

# Feasibility study for mapping existing financial tools in Greece and Bulgaria D3.1.3



#### DISCLAIMER

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## Abstract

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Along with the Commission's priorities, the Interreg **Social Forces** project was in line with a long-term policy on national and EU levels, dedicated to establishing a productive and cooperative environment for supporting the social business economy, social enterprises, and social entrepreneurs ♣ This paper maps the legislative and institutional framework of Greece and Bulgaria and identifies their financial tools regarding the strengthening of social entrepreneurship ♣ The important findings of this paper came as a result of primary and secondary research from both countries ♣ European Union has a dominant role in the reinforcement of social enterprises in the cross-border area ♣ Social entrepreneurship is still premature in both countries, so the results of this research may be altered during the next years ♣



## Challenge – Main Findings

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In the last years, across Europe, more attention was conferred to the social entrepreneurship sector – the “third sector”, and to its concepts, methods, actions and outcomes. Although the general interest and also the European assistance to social entrepreneurship environment are increasing, the SE domain needs more help and improvement, at all its levels, from public and private stakeholders, starting from education to legislation and financial support in all the countries.

Below, the main findings of the following research and the challenges, which have to be confronted, regarding the development of the social entrepreneurship in the cross-border area, will be displayed:

- Overall, social enterprise laws have played a dual role, not lacking in ambiguity. On the one hand, they have contributed to capturing at least part of the phenomenon, they have given it visibility, and they have supported (or this was the intention, at least) its development by granting social enterprises formal recognition.
- Social entrepreneurship improves the social status of disadvantaged people.
- It was first regulated in Greece in 2011 and in Bulgaria only just in November 2018.
- In Greece, there are institutionalized forms of social enterprises, while in Bulgaria there is no exclusive legal form.
- Members of social enterprises are equal and they participate in decision making and other administrative activities of the body.
- There are not many financial instruments supporting the funding of social enterprises in both countries.
- European Union cooperates significantly with the cross-border area, regarding the financial programmes for the reinforcement of social enterprises.
- Financial advantages, which both countries have regulated for social entrepreneurs, will encourage the initiatives for the establishment of a social enterprise.
- Social entrepreneurship is relatively new in the cross-border area and still in a premature level. For this reason, people have not trusted its profitability yet. That is how, both Greece and Bulgaria make an intense effort to encourage and support the stakeholders.
- Despite the general interest and the existence of a numerous good examples of social innovative enterprises and initiatives, the prevailing view is that the social entrepreneurship sector needs more support and development from public and private

stakeholders, both in Bulgaria and in Greece and throughout across Europe in general.

- Legislation on social entrepreneurship is not necessarily an incentive for the establishment and development of social enterprises.

# Terminology

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**Social Enterprise:** A social enterprise is a business created to further a social purpose in a financially sustainable way. Social enterprises:

- Provide income generation opportunities that meet the basic needs of people who live in poverty.
- Are sustainable. Earned income from sales is reinvested in their mission. They do not depend on philanthropy and can sustain themselves over the long term.
- Are scalable. Their models can be expanded or replicated to other communities to generate more impact.

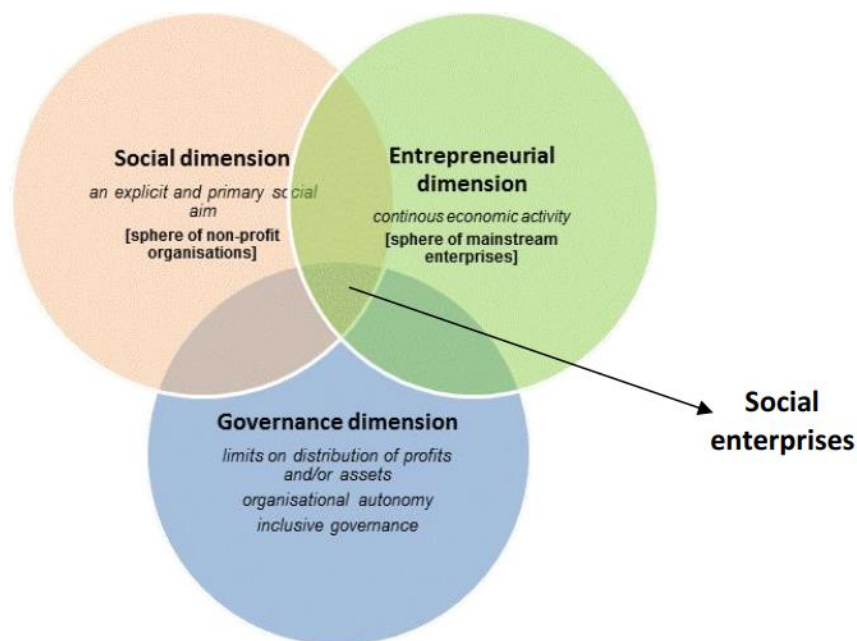


FIGURE 1 THE THREE DIMENSIONS OF A SOCIAL ENTERPRISE

A social enterprise is an operator in the social economy whose main objective is to have a social impact rather than make a profit for their owners or shareholders. It operates by providing goods and services for the market in an entrepreneurial and innovative fashion and uses its profits primarily to achieve social objectives. It is managed in an open and responsible manner and, in particular, involves employees, consumers and stakeholders affected by its commercial activities.

The Commission uses the term 'social enterprise' to cover the following types of business:

- Those for who the social or societal objective of the common good is the reason for the commercial activity, often in the form of a high level of social innovation

- Those whose profits are mainly reinvested to achieve this social objective
- Those where the method of organization or the ownership system reflects the enterprise's mission, using democratic or participatory principles or focusing on social justice.

Despite their diversity, social enterprises mainly operate in the following 4 fields:

- Work integration
- Personal social services
- Local development of disadvantaged areas
- Other, including recycling, environmental protection, sports, arts, culture or historical preservation, science, research and innovation, consumer protection and amateur sports.

Social Entrepreneurship aims to the solution of social problems in a financially sustainable way and tends to enforce the welfare state, in order to support the vulnerable groups of the population, which is considered as extremely necessary nowadays for a developed country, member of the EU.

For the better understanding of the term “social entrepreneurship”, some cases of social enterprises in Europe are following:

***Some examples of European social businesses:***

*In Italy, a medical center provides high-level specialized assistance, including cultural mediation, particularly in areas poorly served by public services, with a particular emphasis on people in fragile socio-economic situations (such as immigrants).*

*In Romania, a company with five members of staff and five volunteers has been working since 1996 to provide cultural services in the Romanian language to blind people by adapting media (especially audio books and adapted films) for an estimated 90.000 people.*

*In France, a business launched an innovative concept of water-free car washing services in 2004 using biodegradable products and employing unqualified or marginalized staff in order to reintegrate them in the labour market.*

*In Hungary, a foundation set up a restaurant employing disabled staff (40 employees) and provided training and childcare to ensure the transition to stable employment.*

*In the Netherlands, a company teaches reading using innovative digital tools and a method based on play. This method is particularly suitable for hyperactive or autistic children but can also be used for illiterate people and immigrants.*

*In Poland, a social cooperative comprising two associations employs long-term unemployed and disabled staff and provides a variety of services: catering and food services, small construction and handicraft jobs and employability training for disadvantaged people.*

**FIGURE 2 CASES OF SOCIAL ENTERPRISES IN EUROPE**



**Social economy** is formed by a rich diversity of enterprises and organizations, such as cooperatives, mutuals, associations, foundations and social enterprises, sharing common values and features:

- Primacy of the individual and the social objective over capital
- Voluntary and open membership
- Democratic governance
- Combination of interests of members/users and/or the general interest
- Defence and application of the principles of solidarity and responsibility
- Autonomous management and independence from public authorities
- Reinvestment of -at least- most of the profits to carry out sustainable development objectives, services of interest to members or of general interest

**Social Entrepreneur:** There are many definitions of the term social entrepreneur, given by active organizations across the world and by European Commission platforms: “A social entrepreneur is someone who recognizes a social problem and uses entrepreneurial principles to organize, create, and manage a venture to make social change”<sup>1</sup>.

**Social innovation** can be defined as the development and implementation of new ideas (products, services and models) to meet social needs and create new social relationships or collaborations. It represents new responses to pressing social demands, which affect the process of social interactions.

**Social Business Initiative (SBI)** aims to introduce a short-term action plan to support the development of social enterprises, key stakeholders in the social economy and social innovation.

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<sup>1</sup> P2P Foundation

# The Social Economy

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The meaning of Social Economy is developed inside the framework of the state policy and the private investment for economic activity. It is said that Social Economy serves community's needs, which private sector cannot satisfy due to low profits and public sector cannot contribute in due to the lack of financial instruments.

The primary objective of the traditional social economy enterprises is to serve the members and not to obtain a return on investment as the traditional mainstream capital companies do. The members act in accordance with the principle of solidarity and mutuality, and manage their enterprise on the basis of 'one man one vote' principle.

The definition of Social Economy is presented, as follows: "The social economy includes all economic activities conducted by enterprises, primarily co-operatives, associations and mutual benefit societies, whose ethics convey the following principles: 1. placing service to its members or to the community ahead of profit; 2. autonomous management; 3. a democratic decision-making process; 4. the primacy of people and work over capital in the distribution of revenues."<sup>2</sup>

The European Commission, regarding social economy, refers that it includes:

- Cooperatives,
- mutual societies,
- non-profit associations,
- foundations and
- Social enterprises.

It states that they operate a very broad number of commercial activities, provide a wide range of products and services across the European single market and generate millions of jobs. Social enterprises are also the engine for social innovation.

Social economy is considered as a substantial factor of the economy in the EU, as social economy enterprises contribute to the EU's employment, social cohesion, regional and rural development, environmental protection, consumer protection, agricultural, third countries development, and social security policies. More specifically, social economy presents the following **benefits**:

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<sup>2</sup> Jacques Defourny (Centre d'Economie Sociale, University of Liège) and Patrick Develtere (HIVA, Catholic University of Leuven)

- it improves and strengthens the European Social Model by contributing to stable and lasting growth,
- improves the social status of disadvantaged people,
- brings together profitability and solidarity, creates quality jobs, strengthens social, economic and regional cohesion, generates social capital, promotes active citizenship,
- strengthens the entrepreneurial spirit, promotes more democratic enterprise functioning, embodies social responsibility and promotes active social integration of vulnerable categories,
- helps to remedy three main labor market imbalances: unemployment, unstable jobs and the exclusion of the unemployed from the labor market and
- Contributes to the four main objectives of employment policy:
  - ✓ Improving the "job opportunities" of the active population,
  - ✓ Promoting the entrepreneurial spirit, in particular through the creation of local employment,
  - ✓ Improving the capacity to adapt enterprises and their workers by updating the organization of work and
  - ✓ Strengthening equal opportunities policy, in particular through the development of public policies that reconcile family and professional life.

# Legislation and Institutional framework in the EU



The European Commission aims to create a favorable financial, administrative and legal environment for these enterprises so that they can operate on an equal footing with other types of enterprises in the same sector. Drawing on the organizational definition of the Commission, states that social enterprises are present in all EU Member States, regardless of the type of welfare system and whether or not there is a well-developed non-profit sector, a cooperative tradition, or specific legislation. Depending on the national legal system and contextual characteristics, social enterprises cover a variety of legal and organizational aspects in each country studied, perform in diverse fields of general interest and entertain diversified relations with public agencies.

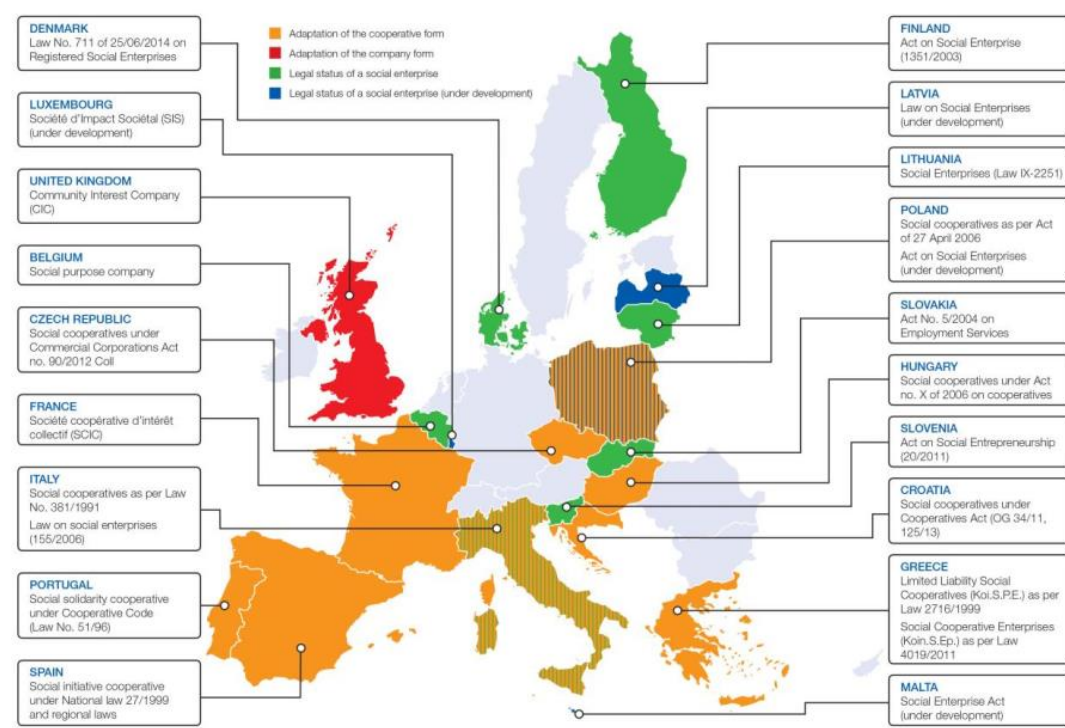


FIGURE 3 COUNTRIES WITH SPECIFIC LEGAL FORMS OR STATUTES FOR SOCIAL ENTERPRISE

Notes: (i) Social enterprise laws in Finland, Lithuania and Slovakia narrowly refer to work integration social enterprises; (ii) Italy is the only European country with both a law on social cooperatives (legal form) as well as a law on social enterprises (legal status); (iii) Poland has a specific legal form for social enterprises (social cooperatives) and a draft law proposes the creation of a social enterprise legal status.

According to the European Economic and Social Committee (EESC) report on European Union (EU) Social Economy (2012) and the Social Business Initiative of the European Commission (EC) (2014), social economy in Europe shows a very dynamic uptrend during the last 10 years and it has proved its resistance to crisis and depression periods.

Recent years, in order to promote the 'social economy market with a high degree of competitiveness, the Commission has set social economy and social innovation as one of the main issues, which concerns it, both in terms of territorial cohesion and research for unconventional solutions for social problems, as it is expressed in the Europe Strategy 2020, in the initiative 'Innovation Union'.

The social model of the EU, in line with the Strategy "Europe 2020", aiming at social prosperity and defence social rights supports economic growth, social protection for all, quality of life and quality of working conditions, while key contributors to social well-being of citizens is the social state, private sector enterprises, social partners and NGOs. The social economy sector is treated by the EU as a preferential policy area for employment, local development, the combat against poverty and social exclusion, which creates new ways of entrepreneurship and conditions for investment in so-called "social capital" and "social innovation".

### THE SOCIAL BUSINESS INITIATIVE (SBI)

The Social Business Initiative recognizes that social business are innovative and motivating power for social change. It includes measures to improve visibility and recognition of social enterprises, simplification of the regulation environment, so that social enterprises could transcending national borders more easily and have upgraded access to funding. The Commission encouraged Member States and regions to draw up comprehensive strategies and intensify their efforts to promote social enterprises, by using effectively the structural EU funds for this purpose.

Initiated by the SBI, the Commission and the expert group on social entrepreneurship established a 5 pillar strategy aimed at increased access to funding, access to markets, improved framework conditions, foster social innovation and continue to work on internationalization.

Therefore, the Commission:

- Helps social enterprises access investments of up to EUR 500,000 via public and private investors at national and regional level, as part of the EU Programme for Employment and Social Innovation (EaSI).

- Supports social enterprises through pilot equity investments under the European Fund for Strategic Investments (EFSI) Equity instrument, namely via funds linked to incubators/accelerators and co-investments with social Business Angels.
- Complements equity investments with grants aimed at covering part of the transaction costs of intermediaries. The grant serves as an incentive for making investments of below EUR 500,000 in social enterprises.
- Co-funds projects focusing on boosting the development of the demand and supply side of social finance markets in Europe.

# Legislation and Institutional framework in Greece

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## Definition and concepts

The Law 4019/2011 on Social Economy and Social Entrepreneurship, which is replaced by the new Law of 2016, defines “social economy” as well as, “social cooperative enterprise”, covering a broad range of social enterprise purposes and activities. The term “social enterprise” is not used in legislative or administrative documents. Also, the Law legislated and established the Register of Social Cooperative Enterprises and Social Cooperatives of Limited Responsibility of YPEKAA (General Register of Social Economy) in which all the relevant entities were registered.

The new Law 4430/2016 “Social and Solidarity Economy and development of its agencies and other provisions” is chosen as the most suitable for Greece, and is a mixed system based on the Anglo-Saxon model (based more on corporate social enterprises) and the South-European (based on cooperative social enterprises).

## Policy and legal framework

The following institutionalized forms of social enterprise exist in Greece:

- Women agro-tourist cooperatives under Law 1541/1985 Limited Liability Social Cooperatives (“Kinonikos Sineterismos Periorismenis Efthinis” or Koi.S.P.E.), according to Law 2716/99, provides a framework and support to establish work integration social enterprises for people with mental health problems (Koi.S.P.E.), and
- Social Cooperative Enterprises (“Kinoniki Sineteristiki Epihirisi” or Koin.S.Ep.), according to law 4019/2011. Koin.S.Ep.s are further categorized into three types according to their purpose:
  - *Inclusion Koin.S.Ep.*, which has as its purpose the socio-economic inclusion of persons belonging to “vulnerable groups of the population” mainly through work integration.
  - *Social Care Koin.S.Ep.*, which has as its purpose the production and supply of goods and the provision of services in the field of social care (social assistance - health) to specific groups of the population (elderly, infants, children, people with disabilities or chronic illness).
  - *Koin.S.Ep. of Collective and Productive Purpose*, which has as its purpose the production and supply of goods and the provision of services for the satisfaction of ‘collective needs’ (culture, environment, ecology, education, common interest services, maintenance of traditional trades, setting off local products etc.).

The five most frequent internal practices, which social enterprises apply, are:

- participation of members in the body's activity,
- collective way of defining roles and projects,
- decision-making by the Board of Directors,
- decision-making through the General Assembly and
- regular meetings of all members.

These practices reflect the existence of members' equality and their active participation in decision-making and other administrative activities of the body. Also, the bodies with which they cooperate most, in descending order are regions and municipalities, civil society organizations, universities, trade associations, professional associations, international organizations and trade unions.

Law 4019/2011 imposes a considerable number of formalities and obligations on social enterprises (Koin.S.Ep.s). Initially, the rationale of this administrative control mechanism was that social enterprises registered in the Social Entrepreneurship Registry would automatically be awarded direct access to special funding instruments and fiscal benefits. In this light, the level of control was considered necessary to avoid cases of abuse of this favorable legal treatment. However, the excessive bureaucracy has led to confusion and discouraged entrepreneurs from taking advantage of the legislation. Further, the main funding instrument promised in the law (Social Economy Fund) was never established and neither have any fiscal privileges been offered to social enterprises due to the severe limitations imposed by the fiscal adjustment program.

There are some actions that could be done in order to improve the institutional and legal framework of Social and Solidarity Economy, such as the more flexibility which is needed, especially in the distribution of profits and reinvestment restrictions, in order to develop a framework for measuring social impact. Additionally, it is important to:

- Simplify the legislative framework
- Integrate the Social and Solidarity Economy as an educational subject in formal and non-formal education and in vocational training
- Implement policies for the exploitation of Public Contracts related to social issues
- Review the evaluation process and
- Introduce more credible control mechanisms.

Also, the participation of Social and Solidarity Economy Bodies on a network is extremely considerable, regarding the access to useful information coming from other parts of the network, the economic and business development, the personal support and building of relationships, the promotion of support policies and the business consultancy.



# Legislation and Institutional framework in Bulgaria

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Bulgaria has launched several strategic frameworks in order to boost social entrepreneurship and social innovation initiatives at a national level:

- National Strategy for Reducing Poverty and Promoting Social Inclusion 2020, the priority of which is to provide opportunities for employment and income growth through active involvement of citizens in the labour market. Among the key proposed measures is promoting entrepreneurship, including social entrepreneurship initiatives;
- Strategy for the Employment of People with Disabilities 2011-2020, which aims to provide opportunities for people – of working age – with disabilities to effectively exercise their right to free choice of career development, to improve the quality of life for free and achieve full inclusion in public life.

## THE INSTITUTIONAL FRAMEWORK

The National Social Economy Concept represents the Government's framework for the development of the social economy in Bulgaria. The Action Plan for the Social Economy 2014-2015 which supports the implementation of the National Social Economy Concept lays out a series of priority actions aimed at facilitating the development of social economy (including social enterprises) in Bulgaria:

- Priority 1: Raising awareness among stakeholders about the nature and functioning of the social economy,
- Priority 2: Establishment of support structures for the social economy and social enterprises,
- Priority 3: Information about the social economy,
- Priority 4: Creation of favorable conditions for education, training and research in support of the social economy, and
- Priority 5: Creation of a favorable environment that encourages the development of the social economy.

Other strategic documents which foresee measures to support the development of the social economy (including social enterprises) in Bulgaria include:

- The *National Reform Programme 2011-2015* which foresees measures such as the development of a Handbook on legal forms for social enterprises, National Concept for Active Live of Elderly

People, support in the form of social housing for vulnerable, minority and people on social assistance, as well as support for new and existing social enterprises.

- The *National Youth Strategy 2012-2020* which states that public-private partnerships and social entrepreneurship in the sphere of services for young people should be encouraged, in order to raise awareness and improve the career development of young people.
- The *National Strategy for Poverty Reduction and Social Inclusion 2020 and the Long-term Strategy for Employment of Disabled People 2011-2020*.

## THE LEGAL FRAMEWORK

Social and solidarity economy entrepreneurship law has been promulgated second of November 2018 and is to entry into force as of May 2nd, 2019.

Social entrepreneurship in the social and solidarity economy according to the law is:

"Social entrepreneurship" is a form of entrepreneurship that combines economic activity with the pursuit of objectives of public benefit resulting in social value added, measurable by the class A social enterprise methodology.

It is envisaged that social enterprises should be divided into two classes:

1. Class A - for which the profit for the last reporting period should be spent more than 50 per cent and not less than 7500 Levs for social activities and / or purposes. Either no less than 30 percent or no less than three of the company's employees should be people from vulnerable groups.

2. Class A + - for a class A + social enterprise, it is required to meet all legally prescribed requirements for a class A social enterprise, plus three additional requirements, one of which must be complied with such an enterprise. The investment here should not be less than BGN 75 000 or the employees of the vulnerable groups should count at least 30 people. The third additional condition is that the social value added should be fully implemented in the administrative boundaries of municipalities, which for the previous year have a level of unemployment equal to or higher than the average for the country.

Measures to promote the social enterprise provided in the Law on Enterprises of the Social and Solidarity Economy:

The incentive model set out in the law provides for universal measures for the two classes: the free use of a distinctive certification mark "social enterprise product" to be created by the ministry and provided by it; the possibility for companies that make donations to social enterprises to

benefit from tax relief for donations; trainings are also planned; as well as a *specific incentive for A + class, which is expressed in the possibility to use for-profit municipal property, but without an auction or a competition.*

There is no exclusive legal form for social enterprise in Bulgaria. Consequently, social enterprises adopt a variety of legal forms, the three most common ones being:

- Non-Profit Legal Entities (NPLEs) such as associations and foundations,
- Cooperatives for people with disabilities, and
- Specialized enterprises for people with disabilities.

The Not-profit Legal Entities Act allows non-profit organizations to engage in economic activity, subject to certain conditions:

- The economic activity must be supplementary to the main non-profit activity.
- The economic activity should be related to the non-profit objectives of the entity.
- The scope of the economic activity must be explicitly stated in the Bylaws/Act of Incorporation.
- The economic activity must not be restricted for this legal form by another legal act.
- The income from economic activity must be reinvested for achieving the non-profit objectives of the NPLE and cannot be distributed in any way.

In 2018, Bulgaria also adopted the Law on Social Entrepreneurship in the Social and Solidarity Economy, which provides a series of incentive measures to help and facilitate social enterprises by giving them easier access to finance, social clauses in public tax incentives, etc.

Despite the efforts made in recent years - both legislative and administrative - there is still a lack of clear recognition in the society of social enterprises as a particular type of enterprise, and often, coming out of the market, they face competition, and their social mission is not the cause their tolerance, but rather a burden.

## EU Financial Instruments (ESF)

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The EU is making efforts to improve funding opportunities, for instance, via the Social Impact Accelerator and the “microfinance and social entrepreneurship” axis of the Employment and Social Innovation program. Additional funding is made available under the European Structural and Investment Funds, as well as programs tailored to small and medium-sized enterprises. Social enterprises are facing difficulties in finding the right funding opportunities due to the lack of understanding of their functioning and their small size. However, there are some European programmes, which benefit social entrepreneurship:

- **COSME**, which is the programme for the Competitiveness of Enterprises and Small and Medium-sized Enterprises and improves access to finance for such enterprises through two financial instruments that have been available since August 2014, The Loan Guarantee Facility (LGF) and The Equity Facility for Growth (EFG).
- **Structural funds**, such as **the Regional Development Fund (ERDF)** and **the European Social Fund Plus (ESF+)**. The ERDF promotes balanced development in the different regions of the EU and focuses on innovation and research and the low-carbon economy. The ESF+ will be a more flexible and simpler version of the current European Social Fund by merging a number of existing funds and programmes, for the term 2021-2027 and it will support Union actions for social innovation.
- **EU Programme for Employment and Social Innovation (EaSI)**, which is a financing instrument at EU level to promote a high level of quality and sustainable employment, guaranteeing adequate and decent social protection, combating social exclusion and poverty and improving working conditions. More significantly, it increase the availability and accessibility of microfinance for vulnerable groups and micro-enterprises, and increase access to finance for social enterprises.

Generally, the Commission recommended EU countries to prioritize the activities of social enterprises in the national operational programmes for the period 2014 to 2020.

Expansion of the social economy, however, requires further development of a supportive regulatory environment, a tailored financial ecosystem, and, also, increased visibility and recognition<sup>3</sup>.

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<sup>3</sup> EU support for social entrepreneurs, European Parliament, 2017



FIGURE 4 EU FUNDING FOR SOCIAL ENTREPRENEURSHIP, AN OVERVIEW, MAY 2017

## Financial Instruments in Greece

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The Business and Cultural Development Center (KEPA), an entity which generally supervises financing programmes for enterprises through European Union's funds, like NSRF, in collaboration with Greek Cooperative Banks, such as the Cretan Cooperative Bank, provides small or start up enterprises with financial reinforcement. More specifically, its contribution consists of micro-loans of 1.000 to 25.000 €, with 7% and more interest. The expenses covered for development reasons are mainly equipment, materials and commodities, software, small building expenditure, advertisement and commercial activities. The conditions that have to be controlled, before the financing, are the financial data, the business idea, the quality characteristics and the realism of the business plan.

Furthermore, there are three specific activate financial programmes, which focus on the reinforcement of social enterprises:

- The '*Competitiveness, Entrepreneurship and Innovation*' (EPAnEK) Operational Programme is one of the five sectoral operational programmes of the Partnership and Cooperation Agreement (the new NSRF) for the period 2014-2020, which was approved on 18/12/14 by the European Commission. EPAnEK covers the whole of Greece and has a € 4.916 billion public expenditure budget (€ 3.84 billion Union contribution). The pivotal strategic objective is to enhance the competitiveness and extroversion of enterprises, to facilitate transition to quality entrepreneurship with innovation and the growth of domestic added value as the cutting edge.
- The Operational Programme for Competitiveness, Entrepreneurship and Innovation occupies a central position to the Country's efforts to create a new production model that will lead to development and will strengthen the competitiveness of the Greek economy by leveraging private financing. The new model brings to the fore productive, competitive and outward-looking sectors of the economy, such as tourism, energy, agri-food, the environment, the supply chain, information and communication technologies, health and the pharmaceutical industry, creative and cultural industries, materials – construction.
- The ' Epixeiroume ekso' NSRF Programme promotes the extroversion of Greek manufacturing enterprises, which are already engaged in export activity through their participation in trade fairs organized in the EU and in third countries. The Programme concerns very small, small and medium-sized Greek manufacturing enterprises. The investment projects to be funded

will cover the following strategic issues: Agriculture-food Industry, culture and creative industries, materials construction, energy, environment, information and communication (REL), health-medicines. It covers the whole of Greece and has a 50 million euros public expenditure budget.

Other financing programmes, which are expected to be activated are:

- Greek Development Law- General Entrepreneurship (maximum budget 50.000 €)
- Reward- Support of businesses (job subsidy)
- Entrepreneurship tools: Commerce-Food service activities-Education (50% subsidy)
- Microcredit Fund (TEPIX II- Agri-food sector)
- Invitations through business projects of every Region.

Finally, some other enhancing tools for social enterprises are:

- Activities of Special Secretariat of Social and Solidarity Economy: Subsidy of existing entities of Social and Solidarity Economy (subsidy similar to the existing turnover, total budget of € 27 million).
- Subsidizing Programmes for social enterprises, aiming to the establishment of new jobs, with a total budget of € 11 million, and a budget of € 2 million for the recruitment of people with disabilities.

## Financial Instruments in Bulgaria

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For the first time in Bulgaria, financial instruments were used in the previous programming period 2007-2013 through the JESSICA Urban Development Initiative and the JEREMIE SME Finance Initiative. In the current programming period 2014-2020, with an order of the Council of Ministers of 22 July 2015, the Fund Manager of Financial Instruments in Bulgaria EAD is set up to manage the funds earmarked for financial instruments under the Operational Programs (OPs) co-financed by the European Structural Funds and Investment Funds (ESIS).

The activities of FMFIB are under the regulation of the European Union (EU) law, and the basic acts do include Regulation 1303/2013, Regulation 480/2014, Fund Management Law of the European Structural and Investment Funds, Public Procurement Law, etc. IFFIB is mandated by the respective Operational Programs, formalized by agreements.

At present, MFFIF has signed agreements for the management of the FI with the Managing Authorities of four Operational Programs - OP "Innovation and Competitiveness" 2014-2020, OP "Environment" 2014-2020, OP "Human Resources Development" 2020, Regions for Growth 2014-2020, with a total resource of BGN 952 million. A second financing agreement with the Managing Authority of the Operational Program "Environment" 2014-2020 in the Water sector is expected to be agreed for the amount of 234 million BGN.

Financial tools, in the definition given by the Financial Instrument Manager in Bulgaria, represent specialized financing schemes co-financed by the European Structural and Investment Funds and national funding from the Operational Programs, as well as additional attracted funds from the private and public sectors. GOIs aim to make more effective use of public resources than grant aid and provide financial support to target groups of end-recipients and deliver economically viable projects, thus they help to overcome identified as market imperfections and to achieve EU strategic goals and policies.

### ***Human Resources Development Operational Programme 2014-2020 (HRD OP)***

The *Human Resources Development Operational Program (2014-2020)* tends to achieve higher and quality employment, reduce poverty and promote social inclusion, as well as modernize public policies. The Strategy mobilizes European Social Fund (ESF) funds to encourage labour demand and support the creation of new jobs in all sectors of the economy, offering



job seekers and employers an appropriate incentive package, including information, mediation services, vacancy-oriented training and incentives to reduce labour costs.

OPHRD 2014-2020 supports the achievement of national goals in the area of employment, fighting poverty and social exclusion in the context of the Europe 2020 Strategy.

Operational Programme Human Resources Development 2014-2020 (OPHRD), which has a total budget of BGN 2 136 251 557, includes financing from the European Social Fund (ESF), the Youth Employment Initiative (YEI) and national co-financing. The goals of the Programme are addressed along five priority axes with defined investment priorities, three of which fall within the considerable topic. These are:

Priority Axis 1: *'Improving access to employment and job quality'* includes two thematic objectives. One is for "Promoting sustainable and quality employment and support for labour mobility", and the other - "Investing in education, training, learning to acquire skills and lifelong learning".

Priority Axis 2: *'Reducing poverty and promoting social inclusion'* covers only the less developed regions and the targeted communities are migrants, Roma and other marginalized groups.

Priority Axis 4: *'Transnational cooperation'* grants are available to promote transnational cooperation in the field of the labour market, social inclusion, health, equal opportunities, non-discrimination and institutional capacity building.

Operational Programme: *'Innovations and Competitiveness' 2014-2020*

Priority Axis 2: *'Entrepreneurship and Capacity for growth of SMEs'*. The programme focuses on access to finance, in order to support entrepreneurship, utilizing new ideas and stimulating the creation of new businesses, improving the survival rate of SMEs and the sustainability of newly created SMEs and promoting entrepreneurship. Also, it focuses on investments to increase entrepreneurial activity for economic growth and supporting competitiveness.

*PROMYANATA* is the biggest social responsibility initiative of Nova Broadcasting Group, implemented in partnership with the Reach for Change Bulgaria foundation.

*Rinker Centre* is a centre for entrepreneurship and training at Bulgarian Charities Aid Foundation. It was established in 2014 with the financial support of CAF America Foundation. The aim of Rinker Centre is to support and develop a spirit of entrepreneurship in Bulgaria.

The programmes are oriented towards the creation of opportunities for sustainable employment, improvement of competitive power, adding value and innovation aiming to improve the quality of life in Bulgaria, primarily rural areas of the country. The Centre's main programmes work towards training and spreading the spirit of entrepreneurship among children and adults. It also provides further training and qualification for Bulgarian teachers by encouraging the use of innovative technologies, interactive methods of teaching and understanding students with special needs, learning difficulties, and ethnic minorities. Furthermore, the Centre will support active young people through specific training.

*'Private business'* is a part of the programmes and projects for starting and developing independent economic activity for people with disabilities, funded by the Agency for People with Disabilities. It is focused on the development of independent business for people with disabilities. Also, individuals with permanent disabilities can apply for this investment project. The main objective of the project is to make able the sole owner to secure its income from the operation of his own enterprise, in fulfilment of its obligations, by independently carrying out the principal activity recorded in the Commercial Register upon the establishment of the enterprise. In this sense, for the needs of the economic activity carried out, the proprietor may also hire other persons to carry out only ancillary, non-managerial, non-determinant business activities of the enterprise.

In recent years, Bulgaria has been implementing the National 2020 Strategy for Poverty Reduction and Promotion of Social Inclusion, part of the Europe 2020 Strategy, and each year the Council of Ministers sets out an Action Plan part of the National Strategy following different points of the European Union's Intelligent Growth Strategy.

## Convergence of results

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The Law on Social Entrepreneurship in the Social and Solidarity Economy envisages the creation of a distinctive sign for social enterprises, which does not solve the problem of the insufficient confidence of the population in the activity of social enterprises.

Taking into account also the negative trends related to demography, low economic activity, low education, lack of work experience, etc., as well as uncertainty and distrust of the institutions, social entrepreneurship is not a priority among the population.

Among the representatives of the municipal administrations are still the delays with respect to the private providers of social services. Local authorities are still largely responsible for the organization and financing of services by continuing to adhere to direct delivery rather than delegating these activities to NGOs and thus freeing human resources and administrative capacity for other types of services.

The social entrepreneurship has been institutionalized quite recently in the cross-border area and more specifically, in Greece, the first Law was published in 2011 and the second one in 2016, while in Bulgaria the situation is much more premature, as social entrepreneurship was regulated on November 2018. A main difference which is spotted between the two legislations is that, in the Greek Law, social enterprises have institutionalized forms, while in Bulgaria, they do not have special legal forms.

It is clear that social entrepreneurship has recently introduced in the economic and social environment of the cross-border area. People still do not trust fully the new form of entrepreneurship, as they do not find it profitable enough, especially when they compare it with other forms of entrepreneurship. For the above reasons, both the Greek and the Bulgarian State try to absorb it and make it efficient, by regulating for social enterprises:

- Registration in a special entity, such as the Social Entrepreneurship Registry for Greece and the National Register of Social Enterprises for the Republic of Bulgaria.
- Training plans for stakeholders.
- Tax relief for those who already are or are willing to be engaged with social enterprises.
- Easier access to finance.

Both countries in the cross-border area have financing programmes, in cooperation with European Union, in order to reinforce social entrepreneurship and support small or medium sized and recently created enterprises. Furthermore, these programmes promote actively new ideas and innovations in many sectors, such as energy and agri-food culture.

# SWOT ANALYSIS

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Taking into consideration all the collected information for social entrepreneurship, coming from researches conducted from both Greece and Bulgaria, below the SWOT analysis is presented:

## STRENGTHS

- **Financial advantages for established social enterprises**, such as fiscal benefits, which are already exploitable in Greece, and tax incentives, preferences for the donors of certain vulnerable groups and tax benefits for employers of long-term unemployed or people with disabilities, regarding Bulgaria and the Law which is going to be activated on May of 2019.
- **Low overall level of economic activity and employment and high unemployment rates. Also, low education and lack of work experience** of persons from vulnerable groups. All these factors contribute in the configuration of the appropriate environment for social entrepreneurship to be developed in the cross-border area.
- **Inclusion of some of the most deprived and isolated communities** of both countries in the cross-border area, which also are a suitable environment for social enterprises.
- **Conducting information campaigns**, related to Social Entrepreneurship, like round tables, seminars etc.
- **Public procurement contracts** for specialized enterprises and cooperatives of people with disabilities, regarding the state of Bulgaria.
- **Free use of the distinctive certification mark 'product of a social enterprise'** to be set up by the Ministry and provided by it.
- **Possibility of using municipal property for consideration**, without an auction or competition, as it is legislated both in Greece and Bulgaria. Regarding Bulgaria, this possibility is provided to class A+ social enterprises.

## WEAKNESSES

- **Diminished state support** and obstacles, regarding their sustainability. For instance, a factor which contributes extremely in this situation is the **excessive bureaucracy**, especially as regards the Greek state.
- **Difficult financial situation, due to debt crisis, which causes social adversities.**

- **Delayed activation** for a worth-mentioning part of social enterprises in Greece, despite their establishment.
- **Lack of specialist business development services and absence of common mechanisms** for measuring and demonstrating impact (**lack of cooperativeness**).
- **Constraints concerning redistribution of profits or employment of vulnerable workers** often give the impression to creditors or potential investor that they are higher-risk and less profitable than other businesses. The less-profitable character of a social enterprise may constitute a difficulty in the competition with other forms of enterprises.
- In Greece, **the main funding instrument promised in the Law, the Social Economy Fund, was never established** due to the severe limitations imposed by the fiscal adjustment programme.
- **Delays regarding the private providers of social services.** Local authorities are still largely responsible for the organization and financing of services by continuing to adhere to direct delivery rather than delegating these activities to NGOs and thus freeing human resources and administrative capacity for other types of services.
- **Lack of trust** from employers to potential employees identified as part of vulnerable groups, in Bulgaria.
- **Weak internal market**, in the region of Bulgaria.

## OPPORTUNITIES

- **Exploitation of European Funds related to Social and Solidarity Economy Bodies.** The Commission finance projects to review legislation, share good practices, awareness raising events and projects for the collection of statistical data, for cooperatives, mutuals and social enterprises.
- The Commission examines how best to respond to problems, resulted from the varying regulatory environments across EU countries, **in the area of state aids, public procurement or legal statuses to promote the appropriate policies.**
- Establishment of educational and training programmes, such as Erasmus for Young Entrepreneurs, in order to reinforce entrepreneurial skills, which, in the future, could be used for the establishment and development of a social enterprise.
- **Social innovation.** It represents new responses to pressing social demands, which affect the process of social interactions. It is aimed at improving human well-being. Social innovations are innovations that are social in both their ends and their means. They are innovations that are not only good for society but also

enhance individuals' capacity to act. They rely on the inventiveness of citizens, civil society organizations, local communities, businesses and public servants and services. They are an opportunity both for the public sector and for the markets, so that the products and services better satisfy individual but also collective aspirations.

- **Civil society is attracted and activated** and as a result local economies are stimulated and social capital is created in the country.

## THREATS

- **Obstacles in ensuring financial resources, low cash flow and low rate of public procurement.**
- **Difficulties in finding sponsorship**, as society is prejudiced towards Social Entrepreneurship products or services, because of its premature level.
- **Constraints concerning redistribution of profits or employment of vulnerable workers** often give the impression to creditors or potential investor that they are higher-risk and less profitable than other businesses. The less-profitable character of a social enterprise may constitute a difficulty in the competition with other forms of enterprises.
- **Unresponsive media environment** and the reproduction of negative attitudes and stereotypes in the public space, which significantly affects public opinion, regarding social entrepreneurship.

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