Emergence and development perspectives of the third sector in Bulgaria

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Abstract. Since the civil society has been defined as an important participant in the policy-making process in the White paper on European governance, a question that raised discussions relates to the possible strategies to stimulate civic consciousness and common action. The problem is twofold, considering the differences in the established social relationships in the countries of Eastern and Western Europe. This paper aims to shed light on Bulgarian model of social economy. The analysis draws on a number of representative initiatives that have emerged in the recent years in Bulgaria and could be traced back to social economy’s leading principles and ideology. The study corroborates the necessity to escape from the general assumption that the institutional framework is sufficiently enough to create and maintain stable third sector. This imposed generalization proves to be misleading. Beyond the formally established rules to follow, remains the notion for self-initiative, responsibility and social commitment.

Keywords: social economy in Bulgaria, government policy, social network, integration model

JEL Codes: D71, D78, I38, I39

1. Introduction

The European enlargement brought constitutional asymmetry between the market and the social policy making. Therefore the “Open method of coordination” has been adapted to ease the fragmentation among the social strata and to focus on issues, such as: employment policy and social protection. The balance between the economic development and social solidarity received formal definition in 2006 with the concept of the European social model and its principles for economic and social cohesion. In 2009 the Lisbon Treaty became a fact, but despite the focus on the social problems there is no in-depth analysis provided, as well as an appropriate strategy to apply. This main criticism was considered in the Policy Network project on the future of the European Social Model (ESM) and its goals:

- to define the sources of the structural changes faced by the European society; and
- to generalize the best practices for the last 15 years in order to operationalize the results in a systematic overview of the European society development.

Apparently the common notion for the European social model does not provide for the panacea for social welfare, but rather serves as a generalization of values such as social solidarity, inclusion and support. Nevertheless, the differences at the national level do exist and these discrepancies are more evident when the comparison is made between the two European blocks – the Eastern and the Western.

1 The “Open Method of Coordination” was introduced in 2000 by the European Council of Lisbon. The basic methods of the approach include: fixed guidelines and timetables, quantitative and qualitative indicators and benchmarks, translation of the European guidelines to the national and regional policies, and periodic monitoring and mutual learning.

2. The background characteristics of social economy

Back in 2001, the European Commission proposed the White Paper on European governance, in which is put forward the idea of greater openness of policy-making process through getting more people and organizations involved in formulating, sharing and applying the European policy. The introduction and fulfillment of this change is perceived as a common effort, which structures a solid network among the European institutions, centralized government, regional and local authorities, and civil society as well, not only in the present, but also in the future member states. Therefore: “(...) At the European level, the Commission should ensure that regional and local knowledge and conditions are taken into account when developing policy proposals. For that purpose, it should organize a systematic dialogue with European and national associations of regional and local government, while respecting national constitutional and administrative arrangements.”³ Considering that this process stands for reciprocity and bilateral responsibility, the expected reaction from the member states is the provision of an appropriate environment at national level through determining and utilizing the local and regional sources, and the promotion of contractual arrangements as a useful mechanism for establishment of straight relationships and responsibilities.

Since the White Paper on European governance is addressed to the civil society, a discussion has been initiated in order to provide a sophisticated definition of “civil society”. According to the position of the Economic and Social Committee, civil society organizations include social market players, non-governmental organizations and community-based organizations set up within the society at the grassroots level to pursue member-oriented objectives⁴. The same document gives an interpretation to the civil society as: “(...) a collective term for all types of social action by individuals or groups, that do not emanate from the state and are not run by it”⁵.

Furthermore a particular emphasis is on the emerging differences in the development and enhancement of social relations in the countries of Eastern and Western Europe (p. 3): “Whereas in Western Europe and the Unites States the main question was how ordinary people could rebuild a sense of solidarity and so strengthen the social ties which a community needs, the initial concern in Central and Eastern Europe was to dismantle the central government control inherited from the Communist system”. One of the main problems relates to the limitations that the government initiatives and action throughout the transition process. Moreover: “(...) The countries of Central and Eastern Europe had not succeeded and in certain cases have still not completely succeeded, either in building confidence in the new institutions or in creating the necessary structures for the existence of a strong civil society. This situation is particularly relevant for the European union in the context of enlargement”⁶.

How has the role of the third sector in this interaction process been defined? A comprehensive formulation is provided by the Euro–Mediterranean network of social economy, which states that: “(...) Cohesion in society is only possible if the citizens are actively involved. It is in this process of cohesion where the Social Economy, as a member of civil society, has an essential role to play because this type of enterprise is characterized by acting as a school of civil participation”⁷. The essential role carried out by the

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⁴ Opinion of the Economic and Social Committee on “The role and contribution of civil society organisations in the building of Europe”, (1999/C 329/10), point 8.1.
⁵ Opinion of the Economic and Social Committee on “The role and contribution of civil society organisations in the building of Europe”, (1999/C 329/10), point 5.1.
⁶ Opinion of the Economic and Social Committee on “The role and contribution of civil society organisations in the building of Europe”, (1999/C 329/10), point 4.2. - 4.4.
⁷ A system for good governance in the EU (Contribution to the White paper on Governance) Euro-Mediterranean network of social economy, pp.4-5
organizations in the social economy sector is a reflection of their unique way of establishment and management as: “(...) a collective, democratic way, economically feasible and competitive business projects with a social purpose”. The legislation is recognized only as part of the driving mechanism of community development in its social and economic aspects. The existence of “non-binding tools such as recommendations, guidelines, or even self regulation within a commonly agreed framework”, gives the right finish to the process of building solidarity and strengthening social and economic relationships. This organizational approach is revealed as the key to sustainability and development of the local society.

3. The problems to be solved in Bulgarian reality

Where is Bulgaria in this dynamic process of social interaction and awareness? At the national level the third sector has been recognized as the driving force in supporting people in unequal position; in promoting innovative solutions to social, cultural, health and environmental challenges; and in facilitating the provision of public services.

Nevertheless the problems to be solved also proved as a dynamic variable with intensive changes in its scope and relative importance. For the last two decades, the low degree of socialization of the economic growth in Bulgaria led to increasing degree of social polarization and did not translate and contribute to poverty reduction. Several reasons could be related to this general statement. The first one is that the category of poor or people with special needs does not have a distinct social profile. This fact became more evident with the recent intensification of the negative effects of the economic crisis. This group is highly diversified and encompasses people with different education, gender, age, religion or ethnicity. Educational status of rural population is also significantly lower – illiteracy rate in rural municipalities is two times higher than in urban areas (1,7 per cent of the population between 25 and 64 years). Almost half of the population has no secondary education (Table 1).

Table 1
Descriptive statistics on population in Bulgaria by type of regions, 2008

<table>
<thead>
<tr>
<th>Type of region</th>
<th>Economically active population</th>
<th>Employed</th>
<th>Economic activity rate</th>
<th>Employment rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Predominantly rural areas</td>
<td>1850,6</td>
<td>57,5</td>
<td>1624,0</td>
<td>55,6</td>
</tr>
<tr>
<td>Intermediate regions</td>
<td>878,1</td>
<td>26,4</td>
<td>764,3</td>
<td>26,2</td>
</tr>
<tr>
<td>Urban regions</td>
<td>593,3</td>
<td>17,9</td>
<td>533,9</td>
<td>18,3</td>
</tr>
<tr>
<td>Total</td>
<td>3322,0</td>
<td>100,0</td>
<td>2922,0</td>
<td>100,0</td>
</tr>
</tbody>
</table>

Source: National Statistical Institute of Bulgaria

The higher level of long-term unemployment explained by the limited job opportunities and deteriorating quality of labor force, also reveals as significant problem in rural areas. The shares of poor and very poor communities are significantly higher than their corresponding share of population (Table 2).

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* A system for good governance in the EU (Contribution to the White paper on Governance) Euro-Mediterranean network of social economy, pp.4-5
Table 2
Consumption poverty (headcount) in Bulgaria, 2007

<table>
<thead>
<tr>
<th>Item</th>
<th>Bulgaria</th>
<th>Sofia</th>
<th>Regional centers</th>
<th>Municipal centers</th>
<th>Rural communities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>7322858</td>
<td>1019342</td>
<td>2687489</td>
<td>1432351</td>
<td>2184409</td>
</tr>
<tr>
<td>Poor</td>
<td>10,2</td>
<td>7,1</td>
<td>7,6</td>
<td>11,1</td>
<td>14,4</td>
</tr>
<tr>
<td>Very poor</td>
<td>4,7</td>
<td>3,2</td>
<td>3,9</td>
<td>4,1</td>
<td>6,8</td>
</tr>
<tr>
<td>Share of population (%)</td>
<td>100</td>
<td>13,9</td>
<td>36,7</td>
<td>19,6</td>
<td>29,8</td>
</tr>
<tr>
<td>Number of poor (%)</td>
<td>746932</td>
<td>72373</td>
<td>204249</td>
<td>158991</td>
<td>314555</td>
</tr>
<tr>
<td>Share of poor (%)</td>
<td>100</td>
<td>9,7</td>
<td>27,3</td>
<td>21,3</td>
<td>42,1</td>
</tr>
<tr>
<td>Number of very poor</td>
<td>344174</td>
<td>32619</td>
<td>104812</td>
<td>58726</td>
<td>148540</td>
</tr>
<tr>
<td>Share of very poor (%)</td>
<td>100</td>
<td>9,5</td>
<td>30,5</td>
<td>17,1</td>
<td>43,2</td>
</tr>
</tbody>
</table>

Source: The World Bank (2009)

Groups that face higher than the average risk of poverty are comprised of individuals older than 64 years (15.6 per cent poverty incidence), female-headed households and households with many children. These results signify for a continuum process – low educational level attainments are associated with higher poverty. The poverty becomes an increasing phenomenon in rural areas in Bulgaria. Moreover consumption poverty highly correlates with the housing poverty. Over 50 per cent of the poor population in these areas meets difficulties in fulfilling basic needs, such as food, clothing, health and electricity services.

Another fact that should not be neglected is the low labor remuneration. Comparison statistics point out that the poverty risk among unemployed is high with a tendency to increase – for 2001 this risk was 33.3 per cent, while in 2007 it was estimated to 37.9 per cent. The most stunning observation is the so called “culture of poverty” (Minev, Tomev, Draganov 2010: 7). General trend of high poverty indices confirms the ability of poverty to reproduce as a social phenomenon for the next generations and imposes on serious potential risk of introducing the “second generation poverty”. The problem could be even more serious if it is examined in terms of inefficient use of public services and low adequacy level of social transfers. There is a significant difference between the capacity of individual social systems and the institutional instruments to influence poverty in terms of its reduction or restriction. The level of social transfers, such as social compensation, assistance, family allowances is very low and inefficient considering their redistribution among the target social groups. As part of the social policy, pensions remain social transfer payment with a key role. They have a relatively high share in the total income of households – 22.1 per cent, against the 47.7 per cent relative share of the labor incomes\(^9\). The other social transfers have insignificant role and impact in terms of poverty reduction. The effect of pensions paid is lowering poverty from 40.5 per cent to 17.2 per cent, while the additional effect from remaining social transfers is to lower the poverty level only by 3.1 per cent\(^10\).

An important issue, which often remains aside, is that the financial and institutional capacity of the state is not the only factor that contributes to answer to these special necessities\(^11\). Social welfare is constrained by several factors that go beyond formally conducted policy, more likely explained by the accumulated negative effects from low levels of income, high level of unemployment and low levels of productivity.

\(^{9}\) NSI, Household budgets in the period 1999 - 2007

\(^{10}\) NSI, Laeken indicators: Results of the 3\(^{rd}\) Round, 2007

Hence, the mechanism of the third sector could be fairly perceived as an integrated approach that presupposes three main characteristics:

- Assessment of the capacity of the responsible institutions to contribute and provide required support;
- Formulation of the role of the stakeholders - social partners, civic organizations, individual citizens, as well as the opportunity for them to participate actively in the decision-making process;
- Simultaneous performance of these processes, since the emerging problems are equally important.

4. The model applied – the action taken

The dimensions of the social policy mainly in the underdeveloped areas vary significantly, considering the above mentioned nature of the emerging problems that need specific attention, such as: low birth rate and low population density; low educational status; higher rate of unemployment; higher poverty level; limited access to the basic social needs; significant fragmentation of land ownership, which remains one of the main obstacles towards long-term investments in agriculture, land improvements and efficient use of resources.

The provocative assertion that the economic growth not necessarily contributes to reducing poverty and social exclusion has been promoted recently. The “trickle-down” approach from the 60s is no longer a solution as it reveals as an inappropriate solution and deepens even more the discrepancies among the social strata. Consequently the next step to differentiate particular policy measures that aim directly to society’s problems and commit to play a critical role in their overcoming needs to be taken. In this respect it should be mentioned that the existence of concrete policy regulations does not automatically lead to the conclusion that they are successful in their implementation and impact. In Bulgaria there are about 200 strategies that have been established at the national level and most of them are related to social inclusion (Pfaller et al., 2010). Nevertheless, only after the amendments of the Social Assistance Law, effective since 2003, the opportunity for non-government organizations and private enterprises to provide social services has been opened. The regulation regarding the financing of social services has been recently amended and defines as such sources: the State and municipalities budgets, the Social Assistance Act and the national and international programs as well. Since the pre-accession period and the following accession of Bulgaria as a full member in the European Union, resources provided by SAPARD and LEADER programs, have remained as the major contributors to strengthening rural economies and provision of community-based services.

The chronology of the measures taken dates back to the period 1999 – 2001 and the Bulgarian Regional Initiative Fund (RIF), funded through the Learning and Innovation Loan. RIF has been primarily aimed to protect income and to alleviate the adverse economic impact over the poor or vulnerable social groups. During that period, seven innovative micro-projects having an approximate value of USD 130,000 have been funded following the necessity to create temporary and long-term jobs. Results from these projects pointed out several issues that could be qualified as shortcomings of the initiatives taken:

- a limited number of clearly defined and easily monitored types of micro-projects are the key for successful administration and monitoring;
- absence of a mechanism for community’s participation in the selection and implementation if the project should be embedded in the project cycle;
- low level of sustainability of the projects.

Therefore a number of policy documents is introduced in order to encompass the variety of issues that call for urgent intervention. In the National Plan for Fighting Poverty and Social Exclusion (2000 – 2005),
Bulgarian government proclaimed that: “(...) in the course of the implementation of this plan an open and intensive dialogue will be sustained with people and communities at risk and suffering from social exclusion”. Furthermore the significant regional disparities (employment levels, unemployment rates) have been acknowledged in the Joint Memorandum on Social Inclusion of Republic of Bulgaria.

In between, organizations in the third sector have also developed as a reliable provider of community-based services. Unfortunately they hold a relatively low share of total socially-oriented non-government organizations. Policy measures towards clustering of the initiatives dealing with a range of community-based needs are undertaken. According to the Report on the “Study on practices for management of non-profit organizations in Bulgaria”, 81 per cent of the non-profit organizations are registered as associations, of which 74 per cent are registered to pursue activity for public benefit. Foundations that have been registered to pursue activity for public benefit are 13 per cent of the total number of registered non-profit organizations. Their competence and activity are different and encompass almost all aspects of public life, although a priority is given to the problems and needs related to the social and health aid and assistance; educational sphere and research activity, development of communities. Certainly the range of their activity is defined by the sources of their financing, such as: international donor organizations (53 per cent); membership shares (46 per cent); and business activity (35 per cent); government subsidies (17 per cent).

Another important fact is the preference given to community-based services defined as “state delegated activities” (education, health services, social work and care, culture). The practice reveals that services which are most likely to be provided by the municipal administration are the ones with secured state funding. Even though the involvement of private resources and cooperation has recently become a priority of the social inclusion policy, in most cases the municipalities experience difficulties in acknowledging the non-profit organizations as potential partner in provision of social services. Amendments of the Regulation of the Implementation of the Law on Social Work in 2003 promote social entrepreneurship through substituting the licensing regime by the registration one. The licensing regime is applicable only in cases of social services for children and is operated by the State Agency for Child Protection. As a result in 2006 there are 317 social services providers registered under the Social Assistance Act. A shortcoming of the financial regulation is the absence of direct or indirect tax deductions or subsidies. Such tax concessions are not envisaged even for non-government organizations with activities, which target disadvantaged people.

Furthermore in 2005 the Project Steering Committee (PSC) approved the Demonstration Initiatives Fund (DIF) - Concept and Operations Procedures, which consist of three types of grant schemes plus an additional module: public benefit projects; innovative projects; micro-credits; and training, networking, evaluation and dissemination of the acquired practical knowledge and experience. The priority areas were formulated in terms of introduction new technologies to add value and raise competitiveness of products and services; improving the quality of life in rural areas; enhancing collective activities and supporting sustainable usage of the natural and cultural resources. The assessment of the SAPARD program by the end of 1st of May 2007 means that there have been approved 2833 projects with a total cost of 1,3 billion euros. Despite the fact that the biggest amount of provided financial resources has been redistributed towards the improvement and modernization of agricultural holdings (47 per cent) and food processing industries (38 per cent), the reminder was spent in favor of the diversification of economic activities (rural tourism and wood industry) and improvement of rural infrastructure. Furthermore until 2007 there were a number of programs that supported the implementation of the Leader approach in Bulgaria and creation of appropriate conditions for the approach implementation after accession to the European Union.
Local self-government is an important factor for mobilizing the local society and for development of the rural areas in Bulgaria. Close to 60 municipalities in rural areas take part in projects for integrated development, financed by the European Union and the bilateral national programs aimed at development the capacity for planning and applying the policies for local development. In the process of structuring the development plans for the planning period 2007 – 2013, local interested groups are involved into collaboration (non-government organizations, educational and cultural institutions) (Table 3).

### Table 3
Types and examples of social innovation initiatives within the activity of LAGs

<table>
<thead>
<tr>
<th>Agricultural innovation</th>
<th>On-farm non-agricultural innovation</th>
<th>Innovation in rural services</th>
<th>Innovation in preservation of identity and traditions of rural areas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sustainable agricultural practices</td>
<td>Support of tourist infrastructure and services (new eco-trials)</td>
<td>Forest resources protection</td>
<td>Promotion of cultural tourism by advertising ancient historic find</td>
</tr>
<tr>
<td>Creating a meat processing workshop</td>
<td>Promotion of alternative tourism</td>
<td>Business information center – package of services for local industries, business and citizens</td>
<td>Setting up art center</td>
</tr>
<tr>
<td>Reclaiming unused agricultural land</td>
<td>Repairing farm road – voluntary labor</td>
<td>Building informational center – to facilitate access to electronic information.</td>
<td></td>
</tr>
<tr>
<td>Creation of a herb collection point</td>
<td>Re-cultivation an existing illegal dump site and afforestation</td>
<td>Network of guest houses’ private owners</td>
<td></td>
</tr>
<tr>
<td>Organic farming</td>
<td>Reclaiming municipal wasteland Building a covered market facility</td>
<td>Tourist information centers</td>
<td></td>
</tr>
</tbody>
</table>

Policy measures have taken the direction of launching the process for establishment of integrated social inclusion policy in the National Social Inclusion Action Plan (2008-2010). The main course of action has been taken towards: 1) disconnection of poverty transfer and social exclusion between the generations; 2) provision of employment for young people; 3) equal opportunities for the most vulnerable groups in the society; 4) better management of social inclusion policy; 5) application of the European “Open Method of Coordination” in the area of social protection and social inclusion.

One of the weaknesses of the measures taken is the participation of society at a local level, which remains underdeveloped. The absence of traditions in the development and maintenance of local partnerships and ensued activities is perceived as a considerable disadvantage. The organizational initiatives of the civic society in rural areas are at their opening stage. One explicit trend is that in the bigger municipalities (population of over 30,000 people), non-governmental sector is much more developed; while in smaller municipalities this sector is characterized by its extremely limited capacity and resources.

### 5. Concluding remarks

In spite of the initiatives and measures taken in the recent years in Bulgaria, there are particular issues that allow no delay in the social policy. One of every fifth Bulgarian lives in a disadvantaged economic and social environment. Government initiatives dry up fast, which triggers the necessity of society itself through
non-government organizations, local partnerships or private companies to undertake initiative in new entrepreneurial manner.

One of the most important areas is the provision of social services, which has a relatively limited coverage. A step forward is taken by the recently amended social legislation, which promotes for transition from institutional care to community-based services and initiates a client-oriented approach in creation of alternative social services. The main problems in the housing sector relate to the poor maintenance of the housing fund; the increased number and share of inhabited houses in rural areas; the rising number of housing owners who are not able to cover increasing houses expenses; the low proportion of existing and newly built public housing buildings; the lack of specialized housing saving and housing crediting system. A possible solution is to stimulate the activity of the non-profit housing units, as well as a new subsidy system and a specialized housing saving and crediting system. Employment of people with disabilities is an area that remains unexploited and even underestimated opportunity. Economically active people with disabilities represent ¼ of the working age group in Bulgaria. The prevailing part of them works in sheltered enterprises and cooperatives. The total number of these organizations throughout the country speaks for itself – only 115. The rest of the people with disabilities are employed in the mainstream labor market. The employees are obliged to provide appropriate job places, defined by the quotas in the Labor Code, the Employment Promotion Code, and the Protection, Rehabilitation and Social Integration of Disabled Act. Nevertheless the practical results are to some extent discouraging. The unemployment rate of the people with disabilities exceeds the average unemployment rate in the country. Another concern regarding availing and restraining of the unemployment level is the way to enhance the educational level. The educational disadvantages reveal as significant determinants of poverty and social exclusion. This has become a challenge not only for the government authorities, but also for the organizations in the third sector to provide adequate strategies and innovative approaches towards lifelong learning opportunities and reduction of the drop-out rate in schools.

6. References

[2] A system for good governance in the EU (Contribution to the White paper on Governance) Euro-Mediterranean network of social economy, 4-5