

A SYSTEMATIC APPROACH TO SOCIAL ENTREPRENEURSHIP POLICIES IN BULGARIA – LITERATURE REVIEW AND KEY RECOMMENDATIONS

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Abstract:

This study analyzes the systemic approach in social entrepreneurship policies in Bulgaria through a comparative literature review and analysis of the regulations. Despite legislative initiatives, the country's ecosystem remains fragmented, with a lack of integrated strategies for institutional support, funding and impact measurement. Based on good practices in the EU (Spain, Denmark and Lithuania), key gaps are identified and concrete recommendations for building a sustainable social economy are proposed.

Keywords: social entrepreneurship, systematic approach, policies in Bulgaria

INTRODUCTION

Social entrepreneurship has become a key topic in academic and policy discussions with over 12,000 publications in Scopus for the period 2010–2025[1]. EU initiatives, such as the Social Economy Action Plan [2] and InvestEU [3], underline the need for systemic frameworks to balance the social mission and financial sustainability of social enterprises. In Bulgaria, policies are still at an early stage, characterized by voluntary registration, weak local governance and insufficiently developed financial mechanisms [4]. The purpose of this article is to analyze the development of social entrepreneurship in Bulgaria through the prism of the system approach, defined as a holistic framework for managing complex and interrelated elements [5].

The study focuses on:

1. The regulatory evolution covering the period from 1990 to 2024.
2. Comparative analysis with leaders in the EU (Spain, Denmark and Lithuania).
3. Policy gaps and recommendations for improvements.

The methodology of this study is based on desk research, including:

1. Analysis of normative documents: legislation in Bulgaria, analytical reports and results of analyses at EU level.
2. Secondary review of scientific literature and statistical data of the National Statistical Institute (NSI).
3. Comparative analysis, evaluating Bulgaria against other countries according to criteria such as legislative framework; institutional support and available financial instruments.

EXPOSITION

1. ESSENCE AND CHARACTERISTICS OF THE SYSTEMATIC APPROACH IN THE ANALYSIS OF SOCIAL ENTREPRENEURSHIP

The systemic approach is generally a framework for analysis and management of complex processes and phenomena [6] in their conceptual and interconnected whole. In the field of social entrepreneurship, the systematic approach allows social enterprises and innovations to be viewed not as individual actions, but as the result of a network of actors, institutions, knowledge and resources.

According to our opinion, the systematic approach fully reflects the interdisciplinary

nature of social entrepreneurship and social innovation, as it is based on the idea that social enterprises are not based on a "talented social entrepreneur", but are the result of: existing conditions that allow him to develop and create a new idea; access to networks providing funding and volunteers, available institutions involved in the creation of a legislative framework, cultural attitudes and a developed regulatory environment.

In line with the theoretical developments of Meadows [7] and Checkland [8], we define the systems approach as:

1. **a holistic toolkit** that integrates structural elements (institutions, legislative frameworks), functional relationships and dynamic processes.
2. **A multidisciplinary perspective** combining economic, sociological and managerial aspects.
3. **Integrative model of analysis.** including: analysis of network interactions, interactive learning and interaction between system actors and development leading to structural reforms and policies, which in turn create conditions for sustainable innovation.

Therefore, *the systematic approach* focuses on the research of social enterprises oriented to the environment in which they operate, without being based on the individual characteristics of the social entrepreneur. Obviously, this approach is also supported by academia, as there is a consensus that the development of social entrepreneurship is closely related to supporting networks and institutions, as well as to the interaction between different sectors.

This is due to the very nature of social entrepreneurship, which is economic activity combining social mission and economic sustainability [9]. According to the European Commission [10], a social enterprise is part of the social economy, and its main goal is to achieve social impact, not profit. The social enterprise offers goods and services in an innovative way, is managed transparently and involves consumers,

employees, stakeholders and communities, reinvesting profits to achieve sustainability.

This definition is fully consistent with the framework of the systemic approach, as it reflects key aspects of social enterprises such as *focus on social change, priority on human capital over financial profit, sustainability through reinvestment and economic activity oriented towards long-term goals.*

The application of the systematic approach allows for a more detailed analysis of the specifics of social entrepreneurship in Bulgaria and EU countries. Table 1 presents comparative data that considers the impact of local institutions, networks, regulations and financial instruments.

Table 1. Comparative analysis of Bulgaria and leading EU countries by applying the systemic approach

Aspect	Countries			
	BG	Spain	Denmark	Lithuania
Legislative framework	LESSE ¹ , 2019 development in progress	SEA ² and long-standing traditions	There is no law, but there is strong institutional support	There is no law, but there are programs and initiatives
Institutional support	MLSP, forthcoming establishment of a National Center of Competence	Active National Institute for the Promotion of SI	Innovative laboratories available	Current National Program
Network	Developing activities	Active social cooperatives and networks	Cooperation between ministries and innovative laboratories	Public-private partnerships
Financial resources	Restricted access	Diverse financial instruments	State funding for innovation and social projects	European funding for start-ups
Training/Development	Start-up programs and development	Developed training programs for social business	Training through innovative laboratories and projects	Programs for attracting and training young people

Source: The Social Economy in the European Union – report by José Luis Monzón and Rafael Chaves [11] and author's analysis

¹ Law on Enterprises of Social and Solidarity Economy (promulgated SG No. 91 of 2 November 2018) in force as of 01.01.2019 /LESSE/[4]

² Social Economy Act /SEA/(2011) , Law 5/2011, March 2011

For the purposes of this analysis, countries that are pioneers in the development of the social economy (Spain), as well as countries where there is no specific legislation in force (Denmark and Lithuania) are selected to highlight the specifics of entrepreneurial initiatives in Bulgaria.

The data from Table 1 clearly show that:

- The institutional environment is crucial for the development of social entrepreneurship. Spain and Denmark are demonstrating effective models, while in Bulgaria and Lithuania they are under construction.
- Network interactions are more mature in countries with traditions in the social economy (Spain, Denmark) that support innovation.
- Bulgaria's resource dependence on external sources is a prerequisite for limiting sustainability, while Spain and Denmark have diversified mechanisms.
- Training and development are crucial to the evolution of social entrepreneurship. The lack of a systematic approach in Bulgaria makes it difficult to multiply good practices.

The analyzed aspects point to the need for a more detailed review of the historical evolution of social entrepreneurship in Bulgaria.

2. Historical evolution and systematic analysis of social entrepreneurship in Bulgaria

The review of the scientific literature, as well as the available legislation in Bulgaria, give us reason to identify **five key stages** in

the development of social entrepreneurship, which demonstrate both progress and systemic gaps:

1. Pre-institutional period (until 1990).

Within this period, labor and production cooperatives of people with disabilities were established, regulated by the Law on the integration of people with disabilities, adopted in 2004. Their main goal is to create employment and social protection for people with disabilities, and their activities are within the framework of the planned economy, with limited autonomy and the development of innovations. The system analysis shows that cooperatives operate outside of formal networks and although their social mission is clear, there are no mechanisms to promote their sustainability and the development of innovations.

2. Informal initiatives (1990 – 2005)

Within this period, the first non-governmental organizations that provide social services appeared, as well as international donor programs that supported new models of social inclusion.

3. Institutionalization (2006-2018)

Within the period, the National Concept for Social Economy was adopted [12], as well as financial instruments were created for support through the Operational Program "Human Resources Development"³.

In practice, the regulatory framework creates a prerequisite for applying a systemic approach, although there are no clear mechanisms for its implementation. The financing of social enterprises remains dependent on available projects and does not guarantee sustainability.

1. Legislative framework (2019-2023)

Since 2019, a legislative framework has been created in Bulgaria through the adoption of the Law on Enterprises of Social

³ In Bulgaria, in 2012, a coordinated state policy in this area was launched by creating the National Concept for Social Economy, focusing on the social effect of the activities of such enterprises, that carry out economic activities for the public benefit and reinvest their profits for social purposes. The social enterprise was defined as the basic economic unit of

the social economy in 2016. The Operational Program "Human Resources Development" announces a program for the development of social entrepreneurship, which provides targeted funding for the start-up and development of social enterprises for a resource of BGN 15 million.

and Solidarity Economy [4], which seeks to isolate, develop and encourage the economic sector generating social added value. The law provides freedom for the form of social enterprises, with the basic principles emphasizing the priority of social over economic goals, association in public benefit, publicity and transparency, independence from state authorities, participation of employees in management decision-making. A register of social enterprises has also been created, as well as a certification procedure for acquiring the relevant status, a methodology is being created, and a special social brand is being introduced.

4. Current stage (after 2024)

The period after 2024 is characterized by the development of social enterprises, with their number increasing to over 120 through the newly established Centers for social economy and integration. Varna and Sofia are the cities with the largest number of social enterprises in the country. [13]

According to data from the National Statistical Institute (NSI) for 2023, there are 461,819 non-financial enterprises in Bulgaria, which is 2.7% more than in 2022 [14]. According to the NSI, 4,391 organizations have defined themselves as social enterprises. Other sources estimate their number at about 3,674. These differences in data are due to the different criteria and methodologies used to identify and register social enterprises in the country.

During this period, there has also been significant progress in social economy policies in Bulgaria, as well as the implementation of the systematic approach in the development of social enterprises by providing funding under the Recovery and Resilience Plan [15].

Based on the periodization, the conclusion is drawn that the social economy in Bulgaria has traditions, but also faces several challenges, which can be summarized as follows:

Table 2. Areas of discrepancy between legislation and practice in Bulgaria

Aspect	Problems	System interpretation
Regulatory framework	Voluntary registration	Weak institutional ownership as the law does not create binding mechanisms
Funded	Depending on the available projects and programming period	The resources provided are not tied to strategic goals for the development of the sector.
Networks and partnerships	Limited cross-sectoral cooperation	There is no clear framework for interaction between business, NGOs and state structures
Monitoring	Orientation towards quantitative indicators (number of enterprises)	There are no qualitative indicators related to social impact and social change
Teaching	Lack of standardized training programs for social entrepreneurs	There is limited capacity for innovation

In summary, the challenges to the development of the social economy in our country are presented in an opinion of the Economic and Social Council [16], which focuses on the need for efforts at all levels of government, the creation of a national center for social innovation, as a need for an intersection between research, information, capacity development, advocacy and expansion of the list of vulnerable groups. An important recommendation is the entry of cooperatives within the meaning of the People with disabilities act in the register of social enterprises, as well as an amendment to the Public Procurement Act for reserved public procurement.

The literature review clearly shows that in Bulgaria there is a legal framework regulating social enterprises. The main feature of the regulation created is that Law [4] presupposes a basic, but not a systemic approach.

Addressing these challenges requires **integrated solutions** linking legislation, institutions and resources.

The analysis shows that it is necessary to realize:

1. **Intersectoral coordination**, including representatives from the Ministry of Labour and Social Policy (MLSP), the Ministry of Economy (ME), local authorities and business.
2. **Introduction of mixed financial mechanisms** such as grants for start-ups; social bonds for performance-based financing, incentives for corporate investments (e.g. tax breaks).
3. **Development of network infrastructure** through the creation of innovation hubs in each region, accelerator programs and partnerships with higher education institutions.
4. **Continuous monitoring and evaluation through annual reports on policy effectiveness.**
5. **Capacity building** through training for civil servants. Inclusion of social entrepreneurship in the curricula of higher education institutions.

CONCLUSION

To achieve a truly systemic approach, Bulgaria needs to move from formal regulation to functional, strategically coordinated and sustainable management of the social entrepreneurship ecosystem, with a special focus on cross-sectoral partnership and long-term social returns. The policies for social entrepreneurship in Bulgaria, shaped mainly through the Law on Enterprises of Social and Solidarity Economy and the related documents, demonstrate an initial stage of consistency, but there is no full implementation of an integrated, adaptive and sustainable systemic approach, as observed in good European practices.

A more in-depth analysis of the LESSE [4] and its impact highlights several things:

1. LESSE creates definitions and an institutional framework, but there are contradictions in the definitions ("social activity", "social purpose"), creating ambiguity among practitioners.
- Limited commitment of local authorities, because according to Article 13,

paragraph 1 of the LESSE, the interpretation "may be used", which does not create an obligation and leads to almost zero real support from municipalities. The lack of decentralization and existing municipal programs also hinders the development of a sustainable systemic approach.

1. Regional support structures and digital tools are expected to be active only in 2026, according to the national recovery and resilience plan/NRRP/ [15].
1. Projects and financial instruments are oriented towards hiring vulnerable groups, but not towards the development of social enterprises themselves.

In this context, the following recommendations are also outlined:

1. Revision of the definitions in the LESSE in the direction of greater consistency and applicability to different organizational forms.
2. Automation and simplification of registration – including exchanges with the register of specialized enterprises.
3. Creation of a National Strategy (2025–2035) with an integrated framework, local focus points and a resource plan.
1. Financial instruments with a mission – creation of a Social Impact Fund and adaptation of state aid regimes.
2. Mandatory engagement of municipalities and creation of territorial funds.
3. Targeted information campaign and support of a digital platform.
4. Promoting socio-technological entrepreneurship and education – for the development of a new generation of leaders.

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