilities are obliged to notify in writing the Agency for people with disabilities about all changes in the circumstances entered in the register within 14 days of their occurrence, applying the relevant documents proving them.

The register is used for monitoring and control of the specialized enterprises and cooperatives of people with disabilities, including the activity performed by them in the implementation of target

projects and programs under Art. 49 of the Law on People with Disabilities. The monitoring and control are carried out by the Agency for People with Disabilities and is determined by the regulations for the application of the law.

The financing according to art. 93 of the Law on People with Disabilities is implemented with funds from: the state budget; municipal budgets; national projects and programs, European Structural and Investment Funds and projects and programs financed by other international financial institutions and donors; donations from local and foreign individuals and legal entities, as well as other sources.

4.3. Social enterprises – cooperatives under the Law for Cooperatives

According to the Law for Cooperatives⁵⁰: “a cooperative shall be a voluntary association of natural persons with variable capital and a variable number of members engaging in commercial activity along the lines of mutual assistance. Cooperative shall be corporate bodies. (art. 1)”. A cooperative has a General meeting, a Management Board, a President and a Control Board. The members of the Managing Board are elected for a term of four years.

By decision of the General meetings the cooperatives may be united in territorial, sectorial, national and other associations. A cooperative association can set up cash funds for the purpose of mutual assistance, education, occupational training etc. (art. 57, Law for Cooperatives).

Analysing the national legal framework of the social enterprise, the progress of the Republic of Bulgaria can be noticed in this area. In August 2018, the Council of Ministers approved the Social and Solidarity-based Enterprises Draft Act and submitted to the National Assembly for consideration and adoption. By order of the President of the National Assembly, the draft act is distributed to the following standing committees: the Committee on Labour, Social and Demographic Policy (Leader), the Committee on Economic Policy and Tourism, the Committee on Regional Policy, Public Works and Local Self-Government, the Budget and Finance Committee.

The Social and Solidarity-based Enterprises Draft Act complies with the European legislation in the field:

- Regulation (EU) no 1296/2013⁵¹ of the European parliament and of the council of 11 December 2013 on a European union programme for employment and social innovation

⁵⁰ <https://www.lex.bg/laws/ldoc/2134696966>

⁵¹ Check the link: <https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:347:0238:0252:BG:PDF>.

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("easi") and amending decision no 283/2010/EU establishing a European progress microfinance facility for employment and social inclusion;

- Regulation (EU) no 346/2013⁵² of the European parliament and of the council of 17 April 2013 on European social entrepreneurship funds;
- Directive 2014/24/EU⁵³ of the European parliament and of the council of 26 February 2014 on public procurement.

The Social and Solidarity-based Enterprises Draft Act sets out an important strategic aim relating to “the establishment, development and promotion of a branch of the economy that is predominantly socially oriented and whose main objective is to generate positive social added value towards employment, living standards and social inclusion of vulnerable groups of the population”. The main priority in the national policy is the development of the Social and Solidarity Economy in the direction of improving the living standard of people from vulnerable groups, creating better conditions for social inclusion of people from vulnerable groups and reducing social inequality.

The project for Law on Enterprises of the Social and Solidarity Economy has inspired the much-needed need for change, for perspective, for a new beginning for vulnerable groups, by protecting their rights and legitimate interests and the opportunities provided for realization.

4.4. Social enterprise under The Social and Solidarity-based Enterprises Act

The Social and Solidarity-based Enterprises Act was voted at second reading and was adopted by the National Assembly at the end of 2018 and was promulgated in the State Gazette. No. 91, dated 02.11.2018. The Act entered into force from 02.05.2019.

The long-awaited Act⁵⁴ provide for public relations related to social and solidarity economy, the types of subjects and the measures for the promotion thereof, as well as the conditions and procedures of the activity of social enterprises.

This act aims to encourage enterprises that provide employment to the following groups of people:

- a) people with permanent disabilities;

⁵² Check the link: <https://eur-lex.europa.eu/legal-content/bg/TXT/?uri=CELEX%3A32013R0346>.

⁵³ Check the link: <https://eur-lex.europa.eu/legal-content/BG/TXT/?uri=celex%3A32014L0024>

⁵⁴ Check the link: <https://www.lex.bg/laws/ldoc/2137187968>

- b) long-term unemployed eligible to receive monthly social aid according to the Social Assistance Act and the Rules of Implementation thereof;
- c) persons under 29 years of age without previous professional experience;
- d) persons accommodated outside their families, including after their accommodation has ended;
- e) unemployed persons over 55 registered at the Labour Exchange Directorate;
- f) persons raising children with permanent disabilities;
- g) persons who have served a prison sentence for a period of no less than 5 years where their penalty has expired in the last three years after employment;
- h) persons with alcohol or drug addiction who have successfully completed treatment or a psychosocial rehabilitation programme in the last two years prior to appointment to a job, which is attested by a document issued by the persons where the treatment of psych-social rehabilitation occurred;
- i) homeless persons;
- j) aliens who have been granted asylum in the Republic of Bulgaria in the last three years after employment;
- k) persons who have been granted special protection status under the procedure provided by the Fight against Human Trafficking Act;
- l) persons victims of domestic violence in the sense referred to by the Protection from Domestic Violence Act.

This act aims to promote the development of a social and solidarity economy as a branch of the economy. The implementation of the Social and Solidarity-based Enterprises Act is expected to improve the access to employment and training to acquire or improve professional qualification; to create conditions for support of the social inclusion and independent lifestyle of the above-mentioned persons pursuant; to reduce social inequality and sustainable territorial development.

In accordance to the act: “social and solidarity economy is a form of entrepreneurship aimed at one or several social activities and/or social goals, including by the production of various goods or the provision of services in cooperation with state or local authorities, or independently.”

This act defines the basic principles of social and solidarity economy:

- advantage of social before economic goals;
- association for public and/or collective benefit;

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- publicity and transparency;
- independence from state authorities;
- participation of the members, workers or employees in managerial decision-making.

The supplementary provisions under § 1, item 5 of this act introduces the long-awaited legal regulation of the “social enterprise”, which means an undertaking that, regardless of its legal organizational form, has the main object of its activity the production of goods or the provision of services and combines economic results and social goals, achieves measurable, positive financial added value, is managed transparently with the participation of the members, workers or employees in decision-making, and engages in its economic activity with part of the average payroll of staff being persons under Item 4 of Article 7 and/or with profit predominantly spent on the implementation of social activity and/or towards a social goal according to the articles of association or the statutes. The discussion regarding which legal entities can be defined as social enterprises and the practice of self-determination of enterprises as social ones is put to an end with the adoption of the Social and Solidarity-based Enterprises Act.

Within the meaning of the law in question, the term “social purpose” was defined in § 1, item 8 of the Additional Provisions, namely: “purpose in support of persons from vulnerable groups in terms of their employment, social inclusion, raising their standard of living, improving their access to education and vocational training and protecting their rights, as well as improving the living environment by protecting the environment and biodiversity and supporting the ecological balance.”

Next, modern social enterprises are defined as subjects of social and solidarity economy, along with cooperatives and non-profit legal entities, as the legislator divides them into two classes: class A and class A +.

In accordance with art. 7 of this act a Class A social enterprise shall be any social enterprise, regardless of its legal organizational form, that meets the requirements pursuant to Items 1, 2 and 3 or Items 1, 2 and 4:

1. engages in social activity that produces social added value determined according to a methodology issued by the Minister of Labour and Social Policy;
2. is managed in a transparent manner with the participation of the members, workers or employees in decision-making under a procedure established in the articles of association, the statutes or another statutory document;

3. the positive financial balance of the enterprise after taxes for the last reported period shall be spent over 50 per cent and no less than BGN 7,500 for social activity or purpose;

4. no less than 30 per cent and no less than three of the persons employed at the enterprise at the starting date of legal labour relations shall be:

- a) people with permanent disabilities;
- b) long-term unemployed eligible to receive monthly social aid according to the Social Assistance Act and the Rules of Implementation thereof;
- c) persons under 29 years of age without previous professional experience;
- d) persons accommodated outside their families under the procedure of Article 26 of the Child Protection Act, including after their accommodation has ended;
- e) unemployed persons over 55 registered at the Labour Exchange Directorate;
- f) persons raising children with permanent disabilities and receiving aid pursuant to Article 8e of the Family Allowances for Children Act;
- g) persons who have served a prison sentence for a period of no less than 5 years where their penalty has expired in the last three years after employment;
- h) persons with alcohol or drug addiction who have successfully completed treatment or a psychosocial rehabilitation programme in the last two years prior to appointment to a job, which is attested by a document issued by the persons where the treatment of psych-social rehabilitation occurred;
- i) homeless persons in the sense referred to by Item 1 of § 1 of the Supplementary Provisions;
- j) aliens who have been granted asylum in the Republic of Bulgaria under the procedure of the Asylum and Refugees Act in the last three years after employment;
- k) persons who have been granted special protection status under the procedure provided by the Fight against Human Trafficking Act;
- l) persons victims of domestic violence in the sense referred to by the Protection from Domestic Violence Act.

A Class A+ social enterprise according to art. 8 e shall be any social enterprise, regardless of its legal organizational form, that meets the requirements pursuant to Article 7 or the conditions for a Class A social enterprise, as well as one of the following additional conditions:

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1. the social added value occurs entirely within the administrative boundaries of municipalities that have a level of unemployment for the previous year equal to or higher than the average for the country as compared to the existing statistical data at the date of submission of the application;
2. over 50 per cent and no less than BGN 75,000 of the positive accounting financial balance of the enterprise after taxes is spent on social activity;
3. no less than 30 employed are persons as referred to by Item 4 of Article 7 and have worked at the enterprise non-stop in the last six months.

This act establishes Register of Social Enterprises. The new Register of Social Enterprises will differ from the previous one in that the social enterprises will be registered as Class A and Class A+ social enterprises under the new conditions and by the procedure.

Entry into the Register of Social Enterprises shall be affected upon the request of the interested enterprise under the conditions and by the procedure set down by the Social and Solidarity-based Enterprises Act. The information from the Register of Social Enterprises shall be published on the website of the Ministry of Labour and Social Policy.

The Class A and Class A+ enterprises that are entered into the Register of Social Enterprises have the right to add the words “social enterprise” to their name and legal form, as well as to designate the goods or services they provide with the words “product of social enterprise”.

Also, every second- and third-year Class A and Class A+ social enterprise entered in the Register of Social Enterprises within one month from the date of entry, have to submit to the Minister of Labour and Social Affairs the documents attesting that the enterprise continues to meet the conditions for entry.

5. European and National Policies for Encouraging the Social Entrepreneurship (for People with Disabilities)

5.1. Social policy

Since the establishment of the European Economic Community in 1957, the organization's primary goal has been to provide a socially acceptable standard of living for people. Social policy was defined in the Single European Act and the Social Charter adopted by the European Commission in 1989. The main guidelines for improving the standard of living that she considers are:

- free movement;

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- employment and remuneration;
- maintains living and working conditions;
- social protection;
- freedom of association and collective bargaining;
- professional training;
- equal treatment for men and women;
- information and consultation of employees;
- health and safety at work;
- protection of children, adolescents, the elderly and disadvantaged people.

The legal framework of the European Social Policy has been developed in two treaties - the Amsterdam Treaty⁵⁵ and the Maastricht⁵⁶ Treaty. These treaties emphasize the fight against unemployment, social exclusion and vocational training, with each country being obliged to conduct its social policy in line with that of the EU. EU social policy has been further expanded with the 2009 Lisbon Treaty⁵⁷. It sets clear social goals for a social market economy, which aims to:

- full employment and social progress;
- combating social exclusion and discrimination;
- promoting economic, social and territorial cohesion;
- promoting social justice and protection;
- promoting equality between men and women;
- promoting solidarity between the generations;
- protection of the rights of the child.

The issue of social security for workers working in different countries of the European Economic Area is also added. It seeks to promote social dialogue and combat social dumping and unfair competition between EU citizens.

EU social policy is linked to the free movement of people and the transfer of social security, as well as to the movement of labour and the building of infrastructure in this direction. Unification of social protection and equal treatment of men and women in remuneration.

⁵⁵ Check the link: <https://eur-lex.europa.eu/legal-content/BG/TXT/?uri=CELEX:11997D/TXT>.

⁵⁶ Check the link: <https://www.europarl.europa.eu/about-parliament/en/in-the-past/the-parliament-and-the-treaties/maastricht-treaty>.

⁵⁷ Check the link: <https://www.europarl.europa.eu/factsheets/bg/sheet/5/the-treaty-of-lisbon>.

Introduces as an obligation of the employer to ensure safe and healthy working conditions of employees by protecting against occupational risks by providing information and training to employees.

EU social policy imposes an obligation on every worker to contribute to both their own safety and the safety of other workers, through the proper use of facilities and compliance with safety instructions.

Again, EU social policy introduces limited liability for the employer in the event of unforeseen circumstances or exceptional events.

In implementing its social policy, the EU uses several instruments (funds, services, instruments) to finance and implement it. Among them are:

- The European Social Fund;
- The European Globalization Adjustment Fund;
- The European Network of Employment Services;
- The Youth Guarantee;
- The European Solidarity Corps;
- European Platform for Cooperation in Efforts against Undeclared Work;
- European Pillar of Social Rights.

The Republic of Bulgaria, as a member of the European Union, is obliged to pursue a social policy in accordance with that of the EU. The main body that conducts social policy in the country is the Ministry of Labour and Social Policy, as part of the policy is conducted directly by the ministry, and activities on other policies are transferred to institutions under the Ministry's protection, such as the State Agency for Child Protection, employment and others.

The social policy of the Republic of Bulgaria is developed in accordance with that of the European Union. It is subordinated to the Europe 2020 strategy by developing a special action plan to reduce poverty and promote social inclusion, which is being implemented by the Ministry. Evidence of the compliance of Bulgarian and European social policy are the strategies and plans developed by the Ministry of Labour and Social Policy:

- Updated employment strategy of the Republic of Bulgaria 2013-2020;
- National Strategy for the Child 2008-2018;
- National Strategy for Poverty Reduction and Promotion of Social Inclusion 2020;

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- National strategy for long-term care;
- National Strategy “Vision for the deinstitutionalization of children in the Republic of Bulgaria”;
- Action Plan for implementation of the National Strategy “Vision for the deinstitutionalization of children in the Republic of Bulgaria”;
- National Program for Safety and Health at Work 2018-2020.

Social entrepreneurship can help many people with disabilities to participate in the labour market and society. The approach used to support the participation of people with disabilities in the EU labour market encourages increased participation primarily through employment and less through self-employment or business creation. A common EU approach is to use employment quotas that require public and private organizations to employ a certain number or percentage of people with disabilities. Denmark, Estonia, Latvia, the Netherlands, Finland, Sweden and the United Kingdom do not use this approach.⁵⁸

There are examples of policies that support self-employment and business creation for people with disabilities. These include the incorporation of self-employment into the general active labour market programs⁵⁹ as well as schemes that support people with disabilities when setting up businesses. Areas where such policies can be developed are:

- enhancing awareness of people with disabilities about entrepreneurship as a real and feasible option;
- developing entrepreneurial skills;
- support for the development, acquisition and use of aids and technologies;
- ensuring access to appropriate financial support;
- improving access to the Internet, information and telecommunication technologies, etc.;
- raising awareness of people with disabilities about entrepreneurship as a real and feasible opportunity.

⁵⁸ Greve, B. (2009). The labour market situation of disabled people in European countries and implementation of employment policies: a summary of evidence from country reports and research studies. Report prepared for the Academic Network of European Disability experts (ANED). <https://www.disability-europe.net/downloads/276-aned-task-6-final-report-final-version-17-04-09>

⁵⁹ Ridley, J., Hunter, S., and Infusion Cooperative. (2005). Go for it!: Supporting People with Learning Disabilities and/or Autistic Spectrum Disorders in Employment, Health and Community. Care Research Programme, Research Findings No 45/05. <http://www.scotland.gov.uk/Resource/Doc/54357/0013026.pdf>

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The relatively high rates of self-employment for people with disabilities in the EU suggest that the latter are interested in entrepreneurship and self-employment. However, many of them are inactive due to ignorance, lack of emotional support from family and friends, low self-esteem and other reasons. Promoting the feasibility of entrepreneurship for people with disabilities will raise awareness of entrepreneurship as a potential activity in the labour market not only for people with disabilities, but also for others who have an important role to play in supporting them. Awareness-raising should be aimed at raising awareness of self-employment and small business ownership as a career option and the potential benefits it can offer. It is also important to raise awareness of the challenges and risks of entrepreneurship and self-employment so that people with disabilities can decide whether to take up them.

The promotion of entrepreneurial activities for people with disabilities should aim to reach three target groups: first, people with disabilities themselves; second, their role models and support networks, such as family and friends; and third, business advisors. One way to raise awareness of entrepreneurship among people with disabilities is to raise the image of entrepreneurship and self-employment in labour market support programs. Many labour market programs for people with disabilities focus exclusively on finding work, often within the public sector, and neglect or even discourage self-employment (Boylan and Burchardt⁶⁰; Doyel⁶¹; Pavey⁶²; Enabled4Enterprise⁶³; EMDA⁶⁴). It is important to provide entrepreneurship awareness training for counsellors whose responsibilities include supporting people with disabilities. This training must be tailored to the type of disability and take into account their specificities. It should seek to educate counsellors about the opportunities, challenges and risks that self-employment could offer to people with disabilities. It is important to overcome the reluctance of counsellors to recommend self-employment as a good option.

⁶⁰ Boylan, A., & Burchardt, T. (2002). Barriers to Self-Employment for Disabled People. Report for the Small Business Service. <http://www.berr.gov.uk/files/file38357.pdf>

⁶¹ Doyel, A. (2002). A realistic perspective of risk in self-employment for people with disabilities. *Journal of Vocational Rehabilitation*, 17, 115–24.

⁶² Pavey, B. (2006). Human Capital, Social Capital, Entrepreneurship and Disability: An Examination of Some Current Education Trends in UK. *Disability & Society*, 21(3), 217–229.

⁶³ Enabled4Enterprise. (2008). Barriers and Opportunities: Equipping the Enterprise Sector to Deliver Disability Smart Services.

⁶⁴ East Midlands Development Agency (EMDA). (2009). Scoping Study into the Business Support Needs of Disabled Entrepreneurs in the East Midlands. <http://webarchive.nationalarchives.gov.uk/20100113042736/http://www.emda.org.uk/uploaddocuments/disabledentrepreneurScopingReport%202009.pdf>

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Increasing the confidence of counsellors to support entrepreneurs with disabilities can indirectly increase the confidence of the target group of entrepreneurs.

Policies can encourage business creation for people with disabilities using role models. Inspirational examples of entrepreneurs with disabilities need to be widely publicized because they prove that business creation and self-employment are achievable for people with disabilities. These role models should also be included in wider promotional campaigns related to entrepreneurship and self-employment to show that self-employment is not an atypical activity for people with disabilities. This is important not only for people with disabilities, but also for overcoming negative stereotypes and attitudes in society.

Another approach to raising awareness is to promote entrepreneurship through awards for entrepreneurs with disabilities. This provides public recognition for success and in some cases provides financial rewards to support the further development of the business. The awards are an effective way to attract media attention, to show success stories, to raise awareness of the potential for entrepreneurship among people with disabilities and to inspire potential entrepreneurs. A good example is the Stelios Awards for Disabled Entrepreneurs of the Leonard Cheshire Disability charity in the UK⁶⁵. They receive significant media attention and provide financial rewards to help entrepreneurs grow their businesses. The European Commission is also active in this field, managing the European Awards for the Promotion of Entrepreneurship and sponsoring the First European Award for Social Entrepreneurship for People with Disabilities⁶⁶.

5.2. Developing entrepreneurial skills

People with disabilities face difficulties in accessing education and the labour market. Many have a modest length of service, and few of them have an entrepreneurial experience. Only individuals with disabilities have had the opportunity to develop the skills needed to successfully start and manage a business. Supporting the acquisition of entrepreneurial skills can help overcome the lack of experience. The objective of entrepreneurship education for people with disabilities is not different from that of entrepreneurship education for the ordinary population - to raise awareness of the

⁶⁵ <http://www.stelios.com/entrepreneurship/award-for-disabled-entrepreneurs-in-the-uk.html>.

⁶⁶ <http://www.csr-d.eu/social-entrepreneurship-and-disability-award>

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potential of entrepreneurship, to provide skills that will increase the chances of successful start-up and business management and develop an entrepreneurial mind.

Policymakers can use two approaches to facilitate the development of entrepreneurial skills in people with disabilities. One approach is to provide greater support for people with disabilities in the education system. The likelihood of people with disabilities to complete vocational education or higher education is twice as low as for people without disabilities. The main reason for this is the lack or inaccessibility of assistive technologies - rehabilitative, adaptive and auxiliary tools that enable disabled people to perform certain tasks (Hanafin et al.⁶⁷; Nochajski et al.⁶⁸). Improving the availability and accessibility of these technologies is a first step towards raising the level of education, which will lead to improved skills and other individual benefits such as higher self-esteem. This may have a positive impact on entrepreneurial activities, as higher education of people with disabilities leads to better labour market outcomes, including self-employment (Zwerling et al.⁶⁹, Christ & Stodden⁷⁰).

Policymakers can explore the wide variety of existing non-financial benefits to ensure that they are accessible to people with disabilities. This includes providing access to content in non-standard formats and flexibility in delivering them.

As an alternative, individualized entrepreneurship training programs such as “Ready to Start” in the United Kingdom can be developed. This approach can solve the problem of developing training programs tailored to the heterogeneity of the disability characteristics (type, severity, stability, duration and time of appearance). This kind of intensive support in small groups ensures the best

⁶⁷ Hanafin, J., Shevlin, M., Kenny, M., & McNeela, E. (2007). Including young people with disabilities: Assessment challenges in higher education. *Higher Education*, 54, 435–448.

⁶⁸ Nochajski, S. M., Oddo, C., & Beaver, K. (1999). Technology and transition: Tools for success. *Technology and Disability*, 11, 93–101.

⁶⁹ Zwerling, C., Whitten, P. S., Sprince, N. L., Davis, C. S., Wallace, R. B., Blanck, P., & Heeringa, S. G. (2002). Workplace accommodations for people with disabilities: National Health Interview Survey Disability Supplement, 1994–1995. *Journal of Occupational and Environmental Medicine*, 45(5), 517–525.

⁷⁰ Christ, T. W., & Stodden, R. (2005). Advantages of developing survey constructs when comparing educational supports offered to students with disabilities in postsecondary education. *Journal of Vocational Rehabilitation*, 22, 23–31.

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results (Arnold and Ipsen⁷¹; Enabled4Enterprise⁷²; EMDA, 2009; Dotson et al.⁷³). Individualized approaches should assess the business potential of individuals, ensure the feasibility of the business idea, fill skills and knowledge gaps with business education, training and technical support, help develop a realistic business plan, and support adaptation in business (Arnold and Ipsen⁷⁴). Although effective, individualized approaches require a lot of resources and are difficult to implement. This difficulty can be overcome by working together between pollsters and specialized organizations that support people with disabilities. In addition to using external knowledge and support, it will improve reach to target customers and allow strategists to take advantage of the reputation and experience of existing organizations.

5.3. Support for the development, acquisition and use of aids and technologies

Assistive devices and technologies can change the lives of people with disabilities. They are becoming more sophisticated, easier to transfer, cheaper and easier to use, and as a result have greater potential to improve the inclusion of people with disabilities in economic activities and entrepreneurship (Angelocci et al.⁷⁵). Politicians can play an important role in supporting the development of these technologies in order to ensure continuous improvement and to support people with disabilities in acquiring and using these technologies.

Existing European policy currently supports the development of assistive technologies for a wide range of applications such as environment, accessible transport and accessible computer interaction. To further support technological developments in these areas, governments can take two actions. First, they can continue to support research in these areas through research grants and

⁷¹ Arnold, N., & Ipsen, C. (2005). Self-Employment Policies: Changes Through the Decade. *Journal of Disability Policy Studies*, 16(2), 115–122.

⁷² Enabled4Enterprise. (2009). Project Report: Equipping the Enterprise Sector to deliver “Disability Smart” Services; Enabled4Enterprise. (2009). Are You Disability Smart? How to Provide Effective Business Support to Disabled Entrepreneurs. <http://webarchive.nationalarchives.gov.uk/20100113042736/>, <http://www.emda.org.uk/uploaddocuments/disabledentrepreneurScopingReport%202009.pdf>

⁷³ Dotson, W., Richman, D., Abby, L., & Thompson, S. (2013). Teaching Skills Related to Self-employment to Adults with Developmental Disabilities: An Analog Analysis. *Research in Developmental Disabilities*, 34, 2336–2350.

⁷⁴ Arnold, N., & Ipsen, C. (2005). Self-Employment Policies: Changes Through the Decade. *Journal of Disability Policy Studies*, 16(2), 115–122.

⁷⁵ Angelocci, R., Lacho, K. J., Lacho, K. D., & Galle, W. (2008). Entrepreneurs with Disabilities: The Role of Assistive Technology, Current Status and Future Outlook. *Proceedings of the Academy of Entrepreneurship*, 14(1), Tunica.

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incentives for research and development. In particular, more incentives could be provided to develop assistive technologies related to business software and business organizational tools. Secondly, action can be taken to improve the standardization of the assistive technology market. Common standards are needed to reduce the complexity and incompatibility of available technologies. The implementation of mandatory standards has a positive impact in the US (Stack et al.⁷⁶) and there are many opportunities for improvement in the EU in this respect. To solve this problem, the European Commission supports a number of projects such as Cloud4all that promote the development of IT tools.

In addition to supporting the development of these technologies, policymakers can support the acquisition and use of assistive technologies by entrepreneurs with disabilities. This is often done by providing direct financial support, such as a grant, which assists in acquiring the specific equipment and technology needed to start a business. One example of this approach can be found in Greece, where the European Social Fund support scheme for self-employment of vulnerable unemployed, which provides grants to cover the cost of starting a business for the unemployed from vulnerable groups. Unemployed people with disabilities can also receive additional grants to cover up to 90% of the cost of adapting their workplace to their disability (OECD / The European Commission⁷⁷).

This approach is also used in Austria. The disability-related labour market policy in Austria focuses on the vocational training and job search initiative. As part of these employment initiatives, grants are provided by the Federal Office for Social Welfare to help people with disabilities get a job or create self-employment (as well as stimulating businesses to hire people with disabilities). Support for self-employment includes a permanent subsidy to overcome disability-related constraints. This subsidy includes the purchase of machinery, equipment or technologies related to the workplace (mobility related), technical and ergonomic challenges. It covers at least half the cost and can be received continuously.

Policies can also support learning to make people with disabilities aware of how to properly use their aids, information and communication technologies, and to get the most out of society and

⁷⁶ Stack, J., Zarate, L., Pastor, C., Mathiassen, N. E., Barberà, R., Knops, H., & Kornsten, H. (2009). Analysing and federating the European assistive technology ICT industry. In Information society and media, prepared for the European Commission, 20–65.

⁷⁷ OECD/The European Commission. (2013). The Missing Entrepreneurs: Policies for Inclusive Entrepreneurship in Europe. OECD Publishing. <http://dx.doi.org/10.1787/9789264188167-en>.

the labour market. One approach is the computer training offered by the Latvian Society of Visually Impaired People⁷⁸.

5.4. Providing access to appropriate financial support

Access to finance is often cited as one of the biggest barriers to starting a business, and this challenge can be even greater for entrepreneurs with disabilities. Many potential entrepreneurs with disabilities have little work experience and result - low levels of savings and collateral. External funding can be problematic for people with disabilities due to poor access to information on funding and sources of investment. At the same time, they have higher costs for starting a business due to the purchase of technology or equipment related to their disability, or for hiring additional help to perform tasks that many entrepreneurs are doing alone. Public policy must provide access to entrepreneurs with disabilities for funding for business creation. There is usually not a sufficient number of potential entrepreneurs with disabilities to justify the creation of a specialized microfinance scheme for disabled entrepreneurs. It is therefore advisable that policies focus on creating access for disabled entrepreneurs to existing funding schemes. Policies should ensure that funds are available for specialized equipment to help people with disabilities in business creation and management.

A first step towards improving access to finance for potential entrepreneurs with disabilities is to ensure that existing funding is available and accessible to people with disabilities. This means that information on sources of funding is available in accessible formats and that funding programs do not discriminate against disability.

Secondly, policymakers can help bridge the gap between potential entrepreneurs and investors by helping disabled entrepreneurs prepare for investment and by facilitating access to investors through business contacts, promotional events and business competitions. The goal is to help entrepreneurs understand the way the financial industry works and the requirements for investment. Policymakers can go even further by gathering investors and entrepreneurs for special events. Face-to-face contact is important for networking and relationships, and entrepreneurs can take advantage of the opportunity to “sell” their entrepreneurial project. An example of such an approach is

⁷⁸ <http://www.lnbc.lv/>.

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“Enabled4Growth”⁷⁹, a small project in London, the United Kingdom, aimed at helping disabled entrepreneurs to get funding to expand their businesses. Although it does not provide direct funding, the project teaches entrepreneurs how to prepare for investment, how to apply for funding, and how to organize business events where entrepreneurs can meet with investors.

A third approach is to increase the availability of direct funding in the form of grants or loans. There are few mechanisms in the EU that provide targeted financial support to disabled entrepreneurs. When developing such mechanisms, it should be borne in mind that financial support for business start-up is more effective when delivered alongside skills training. An example of this approach is the “Search for Another Sense of Entrepreneurship” in the Slovak Republic, which provides training and funding through a business plan competition⁸⁰.

Financial support for start-ups by entrepreneurs with disabilities should take into account unemployment benefits and disability pensions for disabled people. The compensation system must be flexible and balanced - it must neither demotivate the willing and able to work with people with disabilities nor deny the care of those who are unable to do so. Policies should encourage people with disabilities to create new businesses, but also to support those who cannot work. These flexibility and balance must be effectively communicated to those targeted by the system. Unjustified fears soften and remove a major barrier to starting a business.

5.5. Improving access to the Internet, information and telecommunication technologies

The Internet and mobile communication technologies have become an integral part of society and basic methods of communication and access to information. However, the benefits are not shared by everyone - many disabled people find it hard to use part of the new technologies because the latter are often incompatible with aids. Politicians can do more to support the development and implementation of accessibility standards that would improve access to these technologies for people with disabilities.

⁷⁹ Check the link: <https://enabled4growth.com/>

⁸⁰ Check the link: <http://www.nepocujucipodnikatelia.sk/grantovy-program/o-programe>

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The EU has committed to improving access to the Internet and information technologies by signing the Convention on the Rights of Persons with Disabilities⁸¹. Many EU countries have adopted laws and policies on the availability of websites and software applications for the public and private sectors⁸². However, the data show that there is still a long way to achieving the goals set in this respect.

The first task of policymakers is to improve the accessibility of public websites through information technology. The European Union supports the Member States in improving access to their websites with projects such as the Digital Agenda for Europe, which aims to achieve full access to public sector websites by 2015⁸³. This is crucial for people with disabilities who are considering self-employment because many public services are already online. Start-up and self-employment information is distributed through websites along with links to other media. Improving the accessibility of public websites will help people with disabilities to perform legal obligations such as business registration and tax returns. Improving the accessibility of public websites is a necessary step that governments need to take before discussing measures to improve the accessibility of private websites.

A second task is to harmonize the standards and obligations for accessibility of information technology in the EU. The Internet has great potential for entrepreneurs with disabilities because it can help them overcome the challenges of communication and mobility. However, most of the websites are not available in formats and are not compatible with assistive technologies. Significant international efforts are needed to achieve meaningful results in this area. There are few projects such as Veritas⁸⁴ that try to bring public and private stakeholders together to address these issues.

About one fifth of the working-age population in the EU is affected by disability, and this share is likely to grow with the aging population. The social and economic participation of people with disabilities will become an increasingly important political issue, and entrepreneurship may be part of the decision. People with disabilities are disproportionately inactive on the labour market in all

⁸¹ United Nations. (2008). Convention on the Rights of Persons with Disabilities, Article 9. <http://www.un.org/disabilities/default.asp?id=259>

⁸² W3C. (2006). Policies Relating to Web Accessibility. <http://www.w3.org/WAI/Policy>.

⁸³ European Commission. (2013). Digital Agenda for Europe. Digital social platforms: web-accessibility. <http://ec.europa.eu/digital-agenda/en/digital-agenda-website>.

⁸⁴ Check the link: <http://veritas-project.eu/about-2>.

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Member States⁸⁵, but the likelihood of self-employed people with disabilities being on the labour market is the same as for people without disabilities. Self-employment can facilitate active social and economic participation and give the individual control over it. Entrepreneurship allows flexibility in terms of workload, working time and workplace, providing greater success in tackling disability than paid employment.

Governments must ensure that all public websites are accessible. As the Internet is becoming the main way governments and citizens interact, much more can be done to improve the accessibility of online business services such as business registration, tax submissions, and business information resources.

6. Economic effects and SWOT analysis

The social economy is a field to which the European Union shows continued interest and invest in its continuous development and improvement, in order to respond to the current social needs in the Community countries. The modern European social model is characterised by a high level of services, goods and jobs generated by the social economy. At the core of this model is the regulation of the production and delivery of many social services of public interest. The values of the social economy are closely connected with the overall objectives for social inclusion and decent working conditions, training and reintegration into the labour market.

The effects of the operation of social enterprise can be analysed in the following directions:

1. in the process of implementation of the activities of the enterprise, if the employment of persons from unequal social groups is ensured;
2. when using the results of activity in the case of manufactured products, which are provided free of charge or on preferential terms of individuals from such groups;
3. in allocating the revenue from the activity of the social enterprise, if they are used in a way which contributes to living standards and the integration of disadvantaged social position.

⁸⁵ Applica/CESEP/European Centre. (2007). Study of compilation of disability statistical data from the administrative registers of the Member States. Study financed by DG Employment, Social Affairs, and Equal Opportunities. <http://ec.europa.eu/social/BlobServlet?docId=3007&langId=en>

6.1. Problems

6.1.1. Resource provision

The “Report - Social Enterprises in Bulgaria” developed under OP “Human Resources Development” identifies the following challenges to resources’ provision for the development of social enterprises⁸⁶:

- Lack of adequate funding to support social enterprises;
- Lack of resources for starting a business - alongside funding, there are several components to start a business that are typically lacking in most start-up social enterprises (both entrepreneurial and social): buildings, land, equipment;
- Lack of managerial and marketing experience - a problem of the NGO sector, which generally attracts employees with a different profile than it is necessary for the realization of management or marketing positions. As far as the civil sector is the most active in the creation of social enterprises, the assistance in this area becomes a necessity.

6.1.2. Disadvantages of the project approach

This is a problem that affects mostly the socially dominant enterprises. The motivation of these companies, which are candidates for project funding, is different from that of the self-employed entrepreneurs. It can be said that the latter are more adequately business oriented, while the former often lack management skills and vision for development. Some of the main disadvantages are:

- the project finance model is affected by a chronic lack of sustainability.
- project administration procedures are slow and cumbersome.
- project funding raises doubts about the existence of corrupt interests that are unrelated to the declared social cause.

6.1.3. Problems with the environment

Among the problems related with the environment are:

- lack of systematic and purposeful policy at the national level - the entrepreneurs identify a passive and chaotic behaviour of the state and the responsible institutions;
- lack of normative basis;

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- problems with the institutions - there is no real understanding of the role of social enterprises, lack of cooperation from the involved institutions.

6.1.4. Personnel problems

Among the problems related with the personnel are:

- existing entrepreneurial enterprises (mostly the specialized enterprises for people with disabilities) often have problems with finding and training suitable staff - on the one hand, because of their higher expectations for the employer to provide them with a job, and they are not motivated to protect their job position with the appropriate qualifications and willingness to work. on the other hand, employers from specialized enterprises claim that people with disabilities cannot be equally efficient and effective as people without disabilities.
- trap of benefits - people with disabilities who apply for work have no motivation and give up. the reason is that they receive enough benefits and therefore have no incentive to work.

6.2. Opportunities⁸⁷

6.2.1. Tax benefits⁸⁸

Tax benefits for the donors of certain vulnerable groups, for employers of long-term unemployed or people with disabilities⁸⁹, possibility of exempting certain goods and services from VAT⁹⁰. Some social businesses registered for public benefit are exempt from paying a local tax donation. Social enterprises - specialized enterprises and cooperatives of people with disabilities may request the assignment of the annual corporate tax due from them and use it fully for the integration of people with disabilities or for maintaining and creating jobs for employed persons in the next two years. Tax incentives are also provided for donors of social enterprises registered for public benefit as a medical institution or as a specialized enterprise or cooperative of disabled people.

⁸⁷ Насърчаване и развитие на социалните предприятия в България. Пътна карта (2015-2020).

http://bcnl.org/uploadfiles/documents/publikacii/plan_se.pdf

⁸⁸ *ibid*

⁸⁹ Чл. 177 Закон за корпоративно подоходно облагане, чл. 26 Закон за интеграция на хора с увреждания, Раздел II на Глава 6 Закон за насърчаване на заетостта.

⁹⁰ Чл. 38-50 Закон за данък върху добавената стойност

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6.2.2. “Reserved” Public Procurement⁹¹

If the subject of the order is one of the listed in the Council of Ministers or it is implemented under programs for the protection of the employment of disabled persons, the contracting authority is obliged to keep only for specialized enterprises / cooperatives of disabled persons the right to apply for contractors of the order.

6.2.3. Promotion and sustainability⁹²

The promotion and sustainability include:

- the support of social entrepreneurship should also include the allocation of public resources to support the social enterprises' activities to deal with social problems;
- the planning of the objectives, the order and the expected results in providing a public resource to support social enterprises should be based on a periodic assessment of the environment, taking into account the specificities of the established practices and models and their potential to work towards achieving social goals;

6.2.4. Equal treatment and reduction of administrative burden⁹³

The equal treatment and reduction of administrative burden include:

- providing a range of incentives available to all forms of social enterprise;
- anticipating fast and financially accessible administrative procedures.

6.2.5. Effectiveness and efficiency

Effectiveness and efficiency include:

- implementation of programs and measures after the analysis of the needs, consistency and adequacy of the purposes;
- relevance of the input to the result - a clear assessment of the financial and social result.

6.2.6. Coordination and decentralization

Coordination and decentralization include:

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

⁹¹ Насърчаване и развитие на социалните предприятия в България. Пътна карта (2015-2020). http://bcnl.org/uploadfiles/documents/publikacii/plan_se.pdf

⁹² ibid

⁹³ ibid

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

6.2.6. Solidarity and partnership⁹⁴

Solidarity and partnership include:

- creating conditions for interaction, consultation, open dialogue and sharing of responsibility among all stakeholders.

6.3. SWOT analysis

| • Strengths | • Weaknesses |
|---|---|
| <ul style="list-style-type: none"> • Cooperation with the organisations of employers and trade unions, as well as with other control bodies on the protection of the rights of workers and the prevention in ensuring safe working conditions. • Coordination between the social assistance system and the system of active labour market programmes, in order to foster social reintegration of persons with disabilities. • Established and functioning social services network to ensure social inclusion for the most vulnerable groups. • Protective mechanisms built to support the most vulnerable groups. | <ul style="list-style-type: none"> • Slow increase in the number of newly opened vacancies in social enterprises for people with disabilities. • Limited labour demand in underdeveloped border regions. • Limited financial resources from the State budget for implementation of the policy of promoting social entrepreneurship. • Negative demographic change and aging of the population. • The presence of a relatively large proportion vulnerable groups of the population, including people with disabilities in need of assistance to meet basic life needs. |

⁹⁴ *ibid*



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| | |
|---|---|
| <ul style="list-style-type: none"> • Established collaboration with other non-profit institutions and organisations to improve policies and address challenges. • Capacity and experience gained in the mobilisation and use of resources from the European funds in support of labour market policies and social entrepreneurship. | <ul style="list-style-type: none"> • Insufficient integration of social and health activities in the provision of services to a large number of people in need. • The steadily increasing number of caregivers as a result of demographic aging processes. • Difficulties in introducing an integrated approach in providing cross-sectoral services and promoting interoperability between systems. • Low level of cooperation and interaction with other social enterprises at home and abroad, with representatives of the State and municipal administration, associations of social enterprises and professional organisations. • Insufficient capacity in the social services system and insufficient planning of the needs of social services at regional and local level. • Insufficient sustainable financing of services provided by social enterprises, which are not state delegated activities, revealed with funds under the Operational Programme “Human resources development”. |
|---|---|

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| | |
|---|---|
| | <ul style="list-style-type: none"> • Prevalence of social enterprises providing social services (passive). • Problems encountered in the process of the activity of social enterprises: material base, administrative activities, personnel, equipment; preferences related to the supply of the products of social enterprises on the market; • Lack of well trained and motivated personnel working in social enterprises and willing to do the work in them. |
| <ul style="list-style-type: none"> • Opportunities | <ul style="list-style-type: none"> • Threats |
| <ul style="list-style-type: none"> • Implementing and continuously improving regulations is to promote social entrepreneurship, social inclusion and improving the effectiveness of the systems for social services. • Development of economic sectors with the potential to create jobs. • Improvement of national legislation in order to improve the access of employers-social entrepreneurs and job seekers, persons with disabilities to mediation employment services. • Development of policies for promoting employment and adult education, | <ul style="list-style-type: none"> • A high number of unemployed persons with disabilities, total for the country and for the border regions, including long-term unemployed. • High number of inactive persons with disabilities, including discouraged. • Increasing the share of people with disabilities at risk of poverty and social exclusion. • The growing demand for services to care for the most vulnerable, which puts to the test the system of social services and necessitates the application of flexible and innovative approaches in this field. |

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| | |
|--|---|
| <p>aimed at disadvantaged groups and the border regions.</p> <ul style="list-style-type: none"> • Development of intermediary services on employment, including to reach out to people with disabilities. • Implementation of schemes in HRD OP for the period 2014-2020. • Extending the network of supportive services. • Capacity development at the local level to support the implementation of reform in the field of social entrepreneurship and social services. • Development of integrated services. • Development of the social and solidary economy. • Membership of the social enterprises in Association (non-profit) of social enterprises; • Cooperation with institutions and organisations, which support social enterprises. • Cooperation with other social enterprises in the country and abroad. • Development of social entrepreneurship in the direction of the active engagement of target groups in the process. • Training and motivation of the people working in social enterprises and to | <ul style="list-style-type: none"> • Pressure on the pension system and support systems. |
|--|---|

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| | |
|--|--|
| <p>those who are willing to do the work in them.</p> | |
|--|--|

7. Conclusion

The policies and the activities as opposite to social exclusion and discrimination are an important issue for international organizations, and also a focus for the developed countries' social strategies. The social economy is an area to which the European Union showed continued interest and invests in its ongoing development and improvement. The social model adopted in European Union is characterized by a high level of services, goods and jobs generated by the social economy, based on the regulation of the production and delivery of many social services of general interest. Its core value is to establish a close link with the general objectives of social inclusion and decent work, training and reintegration into the labour market for disadvantaged people.

In the years after the establishment of the European Union with the Maastricht Treaty, European social policy has been further developed in the Treaty of Amsterdam and the Lisbon Treaty. As a result, efforts are being made within the EU to overcome unemployment and social exclusion and to create conditions for vocational training, with each country obliged to conduct its own social policy in line with that of the EU. In this sense, the social policy of the Republic of Bulgaria is subordinate to the "Europe 2020" strategy by developing a specific action plan for poverty reduction and promoting social inclusion, with the necessary strategies and plans available. On this basis, the integration of people with disabilities in Bulgaria is achieved through the creation of appropriate conditions and environment for development and adaptation, including the provision of adequate education and vocational training, as well as employment and professional realization.

The approach used to support the participation of people with disabilities in the EU labour market encourages increased participation primarily through employment and less through self-employment or business creation. A common EU approach is to use employment quotas that require public and private organizations to employ a certain number or percentage of people with disabilities. In this connection, conditions for social entrepreneurship are created. As a concept, social entrepreneurship is well known in most European countries, the United States, and the Middle East, for which many good practices can be derived. Social enterprises in these countries carry out a significant share of social activities by combining income generation with economic activity and

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achieving a particular social effect. Social entrepreneurship is unique in that it allows the integration of economic and social goals into one that leads to an effective social policy and provides effective support for socially vulnerable groups of society in the widest sense.

Social enterprises operate in a complex and problematic environment by addressing major societal problems, using specific, innovative and sustainable business models. They balance financial responsibility and social impact by coordinating the needs, interests and responsibilities of many stakeholders, including investors, employees, regulators, consumers, and others beneficiaries.

In Bulgaria, a Law on Enterprises of the Social and Solidarity Economy Act is in force since 2019. It sets a framework for the mechanism of the social and solidarity economy in the direction of changing the socio-economic system as a different paradigm of development. Its main postulates are reciprocity and solidarity, creating conditions for increasing interconnection between individual and collective interests. The law also defines the social enterprise and the subjects of the social and solidarity economy, namely: cooperatives, non-profit legal entities for socially useful activity and social enterprises classified as class A and class A+. Against this background, it should be noted that in Bulgaria since 2012 a statistical information for operating social enterprises is compiled.

The researched sources and good practices in the context of this report and the specifics of its reference to agrarian tourism, show that the social enterprises in the Republic of Bulgaria carry out their activities in several directions: delivery of social services; provision of work for people with disabilities; mediation in finding employment for unemployed persons; provision of health services; activity in the field of education, etc. In the realization of these activities the leading is not the production of the final product, but the social effect for the persons themselves, which is to get the necessary support in order to integrate in the society.

Against the backdrop of the established population aging trend in economically developed countries and the increase in the proportion of working-age population affected by disability, the issue of their social and economic integration is expected to be an increasingly important political issue. This is also the reason why entrepreneurship, and in particular the social one, is identified as a possible solution. The social entrepreneurship allows flexibility in terms of workload, working time and workplace, providing greater success in tackling disability than paid employment. In this regard, several incentive and business approaches stand out, namely: restructuring of proposals for start-up; governmental actions to support the development and adoption of assistive technologies; offering

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targeted training and support tailored to the needs and problems of entrepreneurs and potential entrepreneurs with various disabilities. Each of them, however, in order to be successful should be provided with partnerships with specialized organizations that have a reliable relationship and / or represent disadvantaged people.