Promoting Social Economy as an Instrument for Institutional Change: The Case of Bulgaria

Wspieranie gospodarki społecznej jako instrument zmiany instytucjonalnej. Przypadek Bułgarii

ABSTRACT

The following paper presents three related narratives. The first one looks at the dynamics of definitions of social economy and social enterprises. The second provides a Bulgarian perspective on social enterprises from different data sources with a focus on particular regulatory gaps, which impede the development of specific social enterprises in Bulgaria, called chitalishte. They have the longest
and most steady tradition in the country among the not-for-profit organizations. The third narrative presents a story of non-profit social enterprises as agents of institutional change. The examples used in the paper arose in different time periods, have different specifics, but all emphasize the importance of the economic and social environment for the degree of sway on the institutional profile of chitalishta. The specific forms of Bulgarian social entities were studied in order to demonstrate their potential for institutional changes, expected level of impact, and compliance with coherent policies. Some regulatory deficiencies that narrow the scope of their action were also analyzed.

**Keywords:** social enterprise; social economy; institutional change; chitalishta

## INTRODUCTION

Social economy is often defined by the supremacy of democracy over capital in the economic decisions of people and organizations and its performance is measured in welfare rather than (gross domestic) product. Social economy primarily refers to economic democratization, collective enterprise, and the quest for common good, but not to environmental sustainability as circular economy.\(^1\) Since the mid-19th century, when K. Marx was criticizing the political economy from the point of view of favouring capital over labour economists, social researchers and politicians have tried to find a way out of the believed injustice of inequality created by this prioritization. For years, it was Germany and its social market economy that led the “third way” initiated by L. Erhard, the first Minister of Economic Affairs after WWII.\(^2\) The Christian democratic model relied on involving workers via consultation and representation at the company boards and heavy dependence on the labour unions. Later several other countries adopted similar models: Austria, Switzerland, the Netherlands, Sweden, Denmark, and Finland. In the 1990s, the “third way” was re-invented as a political movement through political leaders such as T. Blair in the UK and B. Clinton in the US.

In 1990, G. Esping-Anderson suggested a categorization of different welfare system models which became very popular: the Nordic/Scandinavian model (Denmark, Finland, Norway, Sweden, the Netherlands) with focus on spending for social protection; the continental model (Germany Austria, Belgium, Luxembourg), concentrated around employment protection; Anglo-Saxon, consisting of Ireland and the UK – with emphasis on social benefits; and the Mediterranean model (Greece, Italy, Portugal, Spain), strongly related to pensions and employment legislation, but with less expenditure.\(^3\)

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These models changed the perspective that the German model dominates the European Union. Commenting on the different models and social market formation, O. Kravchenko claims that there is not one right way to create it, but that there are successful examples for each of the approaches and developing countries should find their individual way towards social economy.

A. Bassi and A. Fabbri follow the institutional role of social economy in Europe in several periods since World War II going from a complementary role as working under public administration agreements, through a competitive role in a quasi-market welfare system towards social investment approach to a current transition period either towards the role of partners in providing public services or the role of buffer in case there is a lack of certain service.

Social economy is often presented as a viable alternative to neoliberalism, it is bound by the latter’s intrinsic characteristics. Specifically, not only social economy fails to limit (youth) unemployment and inactivity drastically, but on the contrary, it often becomes a fertile ground for labour practices that are exceedingly precarious.

It is yet uncertain if the 11 countries behind the Madrid declaration (2017) on social economy were able to foresee that the social economy could indeed represent an alternative business and organizational model for entrepreneurial activity and service delivery, which could lead to achieving Sustainable Development Goals and reduce inequality in Europe. Yet, it is obvious that in many European countries important institutional changes are made to promote social economy as a key driver for an inclusive and sustainable future. Social changes and current demands show the need for social economy organizations to transform with agility and a vision of the future. To achieve this and advance in the fulfillment of the sustainable development goals (SDGs), the establishment of strategic goals and the measurement of results is crucial.

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8 In alphabetical order: Bulgaria, Cyprus, Greece, Italy, Luxembourg, Malta, Portugal, Romania, Slovenia, Spain, and Sweden.
deliberations differ substantially from the social market economy in Germany. One of the potential explanations is that social enterprises these days are relatively small and have little unionization and do not participate in the social dialogue. Similar lack of such governmental institutionalization is observed in cooperatives and civil society associations. R. Chaves-Avila and J.R. Gallego-Bono observe specialisation and fragmentation between market and non-market social economy players, putting emphasis respectively on people vs profits in the system of overall production (market entities) and solving problems of specific target groups (non-market entities). They suggest a plausible policy framework centred around participation and inclusion, aiming at a new type of cooperation, complementarities, and synergies between the two types of organizations.\(^\text{11}\)

The new models of creativity, knowledge, and sustainability based on new technologies (IoT, AI, big data, blockchains, etc.) deserve to be known, even more so in social economy entities using a unitary management logic. Beknowing the vision of the various institutional ecosystems that orbit around the thematic axes of the social economy is essential for planning effective digital transformation of the social economy.\(^\text{12}\)

R.W. Kolodinsky, W.J. Ritchie, and N. Capar claim that an obstacle for social enterprises is proving their organizational legitimacy and that this is a crucial factor for these enterprises to be perceived as successful. The authors recognize that social entities work in an environment of institutional complexity and that is why understanding different institutional forms is of significant importance.\(^\text{13}\)

A compelling comparative report on the legal institutionalization of social enterprise in the European Union has been given by A. Fici.\(^\text{14}\) The first EU-wide initiative to define and seek consensus over what a social enterprise is (and how to support it) was the Social Business Initiative, launched in 2011.\(^\text{15}\) According to the first defini-
tion, “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, involve employees, consumers and stakeholders affected by its commercial activities”.16

The definitional attempts continued, primarily from the point of view of providing funding through EuSEF17 and EaSI18 regulations. Explicit target groups appeared such as marginalized, disadvantaged, or excluded persons.

Different countries in the EU have taken different paths in institutionalizing social enterprises, some of which long before the Social Business Initiative (i.e., Italy, Finland, and Spain). Generally, there are two major approaches in legal frameworks concerning social enterprises:

1. A social enterprise could be a specific type only or a sub-type of a legally incorporated entity. Examples could be social or solidarity cooperatives, work integration social cooperatives. While social enterprises could be shareholding companies (i.e., community interest companies which are registered as limited liability companies in the UK), most often they are cooperatives as they are exemplary for the democratic principle – “one person, one vote”, no matter what the subscribed capital in the cooperative for this person is. We find a similar situation in associations, where members have equal rights to vote on major decisions and elect the management board.

2. A social enterprise is a status, mark, qualification, license, label given and maintained by a specific public authority. In this group, some countries focus on integration of people from disadvantaged backgrounds or marginalized groups. Surprisingly, some countries make exceptions from the principle of democratic participation and a social enterprise could be granted to a sole proprietor and even natural person (Finland). Other exceptions allow public bodies to control social enterprises (Slovakia).

Most of the analyses and policy interventions concerning social economy are focused on what is the impact of the institutional setting on the likelihood to start entrepreneurial activity in a social economy or what institutional changes we need to improve the performance of social enterprises. According to F. Moulaert and J. Nuss-

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16 *Ibidem*.


baumer, innovation is firstly institutional and social.19 However, G. Chatzichristos and N. Nagopoulos claim that institutional innovation does not translate directly into better conditions for social economy.20 Government support is provided on quite large and diversified scale – from direct funding and direct or indirect stimulus to preferences in public procurement for social economy enterprises. The report on the state of social enterprise support in Europe reveals that beneficiaries receive European financial support mainly through Erasmus+, European Social Fund, EaSI, Horizon Europe, and Interreg programs.21 In addition, a common barrier indicated by half of the studied enterprises is insufficient organizational capacity. One of the first most pressing needs identified is the one for an enabling policy and/or legislative environment.

The current paper is shifting the perspective in reverse and looks at how social economy and its agents – social enterprises – could contribute to institutional change. We believe it is a novel approach, as so far we have not found articles dealing with these questions, although they are included in the overall concept of “social economy as a key driver for inclusive and sustainable future”. Yet, the EU Council’s conclusions were focusing on social cohesion, personal and community well-being, environmental protection, and so on. The only policy-making effort where the social enterprises were given a role is to promote their sector of activities, raising awareness and visibility (item 42).22 However, from the Bulgarian transitional context (since 1989) we can draw such conclusions which might also be valid for at least some Eastern European countries.

METHODS

The paper uses an eclectic methodology, which is following the constructivist approach. It brings together explorative, normative, and data confrontation approaches. We put chitalishte, a special kind of social economy entity in Bulgaria, in focus. From their emergence in 1856, they played a vital role in the institutional and cultural transformation of the country. We conducted in-depth qualitative interviews with chitalishta’s executives, including the National Council of Chitalishta. We also rely on authors’ participant observation in the third sector for over a decade.

22 Council of the European Union, *op. cit.*
We analyze different compliance aspects of legal requirements against statistical data and identify policy problems. Methodologically, we are identifying regions where chitalishta have lower than the minimum required members in the general assembly.

We look in various databases of documents related to policy-making: draft of bills, protocols of committee meetings and plenary sessions, statements by chitalishta, and other NGOs. The screening of documents outlined three commissions: Culture, Social Policy and Labour, Agriculture and Food. We limited our search strategy to the last 10 years. We also looked at databases linked with policy implementation, i.e. projects funded with EU funds targeting policy development, modernization, and redesign of institutional structures.

By confronting different sources of data (surveys and hard data from state registers) and different available estimates we analyze different types of social economy organizations, also in East European perspective.

The paper critically discusses a methodology to measure social value added. The legislation attributes (definitions of social enterprises and legal framework of social economy) are also discussed in the European context. The article investigates forms of institutionalization inspired by the activity of civil society organizations.

The study of features of the national context aims at outlining the specifics of the ecosystem which orbits around the thematic axes of the social economy. They are explored in order to expose the potential of social enterprises for steady institutional changes and some deficits as well. The analysis of all of the factors mentioned in the paper suggests how social enterprises could contribute to institutional change, at least in the local environment, and whether this change can improve the national ecosystem.

RESEARCH AND RESULTS

1. The Bulgarian context of the social economy

There are various measures and estimates on how large the social economy in Bulgaria is, all vague to a great extent. In 2012, the National Statistical Institute included a question in the annual statistical forms which relied on self-identification and identified 4,720 social enterprises (44% non-profits and 56% non-financial enterprises). It used the SBI definition of 2021. Two years later, in 2014, there was a slight increase to 4,800 social enterprises in the country (around 46% of them were non-profits and 54% non-financial enterprises). Statistical respondents

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were not aware of the impact of self-identification as a social enterprise would be. The latest available credible report with concrete estimates was produced by M. Jeliazkova as part of the European Union Program for Employment and Social Innovation “EaSI”.\(^{24}\) The author estimates that as of March 2019, there are 3,674 social enterprises out of which 2,430 are associations and foundations, 1,000 are active chitalishta, 200 are specialized “integration” enterprises for people with disabilities, and 44 are cooperatives of people with disabilities. The total amount of estimated employed people in social enterprises is around 26,000. The figures are a little modest compared to 2014 and in total are less than 1% of all companies in the economy and employ less than 1.6%. According to another estimate, by the European Economic and Social Committee in 2014/2015, employment in the social economy is slightly over 82,000, representing 2.8% of the total employment.\(^{25}\)

Another credible source of information on social entrepreneurship and social enterprises is the Global Entrepreneurship Monitor,\(^{26}\) the study is based on the last available data on social entrepreneurial activity. Just above 2% is the participation rate in the social economy measured in three distinct phases: start-up phase with 0.6%, operational phase – 0.7%, and nascent or operational leader with 1.0% (see Table 1).

Table 1. Social entrepreneurship activity in selected East European countries (%)

<table>
<thead>
<tr>
<th>Country</th>
<th>Involved in social entrepreneurial activity, start-up phase (SEA-SU)</th>
<th>Involved in social entrepreneurial activity, operational phase (SEA-OP)</th>
<th>Involved in social entrepreneurial activity as nascent or operational leader (SEA-OL)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bulgaria</td>
<td>0.6</td>
<td>0.7</td>
<td>0.3</td>
</tr>
<tr>
<td>Croatia</td>
<td>6.1</td>
<td>2.1</td>
<td>7.0</td>
</tr>
<tr>
<td>Estonia</td>
<td>4.0</td>
<td>4.9</td>
<td>7.4</td>
</tr>
<tr>
<td>Hungary</td>
<td>9.7</td>
<td>2.9</td>
<td>11.3</td>
</tr>
<tr>
<td>Latvia</td>
<td>0.9</td>
<td>2.2</td>
<td>2.8</td>
</tr>
<tr>
<td>Macedonia</td>
<td>2.0</td>
<td>1.3</td>
<td>3.1</td>
</tr>
<tr>
<td>Poland</td>
<td>1.4</td>
<td>6.9</td>
<td>7.5</td>
</tr>
<tr>
<td>Romania</td>
<td>2.5</td>
<td>2.9</td>
<td>4.8</td>
</tr>
<tr>
<td>Slovakia</td>
<td>3.9</td>
<td>4.1</td>
<td>6.4</td>
</tr>
<tr>
<td>Slovenia</td>
<td>1.7</td>
<td>3.4</td>
<td>4.6</td>
</tr>
</tbody>
</table>


Although the participation rate seems a bit higher than the NSI data and M. Jeliazkova’s estimates, Bulgaria is still substantially lagging behind its peers in Europe, but also it has the world lowest indicator as well.\(^{27}\) Only Barbados and Morocco are close to that participation rate (with 2.4%).

One of the clear-cut reasons as to why we see such a picture is because of the definitional and value issues. For instance, the fact that many people exclude charities (i.e., like in the social interest company in the UK) or civil society organizations, which operate through grants (as it is believed it is non-market activity) to the fact that many of chitalishita community workers would never self-identify as an entrepreneur. The low level of visibility of social entrepreneurs in Bulgaria contributes to a low readiness to start up in the social economy: 0.6% – that is half of the number for neighbouring Greece (1.1%). The visibility of businesses that primarily aim to solve social problems is better in Bulgaria only compared to Estonia. Although GEM data does not support a statistical correlation between visibility and prevalence, we believe that in the case of Bulgaria it is an important factor. Role models have been at the core of many entrepreneurial decisions in Bulgaria.\(^{28}\)

The fact that the whole transition in Bulgaria was dominated by laissez-faire market narratives, that the solidarity and social narratives were primarily appearing

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\(^{27}\) M. Jeliazkova, *op. cit.*

in a political context (unreformed left-wing), which the new generations did not appreciate, has led to the conceptualizing of social good as a service which could be offered only after you generate enough financial resources. Thus, the value capture (priority of financial results over social) was somehow an assumption for the value creation. Low level of innovativeness is also a sign of self-criticism of social entrepreneurs as they do not depart from the Eurostat definition of an innovation as something new to the enterprise but would put high thresholds in comparison with their European peers. There are many studies which would tell stories of social enterprises which provide innovative solutions.29

If we merge the different datasets and estimations, then GEM (0.1%) and M. Jeliazkova’s estimates (3,674 social enterprises) will result in about 37 innovative social enterprises, which is too little even if we compare with only the referenced cases appearing in the literature used for this paper. Of course, bearing in mind that Bulgaria is a modest innovator according to European Innovation Scoreboard this could not be fundamentally different.

Still, there are positive signs for Bulgaria from the GEM report, and it is relatively better than Poland, Slovenia, Croatia, and Slovakia in terms of relative share of value creation to value capture. Again, the explanation which we proposed for Bulgaria is even more valid for those countries, as laissez-faire capitalism was institutionalized there faster and in a more sustainable way than in Bulgaria.

Most recent data from the commercial registry suggests that Bulgaria has 4,140 operating chitalishta, 2,864 cooperatives (many of them agricultural, building societies, and so on), 42,000 associations, and 8,420 foundations.

Chitalishta are community-based social enterprises which appeared in the 19th century in Bulgaria (while still part of the Ottoman Empire) and they represent the purest form of social enterprise in Bulgaria (at least at the beginning). The first one was opened in 1856 in Svishtov. Initially, chitalishta served various community interests: maintained library, operated amateur theatre groups, provided support to adult population, who wanted to gain literacy, trained people to play musical instruments, and generally served as a cultural heritage preservation instruments. Chitalishta was selected in 2017 by UNESCO’s Register for safeguarding practices.30

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Chitalishta have the status of non-profit organizations, however, they are subject to higher and stronger governance requirements. There is a minimum level of at least 50 active members of chitalishta (to register a new, or to maintain an existing one) in villages and 150 active members in towns. The membership requirement imposes problems to chitalishta to function entirely abiding by all laws. Although the average data on chitalishta membership from the National Statistical Institute hide the real problem in many villages, it is obvious that chitalishta in towns are not compliant in five out of six planning regions. Chitalishta in the regions of Vidin, Montana, Vratsa, Silistra, Dobrich, Targovishte, Stara Zagora, and Pernik have an average of less than 150 members. Especially problematic is Pernik where the average (35) is not enough even for chitalishta in the villages. Even when the membership list reaches the required minimum, participating in the general assembly meetings is limited and often cannot reach a quorum. This is an institutional failure as the Ministry of Culture does not perform the biannual control, as stipulated by the Law on public chitalishta, and does not issue dissolution warnings.

A problem in the regulation is the lack of requirement of chitalishta to register as public benefit not-for-profits. This is particularly visible in the case of foreclosure. The general assembly may distribute the property among members, which is not allowed for civil society organization registered in public benefit.

Table 3. Average number of chitalishta members

<table>
<thead>
<tr>
<th>Region</th>
<th>Total</th>
<th>In towns</th>
<th>In villages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bulgaria</td>
<td>82,1</td>
<td>162,5</td>
<td>60,9</td>
</tr>
<tr>
<td><strong>Northwestern region</strong></td>
<td><strong>76,1</strong></td>
<td><strong>153,4</strong></td>
<td><strong>61,7</strong></td>
</tr>
<tr>
<td>Vidin</td>
<td>72,5</td>
<td>149,6</td>
<td>59,6</td>
</tr>
<tr>
<td>Vratsa</td>
<td>67,6</td>
<td>149,0</td>
<td>58,7</td>
</tr>
<tr>
<td>Lovech</td>
<td>80,9</td>
<td>151,0</td>
<td>65,4</td>
</tr>
<tr>
<td>Montana</td>
<td>69,0</td>
<td>144,4</td>
<td>56,9</td>
</tr>
<tr>
<td>Plevin</td>
<td>86,1</td>
<td>162,9</td>
<td>66,5</td>
</tr>
<tr>
<td><strong>Northcentral region</strong></td>
<td><strong>82,3</strong></td>
<td><strong>189,4</strong></td>
<td><strong>64,0</strong></td>
</tr>
<tr>
<td>Veliko Tarnovo</td>
<td>78,4</td>
<td>182,7</td>
<td>61,2</td>
</tr>
<tr>
<td>Gabrovo</td>
<td>103,1</td>
<td>203,4</td>
<td>72,5</td>
</tr>
<tr>
<td>Razgrad</td>
<td>79,7</td>
<td>217,4</td>
<td>64,4</td>
</tr>
<tr>
<td>Ruse</td>
<td>89,2</td>
<td>186,5</td>
<td>63,1</td>
</tr>
<tr>
<td>Silistra</td>
<td>69,4</td>
<td>147,8</td>
<td>62,8</td>
</tr>
<tr>
<td><strong>Northeastern region</strong></td>
<td><strong>74,5</strong></td>
<td><strong>163,0</strong></td>
<td><strong>57,5</strong></td>
</tr>
<tr>
<td>Varna</td>
<td>89,1</td>
<td>173,6</td>
<td>64,5</td>
</tr>
<tr>
<td>Dobrich</td>
<td>64,1</td>
<td>144,6</td>
<td>54,4</td>
</tr>
<tr>
<td>Targovishte</td>
<td>62,9</td>
<td>140,6</td>
<td>55,3</td>
</tr>
<tr>
<td>Shumen</td>
<td>75,7</td>
<td>166,0</td>
<td>54,2</td>
</tr>
<tr>
<td><strong>Southeastern region</strong></td>
<td><strong>78,5</strong></td>
<td><strong>164,5</strong></td>
<td><strong>60,8</strong></td>
</tr>
<tr>
<td>Burgas</td>
<td>91,9</td>
<td>184,1</td>
<td>65,0</td>
</tr>
</tbody>
</table>
The chitalishta are part of various initiatives and programs which provide them with an opportunity to impact the ecosystem they operate in. Firstly, the study looked into chitalishta’s participation in national policy instruments. One such instrument is Operative Programme Good Governance. For the period 2014–2020, 41 projects related to policies at the local and national level targeted toward non-governmental organizations have been approved and financed. Beneficiaries of 30 of those are chitalishta. This fact is a clear sign the institutions have an active role and position related to policies concerning the third sector.

Another national policy instrument is the Rural Development Programme. The main activities under it are providing care for children, the elderly and disabled people. It also tackles policies for territorial development as well as local development strategies. Here, 25 chitalishta has been supported during the first programme period, and 51 – during the second. It is visible not only that chitalist has participating in forming local strategies and plans, but also their interest and contributions grow significantly.

The social organizations provide their feedback and recommendation about different legislation initiatives. Such example is proposal for addition to the draft of a law on the use, cultivation, and trade of truffles in 2022.31

A second aspect of the chitalishta influencing institutional change is their participation in the Bulgaria National Rural Network, which goal is to implement policies for development of rural areas. More specifically, chitalishta are part of discussion groups and submit proposals concerning policies in thematic working groups 3 and 4. The third group, Greening the Rural Economy, aims at discussing, consult-

ing, and participating of stakeholders in the decision-making process. The fourth group – Support for Structuring and Functioning of Agricultural Knowledge and Innovation Systems (AKIS), is directed towards gathering ideas and formulating recommendations to support establishing a national innovation ecosystem through AKIS. Twenty two representatives from different chitalishta have participated with findings and recommendations for rural developments for the period of 2 years.

In addition, since 2005 consulting and information centres “Chitalishta” has been established in every administrative city region in the country. Their role is to serve as communicators and coordinators between the Ministry of Culture and the chitalishta. In this way, the centres ensure that national policies reach all of these social organizations on the one hand, and on the other, the "chitalishta themselves could more easily send feedback to the national authorities. Moreover, regional centres support the chitalishta to initiate policies for non-formal education and partially transform in structures for informal education adding to its network.

There are other large-scale projects in which chitalishta are participating, such as Beautiful Bulgaria project, part of a Ministry of Labour and Social Policy programme to reduce unemployment and stimulate employment in the country.\(^\text{32}\)

An interesting aspect of the Bulgarian regulation on social and solidarity enterprises is the introduction of a methodology to measure the social value added. It is the only such methodology mentioned by A. Fici.\(^\text{33}\)

The methodology describes 15 criteria separated in three groups. The first group looks at the certification of the enterprise: quality management, social responsibility, and others. This section would give one point, no matter how many certificates the enterprise has.

The second group consists of economic indicators as turnover (larger enterprises get more points, less than EUR 25,000 – 1 point, more than EUR 250,000 – 4 points). The sources of income for social economic activity get different points – highest valued are European and International Institutions and donations (3 points). Average salary of employed, which contribute to the status of social enterprises when higher than average salary for the enterprise contributes 5 points. Reinvested financial resources when higher than EUR 3,800 per year get 3 points, and 1 point if lower. If those social investments contribute to social innovations, there are more points. Existence of governance mechanisms to include employees or members in decision-making gives more points (5 if they participate in all, 2 for partial participation).


\(^{33}\) A. Fici, op. cit.
The last group of criteria includes integration of disadvantaged and marginalized people, such as employment statistics, where the company offers capacity development for the targeted disadvantaged groups, provision of social services, or holding socially relevant events.

Those points contribute to a cumulative assessment with no clear upper boundary. The threshold is 9 points or more to be considered as providing social value added. There are different layers of social value added provided by the enterprises. For instance, 9 to 24 is considered insignificant to modest; from 25 to 40 – moderate social value added; from 41 to 60 – moderate to significant value added; and 61 and over – significant value added.

The social value added could be calculated on establishment level, and if the social value added is generated entirely in locations with higher unemployment rates than the average for the country, they could register as Class A+ social enterprise. An additional requirement for that is that more than 50% of the profit generated and not less than EUR 38,228 is to be reinvested in social causes and at least 30% of targeted employees (disadvantaged, unemployed, marginalized, etc.) are to work more than 6 months for the enterprise. Class A+ social enterprises have different preferences in terms of the right to use municipal property, to get funding for training, and so on.

2. The social economy as an instrument for social change

Social economy agents in Bulgaria have been quite diverse. The classical entrepreneurship with various limitations was allowed before 1989 (mainly through crafts and cooperatives) and especially through Ordinance 56, which allowed for the first private companies to appear in February 1989. Shortly after the changes in November 1989, many academic entrepreneurs started to register organizations according to the Law on natural persons and families, which later were transformed into not-for-profit entities. Those organizations were viewed as a vehicle for social transformation (from the Western allies) and partners in the export of democracy to Eastern Europe. Way before the seminal work by E.L. Glaeser and A. Schleifer, we saw entrepreneurial-minded persons in Bulgaria choosing to establish non-profit organization instead of a classical limited liability company. They have gathered based on existing personal trust because of joint attendance at universities or work for the Bulgarian Academy of Sciences, but the primary bondage was the will to help establish a market economy and create a civil society.

34 Law on judicial persons with a non-profit aim, 2020 (State Gazette 81, 6.10.2020).
What followed was a strong professionalization of the initial civil society organizations where the best performing were viewing themselves as public service providers. The metaphor has important consequences as some non-profits place the importance of social goals over grant agreements. If the dominant narrative was the laissez-faire market and hence the belief that “the client is always right”, then a lot of projects funded by World Bank, USAID, Open Society Foundations, German political foundations, etc. would have ended up underperforming and would have failed to be socially effective.

The fact that work at civil society organizations was well funded at least prior to joining the European Union (not with Western rates, but definitely better than local business rates) allowed many active analysts and members of civil society organizations to devote additional time and resources on socially valuable activities. Although some funds from bilateral and multilateral donors have been channelled primarily for institutionalization of specific processes (privatization, stock-exchange) many others have been initiated without securing funding in advance. For instance, the development and adoption of the Laws on electronic document and electronic authentication services (2001) and the Law on the Ombudsman (2003), and various local regulations for the Ombudsman at the municipal or university level were fully orchestrated by non-profits and interested policymakers without previous donor support. Similar was the fate of the so-called registry reform (introduction of electronic registers and transformation of the company registration from a purely judicial procedure into an administrative one). The registry reform had a tremendous impact on judicial efficiency as around 50% of all cases in Sofia District Court were company registrations and changes of circumstances (address, manager, owners, statutes, etc.) and after the introduction of the Registry Agency (established as a commercial registry in 2006).

Even in more sensitive domains, such as security, non-profits have played an important institutionalization role, i.e. the introduction of Interpol’s Organized Crime Threat Assessment (OCTA) in Bulgaria, and to a certain extend in Northern Macedonia, and methodologies for anti-money laundering (classified information). These NGOs have access to some EU financial instruments, even some targeted calls have been opened. One of the most prolific institutional change agents in this context is the Center for the Study of Democracy.

Other forms of institutionalization inspired by the activity of civil society organizations is, e.g., BlueLink (an umbrella non-profit with members many if not all environment organizations), created for the purpose of guaranteeing adequate representation at different consultative and decision-making government bodies. BlueLink was (and probably still is) the only large-scale participatory or democratic

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membership organization. It functioned well initially, until many of the leaders decided to actively take part in politics and the respective ministry was not interested to partner with them and gradually the representational activities decreased in scale.

Other actors of change included specific type of non-profits, which were existing in Western countries but not present in Bulgaria. One such type is the so-called parents’ cooperatives (the first one established in 2019) – currently organized in an Association of Parents Cooperatives. They emerged as a response to the lack of enough places in kindergartens in Sofia and big cities, or because certain parents preferred a more democratic organization of education. Interestingly, similarly to the beginning of the 1990s the parents’ cooperatives were also initiated by academics who have studied abroad and experienced parents’ cooperatives.

The same way non-financial reporting (including on environment-related and sustainability indicators), which became as equally important as financial reporting even for the listed companies, is driven by academics. Academic researchers are generally exposed to the current fashions far sooner than businesses (especially small and medium-sized) and again, similarly to the first wave of transition, have more time at their disposal to invest in new and relevant topics.

Last but not least, although the funds from donors generally collapsed with the EU accession, more funds are available for universities and in some cases the improvement of governance of the universities and relative lower transaction costs (compared at least with the first decade of transition) have led to the return of academic entrepreneurs to universities. So, project development in the context of social entrepreneurship is increasing at universities. Also, universities are opening up to partnerships with communities and community organizations38 which create social value added in a similar way as the universities understand the priority of business-academia partnerships.

DISCUSSION AND CONCLUSIONS

The paper looked at the intersection of the institutional change and social enterprises. By reversing the dominant narrative, we show that social economy could also serve as an instrument for institutional change. Some barriers and organizational deficits still exist and limit the full effect of the functioning social entities. The post-pandemic and military conflicts on the territory of Europe highlight the importance of social economy and could serve as a growth anchor to the region.

We also looked at specific regulations and main gaps, that impede the development of social enterprises, namely the membership requirement for the chitalishta.

38 For instance, the UniverCity Project by Sofia University, funded by Erasmus+ Program.
We align with all cited authors that social economy statistics are vague and generally unavailable which prevents evidence-based policymaking. Furthermore, a lot of registers related to social enterprises and websites of the Bulgarian Ministry of Labour and Social Policy are malfunctioning and represent a major security risk for those browsing them.

There are some limitations to this study. The analysis looks into narratives from one country – Bulgaria – and there is not much available and comparable data. Still, the paper presents ways in which social enterprises could impact the institutional environment where they operate. Further research could be conducted by studying more examples of these phenomena in different countries and analyzing patterns in which social enterprises enhance institutional change.

The paper explored the intersection of institutional change and social enterprise. By reversing the dominant narrative, we show that the social economy, and social enterprises in particular, can also be adopted as a tool for institutional change. The quantitative studies/methods used at the national level support this statement. The qualitative methods in this research are additive and support this assumption.

Some barriers and organizational deficits still exist and limit the full effect of functioning social units. The post-pandemic and military conflicts on the territory of Europe not only highlight the importance of the social economy but are increasingly important to catalyze sustainable development and growth in the region.

On a national scale, specific provisions and main gaps that hinder the development of social enterprises, e.g. the requirement for membership in community centres, were also examined.

The analysis shows that changes are needed in some legislative documents, management attributes and processes of subordination in order for these structures to actively influence the relief of the institutional environment. A new organization and design of statistical reporting for social enterprises is also needed in order to have available volume of adequate information required for various analytical slots.

Insufficiently reliable information arrays and their carriers create conditions for creating irrelevant analyses and respectively wrong conclusions.

The transparency of processes in the social economy and specifically social enterprises, and their accountability through society will only guarantee a better understanding by citizens, sincere participation of the latter in the process of developing policies and their implementation. This, in turn, will create a natural ecosystem for institutional change.

We agree with all the authors cited that social economy statistics are unclear and generally unavailable, which hinders evidence-based policymaking. In addition, many registries related to social enterprises and websites of the Ministry of Labour and Social Policy do not function properly and pose a serious security risk to those who view them.
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ABSTRAKT


Słowa kluczowe: przedsiębiorstwo społeczne; gospodarka społeczna; zmiana instytucjonalna; czitaliszta