



CENTER FOR
THE STUDY OF
DEMOCRACY

Reports

Pravuzi

Civil Society in Bulgaria

Between Social Entrepreneurship

and State Capture

29

CIVIL SOCIETY IN BULGARIA

**BETWEEN SOCIAL ENTREPRENEURSHIP
AND STATE CAPTURE**



**CENTER FOR
THE STUDY OF
DEMOCRACY**

This publication analyses the changes in the third sector during the 2010 – 2013 period and at the same time outlines the positive practices in the social entrepreneurship as well as the risks that reduce the chances for nongovernmental organisations to effectively impact the democracy and well-being of Bulgaria.

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TABLE OF CONTENTS

INTRODUCTION	7
1. CIVIL ENTREPRENEURSHIP: AN EXPRESSION OF THE WILL TO CREATIVITY AND RESPONSE TO STATE AND MARKET INEFFICIENCIES	9
2. NON-PROFIT ORGANIZATIONS IN BULGARIA: DYNAMICS OF KEY QUANTITATIVE INDICATORS OF ACTIVITY	29
3. POLICY CONCLUSIONS AND RECOMMENDATIONS	49
ANNEXES	57
1. CIVIC MOVEMENTS: NEW FORMS OF PUBLIC PRESSURE	57
2. POOR GOVERNANCE OF SPORTS ORGANIZATIONS AND MISUSE OF SPORTS ENERGY	60
LITERATURE	67

LIST OF FIGURES

Figure 1.	Citizen attitudes towards the state-citizen responsibility balance	9
Figure 2.	Attitudes towards the leading role of key institutions and the civil society on solving problems in certain sectors.....	10
Figure 3.	Civil society typology after Salamon and Anheier	12
Figure 4.	Number of nonprofits in the Bulstat Registeras of the respective year.....	31
Figure 5.	Dynamics of registered public-benefit nonprofits and active nonprofits.....	32
Figure 6.	Dynamics of donations as reported by nonprofits as recipients.....	35
Figure 7.	Dynamics of donations by private individuals (BGN).....	36
Figure 8.	Dynamics of number of nonprofits and revenues (2000 – 2012)	37
Figure 9.	Dynamics of VAT registered NGOs	38
Figure 10.	Income-generating activity of non-profit legal entities by sector of economic activity (share in total revenue from economic activity in 2010 and 2011).....	45
Figure 11.	Number of nonprofits by average employmentsize in 2012.....	46
Figure 12.	Venture philanthropy expenditure in Europe, 2011	47
Figure 13.	Which two of the following do you think are the best ways of ensuring one’s voice is heard by decision-makers?	58
Figure 14.	Links between the ski resort operators and the Ski Federation management.....	63

LIST OF TABLES

Table 1.	Corporate donations in Bulgaria used for tax purposes (2010 – 2012)	33
Table 2.	Summarized profit-and-loss statements of nonprofits engaged in economic activity in 2010 and in 2011.....	39

LIST OF BOXES

Box 1.	Parent cooperatives in Bulgaria: an example of citizen social entrepreneurship.....	24
Box 2.	Institution building from the bottom up: the introduction of the Ombudsman institution in Bulgaria.....	26
Box 3.	Measures provided for in the Strategy for supporting the development of the civil organizations in Bulgaria during the period 2012 – 2015	50

INTRODUCTION

As one of the first non-governmental organizations in Bulgaria, the Center for the Study of Democracy has been actively involved in both the 25-year long discussion on the development and improvement of the third sector's legal framework, and in the country's institutional reform through the instruments of civic participation in the political process. In the first years of transformation after 1989, the Center was engaged in education projects involving the translation and publication of modern philosophers and political thinkers without whom present-day European, and more generally, the Euro-Atlantic or Western society is inconceivable. In the 1990s, Bulgarian language translations were published of works by Giovanni Sartori (*The Theory of Democracy Revisited: Part One: The Contemporary Debate and Part Two: The Classical Issues*), Ralf Dahrendorf (*Reflections on the Revolution in Europe*), Robert Nisbet (*The Quest for Community: A Study in the Ethics of Order and Freedom*), Gertrude Himmelfarbe (*On Liberty and Liberalism: The Case of John Stuart Mill*), Jurgen Habermas (*The Structural Transformation of the Public Sphere*), James S. Fishkin, Robert A. Dahl, Blackwell's *Encyclopedia of Political Thought*, and a number of other titles and collections of texts by leading authors in the field of good governance and anticorruption, such as Klitgaard, Moreau, Kaufmann, Lambsdorff, Levi, and many others (published within the later *Coalition 2000* initiative) in the first years of the 21st century. All of this literature, together with the original works in a great many fields of science (more than 350,000 volumes) provided under Sabre's Book Donation Program and worth in excess of USD 20 million, became fundamental to whole generations of political scientists, sociologists, philosophers and economists, medical doctors and other specialists educated after 1990.

The Center for the Study of Democracy, itself a product of early social entrepreneurship, became a hub for the creation of new civil society organizations and later, for assistance to smaller local independent organizations in Bulgaria (through small grants from *Coalition 2000*) and in other countries. Through active monitoring of public opinion on various topics and specifically on corruption, the Center detected an alarming tendency towards increasing distrust of civil sector organizations after Bulgaria's accession to the European Union¹ and conceptualized the risks to civil society through the term 'civil society capture' modelled after 'state capture'. The Center was actively involved in the re-regulation of the activity of non-profit legal entities with the shift from the *Person and Family Act* (dominated by obsolete notions of public and private and respectively, of person and family organizations) to the *Non-profit Legal Entities Act* (2000) and the creation of one of the first electronic registers – the Central Register of non-profit public benefit legal entities with the Ministry of Justice. Unfortunately, subsequent governments did not pursue the reform and for a long time practically obstructed transparency of the non-governmental sector with the inoperable central register. Bulgarian

¹ See: CSD (2009) *Crime Without Punishment: Countering Corruption and Organized Crime in Bulgaria*, <http://www.csd.bg/artShow.php?id=9583>

governments attempted to capture civil society, particularly through the European Funds.² A great many of the recipients of the first European funding were precisely PONGO and GONGO set up shortly before the respective funding competitions by persons close to the central or local government or by those in power themselves – e.g. mayors acting in private capacity and not ex officio.

In 2010, the Center published an analysis of the state of civil society – “Civil Society in Bulgaria: Trends and Risks” – and at various public political forums advocated the need for reform in the regulation and control of civil sector organizations so as to restore citizens’ trust in NGOs on the one hand, and to prevent the attempts of those in power to capture and keep in check the civil sector, on the other.

The present publication attempts to analyze the developments in the third sector since 2010 by highlighting both the good practices in social entrepreneurship and the risks that undermine the chances for an effective impact of NGOs on Bulgaria’s democracy and welfare. Broadly speaking, the recommendations formulated in 2010 remain just as relevant today, which means that the environment in which civil society is operating has hardly improved. Moreover, the CSO Sustainability Index showed a deterioration in the period 2007 – 2011, reaching its lowest point in 10 years in 2011 (Index score 3.4). In 2012 and 2013, the score was 3.3, comparable to 2010 and higher (i.e. worse) than in any year between 2002 and 2009, inclusive.³

There have been various attempts by different circles in public and political life (politicians, church activists, oligarchs, business persons, organized crime, and special services) to use non-profit legal entities as an instrument for income and influence over public opinion and to tarnish the image of civil society organizations.

Some light in the tunnel appeared with the adoption of the *Strategy to Support the Development of Civil Society Organizations* in the Republic of Bulgaria in the period 2012 – 2015 and the associated *Action Plan* (2012). The strategy was the outcome of a broad coalition of civil society organizations with the coordinating role of the Bulgarian Center for Not-for-Profit Law. At the same time, part of the sector (e.g. Bulgarian Industrial Association and the Institute for Market Economics) opposed some of the envisioned institutional changes and more specifically, the establishment of a special Council for civil society.

* * *

This analysis is the work of a team consisting of: Todor Yalumov (Chapters 1, 2, 3, and general editor) and Maria Doichinova (Annexes 1 and 2). Different versions of it have been discussed at round tables in Varna, Russe, Sofia and on the Facebook page ‘For Sustainable Civil Society’. The authors wish to thank their colleagues Maria Yordanova and Galina Sapundzhieva for offering valuable insights and notes on the text.

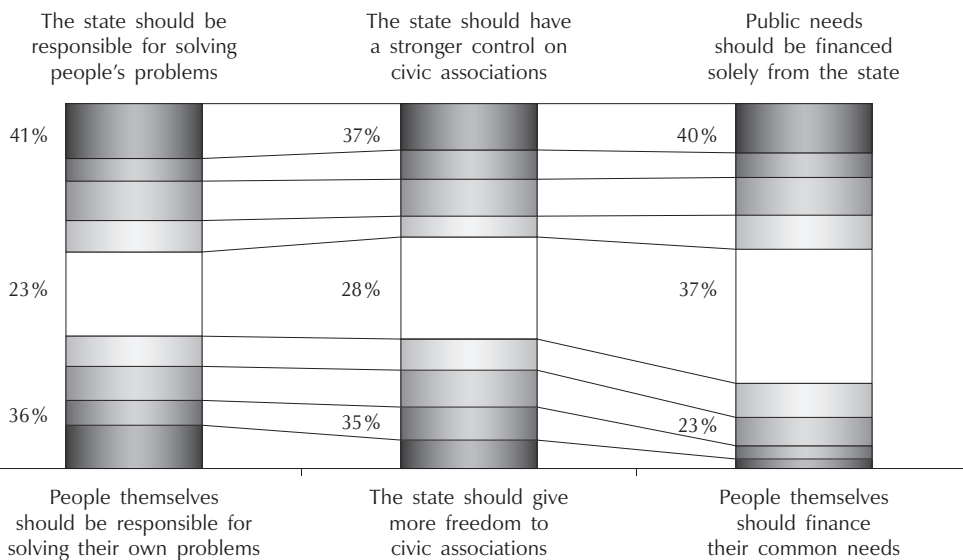
² For more information see: Босев, Р “Опааа...к Близки до властта неправителствени организации ще вземат 4.5 млн. лв. по ОПАК” In: Capital Weekly, 25.07.2008, www.capital.bg/politika_i_ikonomika/bulgaria/2008/07/25/530595_opaaaak/ and related articles.

³ NGO Sustainability Index 2013 for Bulgaria, Center for Not-for-Profit Law, 2014.

1. CIVIL ENTREPRENEURSHIP: AN EXPRESSION OF THE WILL TO CREATIVITY AND RESPONSE TO STATE AND MARKET INEFFICIENCIES

Civil society represents the social infrastructure of people’s behavior and interactions outside the family, the state, and the market (private profit sector). Of structural importance to the model of civil society and its effectiveness are citizens’ attitudes and expectations about the role of the state and its institutions in addressing people’s problems, as well as their association and self-organization with the aim of formulation, representation, and advocacy of interests and needs. Despite the nearly quarter-century long transformation of post-socialist society in Bulgaria, etatist attitudes are still predominate, as expressed by the expectation that the state carries greater responsibility than citizens themselves and their associations for identifying and solving their own problems.

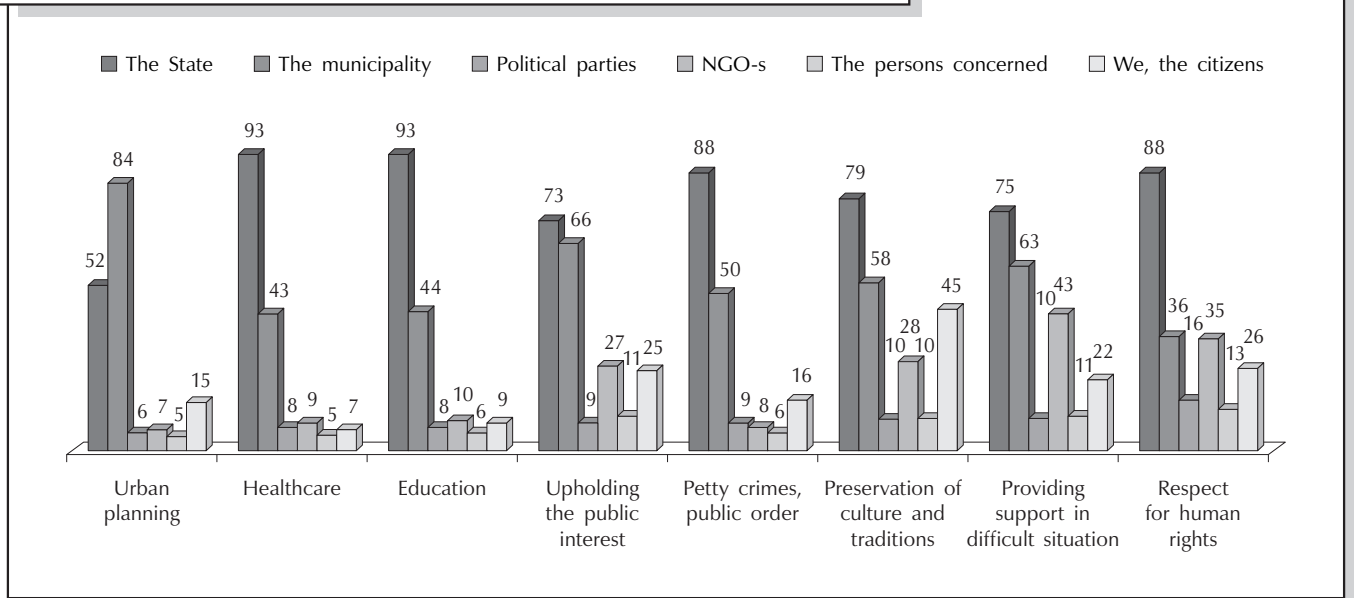
Figure 1. Citizen attitudes towards the state-citizen responsibility balance



Source: Bulgarian Center for Not-for-Profit Law, 2013.

Bulgarians expect non-governmental organizations to deal primarily with human rights protection, carry out and support charity and philanthropy, and to help preserve the country’s culture and traditions. Citizens hardly have

Figure 2. Attitudes towards the leading role of key institutions and the civil society on solving problems in certain sectors



Source: Bulgarian Center for Not-for-Profit Law, 2013.

any expectations from the NGO sector relating to healthcare and education. Notwithstanding these attitudes, the largest share of non-governmental organizations (13 %) work precisely in the field of education,⁴ followed by those in the social sphere (11 %), culture (9 %), and youth problems (7 %), while the rest are spread across more than 20 other areas with smaller shares. Education incites social entrepreneurs to act for two reasons. On the one hand, many parents and young people realize that education is an example of a key failure by the state in the transition period and a milestone for the country's future development, therefore committing themselves to helping address the issues in this area. On the other hand, many donors provide earmarked funding for educational projects (including after Bulgaria's EU accession), especially targeting children from minorities, as well as poor or socially excluded communities.

The increasing stratification of society by basic demographic indicators (education, place of residence, ethnicity, employment, mobility) is correlated with etatist/anti-etatist attitudes. Etatist attitudes are mainly prevalent among people with low mobility, small and isolated communities, low levels of education, Bulgarian, Muslim, and Roma, unemployed, retired, and low-paid workers. Etatist attitudes are also associated with growing Euro-Atlantic skepticism and support for authoritarian regimes. Anti-etatist attitudes are observed among entrepreneurs and people with high mobility, including those who have worked medium- and high-skilled jobs abroad, and the young highly educated and globalized people.

⁴ Strategy for the Development of Civil Society, 2012.

From Aristotle and Cicero, to Hobbes, Locke, Hegel and Marx, as well as Habermas⁵ and Arato, civil society thinking has undergone structural metamorphoses whose influence and manifestation are observed in modern times through the different models of regulation of citizen behavior, the role and interaction of citizens with the family, the market, and the state. Not only is there no uniform concept of civil society, but there also lacks a uniform approach to perceiving the differences in conception. This is largely due to the fact that even the notion of democracy has similar problems with diluted and conflicting perceptions. In fact, what remains invariable across all of these differences, is the assumption of an inherent connection between democracy and civil society, and ultimately the issue of representation. People with negative attitudes to civil society and its organizations, with the possibility that they be financed transnationally, also tend to have negative attitudes towards the democratic societies in the Euro-Atlantic space. It is hard to pin this attitude on a particular situation; whether they feel unrepresented in either the political process or in public life, or because on a purely cultural level, they feel nostalgic about the old order, there are a myriad of possible reasons. What is certain however, is that in order to provide a normal environment for the development of civil society, non-governmental organizations must consistently strive to change attitudes and foster positive public opinion about civil society and democracy by engaging broader circles of people in their work.

One possible typology of civil society models is based on the combination of the respective roles of the state, non-profit organizations (NPO) and businesses, as well as NPO financing and employment, or in other words, on the specific characteristics of democracy in these countries. The axes underlying the typology are government expenditure on social welfare and employment in the civil sector (Figure 3).⁶ The resulting four types, in the context of Moore's theory of social origins (Moore, 1966), are integrated into family and cultural, religious, political, and economic relationships in the respective countries and roughly correspond to the ideologies of **liberalism**, **etatism**, **social-democracy**, and **corporatism**.

The Bulgarian transition, initially dominated by the Washington consensus, very soon turned into a series of eclectic experiments consisting of copying specific institutions from different countries without regard for their historical and theoretical context, certainly undermining their effectiveness. There lacked any consistent ideologies in the old or newly emerging social strata, and there were only sporadic social elevators running between them. Additionally, there practically lacked any representation of interests and preferences with regard to church, neighborhood, school, workplace, political party leanings, etc. Some of the non-governmental organizations in public space were directly associated with one of the models (e.g. the Institute for Market Economics and the Centre for Liberal Strategies – with the liberal one; Institute for Social Integration, with the social-democratic model), others gravitated towards one model but also had notable representatives of a competing school of thought. (e.g. the Open Society Institute)

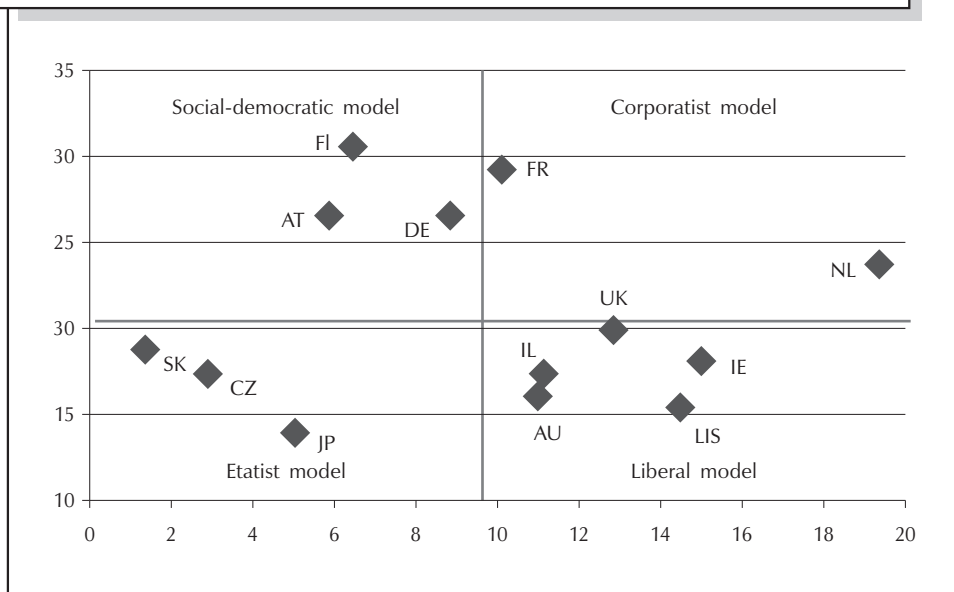
⁵ Habermas, J., (1991). *The structural transformation of the public sphere: An inquiry into a category of bourgeois society*. MIT press.

⁶ Along the Y axis are public social expenditures vs GDP. The X axis shows employment in the civil society sector vs. overall employment outside agriculture.

Even though unable to exactly position Bulgaria, Salamon and Anheier’s typology can serve as a good semantic prism for a better understanding of the attitudes of citizens and their organizations, as well as the potential threats to the functioning of civil society. The high share of Bulgarians (37 %) who believe the state should exercise stronger control over civil associations and the nearly one quarter of the population (23 %) (BCNL, 2013), that believe the activity of organizations with foreign financing should be restricted and even banned (another 5 %), are serious indications there is reason to fear a possible restriction on civil society freedoms. The cold wind of change in popular attitudes has clearly been blowing stringer from the direction of Russia since the adoption of restrictions on the activity of non-governmental organizations in Russia in 2012, however it was also felt almost immediately after Bulgaria’s EU accession, with the withdrawal of traditional donors and the overtaking of the media by oligarchs whose agendas have no room for freedom of speech and civil initiative.

The combination of etatism and strong nationalism (protectionism) significantly reduces modernization of civil autonomy to the close perimeter of the family, local culture and charity, while impeding bottom-up empowerment of the citizens through their institutions.

Figure 3. Civil society typology after Salamon and Anheier



Source: Salamon, Anheier and Associates, 1999, for employment data, and OECD for the data on social spending.

The liberal civil society is characterized by relatively low government expenditure on social welfare and a relatively large (both in terms of employment and value added) civil sector. Typical representatives of this model are the Anglo-Saxon countries (USA, Great Britain, Ireland, Australia) and Israel. Within the liberal model, the relative weight of private financing (individual and corporate) of the third sector is the largest, and so is the state’s willingness to assign public activities

to civil society. In Israel, nearly half of all public social spending goes through NPOs, in Ireland, more than one third, and in USA and Great Britain, the share is about 13-15 %. Conversely, in countries with the social-democratic model, such as Austria and Finland, the respective share is 4-5 %.

In the countries with a predominant liberal model, strongly influenced by Hobbes and Locke (for example through the United States Declaration of Independence), citizens are far more (compared to other models) inclined to associate and self-organize in order to achieve common non-profit civil goals. The comparative analysis is based on the respective country's population, as well as number of companies. Thus, for instance, in Germany, nonprofits per capita are twice those in Great Britain and four times fewer than in Australia. Furthermore, the civil society model also largely shapes the direction and focus of citizens' entrepreneurial energy.

Liberal philosophy assumes that healthcare and education are not natural (pre-government) but civil rights and the state's involvement in the provision of these rights should therefore be kept at a minimum. NPOs take over this function from the state in contrast with other models (mainly the social-democratic and etatist ones) and in liberal states, therefore, the structure of the third sector is largely shaped by healthcare and education organizations.

Liberal countries predominate in charity – whether individual or organized and institutionalized through NPOs. 77 % of Americans, for example, helped people who were not immediate family and friends in 2012 (CAF, 2013). Countries like Ireland, Canada, Great Britain, Australia, and New Zealand are among those with most developed charity systems, together with the Netherlands (which falls within the corporatist group but is still closer to liberal than to social-democratic countries). The influence of liberalism on the choice of financing model for the newly emerging civil society was, for instance, manifest in Hungary where in the 1990s the “1 % option” was adopted. This allowed Hungarian citizens, when declaring their general income, to choose which public benefit NPO would get 1 % of their paid taxes.

The social democratic model of civil society is characterized by relatively high expenditure on social welfare (22-32 % of GDP), a relatively smaller civil sector attracting relatively fewer volunteers and employees, as well as relatively fewer donors and donations compared to the liberal model. Most European countries fall within this group. The largest and most typical representative of this model is Germany, as the largest country in Europe and the birthplace of social democracy. There, predominate organizations provide social services, delegated by the state based on the principles of subsidy and self-governance. About 40 % of those employed in the third sector are engaged in social service provision. In the countries from this group, the development of civil society is subordinate to the development of the social economy (*Gemeinwirtschaft*). Germany only comes 22nd, Finland – 33rd, and France – 77th by individual charitable activity (CAF, 2013).

Marx argues that the free market is not an effective instrument to satisfy people's needs, that it destroys non-market communities, and that the bourgeois state does not protect the interests of the majority of the people. The differences between

Locke and Marx and their followers are most conspicuous in their conceptions of ownership rights, which in the present day have led to fundamentally different structure of ownership in England and Germany for example, but also more generally between the liberal economies (highly dispersed private ownership) and the social democratic ones (cooperative ownership, strong influence of labor unions and workers on company control, even without any capital). Marx's theory of alienation, however, has greater explanatory value than his economic interpretive framework regarding the needs of the workers and their non-satisfaction. To a certain extent, the educational reforms and the involvement of civil society in these reforms in many democrat-controlled states in the USA were anticipated, as it were, by Marx precisely by way of the solidarity and quest for community of the alienated. Capital plays a part in the performance insofar as it's in its interest to have a less alienated workforce.

The neomarxists (the Frankfurt Critical School) are still looking for the 'third way' between liberal capitalism and socialism and hence advocate a conception of civil society not simply as a form of self-organization of people other than the family, the market, and the state, but in a sense as their critical opponent and transformer. An example is the philanthropization of societies which began in 1961, when Germany invested 60 % of the proceeds from the sale of Volkswagen AG in the newly established Volkswagen Foundation to support German science. This model was followed by the Czech Republic, which established 74 foundations with 1 % of the proceeds from privatization in the 1990s with the aim of assisting the development of a strong civil society sector after the downfall of communism.

Jurgen Habermas offers what is possibly the most sophisticated definition of civil society as a "network of associations that institutionalizes problem-solving discourses on questions of general interest inside the framework of organized public spheres" (Habermas, 1996), which is consistent with the conception of civil society in each of the models under consideration. A large portion of the newly emerging left-wing social movements and the NGOs they are creating are critically inclined towards traditional perceptions of the essence and purpose of the three spheres – the family (e.g. homosexual rights), the market (e.g. anti-globalist movements), and the state (e.g. calling for direct intervention in the economy as a market agent rather than regulator) – and are trying to reframe the interactions between them. There have been calls (as in Bulgaria) from the left wing to restrict NGO involvement in the economy by banning their access to the public procurement market and even preventing them from investing in commercial companies.

As a doctrine, **etatism** is strongly influenced by the political teaching of Aristotle, according to whom social (and hence political) life takes precedence over the family, which in turn is of higher priority than the individual. **The etatist model of civil society** is characterized by low public expenditure on social welfare and low employment in the third sector. The state and the market are assumed to be sufficient to provide the necessary goods and services to citizens. Even though historically France seems closest to the etatist model and was indeed part of this group of countries in the 1960s and 1980s, it has transitioned towards the corporatist model in the past quarter of a century.

The etatist group is comprised of practically all developing countries, mostly (formally) because of low expenditure on social welfare and their weakly developed civil societies, but also (substantively) on account of public expectations regarding the role of the state and the subordinate role of the individual with regard to the family, socium, and state. In etatist countries people are far more inclined to explain the world with external causal attributions (e.g. conspiracy theories) in contrast, for example, to liberal ones (where individual decisions are of determining importance). This lessens people's desire to change the world (incl. through nonprofits) because they don't believe they can. In Bulgaria, 26 % of those who do not want to start their own NPO (or 22 % of the entire population) do not believe they will change or achieve anything (BCNL, 2013). Unsurprisingly, Bulgaria falls within the group of the etatist countries (chiefly on account of low spending on social welfare and low employment in the third sector, but also because of the widespread external causal attribution), even though in several respects, the country's third model comes close to the liberal model. In Bulgaria, the correlation between number of nonprofits and for-profit companies is similar to that in Great Britain and the number of NPOs per capita, to that in Ireland.

One extreme manifestation of Bulgarian etatism and a confirmation of the tendencies towards capture of civil society is the possibility provided in the *Rules for Implementation of the Law on the State Agency for National Security (SANS)* to institutionalize its own undercover non-profit legal entities rather than just to have undercover agents among founders, board members or employees of such organizations.⁷

The government of Plamen Oresharski (which allowed this possibility in December 2013) best exemplifies the desire of etatist-minded people, politicians, and oligarchs to undermine the population's trust in civil society, to control and where possible, supersede it with their own PONGOs or GONGOs – politically or government owned quasi-civil organizations.

The last of the four types of civil society is the **corporatist model**. It originates in medieval estates and guilds and constitutes a social structure of representation (and mediation of possible conflicts) of professional interests (inside the individual guilds and between the different guilds). Elements of the corporatist model can be observed in all countries from the other models, even during the socialist regime (trade unions), but both the relative share and the role of this type of NPO are comparatively small and weak. This model is the main explanatory framework for the operation of international (global) non-profit, non-governmental and inter-governmental organizations. Corporatist model countries typically have high expenditure on social welfare and a large, well-organized, effective, and competitive third sector. They prioritize collective over individual autonomy (unlike the liberal model) and a much lesser involvement of the state (compared to the social democratic model) in the implementation of activities. Hegel and Durkheim are the two most influential thinkers of corporatism as a sustainable form of building civil society with functional representation as its fundamental characteristic.

⁷ „ДАНС ще може да си прави неправителствени организации”, In: *Mediapool*, 14.12.2013, <http://www.mediapool.bg/dans-shte-mozhe-da-si-pravi-nepravitelstveni-organizatsii-news214684.html>

The Netherlands is a typical example of a European Union country with a civil society of the corporatist model. It is strongly influenced by Calvinism as a religious system of thought and the age-long **pillarization** or vertical segmentation of society in the Netherlands and Belgium, where each pillar developed its own institutions, including for the provision of social services, sports clubs, and practically all kinds of nonprofits. Through the subsidization principle, the state confines its role in many areas of activity of non-profit organizations only to funding these activities. The prevalent types of activity (by employment and turnover) of nonprofits in the Netherlands are social services and specifically healthcare. Nearly one-fifth of the working population is employed in the third sector and at some point of their life almost every citizen has done paid or volunteer work for a nonprofit.

The thus outlined conceptual model is more useful in dynamic, rather than static, terms – in following the countries' trajectories, as well as for comparative purposes. France, for example, transitioned from the etatist, through the social democratic, to the corporatist model. Israel, on the other hand, embraces the liberal model (domestically) all while remaining strongly etatist-conservative on the international level. One major flaw of the model is the lack of a dimension showing the degree of openness (with respect to foreign funding) of the regulation of civil society activity and its international integration. Many of the etatist countries – such as Russia, Belarus and Ethiopia – have imposed various restrictions on funding of local nonprofits by foreign sources. Turkey, for example, despite the liberalization of the regulation of NGO activity in 2004, still requires provision of information before receiving and using foreign funding (which used to be subject to approval before the reform). Israel was on the verge of adopting such restrictions in 2011 but ultimately the nonprofits receiving foreign funding were only required to submit quarterly reports. In 2013, an Egyptian court convicted 43 people who represented NGOs working in and with Egypt and ordered the closure of the offices and confiscation of the property of the American nongovernmental organizations for which most of the defendants worked – the U.S.-based National Democratic Institute, Freedom House, the International Center for Journalists, and Konrad Adenauer Foundation.⁸ Meanwhile, the civil sectors in all of Eastern Europe developed entirely on foreign funding in the past quarter of a century. Bulgaria and Estonia, for example, follow trajectories slowly taking them closer to the liberal model, while Slovenia and the Czech Republic are moving towards the social democratic one. Poland, on the other hand, has been the quickest among the last 13 European Union member states to open up to other civil societies as a donor – both by way of government funding and volunteering in other countries. Poland has an active role in Ukraine and Moldova for understandable historical reasons, but also in Palestine, Azerbaijan, and Afghanistan.⁹

Civil society can be dysfunctional for many different reasons but as a most general rule, its space may be constricted either by excessive involvement of the state (central and local government or the leading religious denominations), or of business (typically monopolies or oligopolies, black market operators), as well as

⁸ „Египет осъди 43-ма души от НПО за незаконна дейност“, In: *Vesti.bg*, 04.06.2013, <http://www.vesti.bg/index.phtml?tid=40&oid=5822571>

⁹ More information about The Official aid for development of Poland can be found here: <http://www.polishaid.gov.pl>

by a crisis of representation within civil society itself (domination of dysfunctional parties or inoperative trade unions and business organizations). Whether or not the proper legal and institutional framework is in place for the functioning of civil society, there is always a risk of its **capture** and **subordination** to private agendas and it should therefore train and sharpen its reflexes of self-observation and self-regulation and act as a watchdog not only of government and business, but also of itself. Similarly to corporate governance imposed by the state and business on publicly traded companies, there is a call for **good governance** in civil society.

In Habermasian terms, the **capture of civil society** may be defined as an **organizational-networking continuation of the mechanisms of control and problem-solving in the interest of the dominant power spheres** (state, political, or business ones) and of their main driving actors. In the context of Salamon and Anheier's typology, and empirically as well, the risk of capture of civil society is highest under the etatist model. Naturally, there exist various risks of capture or undermining of the institutional effectiveness of civil society under all models, but they can be minimized through good governance mechanisms and by assisting internal regeneration within the civil sector itself.

CIVIL SOCIETY THROUGH THE PRISM OF ENTREPRENEURSHIP

Entrepreneurship, understood as a **structured risk-taking process of combining existing resources in new ways and their offer or exchange in new ways** (based on Schumpeter and Drucker), can take many different forms. The discourse of entrepreneurship usually comprises **idea** (product or value), **investment** (investments and associations), **organization** (legal form and coordination), and **returns** (usefulness and satisfaction). In the typical case, this is standard market entrepreneurship where the returns (on investments and risks) are financial and usually commensurate with the ownership of equity in the company. More and more entrepreneurs, however, are choosing a different way of realizing their will to creativity (after Schumpeter). Association (and the ensuing rights) takes place on a **civil** (personal, individual) basis rather than based on **capital**. The goals and values are social (communal) rather than monetary. The returns are found in satisfaction (with the results achieved) and in compensation of one's work rather than return on risk (the classic market reward). The establishment of new nonprofits does not mark the end of a business career, nor is it an act of charity or the result of a testament (as was often the case in the 19th and 20th centuries), but a form of entrepreneurship (in the 21st c.).

Entry in the third sector is an alternative at once to traditional business and to getting into politics (for the sake of social change), moreover with greater success and impact. Entrepreneurship taking the form of creation of new, or association with existing, nonprofits can be accompanied by traditional business (in the private sector) or normal employment in either the private or the public sector (full- or part-time).

About one-fourth of the people in Bulgaria with no previous association with nongovernmental organizations express readiness to join (4 % definitely, 23 %

probable yes) an existing NGO (BCNL, 2013). Some of them as well as others who already do paid or volunteer work in an NGO, (16 % of the entire population, 3 % definitely and 13 % probably yes) would create a nongovernmental organization themselves or together with friends and associates. Readiness for such entrepreneurial activity is expressed by people who are already members of an NGO (64 %) and people with positive attitudes to NGOs (satisfied with their interaction with NGOs, ready to turn to them for assistance in tackling a specific problem), and people with anti-etatist attitudes (by data from BCNL, 2013).

The Wikimedia Foundation and its main project, Wikipedia, has outlived the business from which they started (Bomis and Nupedia) and at present the Foundation is among the most influential nonprofits in the world, chiefly on account of the horizontal model of the encyclopedia and the fact that it has become a legitimate reference source for millions of people. Jimmy Wales started Wikipedia when he was 35 years old and the Foundation, at 37. Serial social entrepreneur Bill Drayton founded Ashoka¹⁰ at barely 20 years of age, when he had already started several civil initiatives as a student. Ashoka aims to assist new social entrepreneurs and has considerable influence in supporting the creation, adoption, and diffusion of social innovations in almost all countries of the world.

Bulgaria is no exception to the global trend of emergence of social entrepreneurs and new nonprofits that are changing the world in which we live. Civil entrepreneurship is young by definition. The first wave of citizen organizations (1990 – 1994) in Bulgaria was initiated by young researchers aged between 35 and 40. They saw in non-profit organizations, which at the time were usually called nongovernmental organizations (NGOs), an effective tool for modernization and democratization of social and political life and a way to continue their research under the conditions of the just starting transition period. Although on the “inside” the development of civil society in Eastern Europe appeared as “import” of liberalism and democracy, some of the most eminent researchers of civil society worldwide (Arato and Cohen, 1992 and Arato, 1999) argued that the experience of countries in transition in building civil societies (which had started even before the fall of the Berlin wall) could be used not only in other transitions from totalitarian to democratic society but also to reform Western civil societies which they found to be flawed. This potential has yet to be realized and seems like science fiction to many. In some niches, however, such re-export of “know-how” is already happening. The Center for the Study of Democracy is an established European entity in the fields of criminological research, corruption monitoring, organized crime and the shadow economy, and rule of law and human rights. Its expertise is used by the European Commission, while experts from various NGOs in Bulgaria are advisors or implement projects in developing countries.

In recent years, there have also appeared many nonprofits founded and run by young people, with the average age dropping significantly. The members of the Board of “Teach for Bulgaria”,¹¹ one of the largest non-profit employers in 2013 in

¹⁰ <http://www.ashoka.org>

¹¹ <http://zaednovchas.bg>

Bulgaria (top 15) with national impact on education, at the time of its founding in 2010 were of an average age of 32 years. Its chief executive launched her first foundation, "Steps for Bulgaria", at 22, and became CEO of "Teach for Bulgaria" at 25. Many other social entrepreneurs first enter the third sector and after a while, continue as serial entrepreneurs starting traditional businesses – either leaving or remaining in the sector. Such examples are some of the founders (members of the first boards) of "ZAEDNO – Communication for Support and Development" Foundation (working in education) and Easyart Foundation (art and education) in recent years, as well as many of the founding members and associates over the past quarter century of the Open Society Institute, the Center for the Study of Democracy, ARC Foundation, "ACCESS – Sofia" Foundation, the Institute for Market Economics, Center for Economic Development, etc., who have engaged in wide-ranging institutional and private entrepreneurship.

Various reasons can drive entrepreneurial-minded people to choose to establish a nonprofit organization over classical business profit. Glaeser and Shleifer (Glaeser and Shleifer, 2001) demonstrate that entrepreneurs, even in the absence of any special tax incentives, have a rational reason to choose this form of fulfilling their will to creativity and innovation. The most important reason being that nonprofits, the expected quality of work is superior in comparison with the for-profit market. This theoretical finding has practical applications in numerous niches around the world (Wikipedia against Nupedia; the largest home furniture retail chain – IKEA, is owned by a foundation) and in Bulgaria (in the field of sociological and marketing research; the launch of private radio stations and even an Internet Service Provider by nonprofits). Of course, often the motivation of many start-up social entrepreneurs is related to the possibility to secure grant funding, which, although very competitive, has been found to provide less restrictive conditions for development compared with venture capital financing by private funds and business angels.

Glaeser and Shleifer devote considerable attention to the high transaction costs of changing the existing market structure from the "inside" as motivation for intervention in case of an identified unmet need not by means of the market or the state but via a third way. Glaeser and Shleifer present four criteria that increase the probability of emergence of nonprofits: there is a high probability of capturing the consumer surplus by price or non-price discrimination, the activity needs a subsidy or separation of product users from those who pay for it, high cost of changing existing relationships with companies, and altruism or the public good matter more to entrepreneurs than quick profit. These four essentially define the conditions under which nonprofits are the **more effective institutionalization of the relations of exchange compared to firms** (in terms of Coase's theory of the firm).

However, Glaeser and Shleifer, omit an important precondition in the listed criteria – existing political institutions of democratic representation can be equally ineffective in the representation of certain interests – ranging from various human rights, through social and civil, to business interests. The reason for the emergence of nonprofits in this case is that they are the **more effective institutionalization of political representation** (of ideas and interests), especially in countries with a bipartisan political system. A typical example in this respect are authentic green

NGOs since the political establishment does not represent green ideas (because they usually have no serious industrial representative).

Many Bulgarian nonprofits such as Bulgarian Mothers' Movement, the association Present and Future Mothers, Rodilnitsa Association, and others were only institutionalized after several years of informal activity, online discussions, seminars, public events and awareness campaigns conducted entirely on a volunteer and charity basis. The main driving force in the creation of such organizations is precisely the function of representation (of already established large communities of people) and the legitimisation of collective decisions, but also the functions of coordination and funding. This would apply to all sectorial or regional business organizations, as well as organizations such as Bluelink, which are meta-civic organizations bringing together environmental organizations for the purpose of **more adequate representation**.¹² Only later came the **provision of services** (to people, businesses, other nonprofits and public institutions), **exchange transactions** (as defined by Coase) of the classical model of Glaeser and Shleifer, and **coordination** (one of the most effective organizations in this regard is the National Network for Children).

However, there are no adequate measures of representativeness other than quantitative ones (share of represented persons in the group) and the tradition largely consists of negative attempts at representation at different levels (a city apartment block or a small town or village neighborhood, parents of school children, students at universities, etc.). Ex-officio participation on the boards of nonprofits, etc., is still uncommon.¹³ The institutionalization of the requirement for representation of nonprofits (the state will only consult with organizations that meet these requirements) is currently proving counterproductive and only serves extreme left etatism. It could be replaced by a requirement for legitimacy and adequate transparency.

Naturally, just like in business and in public administration, even in the third sector there is always a specific class of rent-seeking entrepreneurs who do not create new wealth and sometimes even reduce public wealth.¹⁴ It is a quasi-civil entrepreneurship which typically results directly from state capture. The main "entrepreneurs" who contrived the **patronage and clientelist capture of public resources** (mainly coming from the structural and cohesion funds of the European Union in the period 2005 – 2009 and intended for the development of civil society and public-private partnerships) were **high-level politicians and government officials** (ministers, mayors, chairmen of executive and state agencies, their deputies and in some cases heads of directorates, members of political cabinets or their families).

In a sense, this type of entrepreneurship is also a response to institutional inefficiency (in Bulgaria as well as on the EU level), missing guarantees for good

¹² More about the NPO mentioned can be found in Tsenkov et al. (2010) Civil Society in Bulgaria: Trends and Risks, Sofia: CSD, <http://www.csd.bg/artShow.php?id=15423>

¹³ There are only few majors who are part of the governing boards of NPO-s as representatives of the relevant municipality (listed as such) and not as natural persons.

¹⁴ The processes of the capture of civil society are examined in detail in: Tsenkov et al. (2010) Civil Society in Bulgaria: Trends and Risks, Sofia: CSD, pp. 34-39, <http://www.csd.bg/artShow.php?id=15423>.

governance, and a lack of conflicts of interest in the allocation of EU resources to the development of civil society. Politicians and the administration saw in nonprofits a **tool for legitimate additional income**, making up for the ban on their participation on company boards or ownership of equity in limited liability companies, for **setting up political or personal friends**, and for securing a **safe exit from power**.

These rent-seeking practices are obviously unacceptable from all four ideological perspectives (liberal, social-democratic, etatist and corporatist), yet there are still no sustainable mechanisms to limit and counteract their harmful impact on civil society. Although the very idea of civil society is essentially a liberal one and the product of the separation of church and state, of the individual from the family and clan, of control over ownership, in the past decade there have appeared plenty of quite vocal representatives of the etatist doctrine banding together in nonprofits and accusing the leading civil organizations in transition economies of having low democratic representation and of substituting authentic solidarity with militant liberalism.

Non-profit organizations around the world and in our country are already changing the perception of market mechanisms not only as subject to correction, but also as **tools for social change**.¹⁵ Nonprofits transform from outsiders (in relation to the government, to the corporate world or to social elites) devoted to shedding light on problems and exerting pressure to have them addressed, to a part of the elite integrating themselves into the system (of both market and government). Thus they are focusing on change and the development of new market and social governance mechanisms. Nonprofits are not just forms of entrepreneurship, but implement common social innovations through new market instruments (e.g. micro-credit systems and crowdfunding) or somewhat forgotten organizational forms such as cooperatives (there is notably a boom in parent cooperatives). The beginning of the 21st century in the United States was marked by the rise of the so-called venture philanthropy, which constitutes risk financing of civil initiatives unlikely to receive standard grant funding.

The most important **capital** that non-profit organizations traditionally have is their **reputation** and the public **expectation** that they express **citizens' interests**. The third sector is increasingly managing to make reputation tradable and to establish itself in the market as an independent referee. In this sense, from a "redemption of sins",¹⁶ the funding of the third sector by firms is becoming an "investment in strategic partnerships". Increasingly, it is not even a matter of financing but a business-like contractual partnership (payment for service).¹⁷ Nonprofits no longer simply organize and conduct anti-business campaigns or analyze specific markets (typical of the 20th century), but commit to providing advice and vouch for businesses and markets with their reputation. In the future

¹⁵ 21 Century NGO In the Market for Change, SustainAbility, 2003.

¹⁶ By analogy with the indulgences of sins of specific people received by the church. To a large extent Siemens' reaction after the big corruption scandal to finance NGO projects around the world was motivated precisely by the need to "atone for certain sins."

¹⁷ To some extent this transformation can be explained also by accounting and tax considerations, especially in Bulgarian where firms prefer not to sign a contract for donation, but for advertisement.

they are expected to produce and shape significant changes in the institutional structure of capitalism.

This new role and power of the third sector, however, raises a number of questions relating to the need to ensure good governance within it to much higher standards¹⁸ than the standards in government or corporate governance. Glaeser presents a model (Glaeser, 2002), in which he opposes models of governance of nonprofits to classical companies and demonstrates the risks of “internal capture” of nonprofits by their employees against the interests of funders and the public. In this sense, some nonprofits become a tool securing income for those employed rather than an instrument to achieve social change. When even the donors are overtaken from the inside by bureaucrats in the absence of objectively measurable development goals and the funds are subject to redistribution belong to the taxpayers, the outcome is only costly parasitism on the hope for a fair civil society. Examples from neighbouring Greece (Sakellariou, 2014) are eloquent proof of the real risk, even for an old EU member state. In Greece, the funding of civil society is almost entirely dependent on government or European funds with strong state control. As a result, a wild, anarchic form of association of citizens is much more likely than competitive institutionalization and representation of autonomous citizen initiatives in opposition to the discourse shared by the state or the political parties. After the complete financial audits of all nongovernmental organizations receiving state funding ordered by Samaras at the end of 2012, there were a number of arrests on charges of money laundering (Circle of Patmos).¹⁹

In the absence of a system of good governance, newly created coalitions between corrupt politicians and entire “captured” parties or parties of oligarchs, entrepreneurs with a bad reputation and pseudo-researchers would destroy the fragile confidence in civil society with anti-NGO campaigns (which have been abundant in Bulgarian public space in recent years). In addition, all too often, what we see is regrettably the formation of wild packs rather than communities (Evgeni Daynov),²⁰ and our society does not seem to have elaborated mechanisms of self-preservation other than natural selection.

It is difficult to isolate by formal, objective criteria the civil organizations which authentically embody Schumpeter’s **will to creativity** (and not simply respond to a specific project funding opportunity); which innovate in action and create added value (monetary for the economy and non-monetary for society); which are “inclusive institutions” or work for the transformation of “exclusive” into “inclusive” ones (Acemoglu and Robinson, 2012); and which serve as social incubators for the emergence and development of other similar organizations. Nevertheless, there exists consensus about some specific examples and networks

¹⁸ Especially related to issues, which can be perceived as lobbying in favour of the interests of certain companies or a whole sector, detriment of some public interest (for example to what extend holding a liberal stance on smoking by libertarians is not motivated by hidden funding coming from tobacco producers).

¹⁹ More information about this case can be found here: http://www.grreporter.info/en/14_people_arrested_misappropriation_funds_nongovernmental_organization/8470

²⁰ Дайнов, Е. „Формират се глутници, а не общности“, OffNews, 25.03.2012, <http://offnews.offroad-bulgaria.com/index.php/37305/formirat-se-glutnitsi-a-ne-obshtnosti-sedmichniyat-komentar-na-evgenij-dajnov>

such as Forum Zaedno,²¹ Children's Fair,²² TimeHeroes,²³ Roditeli Association,²⁴ National Network for Children,²⁵ various women's organizations (e.g. those that emerged around bg-mamma,²⁶ La Leche League,²⁷ etc.), green organizations (from the BlueLink network), patient organizations (e.g. National Alliance of People with Rare Diseases)²⁸ and organizations of professionals (e.g., the group of designers and architects around Zaedno Foundation, Sofia for Culture and Arts Foundation, Transformatori Association, Children's Architectural Workshop, and others).

The **organization** of this type of entrepreneurship as a whole is network-based and the returns are shared (and because they are not material, in practice everyone gets the "whole" rather than a share based on equity, contribution or some other equitable principle). The associated brands differ from those of the leading organizations and largely bear a festival spirit (mass participation, festive mood, short duration, presence of various "stars"). Among the most important resources are **trust and attitudes** (of all actors) rather than professionalism (the specialists working for nonprofits) or funding (competitive). As a rule, all organizations and examples above rely on an extensive network of volunteers – both students and professionals. Their activity is generally focused on specific events and causes, involves specific citizens and produces quick, public impact. It is in the main organizer's interest to see their partners grow and develop what they do in other partnerships as well, including commercial activities. The reason lies precisely in the network structure and the fact that the value of the specific brand grows with the popularity of its constituent parts. Volunteering in this country is underdeveloped and poorly institutionalized. Only 5 % of people have been "institutionalized" volunteers for some nonprofit (World Giving Index, 2011), although two-thirds of the population know at least one volunteer (BCNL, 2013). Bulgarians' etatist mindset becomes apparent from attitudes that the organization of volunteer work should be a responsibility of the state (37 %) and municipalities (39 %). In most liberal countries, however, volunteering is institutionalized already in school – both in term time (organizing car lines, peer tutoring), and during school holidays (required number of hours of volunteer service for a local non-governmental organization).

The **benefit** (from the entrepreneurial activity) is in this case the pleasure derived from consumer **approval** and the reconstruction of the **social environment** in which participants feel "normal" and part of "a majority of peers" who believe that they can change the world and are driven by motivation for self-actualization, rather than a minority in a dysfunctional society with dominant external causal attribution and deficiency motivations (Maslow). On the other hand, the benefit is equally found in positive externalities such as the changing

²¹ <http://gorichka.bg/deynost/forumi/zaedno/>

²² <http://www.easyartbg.com/index.php/panair>

²³ <https://timeheroes.org/>

²⁴ <http://www.roditeli.org/>

²⁵ <http://www.nmd.bg>

²⁶ More in: Tsenkov et al. (2010) Civil Society in Bulgaria: Trends and Risks, Sofia: CSD, pp. 67-70, <http://www.csd.bg/artShow.php?id=15423>

²⁷ <http://lllbg.org/>

²⁸ <http://rare-bg.com/>

of **attitudes** (of parents, children, managers and employees in public institutions and private companies) and the **sustainability** of the practices (e.g. museums attuning themselves to a children's audience and incorporating participatory experiences; experiential learning in school; and the emerging readiness of municipal administrations even in smaller towns to embrace and fund such initiatives). Many of the key figures in this group are serial social entrepreneurs and the connecting loops between other relatively closed circles (for example, the more professionalized think tanks, academic communities and institutions, specific businesses or professional circles).²⁹

Box 1. Parent cooperatives in Bulgaria: an example of citizen social entrepreneurship

A parent cooperative can most easily be defined as a “family of families” – self-organized groups of parents who create a safe and protected environment for their children closely resembling the family, but with the advantages of communication with the outside world – child-friends, parents of other children, teachers. The cooperative is not a kindergarten in the sense of Bulgarian law and does not offer services to external customers. It is based on shared efforts of a group of parents raising their own children and does not operate for profit. Parents have free access and direct control over what is happening in the cooperative. They have a responsibility to ensure its material existence (rent, monthly expenses, food, teacher salaries,³⁰ extra duties) as well as to discuss and take democratic decisions on important issues regarding its functioning.

The first known parent cooperative dates back to 1915, when faculty wives at the University of Chicago started the first nursery school with parent participation in the U.S. Many new parent cooperatives appeared in the 1950s in countries like USA, UK, Canada, Australia and New Zealand, where they gradually earned a rightful place among the other options for early childhood education and care, and enjoy state support.

In Bulgaria, the idea of cooperatives started on the forums of the website bg-mamma.com in response to the interest expressed by many parents in natural parenting and their wish to stay close to their children in the first and most important years of their lives, in accordance with the principles of attachment parenting and positive education. The beginning was set in 2007 when the first playgroup was formed with mothers and children meeting once a week for games, educational activities and social contacts. Two years later, in 2009, the first parent cooperative – “Pleytsentar Priateli” (Playcenter Friends) – was founded borrowing its name from New Zealand cooperatives called play centers. Along with its activities as a cooperative, “Pleytsentar Priateli” functions as a civil non-profit organization that tries to enter into dialogue with the government to help clarify the legal status of cooperatives and the development of adequate criteria for quality child care; promotes parent cooperatives through posts on the website, press conferences, media appearances, and specially organized training seminars (with the support of the Oak Foundation); and built a community garden called “Ecocenter Priateli”

²⁹ They can play different roles in different micro-communities: in one case they can be employees, project managers, in others they may be members of the board, in a third case- members informally through friendship or collegial line.

³⁰ It is important to note that there are cases of teachers hired under an employment contract which sharply contrasts with the practices of babysitters of one or two children to be entirely in the informal economy.

Box 1. Parent cooperatives in Bulgaria: an example of citizen social entrepreneurship (continued)

out of natural materials (with the support of the Environmental Partnership Foundation and significant volunteer participation). The cooperative was closed two years later (in 2011), but the parent cooperative movement in Bulgaria is growing and many new cooperatives have been founded in recent years. Cooperatives are often “pulsing organizations” (arise and dissolve after a period of time when children enter the compulsory formal education system, unless they can continue their education in a similar self-organized school).

As of 2014, there are at least 14 cooperatives located in various regions of Sofia.³¹ Other cooperatives in different towns across the country are functioning or are in the process of formation. Through informal networks and contacts, the cooperatives support each other, exchange experience, and share resources and values. All too often, a parent in one cooperative is a teacher in another, which contributes to more effective management of knowledge.

In 2012, part of the cooperatives registered as the **Association for Parent Cooperatives**, whose objectives are: implementing projects and programs aimed at the development of alternative methods of education; advocacy and lobbying for the development of civil society in support of parent involvement in education; research and development of standards for parent cooperatives; assistance for training of parent cooperative staff; running and coordination of parent support groups; sharing resources between cooperatives – books and games libraries, teaching and parenting resources, etc.; developing and conducting information campaigns in support of cooperatives through distribution of brochures, books and other materials; and conducting annual cooperative forums – conferences and seminars on problems and innovations in parent cooperative activity.

On the one hand, cooperatives continue the tradition of the cooperative movement, without formally registering as cooperatives under Bulgarian law, and if they do, they register as non-profit organizations. Rather than circumventing existing legislation, the cooperatives are actually paving a new path in a hitherto unexplored area in this country, and have made steps towards dialogue with the institutions on the regulation of alternative forms of children’s education and care. Current requirements for opening a kindergarten are not applicable to cooperatives and other alternative child-care forms in small groups (5 to 10 children) and it is necessary to develop specific standards for them.

Parent cooperatives are authentic civil associations arising out of a specific social need experienced by many parents for an alternative form of child care in harmony with their views on attachment parenting, positive education, and an environmentally friendly lifestyle. At the same time they are also centers of active social life in a small horizontal community in which parents and children learn to coexist and respect one another as well as gain experience in democratic decision-making and active citizenship. A natural extension of the cooperative initiative, launched by parents from cooperatives, is the idea of the **Democratic School**, which is in the process of implementation in Bulgaria³² with the support of the NGO Programme in Bulgaria under the Financial Mechanism of the European Economic Area.

Source: Associate Professor Emilia Slavova, Sofia University “St. Kliment Ohridski”

³¹ More information here: http://priateli.info/?page_id=2391

³² <http://www.napraviuchilishte.org/>

The social innovations resulting from civil entrepreneurship in the last 25 years in Bulgaria range from the introduction of brand new institutions and laws (Center for the Study of Democracy – concept, draft law, promotion and participation in the creation of the Ombudsman institution, a draft law on electronic document and electronic signature, etc.) or products of public-private consensus and partnership between NGOs, businesses, professional organizations, law enforcement agencies, child protection services and others (Hotline for harmful and illegal content on the Internet);³³ through existing pre-institutionalization processes (transformation of the commercial registration from a judicial to an administrative procedure – again Center for the Study of Democracy); to the provision of specific social services (sheltered housing and communes) or the development of platforms supporting the interaction between volunteers, social entrepreneurs and nonprofits (TimeHeroes,³⁴ Tuk-Tam).³⁵

**Box 2. Institution building from the bottom up:
The introduction of the Ombudsman institution
in Bulgaria**

In 1998 the Center for the Study of Democracy launched the initiative to introduce the ombudsman institution in Bulgaria as an additional mechanism for protecting human rights. After studying the experience of many countries in Europe, a concept paper was prepared for the establishment the institution in Bulgaria, followed by the first Ombudsman draft law in Bulgaria. Most of the provisions of this draft law were included in the Ombudsman Act passed by Parliament in 2003. After the election of the first ombudsman, the Center continued to work on the topic, providing expert assistance to the Ombudsman in preparing the rules for operation and structure of the administration. The Center also initiated the amendments to the Local Self-Government and Local Administration Act of 2003, which regulates the local public mediator institution. In 2009, at the request of the Ombudsman of the Republic of Bulgaria, the experts of the Center prepared an “Analysis of the legal framework regulating the work of local public mediators and recommendations for its improvement”. As part of the introduction and promotion of the ombudsman institution in Bulgaria, the Center for the Study of Democracy carried out a feasibility study for the introduction of specialized ombudsmen in specific areas of public life such as health, defense, education and others.

It is difficult to quantify how many new initiatives have been launched and successfully implemented, how many people have been affected directly and to what effect, but the intensity of social entrepreneurship in the past few years has certainly been much higher than in earlier periods and covers smaller towns (e.g. Gabrovo, Veliko Turnovo, Silistra) and villages (e.g. Devetashkoto Plato) and not only the biggest cities of Sofia, Plovdiv, Varna and Burgas. The demographic profile of social entrepreneurs covers young people who have studied or completed internships abroad (USA and Western Europe), parents of children with special education needs, active mothers of young children, and already employed in the

³³ With the key role of ‘Applied Research and Communications Fund’(www.arcfund.net)

³⁴ www.timeheroes.org. TimeHeroes received the 2012 ‘Project of the year’ award of Tulip Foundation.

³⁵ <http://www.tuk-tam.bg>

third sector. There are also young entrepreneurs in the for-profit sector supporting financially and with other resources friends of theirs who are social entrepreneurs and who are committed to an extent where they themselves can be considered as such without actually falling within any of the above four groups. **The will to creativity** organizes itself in such social civil initiatives also as a way to oppose the widespread **will to destruction** and depression in society, the extreme negativity coupled with total external causal attribution (“nothing depends on me”, “not okay”, “we are the worst off”). These social activities could be viewed as a collective self-therapy of sorts and the modern way of a relatively “non-religious” generation to “do good”. Charity is becoming ever more creative and younger. In neighboring Pirot (Serbia), graduates from the class of 2013 gave the money saved on expensive clothes for their prom to the most needy students and seniors, and their example was followed by graduates in Sofia. Traditionally part of the money from the Christmas and Easter bazaars in schools and kindergartens are donated to classmates in need (for surgery, treatment) or children in kindergartens located near old people’s homes handcraft gifts and sing songs to cheer them up. Leaders of micro-communities are increasingly calling for specific donations instead of birthday gifts.

The will to destruction was most conspicuous in the media captured by local oligarchs and politicians which organized a massive campaign against civil society and the organizations that have received American or European funding. These attacks typically implied that “sorosoids” – civil activists who at some point in their lives have worked for organizations or projects financed by the Open Society Foundation – were paid specifically by American and European foundations to organize the #ΔAHCwithme protests and to overthrow the government. The messages relied on the assumptions that Bulgarians are nationalists (which is why the party Ataka featured so prominently in the choreography), believe in conspiracy theories, and are generally superstitious (with external causal attribution) and do not believe in other people’s sincerity (even under socialism, hypocrisy was a prominent cultural trait in the public sphere). Some of the most vocal proponents of the conspiracy theory about the so-called sorosoids were politicians from BSP and journalists close to that party. Yet their closest political institute (Institute for Social Integration), headed by longtime chairman of the party Sergey Stanishev, was created with a grant from the Open Society Foundation. For many years the Foundation funded the Institute and beside Sergey Stanishev, members of its Board have included such prominent leftist intellectuals like Yuri Aslanov, Zhivko Georgiev, Mihail Mirchev. The Chair of the Board herself was an employee of “Open Society” for seven years and the preparation of the BSP government program for the 2005 – 2009 mandate was funded by the Open Society Institute through the Institute of Economics and International Relations, close to the then coalition partner of BSP – PP Social Democrats.

Similarly to mayors and businesses from towns with a strong environmental civil opposition who tried to replace authentic critics with amenable pseudo-environmental organizations such as Black Sea Association, Nature for People and Regions Association, Green Patrols, and Sustainable Development Coalition (working in high-tension areas such as Bansko and Irakli), the central government tried to do the same with the Civil Protest Movement “Osvobozhdenie”, Federation of Free Citizens, Association of Food Retailers, National forum “Obedinenie”,

National Association “Svoboda”, civil forum “Promyana”, and others, who readily attended meetings with the Prime Minister while the established civil organizations boycotted them. Many of these associations, however, are directly connected to political parties (members of the leadership of marginal parties but nevertheless ones that have participated in local and national elections). Some of them, to more than one party (including extreme left and nationalist ones); with bankrupt businesses (or at least court-ordered distraint); some have the same or related persons sitting on their governing bodies; while still others have links to notorious figures of the underworld.

As a rule, the introduction of **social innovation** in Bulgaria is a classic **technology transfer** (usually from the West), accompanied by the respective **adaptation, period of trending, and criticism**. There have been some isolated cases of the reverse process of export of social innovation and of gaining regional and wider international influence (e.g. the “Bread House” model, which claims to have global distribution; “School for Robots” – in some countries of the former USSR, “Children’s Fair” – in countries of Africa). “Destination Number One”³⁶ is a vision of George Kamov for Bulgaria as the center of (global or at least European) social innovation in 2035, which provides many practical ideas on how and what we can do to “be the change we wish to see in the world” (Mahatma Gandhi). This vision could be put into practice as a step to fulfilling the country’s commitments to the European Union to provide 0.33 percent of GDP in 2015 for official development assistance and in the long term, to reach the current target of 0.7 % (Horizon 2035).

Regrettably, not only in Bulgaria but also in the old EU member states, democracy cannot be taken for granted and must be constantly vindicated against the politicians, oligarchs, and businessmen striving to capture it. Bulgaria finds itself together with Hungary and Romania in the group of those lagging behind in democratization. The population’s trust is seriously undermined and there is increasing disillusionment with democracy and doubt that people can control their own lives. An important negative role in this respect is played by the media, which reinforces the negative-passive attitudes and nostalgia for the past, and erodes public confidence in citizen activism and the possibility of self-organization for non-commercial purposes.

³⁶ <http://nextdoor.bg/destinationbg.pdf>

2. NON-PROFIT ORGANIZATIONS IN BULGARIA: DYNAMICS OF KEY QUANTITATIVE INDICATORS OF ACTIVITY

Nonprofits have established themselves as a regular participant in social-and-economic relations in Bulgaria. Citizen participation in public and political life has been institutionalized by the *Law on Direct Participation of Citizens in National Government and Local Self-Government* and indirectly – through their participation in various consultative, advisory and coordinating councils at national, sectorial, regional and local level as regulated by the legislation (*Administration Act* and other special laws), decrees and decisions of the Council of Ministers, orders of ministers, organizational rules and regulations, etc. This type of participation as a rule does not satisfy the growing expectations of both citizens and civil society organizations for effective representation, functioning and impact of the work of the advisory councils. Flaws in their functioning that have been identified in the past (Industry Watch, 2008) are still valid today, and the measures taken do not inspire confidence that the situation will change any time soon.

Most advisory boards (consultative bodies within the ministries) have no effective mechanisms for civil society representation, they serve to legitimize decisions already taken, do not meet often, and do not provide annual activity reports or timely information about decisions taken. These are the symptoms for the low administrative capacity of the government (as represented by the various ministries) and the year-long lack of political will to empower civil society. Instances of successful inclusion of nonprofits in policy making are rather the exception and the result of tenacious pursuit of their own missions and visions than a demonstration of good governance on the part of the state (or municipalities).

The “niches” of the third sector are emerging ever more clearly in the national division of labor, the profiles of socially engaged activists, the professionalization of nonprofits, and the irreplaceable role they play as an alternative source of information and political analysis in the process of formation of independent public opinion. At the same time, practice has dispelled the initial illusions of the early 1990s for total withdrawal of the state in favor of the private sector in both its forms – for-profit and not-for-profit – and has proven the need to find optimal solutions within the so-called public-private partnerships.

In Bulgaria there are about 40,000 registered non-profit legal entities, but as of the end of 2012, less than 10,000 were actually active. Moreover, the term “active” refers even to those that reported zero activity to the National Statistical Institute in 2012. The proportion of active to registered organizations (about 25 %) is very close to the correlation between actually operating companies (250-300 thousand) and registered ones (about 1.5 million.) before

the introduction of the Commercial Register. Another activity indicator for civil society organizations in a given year is the number of health or socially insured persons and the paid professional fees, salaries, etc. Specifically, if a nonprofit did not pay health or social insurance for a single person, it can quite reasonably be assumed inactive. About 6,600 nonprofits met this condition in 2012 and provided part-time or full employment in the third sector to about 29,000 people, which would seem to be the saturation point and was reached in 2008.³⁷

On average, between two and three thousand nonprofits annually make some changes in their court registration, which is reflected in the BULSTAT register, but there are many who fail to report changes there, though they are compliant under the Central Register of Public Benefit Non-Profit Legal Entities.³⁸ The procedure of registration of nonprofits and of subsequent changes (first at the respective District Court, then in the Bulstat register, and for public benefit nonprofits, in the register of the Ministry of Justice, as well) is complicated institutionally and procedurally (in connection with convening and holding legitimate general assemblies for associations that have long been inactive and/or their boards have failed to file the due declarations with NSI or the tax administration). As a result of these complications, it often proves technically and economically unfeasible for a nonprofit to continue to work or resume activity legitimately.

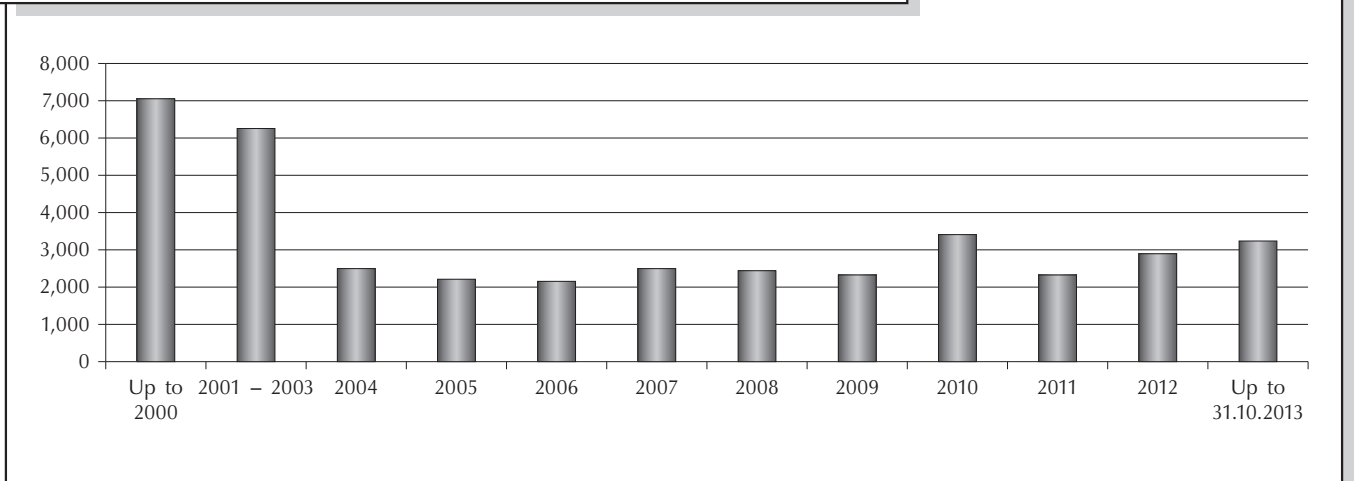
For many years the attempts of the third sector to reform the process of registration of non-governmental organizations (thoroughly substantiated in Tsenkov et al. 2010) aimed at increasing the transparency in the sector, have met with political disapproval and administrative powerlessness to implement existing legislation, so as to make at least the organizations registered as public benefit nonprofits to be fully compliant with respect to the institutions or else be deleted. A large group of associations that clearly do not comply with the law are school boards, which, according to the Education Act are required to have "public benefit" status. As a rule, school boards are captured by the headmasters and are merely an appendage, a way of legitimizing their decisions. They often thwart parent initiative when it is presumed contrary to the interests of the school director.

The number of public benefit nonprofits increases each year, and reached nearly 1,000 in 2012 and the first half of 2013. This is largely on account of newly registered entities but also old ones shifting from private to public benefit or completing their delayed first registration (as a result of complex administrative schemes, including mergers between newly registered and old entities for the purpose of preserving administrative-and-financial records necessary to apply for project grants).

³⁷ See also: Tsenkov et al. (2010) *Civil Society in Bulgaria: Trends and Risks*, Sofia: CSD, <http://www.csd.bg/artShow.php?id=15423>, p. 43.

³⁸ Such an example is the association 'Institute for Social Integration' in which board in Bulstat (checked through Apis) is still listed Sergey Stanishev (composition of the governing board from 2002). There are examples with deceased members of governing boards of associations who evidently are still working, clear from the social security and healthcare of the people in these associations.

Figure 4. Number of nonprofits in the Bulstat Register as of the respective year

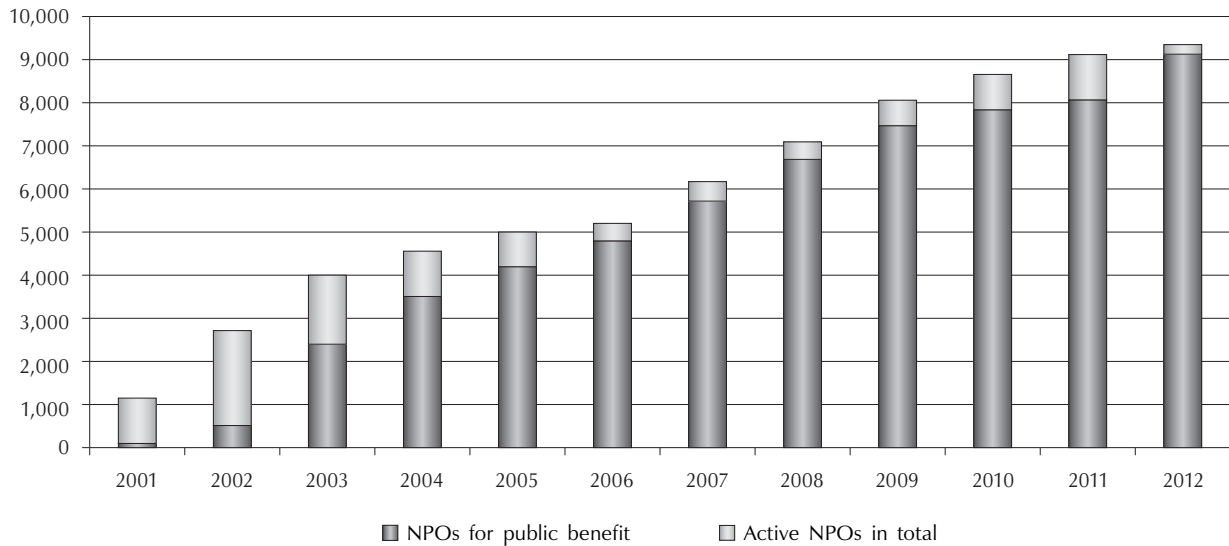


Source: *Bulstat and Apis, 2013.*

In 2012, the difference between the total registered public benefit entities and the entities reporting to NSI was only 230, which practically means that some of them did not submit reports, as there are enough active organizations for private benefit. By 2013, there were already more registered public benefit nonprofits than the actual reports submitted to the NSI – a trend that intensified over the next years. If the Ministry of Justice were to improve the website of the Central Register and give civil society access to the register as a database, and not just for individual searches, the public benefit nonprofits that do not submit reports or update the mandates of their governing bodies, etc., could easily be identified. The best solution would of course be to create a central electronic register of all nonprofits similar to the Commercial Register, which would include all the records in the present register of public benefit non-profit legal entities.

An important incentive for the dominance of public benefit nonprofit legal entities is the fact that the biggest donors for civil society programs outside the European Union require such status of the recipients of financial support. These are the Financial Mechanism of the European Economic Area 2009 – 2014, between Bulgaria and Iceland, Liechtenstein and Norway, and the Norwegian financial mechanism 2009 – 2014, between Bulgaria and Norway, totaling EUR 126.6 million. It is almost certain that all newly registered nonprofits will be public benefit entities because it is hardly likely for new donors to appear funding private benefit non-profit organizations. The requirements for registration of public benefit entities are easy to meet, and initial fears, following the adoption of the Law in 2000, that the state could intervene through the prosecutors in the activities of associations and even seize their assets did not materialize, so the trend will likely continue. Even in cases where there is obvious non-compliance with legal requirements (fewer members than the minimum required for the existence of community centers, for example), so far the prosecutor's office has remained uninvolved.

Figure 5. Dynamics of registered public-benefit nonprofits and active nonprofits



Source: NSI and Public Benefit Non-Profit Legal Entities Register, 2013.

Although corporate donorship has been on the rise each year (annual volume of donations has increased on average by 33 % and the number of donors, by about 300), the overall amount of donations remains quite small – BGN 89 million for 2012, of which BGN 21 million for public benefit nonprofits. The average donation for 2012 was BGN 15,600, while for 2011 it was BGN 13,800, which is enough to co-finance a small event (festival, conference) or publication, but cannot help ensure the sustainable development of the civil sector. Although the proportion of nonprofits that have received at least one donation is small (14-15 % for 2011 – 2012), working with private business is a very valuable experience to build on. The bulk of donations are earmarked for specific projects or even events. Possibly one of the biggest exceptions, even though involving small amounts, is the corporate donation program of Raiffeisen Bank. Besides inviting its clients to donate money for the benefit of socially significant projects and initiatives of nonprofits, it co-finances each donation choice by its employees. This practice by Raiffeisen Bank seems to come closest to the crowdfunding of social and business entrepreneurs popular in the US and Western Europe.

Corporate donations accounted for less than 5 % of the total revenues of the civil sector in the country and slightly less than 10 % of total revenue from donations (including project grants) in 2012. This roughly corresponds to the required co-financing for projects funded by European sources and was probably the case for the most part. With the exception of a small number of large donors (banks, telecom operators and industrial enterprises) that work with many nonprofits, the typical donor-recipient relations are “1-2 nonprofits/1-2 two firms”.

Table 1. Corporate donations in Bulgaria used for tax purposes (2010 – 2012)

Persons or entities for which the donation is made	2010		2011		2012	
	Number	BGN (thousands)	Number	BGN (thousands)	Number	BGN (thousands)
	5,048	50,337	5,340	68,099	5,743	89,102
Healthcare institutions	397	6,736	411	8,265	367	4,391
Specialized institutions for provisions of social services under the Social Assistance Act as well as the Agency for Social Assistance and the 'Social Assistance' fund of the minister for labour and social policy	165	425	126	318	137	546
Specialized institutions for children under the Child Protection Act as well as homes for raising and educating children deprived of parental care according to the Public Education Act and homes for medical and social care for children under the Medical-Treatment Facilities Act	438	1,372	502	2,519	537	1,390
Nurseries, kindergartens, schools, universities or academies	602	2,153	650	2,384	707	5,818
Budget enterprises within the meaning of the Accountancy Act	1,062	20,581	994	30,266	1,079	38,520
Religious denominations registered in the country	234	1,702	243	1,720	249	1,765
Specialized enterprises or cooperatives of people with disabilities, listed in the register under Article 29 of the Integration of People with Disabilities Act, as well as in favour of Agency for People with Disabilities	84	218	72	85	67	63
People with disabilities, as well as for technical facilitating devices for them	341	2,511	369	2,566	356	2,617
People who were victims of disasters within the meaning of Disasters Protection Act, or of their families;	8	31	8	16	44	523
Bulgarian Red Cross	59	118	64	304	129	543
Socially disadvantaged persons	87	162	86	317	120	402
Children with disabilities or without parents	224	949	259	857	216	1,268

Table 1. Corporate donations in Bulgaria used for tax purposes (2010 – 2012) (continued)

Persons or entities for which the donation is made	2010		2011		2012	
	Number	BGN (thousands)	Number	BGN (thousands)	Number	BGN (thousands)
Cultural institutes or for the purposes of cultural, educational or scientific exchange under an international treaty in which Bulgaria is a party	175	639	189	557	152	8,058
Legal non-profit entities registered in the Central Registry for Non-profit Legal Entities for community service, with the exception of organizations supporting culture within the meaning of the Law on Patronage	994	11,544	1,209	16,692	1,372	21,433
School and university students at schools in EU member states or another country- party of the agreement of the EEA for instituted and provided scholarships for learning	96	913	90	1,118	80	1,349
'Energy Efficiency' fund	*	*	*	*	7	13
Communes for the treatment of drug addicts as well as to drug addicted people for their treatment	17	39	9	7	8	12
United Nations Children's Emergency Fund (UNICEF)	62	240	55	104	115	389
Center 'Fund for Treatment of Children', Center 'Fund for Assisted Reproduction' and Center 'Fund for Transplantations'	*	*	*	*		
Granted free aid within the terms and conditions of the Law on Patronage			*	*		
Donations of computers and peripheral equipment for them, produced within one year before the date of the donation, in favour of Bulgarian schools, including higher education					*	*

Note: * confidential data.

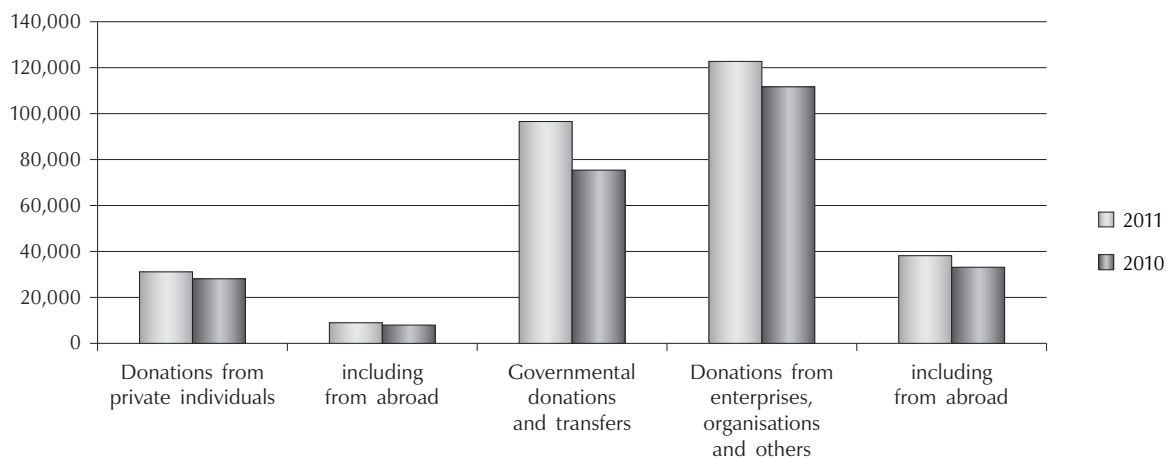
Source: National Revenue Agency, 2013.

According to available data, companies and non-profits report donations differently. Of course, it is not at all mandatory for all donations to be used for tax purposes, but in-depth interviews with corporate donors suggest that it is likely a matter

of different accounting methods, rather than a four-times bigger volume of donations than actually reported (when we take into account donations from local businesses and organizations and subtract the amounts reallocated by nonprofits to other such entities).

One favorable development is the increase in local individual giving – BGN 22 million, which is equal to the revenues from rent of non-profit organizations. **The tax treatment of donations by natural persons (up to 5 %) is less favorable than that of donations by legal entities (up to 10 %) and needs to be made equal.** Notwithstanding, the difference in the correlation between donations by natural persons reported for tax purposes and the declared sources of donations on the part of nonprofits is even greater than that for firms – more than 7 times.

Figure 6. Dynamics of donations as reported by nonprofits as recipients



Source: National Statistical Institute, 2013.

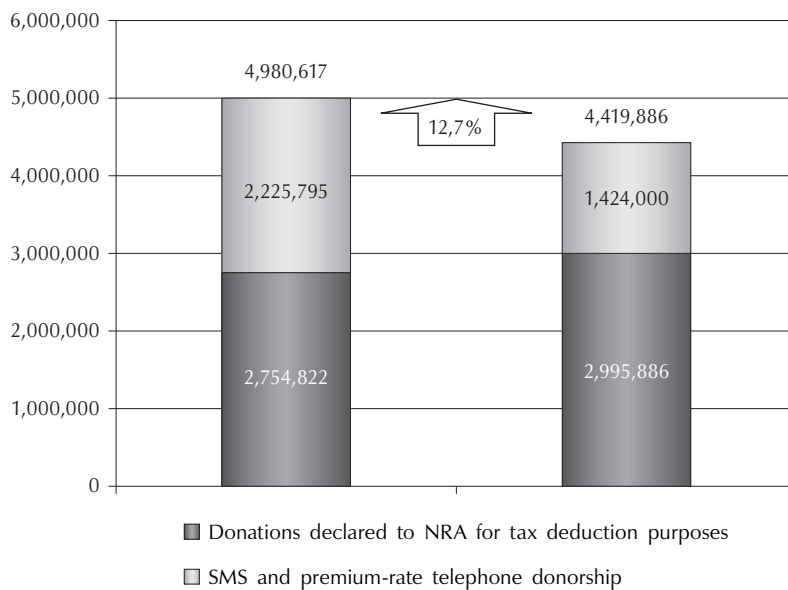
Unlike legal entities, private individuals are not particularly motivated to report all donations, all the more that it is sometimes technically unfeasible (especially when donations are made “anonymously” and the donors receive a postcard, T-shirt, or other product). It is a bad practice to substitute classic merchandising (additional business activity carried out to raise funds for project activities) for “donor gifts”. Such mechanisms are typically used in festival events, including for the purpose of avoiding the complicated administrative processes related to the mandatory use of a cash register and the additional accounting obligations.

Around 700-800 people report donations to public benefit nonprofits in their tax returns. They represent different categories of donors – typical patrons and philanthropists who fund associations with good reputation and projects of public

interest, people sympathetic to a particular cause (children with certain diseases or difficulties, environmental causes), and managers and employees of non-profit organizations who donate part of their income to support the self-financing of projects.

2012 marked a significant increase (over 50 % of the number of donations) in individual donations by texts (just over 2 million SMS messages) or phone calls (180,000). There has equally been an increase in non-financial donations in the form of fuel and heating materials, food and food coupons, and clothing (more than one-third of total number of donations), medicines and cleaning products, construction materials (usually in connection with floods, landslides etc.) and the like.³⁹ There have appeared various initiatives to facilitate individual donations of labor (TimeHeroes in 2009), donation of time in exchange for contributions to one’s favorite project from advertising revenues (yatoto.com in 2013), corporate pro bono programs (SalesForce) or donation of software for nonprofits (Microsoft, Adobe, Semantec) through the TechSoup program of the Civic Initiative Workshop foundation, etc.

Figure 7. Dynamics of donations by private individuals (BGN)

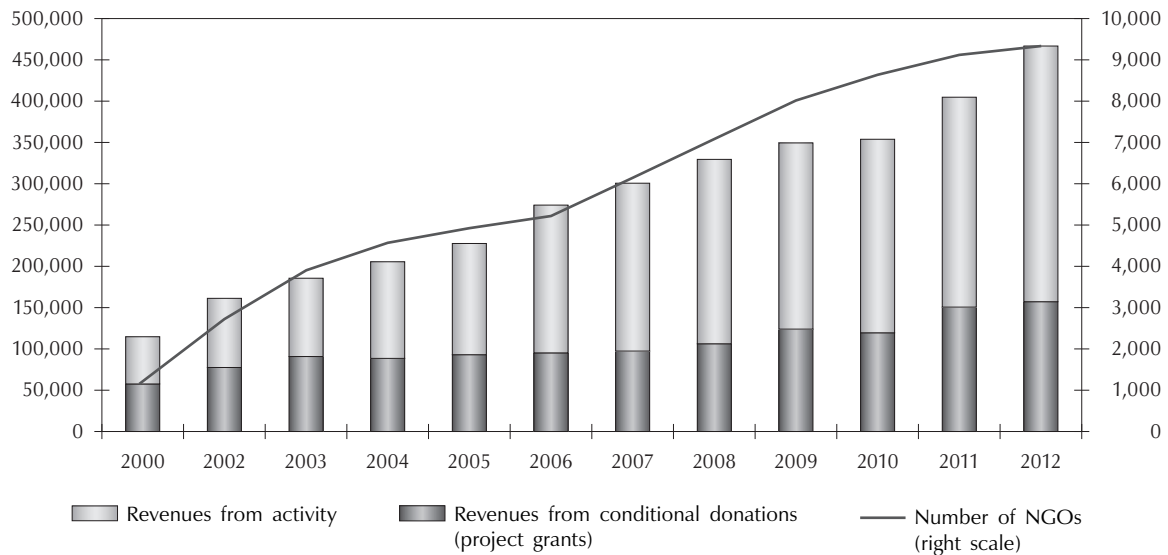


Note: The bars in blue indicate donations reported for tax purposes; in red: donations through text messages or phone calls at extra charge.

Source: Donorship in Bulgaria in 2012, Bulgarian Donors Forum, 2013.

³⁹ Donorship in Bulgaria in 2012, an analysis by the Bulgarian Donors Forum available at: http://www.dfbulgaria.org/wp-content/uploads/2013/10/BDF_ANALIZ_DARITELSTVO_BG-2012.pdf

Figure 8. Dynamics of number of nonprofits and revenues (2000 – 2012)



Source: National Statistical Institute, 2013.

About half of the total revenue of nonprofits comes from business activity.⁴⁰ The highest values were observed in 2007 and 2010 (54 %), and the lowest, in 2005 and 2006 (41 %). For 2012 this share was close to the all-time high (53 %). It is extremely difficult to estimate what part of the business activity are actually “hidden grants” in the form of advertising contracts or participation in tenders for providing research and analysis, or typical commercial business carried out through NGOs in order to remain “under the radar” of control bodies.

In Bulgarian reality, the business activity of nonprofits is extremely unevenly distributed and respectively, intransparent to the public. A quarter of the nonprofits (24 % in 2010 and 26 % in 2011) report some income from business activity and the total income from business activity amounts to half of the total revenue of NGOs (54 % in 2010 and 51 % in 2011). What is more, about 1,200 NGOs per year (by NSI data on 2010 and 2011), or less than half of the NGO that have income from business activity, earn more than half of their entire turnover in business activity.

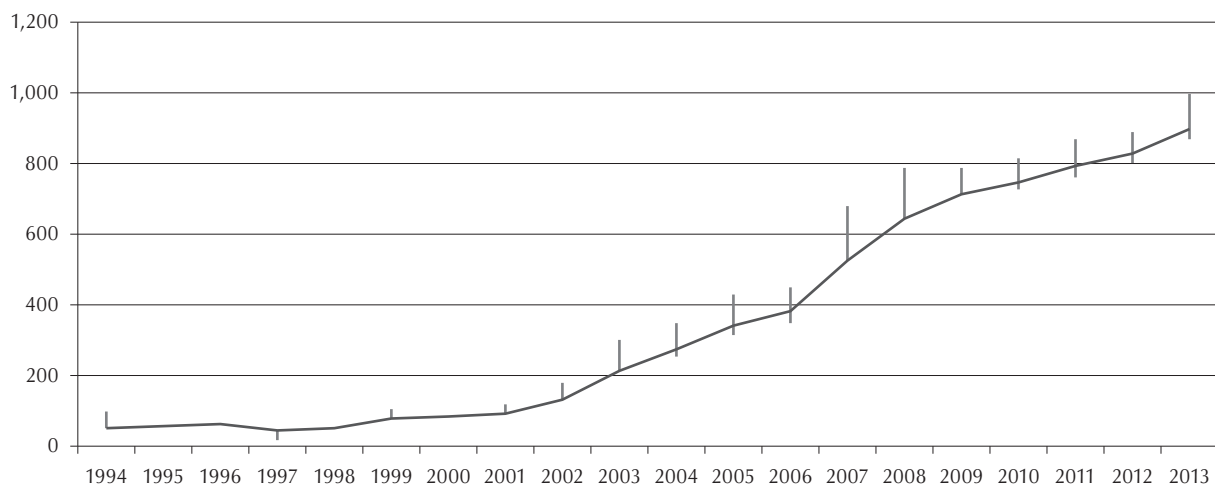
A large part of NGOs engaged in business activity, however (more specifically, around 2,000 of them) have modest turnover (total turnover is below the threshold for VAT registration), which means that the business of the remaining approx. 800-900, those with VAT registration, is considerably larger. There are large NGOs

⁴⁰ The opposite can also be observed: firms work on projects with grant funding (without profit). One of the most successful Bulgarian companies in the FP/Horizon 2020 is Ontotext (part of Sirma Group).

(with a turnover above the threshold) that are not registered for VAT because they operate only with grants and this is permitted by existing regulations.

Nearly half of all VAT registrations (48 %) are in Sofia, followed by Plovdiv and Varna with 5 % each, and other cities with much smaller shares. The champions of VAT deregistration of NGOs, with over 40 %, are Burgas, Vratsa, Razgrad, Pernik, Pleven, Sliven, Smolyan, and Yambol. Maintaining VAT registration is proving costly and inefficient, especially when NGOs operate mainly with grants from the European Union and the Financial Mechanism of the European Economic Area.

Figure 9. Dynamics of VAT registered NGOs



Note: The data are accumulated and for each year, the bar above the line shows new VAT registrations and the segment below the line, deregistrations. Data for 2013 are as of October 31, 2013.

Source: VAT Register and own estimates, 2013.

The income-generating activity of nonprofits is uneven and some NGOs which had reported income in 2010, did not have any in 2011, or vice versa. This led to discrepancies, though fairly minor, in the summary profit-and-loss statement for the sector calculated by NSI based on reports submitted in 2010 and 2011. In summary accounts, the differences are minimal (total costs – 3.5 %, profit – 6 %); for larger accounts (net income from sales – 2.9 %), or any accounts referring to accounting operations in nonprofits with stable business activity, there is full concurrence.

The economic activity of nonprofits largely consists in providing services (94-96 % of total revenues from business activity for the period 2009 – 2011). One stable source of income for nonprofits (15 %) engaging in economic activity is the rental of premises (these are mostly community centers and associations that have been granted rights of occupancy by the state or municipalities). As a rule, community

centers own or manage extremely valuable properties which are being leased under far less transparent and competitive procedures than real property of municipalities, ministries and even state universities.

Among the major nonprofits managing such real property are the “Slavyanska Beseda” community center (manages the property housing “Sulza i Smyah” Theater and a nightclub in the building of the community center), the Bulgarians from Macedonia Foundation (which manages the Macedonia House in Varna), and even a few school boards in Sofia and the country which manage retail and agricultural land properties. In many smaller towns (e.g. Gorni Dubnik, Kostandovo and Dupnitsa) and villages, the situation is similar – community centers are renting out their properties for use as gambling halls, shops and even industrial premises, moreover to close friends or family, in the absence of guarantees of a fair rent price and ultimately, of public benefit from the use of public property. In many cases this leads to legal battles between the municipality and community centers for the ownership rights over specific particularly attractive properties or between different factions in the management of community centers that want to control the rental income or to whom to lease the premises.

Table 2. Summarized profit-and-loss statements of nonprofits engaged in economic activity in 2010 and in 2011

Expenditures groups	As of report from 2011 Sums in BGN (thousands)		As of report from 2010 Sums in BGN (thousands)	
	2011	2010	2010	2009
A. Expenditures				
I. Operating expenditures				
Decrease in finished goods and work in process inventories	225	148	197	667
Expenditures for raw materials and external services	82,441	73,283	76,359	81,547
Raw materials	25,795	21,915	22,480	20,807
External services	56,646	51,368	53,879	60,740
Expenditures on staff	42,044	39,564	39,852	36,736
of which;				
Expenditures for remuneration	35,748	33,981	34,150	30,739
Expenditures for social security	5,866	5,542	5,670	5,962
of which: security related to pensions	1,159	1,042	1,034	1,162
Expenditures for depreciation and impairment	7,270	6,622	6,717	6,578

Table 2. Summarized profit-and-loss statements of nonprofits engaged in economic activity in 2010 and in 2011 (continued)

Expenditures groups	As of report from 2011 Sums in BGN (thousands)		As of report from 2010 Sums in BGN (thousands)	
	2011	2010	2010	2009
Expenditures for depreciation and impairment of tangible and intangible assets	7,266	6,619	6,706	6,530
of which:				
Expenditures for depreciation	5,755	6,001	6,055	5,816
Expenditures from impairment	1,251	35	82	159
Expenditures from depreciation of current (short-term) assets	4	3	11	48
Other expenditures	17,935	19,843	20,485	20,110
of which:				
Balance value of sold assets	3,712	6,994	6,110	6,342
Provisions	125	201	190	137
Total for Group I	149,915	139,460	143,610	145,638
II. Financial Expenditures				
Expenditures from impairment of financial assets including investments, recognized as current (short-term) assets	1,132	1,330	1,352	919
of which losses from exchange rate changes	987	1,115	1,097	324
Expenditures for interest rates and other financial expenditure	2,279	1,511	1,697	1,973
of which:				
Expenditures associated with enterprise group	1	20	11	22
Losses from transactions with financial assets	108	47	38	62
Total for Group II	3,411	2,841	3,049	2,892
B. Profit from ordinary activities	19,825	26,948	28,484	25,926
III. Extraordinary charges	158	72	76	245
including for natural and other disasters	1	0	0	0
Total Expenditures (I + II + III)	153,484	142,373	146,735	148,775

Table 2. Summarized profit-and-loss statements of nonprofits engaged in economic activity in 2010 and in 2011 (continued)

Expenditures groups	As of report from 2011 Sums in BGN (thousands)		As of report from 2010 Sums in BGN (thousands)	
	2011	2010	2010	2009
B. Accounting profit (total revenues – total expenditures)	19,831	27,014	28,554	25,956
IV. Tax on profit	1,365	2,302	2,347	2,053
V. Other taxes, different from corporate tax	-10	-6	10	32
C. Profit (B – IV – V)	18,478	24,710	26,195	23,889
Total (Total Expenditures + IV + V + Γ)	173,317	169,379	175,287	174,749
Revenues group	As of report from 2011		As of report from 2010	
	2011	2010	2010	2009
A. Revenues				
I. Revenues from operational activity				
Net profits from sales	137,921	124,664	128,313	140,439
Products	1,115	1,269	1,586	2,658
Goods	4,703	4,790	4,532	6,433
Services	132,103	118,605	122,195	131,348
of which:				
Revenues from trading and intermediary activity	652	418	632	613
Revenues from rents	20,374	20,466	20,052	19,530
Revenues from industrial services, including from tolling	775	735	168	98
Increase in finished goods and work in process inventories	806	493	542	409
Asset acquisition costs as a result of business activity	891	760	834	2,629
Other Revenues	16,682	21,003	20,569	15,863
of which:				
Revenues from financing	6,690	5,947	6,375	3,726
From them: from the government	403	286	634	686

Table 2. Summarized profit-and-loss statements of nonprofits engaged in economic activity in 2010 and in 2011 (continued)

Revenues group	As of report from 2011		As of report from 2010	
	2011	2010	2010	2009
Revenues from sales of raw materials	87	31	71	90
Revenues from sales of fixed assets	1,626	6,280	4,560	3,979
Total for group I	156,300	146,920	150,258	159,340
II. Financial revenues				
Revenues from investments in subsidiaries, associates and joint ventures	372	5,750	7,591	553
of which revenues from enterprise group	59	27	3	0
Revenues from other investments and loans, recognized as non-current (fixed) assets	138	298	363	476
including revenues from enterprise group	0	151	151	308
Other interests and financial revenues	4,294	4,443	4,545	5,373
of which:				
Revenues from enterprise group	29	12	17	27
Gains from transactions with financial assets	400	95	82	36
Gains from exchange rates changes	912	912	714	659
Total for group II	4,804	10,491	12,499	6,402
B. Losses from ordinary activity	12,047	11,838	12,386	8,714
III. Extraordinary revenues	278	329	319	181
of which received insurance payments	1	1	3	7
Total revenues (I + II + III)	161,382	157,740	163,076	165,923
B. Accounting loss (total revenues – total expenditures)	11,933	11,647	12,213	8,808
G. Loss (B + IV + V)	11,935	11,639	12,211	8,826
In total (Total revenues + G)	173,317	169,379	175,287	174,749

Source: National Statistical Institute, 2013.

The income-generating activity of nonprofits is extremely wide-ranging and has been reported in 35 of the 39 sectors of economic activity. Seven sectors accounted for the largest share of business income in 2010 and 2011, and by expert estimates would retain their positions in the next two years: education; real estate operations (incl. rental); warehousing and support activities for transportation; culture, sports

and entertainment; activities of head offices, management consultancy, architectural and engineering activities, technical testing and analysis; and advertising and market research. In 2010, they cumulatively generated 80 % of all revenues, and in 2011, their share increased to 85 %.

Part of the income is clearly earned from end-users/population (e.g. in the restaurant industry, retail), another part comes from business partners (research and development, advertising and market research, management consultancy) and a third portion may be collected from both private individuals and companies (education, culture, sports and entertainment).

Income generated by sales to the population is stable (3 % growth in 2011 compared to 2010), but there is a slight drop in the relative share of end-user sales in the total revenue from business activities (from 17.6 % in 2010 to 16.7 % in 2011).

Citizens participate in several different ways in the financing of nonprofits – by donations, sales, and membership fees – which show a varying degree and form of commitment to the work of non-profit organizations. Donations from private individuals (BGN 31.3 million) slightly prevail over direct sales (BGN 23.3 million), on account largely of foreign donations (BGN 8.9 million). Total donations and sales combined, however, account for less than membership fees. In total, the income from membership dues for 2011 amounted to BGN 72 million, including membership fees charged to companies by business associations. These revenues and the membership composition (number and characteristics of member firms) in business associations are a highly sensitive issue because we often witness heated debates in the public domain about the (non-) representativeness of business associations. The Confederation of Employers and Industrialists in Bulgaria (CEIB) proposed in 2011 impracticable (and unverifiable) conditions for representation such as 33 % of GDP generated by the companies in the association and proven collected membership dues amounting to BGN 500,000. The fact is that none of the business associations submit proper reports to the NSI, because official data on membership of legal entities in associations indicate 102 entities in 2011 (108 in 2012), which is significantly less than the number of members even of small business associations, clusters or regional branches of the Bulgarian Industrial Association (BIA) or the Bulgarian Chamber of Commerce and Industry (BCCI). Of course, the same flaws apply to the reporting of individual members of non-profit legal entities who officially numbered only 1,687 people in 2011 and 1,869 in 2012. According to a sociological survey by the Bulgarian Center for Non-Profit Law (2013), between 2 and 4 percent of the adult population self-reported themselves as members of non-profit organizations, which is about 100 times more than the actual number reported to NSI. Although business is wealthier than citizens, the revenues from membership dues reported to the NSI are predominantly accounted for by private individuals (about 50 million from citizens and 20 million from businesses and professional organizations, including the liberal professions and independent entrepreneurs).

Large groups of nonprofits have serious problems with maintaining proper accounting records, as evidenced by the numerous discrepancies in the statistical

data reported to NSI. For example, the bulk of the revenue of the boards of schools, kindergartens and nurseries is made up by membership fees (described in the statutes and fixed on such basis), but in their activity reports these are actually unconditional donations from individuals (e.g. 9th French Language School – Sofia activity report, 2011) or other revenue. Experts estimate the total income from membership fees for school boards (including kindergartens and nurseries) in the range of BGN 10 to 15 million. The total turnover of the boards probably exceeds BGN 20 million. Among the boards with the highest revenue are more notably those of the National Educational Complex of Culture – Gorna Banya (with over BGN 1 million in annual revenues) and the “St. Paisii Hilendarski” Board of the Sofia High School of Mathematics (SMG) (with revenue between BGN 500,000 and 1 million).

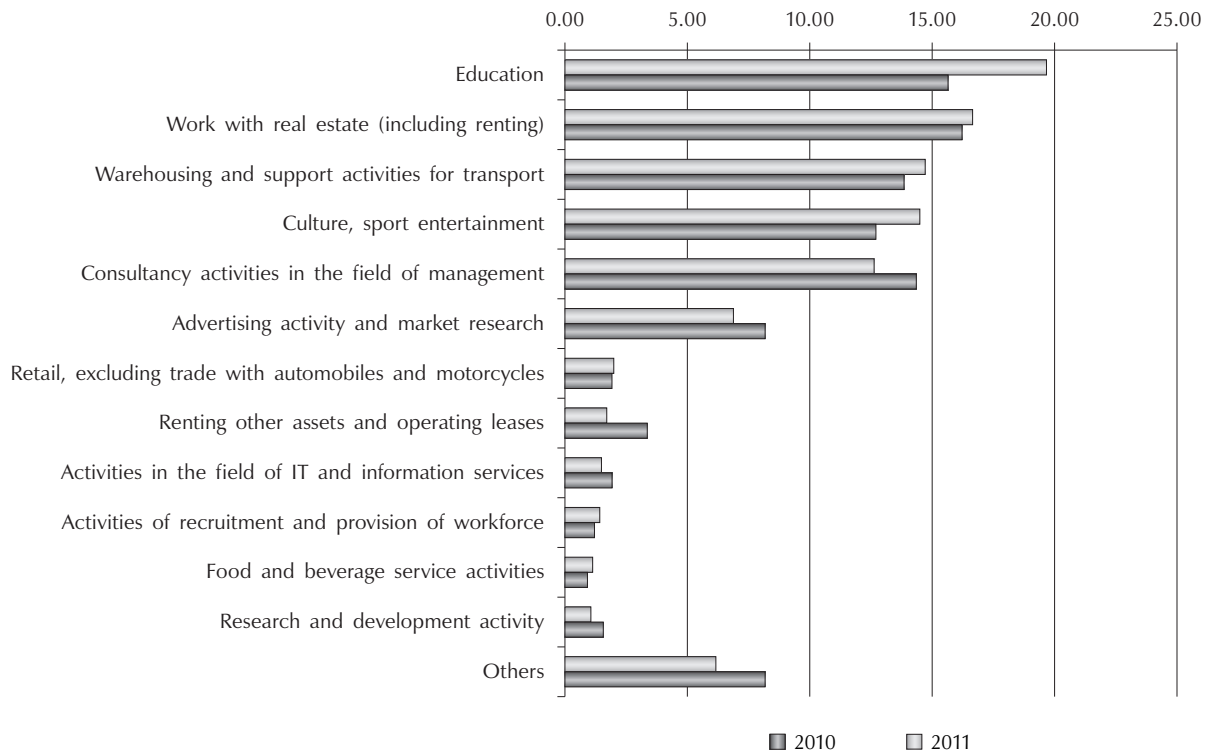
After criticism of the boards made in the publication *Development of Civil Society in Bulgaria: Trends and Risks* (2010) and submitted to the Ministry of Education and Science (MES) business register of trustees in 2013, saw a weak trend in registration public interest (as required by the Education Act) but still very large schools in Sofia and in the country have not signed the boards in the Central register of NGOs in the public interest and do not provide a transparent form reports on its activities (incl. accounting statements). A significant part of the revenues of NGOs by providing educational services are actually services of boards providing courses (potential candidates in school) and extra care programs (already trained children).

Following the criticism of the boards in the publication *Development of Civil Society in Bulgaria: Trends and Risks* (2010) and a working register of the boards submitted to the Ministry of Education and Science in 2013, there was a slight trend towards registration of public benefit entities (as required by the Education Act) but many large schools in Sofia and in the country have still not registered their boards in the Central Register of public benefit non-profit legal entities and do not provide transparent activity reports (incl. accounting reports). A significant portion of the revenues of nonprofits from the provision of education services is in fact generated by the courses organized by the school boards (for potential school candidates) and after-school care programs (for already enrolled children).

The Bulgarian non-profit sector is highly concentrated – 220 associations, community centers and foundations (with turnover exceeding BGN 500,000) account for 90-95 % of the total turnover of the sector, and the 220 largest non-profit employers account for 32 % of the total employed in the sector (2012). The largest non-profit associations by average number of insured persons are the American University in Bulgaria, the National Centre for Social Rehabilitation, the Bulgarian Red Cross, the Bulgarian Football Union, BIA, BCCI, and other business associations, professional associations and unions, and sports clubs.

The largest community centers (by employment size) are “Lambi Kandev – 1893” in the town of Iskar, “Hristo Botev – 1884”, Botevgrad, “Razvitie – 1869”, Vratsa and “Bratya Miladinovi – 1914”, Petrich (over 50 employees). Community center “Rodina – 1860” from Stara Zagora is the only community center with a turnover exceeding BGN 500,000 and comes close to the biggest ones in the sector by number of employees (45 people in 2012).

Figure 10. Income-generating activity of non-profit legal entities by sector of economic activity (share in total revenue from economic activity in 2010 and 2011)

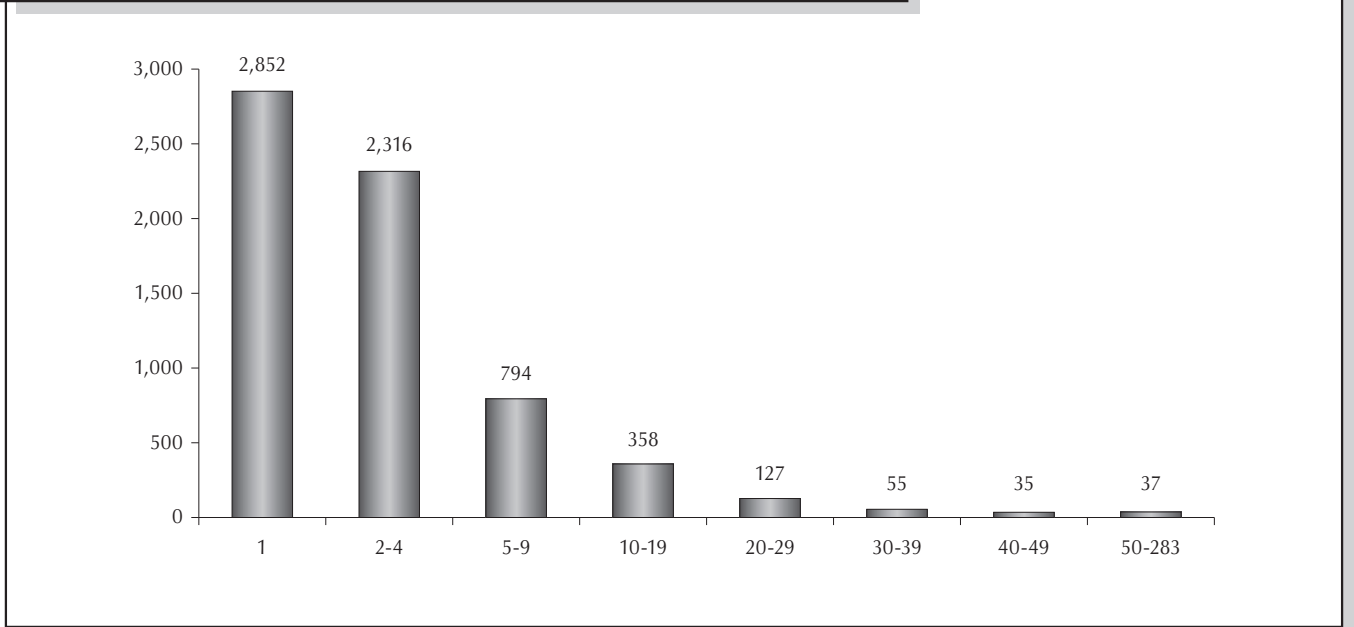


Source: National Statistical Institute, 2013.

Despite the many new organizations registered each year, the third sector is still heavily dominated by the old organizations and people who used to worked in them and there still lack those social start-ups that will redefine the geography and typology of the third sector, similarly to what is happening in the economy and business as a result of the new technologies. Existing mechanisms to support social entrepreneurship are still very weak and project-centered and therefore tend to attract low-risk ideas and proposals. The landscape of the third sector is unevenly developed. It features advanced and competitive international think tanks and socio-political institutes, as well as strong and effective environmental organizations, yet local civil society structures in small towns are poorly developed. This imbalance and the associated disparity of investments in civil society, revenues, and tangible results, tend to drive further apart the perceptions and attitudes to civil organizations of different sections of society and increase their susceptibility and vulnerability to Russian anti-Western propaganda.

Similarly to the development of risk financing infrastructure in business, which is supposed to facilitate business innovation, it is equally necessary to develop

Figure 11. Number of nonprofits by average employment size in 2012



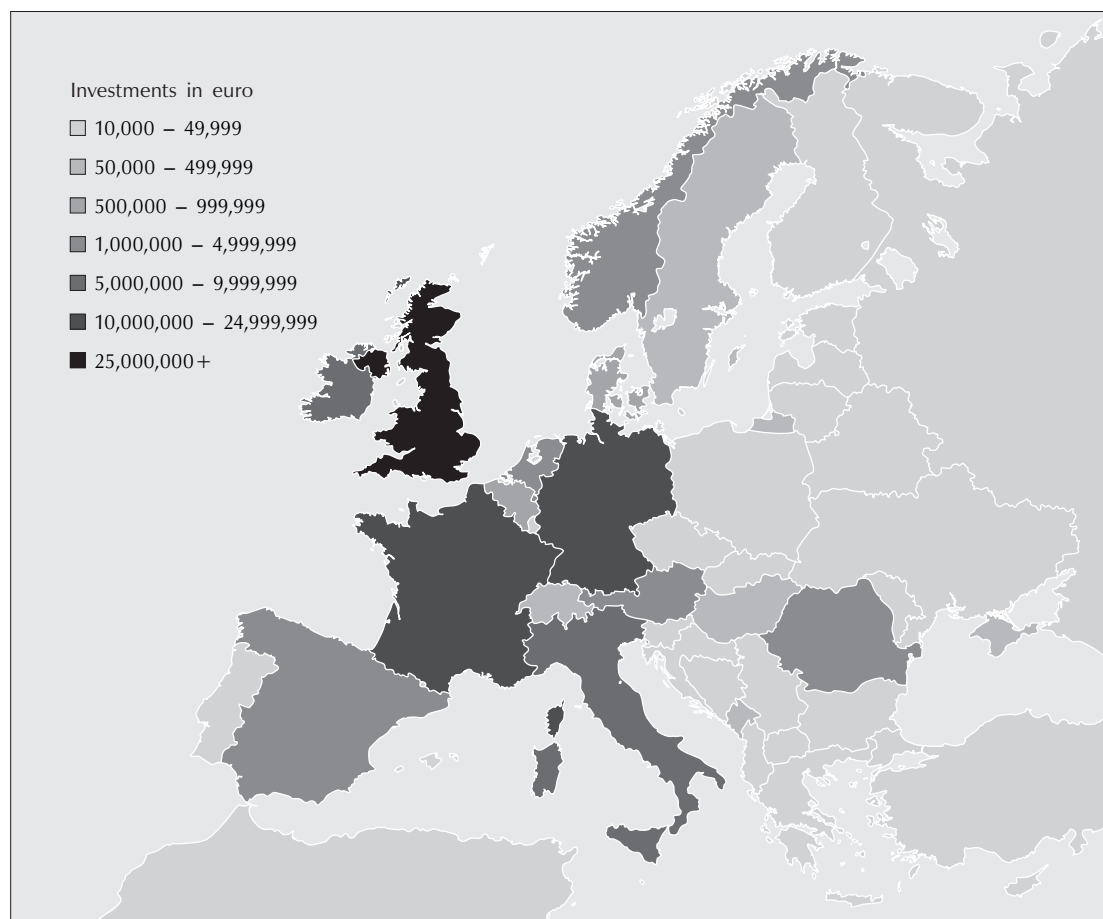
Source: NSI and APIS.

mechanisms of risk financing of social innovation and social entrepreneurship on the part of civil society organizations. Such funding is already available in neighboring Romania (or at least more readily available than in Bulgaria).

Venture financing of civil society is best developed in Great Britain. The largest fund (with a capital of £600 million) for such financing was created in 2012 by British Prime Minister David Cameron. Similar initiatives exist in nearly all European countries but have greatest visibility in a more liberal context. Buckland, Hehenberger and Hay from Stanford University (Buckland, Hehenberger and Hay, 2013)⁴¹ sum up the development of venture financing of civil society following Salamon and Anheier's classification: liberal model, welfare partnership model (the corporatist one in Salamon and Anheier's taxonomy), the social-democrat model, and the developmental model (etatist in Salamon and Anheier's terms). The pattern of diffusion of venture philanthropy from the United States to Europe followed a zig-zag trajectory – liberal countries, social-democratic countries, corporatist, and finally etatist ones (countries in transition). One of the most notable differences in Europe compared to U.S. is the fact that venture philanthropy started through the financial institutions (even in countries like Spain where they are in a weak and risky position), rather than in the technology sector as in the United States. In line with this European tendency, even some banks in Bulgaria (Raiffeisenbank, Post Bank, Unicredit, First Investment Bank, and others) have begun to engage in such projects, though with much smaller amounts and in low-risk projects.

⁴¹ <http://www.nesst.org/wp-content/uploads/2013/07/SSIR-Summer-2013-The-Growth-of-European-Venture-Philanthropy1.pdf>

Figure 12. Venture philanthropy expenditure in Europe, 2011



Source: *European survey of venture philanthropy and social investing 2011 – 2012.*

3. POLICY CONCLUSIONS AND RECOMMENDATIONS⁴²

On the political level, the most important milestone in the development of civil society since 2010 has been the adoption of a *Strategy to Support the Development of Civil Organizations in the Republic of Bulgaria* for the period 2012 – 2015, and the associated *Action Plan* (2012). The Strategy was a (belated) key first step in the implementation of the strategic reform proposals made in the publication *Development of Civil Society in Bulgaria: Trends and Risks of 2010*. The Strategy set out actions grouped under three measures – public-private partnership, financial sustainability of civil society organizations, and supporting citizen activity. A key omission was the **non-inclusion of support to social entrepreneurship** in Measure 3 of the Strategy that was confined to the problems of volunteering and interaction with public authorities (which rather falls within the scope of Measure 1).

As has become the practice in Bulgaria, the endorsement of a Strategy does not mean anything except that at some point civil society, the European Commission or some senior members of the administration were able to convince one or more ministers of the need of its adoption. Just like political election programs have little bearing on subsequent policies, strategies are generally not implemented, and the *Strategy to Support the Development of Civil Organizations* has been no exception. The only tasks and measures on which some progress has been made are those assigned to stakeholders outside the government (in this case – largely analytical work carried out by the third sector). Regarding the most important institutional changes (council for development of civil society) and the reform of registration procedures and registers, there has been no headway.

What is more, even at the time of adoption of the Strategy, no steps were taken to update other related program documents (e.g. *Strategy for the Establishment of a Central Register of Legal Entities and Electronic Registry Office in the Republic of Bulgaria*; *Strategy for Electronic Government in the Republic of Bulgaria*, and others) or the special acts of legislation regulating specific types of non-profit legal entities such as the community centers, school boards, sports clubs, etc.

⁴² This chapter is a revised and expanded version of the chapter “Policy recommendations and conclusions” in the publication Tsenkov et al. (2010) *Civil Society in Bulgaria: Trends and Risks*, Sofia: CSD, due to the fact that the recommendations are still valid and today. The changes in the legislation for the period 2010 – 2013 are taken into account.

Box 3. Measures provided for in the Strategy for supporting the development of the civil organizations in Bulgaria during the period 2012 – 2015

Measure 1. Building a working partnership between the state and civil society organizations

- Formulating the basic principles of partnership with the state and local authorities, incl. openness and transparency of the required and provided support from the state;
- Creation of Council for the Development of Civil Society under the Prime Minister;
- Improving the framework for accounting and statistics of the civil organizations;
- Forming working groups of representatives of civil organizations and state institutions to analyse:
 - Non-profit legal entities and the activity of the Central register, incl. clear definition of the concept of civil organization and clear criteria for activity of socially useful activity of the civil organizations.
 - Existing registers created in implementation of separate legislation and supported by various state and local authorities institutions and define clear criteria for delegating the performance of services or activities by civil organizations.
- Periodic analysis of the environment and update of the financial and legal framework for civil society organizations in the Republic of Bulgaria.
- Analysis of the current practice with regard to civic participation and the participation of non-governmental sectors in advisory, public and other boards and making suggestions for clear rules of:
 - the provision of a feedback on the proposals of citizens.
 - equality of the representatives of the non-governmental sector for participating in consultative bodies and transparency in the work of such bodies.

Measure 2. Achieving financial stability of civil organizations in Bulgaria

- Supporting and promoting philanthropy.
- Creation and implementation of a mechanism for financing the civil sector in Bulgaria, which does not repeal funding received by NPLE under the terms and conditions of the respective special laws.
- Publishing of the webpages of the budget authorizers regarding comprehensive and structured information about the funding for civil organizations provided and the results achieved.
- Analysis of the barriers that NPLE face for applying and implementing projects under EU programs, administered by state and local authorities, and analysis of the capabilities to create a fund for bridge lending of NPLE in implementing projects under the operational and international programs.
- Developing common principles and criteria for funding, applicable to all budget authorizers who finance civil organizations and their adoption by a legal act (following the example of Decree № 121 of the Council of Ministers 2007).
- Analysis of the provided funds for NPLE support under the consolidated fiscal program aiming at more effective investment of public funds.
- Analysis of alternative forms of NPLE funding from public funds practiced in the EU.
- Unification and computerization of procedures for applying for funding from the consolidated fiscal program of civic organizations.
- Establishing and/or determining an organization in support of the development of civil society.

Box 3. Measures provided for in the Strategy for supporting the development of the civil organizations in Bulgaria during the period 2012 – 2015 (continued)

Measure 3. Crating conditions for active citizenship

- Establishing clear rules and procedural modalities for civic participation, incl. at local level, so that the opinions of civil society organizations to become part of the required materials for consideration in decision making.
- Identifying appropriate time limits for submissions of opinions, proposals, etc. on behalf of the citizens and civil organizations in regard to projects, documents, decisions, etc. of state and local administration.
- Support for volunteering as an expression of active citizenship through the adoption of the Law on Volunteering, support of volunteering initiatives including opportunities for internships for students and others.
- Creating conditions for inclusion of civic education in the schools and universities program, as well as support for informal educational initiatives.

Since 1995, the Center for the Study of Democracy has been advocating a **comprehensive reform of registration procedures and registers of legal entities** in Bulgaria⁴³ which is still incomplete. Such a reform would increase **transparency**, **reduce transaction costs** in the economy, and would make **possible a new type of civil control and self-regulation** with the help of **crowdsourcing**, as well as facilitate more effective risk assessment and administrative control by the institutions. It would thus enable civil society organizations to act as **“watchdogs” of the democratic process** in a far more modern and effective manner and at the same time, as an **instrument of governance** (controlled by the institutions and the respective elites), at the very least by providing new information services.

The functioning of an **integrated electronic registry** in the long term, and the **operational compatibility and system integration of the existing registers** (more than 100 in central government and more than 600 in local government) in the short term, are indispensable conditions for the effective performance of comprehensive e-government in this country.

Specifically concerning non-profit organizations, this reform will have many positive effects: it will solve the problems of the current Central Electronic Register of public-benefit nonprofits with the Ministry of Justice; will ease the burden on a great many municipalities that are required (by the Municipal Property Act) to keep registers of their participation and representation in the governing bodies of

⁴³ The Center for the Study of Democracy began with the development of the Law on Registered Pledges in 1995-96. Later in two publications *“Reforming Judiciary in Bulgaria: Towards the Introduction of Modern Registration System”* 2002 and *“Opportunities for Development of Central Register of Legal Entities and an Electronic Registries Center in Bulgaria”* 2003 and on numerous public events were overlapping the main points of the registration reform and it was promoted the development of the *Strategy for the Development of Central Register of Legal Entities and an Electronic Registries Center in Bulgaria*, adopted with Decision № 260 by Council of Ministers.

nonprofits, but do not; will allow automated verification of compatibility of various public office categories, and many others.

With Bulgaria's accession to the EU, the country took on commitments regarding to the **international development assistance** provided by the Union. Under these commitments the contribution of the country should reach 0.33 % of the gross national income (GNI) by 2015 (EU average target being 0.7 percent by that year). The necessary laws and regulations for this to take place have not been adopted yet and the country is not sufficiently prepared organizationally and technically to act as a donor for developing countries. Additionally, it is unprepared to use the already built capacity of civil society for work in countries and topic areas of priority to Bulgaria, as well as use it with important international development partners (international organizations and donors who until recently operated in Bulgaria). However, it is necessary to proceed with caution regarding the **mechanisms of inclusion of nonprofits in this process** in order to avoid repeating the bad example of the Operational Programme Administrative Capacity (OPAC). The governing body of OPAC allowed the assigning of projects specifically dedicated to civil society development to organizations lacking experience and whose managing boards were dominated by representatives of various local and central authorities and local party leaders.

Regardless of the chosen approach to operation in the specific recipient countries of Bulgarian international aid, our institutions are very likely to come up against the problem of "**civil society capture**". This is why it is of great importance to provide **good governance mechanisms** for development projects, which have so far not been prioritized by any of the institutions concerned with the problem.

RECOMMENDED LEGISLATIVE CHANGES

First and foremost, it is necessary to amend the Non-Profit Legal Entities Act with a aim towards regulating the following issues:

- **Nonprofit incorporation** should be transformed from a judicial to an administrative procedure provided by the **Registry Agency**, which currently manages the registration of for-profit companies. Such a change would not only speed up a number of procedures such as initial incorporation, subsequent governance amendments to statutes, managing boards, etc., but would also allow **electronic registration and re-registration** (currently not possible) and would **reduce the related fees**, which would be of great importance to many small nonprofits. The transition should not be overwhelming for the Registry Agency, as there are no more than 8,000 active NGOs (according to reports by the National Statistical Institute). The functions of the current Central Register of nonprofits with the Ministry of Justice will be transferred to the Registry Agency with the addition of private benefit nonprofits. A great many problems are currently posed by the different established practices in the different district courts, and sometimes even within one and the same court, as well as by the double registration of public benefit nonprofits – first in court and then with the Ministry of Justice. This change in the registration procedure will also

help clean up the register of the nonprofits that have been inactive for years, similarly to what happened with for-profit companies.

- It is necessary to **review and better differentiate the status** of private and public benefit nonprofits. There are still **practically no regulations of the operation of private benefit NGOs**. Equally unclear is the status of the nonprofits that were initially registered as public benefit entities, but then for one reason or another have been deleted from the register, all while keeping their court registration as public benefit entities.

Private benefit nonprofits are not subject to any operational transparency requirements. For example, they are not obliged to make their financial statements public, or to publish an annual report of their activities, even though they are eligible to receive (and do receive) public funding.

One specific type of private benefit entities are the associations for joint management of rights under Art. 40 of the *Copyright and Related Rights Act*. The Ministry of Culture is responsible for keeping a register of these organizations, yet all it contains is a list of organizations with the date and number of registration, head office, and representative. In view of the specific public role of these organizations, they should be subject to the same requirements for transparency and accountability applied to public benefit nonprofits. All the more, over the years they have drawn quite a lot of criticism precisely in connection with the transparency of revenues and spending.

If the proposal for transferring nonprofit incorporation to the Registry Agency is accepted, then all non-profit legal entities would submit their reports to the Agency. This would necessitate an amendment to the Accountancy Act which currently requires public benefit non-profits to report to the Ministry of Justice register.

Another necessary change (**unless their level of transparency becomes at least equal to that of limited liability companies**) is to prohibit private benefit nonprofits from receiving funding from the central and municipal budgets, from state- and municipal-owned companies, or from European funds.

- There is a call for more detailed regulation of control (annual and ongoing) by the Ministry of Justice over the activity of non-profit legal entities in order to guarantee both **effectiveness** of control and **non-intervention** in the operation of civil society organizations, especially those critical of the government. The Ministry of Justice could also be obliged, by an amendment to the law, to develop a **system of risk-assessment** which is to serve as the basis for ongoing control.

Thus, for instance, at present, economic activity is allowed as “supplementary activity” of non-profit legal entities. For-profit and not-for-profit activity are supposed to be subject to separate accounting, with consolidated final financial statements, and profit from economic activity should only be spent on achieving the goals laid down in the statutes of the organization. In practice, there is neither control over the use of nonprofits to circumvent the ban on commercial activity by mayors, nor over the spending of profit from economic activity.

All too often, nonprofits are engaged entirely or largely in economic activity and in this way circumvent a number of regulations of business activity (including

explicit incompatibility clauses regarding holders of certain public offices such as mayors and judges).

One of the most transparent ways for nonprofits to conduct commercial activities is when they fully or partially own a **business company** and have fully separated the activity into **not-for-profit** (the nonprofit legal entity) and **for-profit** (the company). This is the approach chosen by a number of nonprofits with the capacity to bid in consultancy tenders in Bulgaria and abroad. The European Commission often extends funding through service contracts, rather than grants, even though essentially assigning research and other tasks typical of the grant system. This approach, however, involves considerable transaction costs that are beyond the means of smaller nonprofits. Nevertheless, it is feasible to introduce a requirement for such separation of for-profit and not-for-profit activity when commercial turnover exceeds a certain amount (e.g. BGN 500,000).

The *Non-Profit Legal Entities Act* does not provide any sanctions for non-compliance with reporting requirements, with the exception of the “deletion from the register” sanction. It is advisable to introduce **non-compliance sanctions** similar to those imposed by the Registry Agency for business companies.

- With a view to improving the overall framework of governance of nonprofits, there is a **call for greater transparency of general assembly composition** (for associations), which would help identify interdependencies and influences in the third sector. It is not uncommon for certain “social entrepreneurs” to establish and control independently or in coalitions (including through business companies) seemingly different organizations. What is more, the general assemblies can reveal a lot about the nature of a non-profit organization. They are presumably “private” and “non-governmental” but a great many are controlled by specific public authorities (ministries, municipalities, state- and municipal-owned enterprises) de jure or de facto (through political cabinet officials, for example). While it is presently hardly possible to maintain constant records of general assemblies in the respective registers, it is necessary to record the founders and then, following a general assembly meeting, the list of participants. Such records need not be mandatory for all nonprofits, but only for public benefit entities or for a special subgroup of “open” associations eligible to receive public funding.

An overall legal framework is needed for the creation, governance, and dissolution of **non-profit legal entities with government agency participation** and of organizations established by law. This issue is only partially addressed with regard to local authorities by the *Municipal Property Act* but the *Public-Private Partnerships Act* (SG 45, 87 and 102 of 2012, and SG 15 of 2013) does not include any provisions on nonprofits and even repealed some of the established procedures (Art. 51 para. 5). The *State Property Act* contains no provisions regulating the participation of ministries, agencies, and state enterprises. As a result, there are numerous examples of bad governance of non-profit legal entities initiated by state bodies and enterprises.⁴⁴ Amendments should be made to the *State Property*

⁴⁴ For example, the association iCentres registered as a partnership of the Ministry of Transport and Communications/SAITC and Bulgarian Posts.

Act or the *Public-Private Partnerships Act* to **provide a common regulation for all public institutions** (including the Bulgarian Academy of Sciences, universities, and schools). For instance, it is currently quite impossible to find out who the representatives of the state are in non-profit legal entities. An analysis and change of similar regulations applied to the interests of other public organizations (such as the Bulgarian Academy of Sciences, universities, etc.) in non-profit legal entities is needed.

The *Prevention and Detection of Conflicts of Interest Act* prohibited the holders of certain high-ranking public offices from serving on boards of non-profit legal entities. This strict ban was imposed in response to the “capture of civil society” phenomenon, yet it left open the possibility for mayors and their deputies to hold such positions in a personal capacity. Meanwhile, when reporting circumstances that might constitute a conflict of interest, only participation in non-profit governing and control bodies must be reported and not participation in general assemblies. The existing regulatory framework can be improved in several different ways:

- **Equal treatment** of mayors of municipalities, regions, and mayoralities (and their deputies) and other executive offices by the *Prevention and Detection of Conflicts of Interest Act*. This can only be implemented through a **ban on serving in a personal capacity** on the boards of non-profit legal entities or by **abolishing the ban altogether**. A third option is to confine the ban to nonprofits engaged in **economic activity** (similarly to the incompatibility condition of judges).⁴⁵ In order for the ban to be effective, adequate control over the activities of NPLE should be provided in the management board of which are involved people with provided similar conditions for incompatibility. One possibility is for the Ministry of Justice, at the request of the relevant committees, to identify and prevent conflicts of interest or of the inspectorates to carry out such checks under the current controls provided by law.
- Introduction of **compulsory disclosure of membership in non-profit legal entities** in the declarations required by the *Prevention and Disclosure of Conflicts of Interests Act*. Participation in general assemblies could be viewed analogously to the exercise of partial ownership rights (e.g. as a partner in a limited liability company, shareholder in a shareholding company, etc.). All too often, especially in the typical instances of “capture of civil society”, there’s a very real possibility for persons in high public offices to exert influence and control over the general assembly. Imposing such a requirement would be particularly important in case the restrictions on holding office in the governing and control bodies of non-profit organizations are lifted.

There is serious disproportion in the regulation of the activity of **community centers (*chitalishta*) as a specific type of non-profit legal entity** in regards their rights (most notably related to receiving state and municipal subsidies as well as the use of municipal real property) and the transparency of their activity (the scope of circumstances recorded in the community center register kept by the Ministry of Culture).

⁴⁵ See: Judiciary Act, art. 132 par. 4.

RECOMMENDATIONS TO LOCAL GOVERNMENT AUTHORITIES REGARDING THEIR PARTNERSHIPS WITH NON-PROFIT LEGAL ENTITIES

- First, the municipalities should be particularly careful about the way they manage their participation in non-profit legal entities. Despite the repeal of the provision of the *Municipal Property Act* requiring a general ordinance regulating the conditions and rules for the exercise of property rights by the municipalities in for-profit companies with municipal equity, as well as the municipal participation in civil associations and non-profit legal entities (the repealed Art. 51, para. 5 of the transitional and final provisions of the *Public-Private Partnership Act*, effective since January 1, 2013), municipalities should adhere to the spirit of the law. The repeal was a misstep on the part of the legislature. Municipalities also need to ensure transparency of decisions concerning the founding of, and participation in, non-profit legal entities in order to prevent and detect conflicts of interest with the other co-founders.
- Secondly, and in continuation of the above, it is necessary to keep a **public register of municipal equity and participation in nonprofits** in accordance with the provisions of Art. 54a of the *Municipal Property Act* (amendment promulgated in SG 54 of June 13, 2008). As yet very few municipalities keep such a register properly. An amendment to Art. 54a of the MPA of 2013 (SG 66) stipulates that municipalities are to use models and follow procedures for keeping such registers according to an Ordinance to be adopted jointly by the Minister of Regional Development and Public Works and Minister of Justice. The circumstances on record in the register are insufficient. Thus, for instance, the identification numbers of non-profit legal entities are missing and an opportunity exists to participate in private benefit nonprofits, which ought not to be allowed. In conjunction with this register, regularly updated information should be kept about the most important decisions of the municipal council, mayor or the committee that decides how the representative is to act in general assemblies, board meetings or in the process of project implementation. Such are the decisions concerning provision of property or other assets for use by nonprofits, the founding of for-profit companies owned by nonprofits, etc.
- Thirdly, **each municipality should audit its interests in non-profit legal entities**. Sometimes associations with municipal participation in turn set up – independently or in joint ventures – for-profit companies. The latter’s activity proves quite difficult to monitor and there are preconditions for the abuse of municipal discretion in the absence of control over municipal representation in general assemblies and managing boards. In addition, poor management of archive documents in the mid-1990s, when some of the associations with municipal participation were established, enabled the easy ‘privatization’ of such organizations.
- Fourth, each municipality should set **public criteria and procedures for entering into partnerships with non-profit legal entities** for the purpose of project implementation or joint application for third-party funding (typically from the structural funds of the European Union), as well as provide information about established partnerships on its website.

ANNEXES

1. CIVIC MOVEMENTS: NEW FORMS OF PUBLIC PRESSURE

Social networks, particularly Facebook, emerged as an alternative to the electronic and print media in Bulgaria. The mainstream media are perceived by the young, educated, and active living in big cities Bulgarians as means of influence in service of oligarchs and politicians and ultimately as an unreliable source of information. Those perceptions are confirmed by international organizations monitoring the freedom of speech.⁴⁶

The lack of media freedom to report current events in a balanced way, provoked active individuals or civic groups (spontaneous or sustainably functioning) to organize their own media system, using modern technology to successfully substitute the mainstream media. Virtually every publicly active citizen becomes a part of the media by using new technologies. The reporting becomes a matter of active commitment to a particular topic and the posting of news on Facebook. The information that attracts the supporters' (like-minded people's) attention is disseminated sometimes to generate significant audience. Moreover, anyone sharing the information can add value by putting own comments. These comments sometimes carry more load than the information it accompanies, which in turn becomes a subject of sharing.

Facebook has long been used as an instrument to successfully conduct advocacy campaigns in Bulgaria, but since 2011 it has firmly established itself as a tool for self-organization and management of various (mostly informal) civil movements. Facebook-organized advocacy groups, however, face the problem of generating broad public support. Dissemination of information occurs primarily through personal contacts, live or virtual, thus having limited leverage. Like-minded people express their support and share information, but after the moment of saturation, when all potentially interested are already involved, the information begins to rotate in a limited circle of people. The social contacts of the advocates are apparently limited to a maximum of 3-4 grades off in terms of the theory of networks.

There is an obvious relation between different advocacy campaigns, particularly campaigns with similar themes, such as nature conservation projects which attract most intensive support. Often, the same active citizens support more than one campaign, and render organizational support. The participants in the advocacy groups are people willing to contribute to solving the problems in the country with their own resources, without the mediation of organizations and political parties. They deny the vertical organizational structure as ineffective. The themes of the

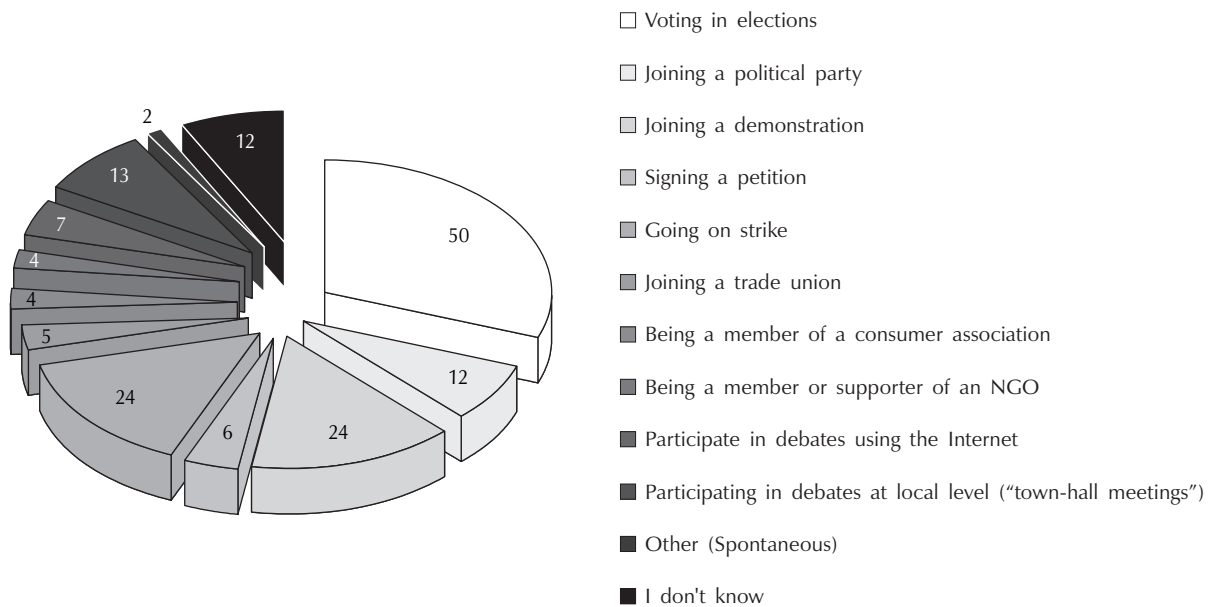
⁴⁶ See: Reporters without Borders. 2011 – 2012 World Press Freedom Index, 2012; Freedom House. Press Freedom in 2011: Breakthroughs and Pushback in The Middle East, 2012.

campaigns are prioritised, as increased interest is visible in wildlife protection and environment preservation in the urban areas. On the other hand, the initiatives on social issues do not attract particularly active citizens.

Civic groups' members who initiate and participate in advocacy campaigns refuse to be identified with any political movements or global trends to which analysts attribute them.

The sociological studies partially explain the raise of advocacy groups. Studies show that in recent years the Bulgarian citizens feel poorly represented by the institutions and the trust in the political system falls. Eurobarometer data show that in 2012, 78 % of Bulgarians rather distrust political parties, 64 % tend not to trust the government, and 77 % tend not to trust the Parliament.⁴⁷ NGOs generally enjoy low confidence because they are considered close to the government. The reasons for this findings are described in detail by Tsenkov et al. (2010).

Figure 13. Which two of the following do you think are the best ways of ensuring one's voice is heard by decision-makers?



Source: Eurobarometer, 2012.⁴⁸

⁴⁷ Standard Eurobarometer 77. Table of results: Public opinion in the European Union, http://ec.europa.eu/public_opinion/archives/eb/eb77/eb77_anx_en.pdf

⁴⁸ Standard Eurobarometer 77. Table of results: Public opinion in the European Union, p. T213, http://ec.europa.eu/public_opinion/archives/eb/eb77/eb77_anx_en.pdf

Eurobarometer data reveals interesting figures about civic groups' representativeness – as of 2012, 50 % of the Bulgarians believe that their opinion will be heard by country's decision makers by voting at elections. Some 24 % however think that protests are the most successful means for one's opinion to be heard.

The protests against the amendments to the *Forestry Law* gave benchmarks to civic activity by developing a set of instruments which are intensively used by other civic campaigns afterwards:

- **Awareness campaign.** The activists increase the public's knowledge on the problem and initiate various awareness campaigns. Due to the specifics of the law the campaigns attract professionals that clarify the provisions of the Act in plain language and famous people who attract supporters. A particularly valuable focus of the campaign is to explain what each citizen can do to contribute to the success of the cause; how to be informed; how to produce his/her own information materials – posters, leaflets, etc.; and how to disseminate information among acquaintances, etc.
- **Attractive "flash mob" acts.** These attract the attention of random citizens with an intention of including them in support of the cause. An example of such event is the action "Sold" at blvd. "Vitosha" (named after the mountain that the campaign protects) when the street plates are hung on with signs reading "sold", symbolizing the sale of public resources.
- **Mobilizing citizens' activity.** Activists called for common citizens to actively interact and pressure different institutions – a mechanism which was not popular by then. Activist campaigns called for writing emails or short text messages to the members of the Bulgarian and the European Parliament in order to submit numerous complaints to the media watchdog against unethical media reporting, etc.
- The activists elected representatives to support the environmentalist organizations' experts in **negotiating the controversial amendments' withdrawal of the state institutions** after the blockade of Sofia's key infrastructure location of Orlov Most.
- **Export of know-how.** The activists afterwards shared their experience with other people engaged with similar causes in Sofia and other locations.

This initiative managed not only to put into effect specific demands on the content of the *Forestry Law*, but also to successfully use the tools for transparency in the legislative process. This meant: direct participation in the meetings of Parliamentary commission; requests for the National Assembly's website to publish transcripts of meetings, statements and bills; and 'live' broadcasts over the internet of committee meetings.

After the success of the cause, the group continues to function as its efforts are directed to:

- using the gained experience for taking part in activities related to the future of the mountain park of Vitosha such as: campaigns to protect and promote the wildlife; discussions with the responsible institutions for improving the recreation conditions in the park; and putting public pressure for solving the problems with infrastructure, illegal construction, monopoly over services.

- supporting the Coalition of environmentalist NGOs and informal groups “For the Nature” in opposing the construction of a second gondola lift in the Pirin National Park. Together with the Coalition it organized a protest against the decision of the Supreme Environmental Council of the Ministry of Environment and Water (MoEW) to authorize the construction of sports facilities in the national park.
- releasing ideas for sustainable tourism, in particular for winter tourism.

During the anti-government protests with social demands of February 2013, the environmental organizations pursued their own cause countering the construction permission in the Pirin National Park and the two protest waves remain separate despite the calls for unity.

Things stand differently with the next wave of antigovernment protests named #ΔAHCwithme in June 2013 against the socialists-led government of Plamen Oresharshki where supporters of environmentalist causes take active part.

2. POOR GOVERNANCE OF SPORTS ORGANISATION AND MISUSE OF SPORTS ENERGY

Association of citizens in sports clubs is one of the most popular forms of public entrepreneurship in all countries. In some countries, such as Switzerland and Norway, it is argued that almost all citizens are or have been members of at least one sports club, a tourism organization, or an organization associated with a hobby that eventually transforms into sport. The states finance such associations' specific activities that promote health in the first place, afterward sportiness and racing achievements. Citizens learn participation and representation in these clubs at an early age. “The high sports mastery” is often a lower priority than “inclusion” of marginalised groups in the communities. Therefore looking at sports clubs as a part of the civil society is crucial for understanding the civil society in Bulgaria. There are numerous studies on the relationship between certain sports communities (athletes and coaches) and the genesis of organized crime in Bulgaria in the early 1990s (wrestlers, weightlifters, karate), then the conquest of the “sport of the people” – football by organized crime. Not accidentally, almost every “old” club in the A professional football league has at least one president shot. After the relative normalization during the last 4-5 years it is now possible to turn back and look more carefully at the sports organizations, including much more “clean” sports (compared to wrestling, weightlifting and football of the 90s) such as volleyball and alpine skiing. All governments in the period of 2009 – 2014 allocated a lot of resources to subsidize sports organizations and to maintain sports infrastructure, including small amounts to support civil society organizations via the Ministry of Finance. It is important to see the results of such public investment both in terms of sports development and in sustaining good governance.

The general situation of the professional and amateur sport in Bulgaria is a clear evaluation for the work of the sports organizations. A symptomatic fact is Bulgaria's ranking in the 2012 Olympic Games in London. The national athletes

won one silver and one bronze medal ending 63rd in the medals table which is country's worst result in 60 years.

The engines of sports management in Bulgaria are the sports federations. The sports federations are voluntary associations of sports clubs in one or more sports. Federations "coordinate the development, the practicing, and the administration of the sport at the national level and represent the clubs before the state as well as before the international sports organizations."⁴⁹ According to the Bulgarian legislation, the sports federations are registered as non-profit organizations in public benefit. A register kept by the Ministry of Physical Education and Sport (MPES) shows that at the end of 2012, there are 106 licensed sports federations in Bulgaria. Four federations have been licensed in 2013, and 9 federations have not obtained license or it was terminated.

The evidence of abuse in sport federations led to a series of inspections in 2013. The Public Financial Inspection Agency (PFIA) audited 11 sports federations, some 10 % of all registered. The results showed 85 violations of public procurement rules at the value of BGN 10,345,612. These funds were misused by federations being most probably distributed to companies related to their board members. For comparison, the cited amount exceeds by more than 30 times the funds allocated to sports clubs for 2013 under the "Learn to swim" program for free swimming lessons to children.

The Sports Ministry reacted to the PFIA findings with an attempt to discipline federations into complying with the *Public Procurement Act*. This effort provoked opposition among many heads of sports federations, including the federations of skiing, volleyball and gymnastics. Their argument was that because of the specificity of their sports' equipment, which according to international organizations is supplied by few specific companies, they are unable to comply with the law by running competitive procedure for selecting suppliers.

Despite these measures, the government did not react to solve the basic problem in the country's sports – the capture of sports organizations by companies that offer sports products or services. The corporate interests have taken over the actual development of sports by companies' owners or related figures serving as sports organizations' board members thus being able to streamline their funding. This symbiotic relationship leads to underestimation and insufficient financing of the selection, financing and training of promising athletes.

The two emblematic cases, listed below, are a subject to a wide public interest. The Bulgarian Ski Federation is the biggest beneficiary of state subsidies for hosting expensive, high-profile international races despite the national athletes' close to zero chances to rank at proper positions there. The Bulgarian Volleyball Federation administers one of the most successful sports in Bulgaria. It is publicly known for the long-time scandals and lack of transparency that impede the development of this popular sport.

⁴⁹ Law for the Physical Education and Sport, prom. SG issue 58 of July 9, 1996 (amend. and suppl. SG. Issue 87 of November 9, 2012)

Bulgarian Ski Federation

Since 2003, Tseko Minev, one of the owners of First Investment Bank, is an irremovable president of the Federation. The composition of its board members is relatively constant. In 2013, Tseko Minev was unanimously elected for a third consecutive five-year term. In the year Minev is first elected a President, the Federation starts up a subsidiary company Bulgarian Ski Pool which “is an organization to manage the advertising policy and the relations with sponsors and international organization”⁵⁰ and transfers its property into this company. Commercial register data shows that Bulgarian Ski Pool is first jointly owned by the Federation and one of the owners of the Bansko ski resort operator Ulen, and later becomes wholly owned by the Federation. The company’s registration address is the same as the registration address of the Sofia-based Vitosha ski operator “Vitosha ski”. These links with companies working in the same area and transferring Federation’s property under the management of a jointly owned company in the absence of transparency does not correspond to Federation’s registration in public interest and prerequisites conflicts of interest.

Three of the ski operators in Bulgaria’s three most popular winter destinations, namely Bansko, Borovets and Vitosha, as well as some of the corresponding hotels, are related to the First Investment Bank (either as loans or property, even through complex offshore schemes), co-owned by the Federation’s president.

Some of the sports clubs – members of the federation are also related to the mentioned resorts. Others are affiliated to the companies of other board members. The other board members’ companies are also part of the chain of winter tourism business – one is an advertising agency, another is a hotel operator, a third is a ski equipment retailer, etc.

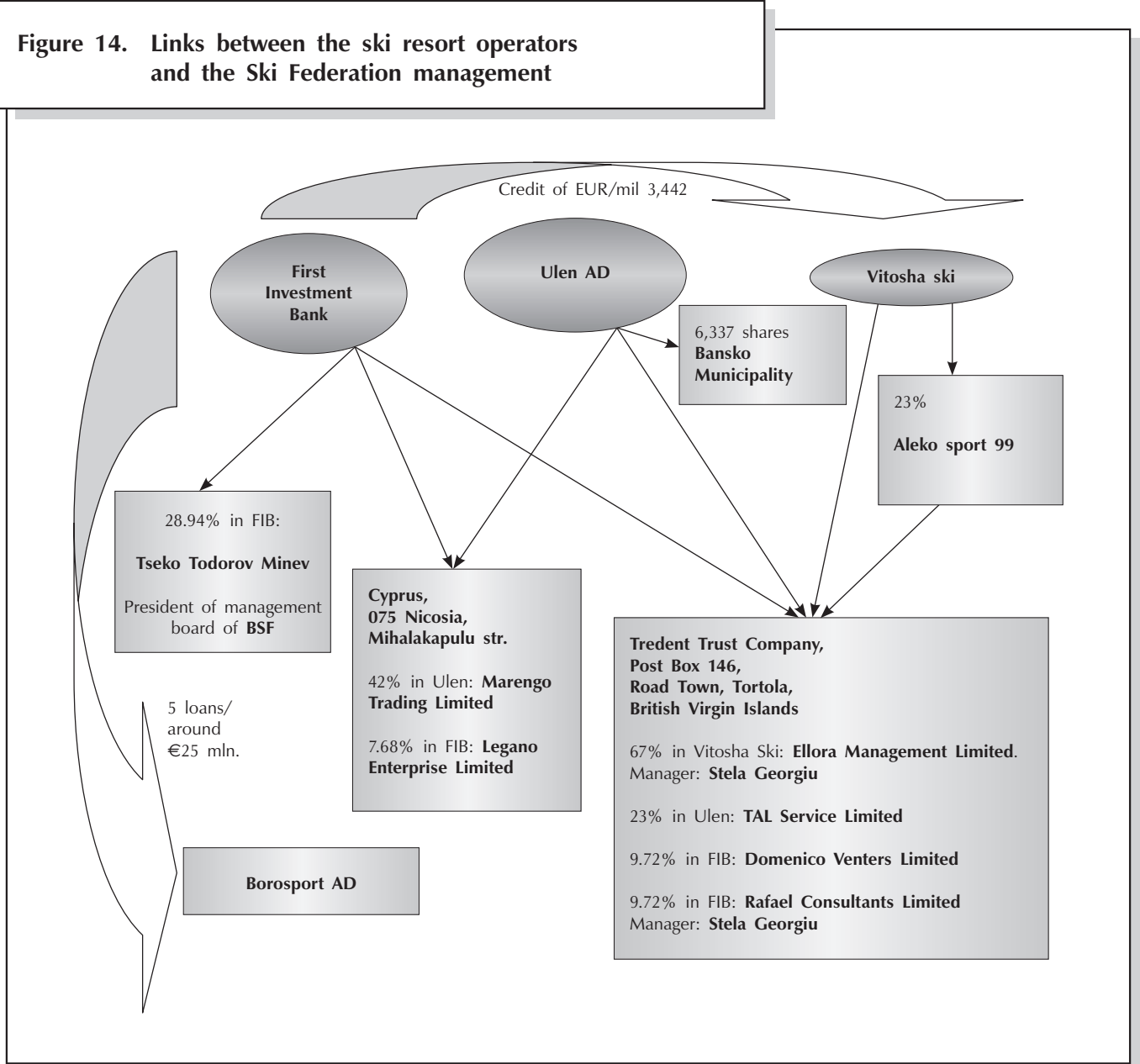
In practice, there are few differences between sports clubs (NGOs) and ski school service providers. The athletes in sports clubs are forced to pay fees to cover their lift passes, equipment and coaches. National teams players are the only ones who are exempt from paying such fees. The season fee for one member in Ulen Ski Club (Bansko-based team related to the operator in Bansko) per year is BGN 800 (some €400) for persons aged 11 to 20 years and 450 (€225) for children under 10.

To prepare competitive athletes, all ski clubs should conduct their training in any of the big resorts – Bansko, Borovets, Pamporovo and/or Vitosha and respectively to pay for ski passes. The Federation negotiates preferential pass prices for clubs, but these prices are bound by conditions. In an official letter from the Federation to the sports clubs’ presidents⁵¹ on availability of such preferential prices for Bansko, athletes are informed that they will receive a 30 % lower lift pass price, if the pass is combined with accommodation and food provided by Balkan Holidays Services, a company run by Tseko Minev’s wife.

⁵⁰ Bulgarian Ski Federation’s website.

⁵¹ Bulgarian Ski Federation, ex. number 210/13.12.2012 r.

Figure 14. Links between the ski resort operators and the Ski Federation management



Source: Center for the study of democracy based on company registries and media publications.

Other clubs, which are not bound to related companies, have discovered another way of gaining profit. One of these is the sports and tourist association “Moten”. It is registered as a not-for-profit sports and tourist club that offers ski sport trainings. These trainings, however, are a commercial service, which is offered by an NGO. Moten works with a number of kindergartens and schools offering one-week ski training courses at the price of some BGN 250 (€125, depending on the age of the child and the type of equipment). The club also organizes children’s camps and festivities – another tourist service that is close to the declared nonprofit activities. Moten’s annual financial report for 2010 states business activities revenues of BGN 708,000, and non-profit activity revenues of BGN 13,000 lev. Of these 13,000, BGN 3,088 are state subsidy programme for

Olympic preparation of athletes. During the same year, Moten has registered 8 athletes aged 11-15, and 18 athletes aged 7-10. Over the same period, under its commercial activities, it has trained 2,156 children.

The Bulgarian Ski Federation ranks tenth among all federations in terms of generated state subsidy and first but the biggest beneficiary of funds for the organization of competitions. Of all federation's revenues for 2011, 74.7 % came from the government. In 2012, the Ministry granted the Federation another 5.1 % increase in financing. As a comparison, the State subsidized all Federation member clubs with a total of BGN 120,000 (€60,000) in 2011 (6.9 % less than in 2010).⁵² Each ski club which manages to meet the Federation's criteria for obtaining a subsidy hardly receives the state funding of more than BGN 3,000 (€ 1,500) per year.

On the other hand, Bulgarian Ski Federation's budget for 2012 amounts to BGN 3,083 million (some € 1.6 mln).⁵³ Its subsidiary company, Bulgarian Ski Pool, generates an average of BGN 1.3 million (some € 650,000) between 2008 and 2012.⁵⁴ There is no real public control of how it generates and expends from sponsorship, advertising and broadcasting rights. In 2012, revenues from typical sports activities as membership fees, FIS codes, filing of athletes and fees for competitions amounted to 2.3 % of the Federation's overall budget.

The Federation abuses its dominant position, achieved by its close relations with the ski resort operators, by trying to monopolize the licensing procedure of ski instructors – a small business service providers working in big ski resorts. The ski resorts are instructed to sell ski passes to licensed ski instructors at lower prices than to the non-licensed ones.⁵⁵

Another controversial practice of utilizing state financing is the program of subsidized ski lessons to children. In its 2012 inspection, the Public Financial Inspection Agency fined the Federation to allocating BGN 557,500 (some €300,000) to the company, managed by Minev's wife under the program. A part of the cited amount was afterwards redirected to another Minev-related company – the ski lifts operator Vitosha ski. Other ski training providers were not allowed to train children under the programme for "not having sufficient capacity".⁵⁶ Violations similar to the described one continue.

Federation's list of controversial practices continues with the organization of international events – FIS World Cup Alpine skiing races. These races rank first among the state-subsidized sports events. On the 2012 Bansko World Cup event website, in the section "Accommodation and travel" stands the address of a

⁵² Summary report of the president of the Bulgarian Ski Federation – General Assembly, Sofia 15.05.2012. p. 4.

⁵³ http://www.novsport.com/news190820_1019.html, not including revenues from the business activity, cumulated separately in the "Bulgarian Ski Pool" LTD.

⁵⁴ Summary report of the president of the Bulgarian Ski Federation – General Assembly, Sofia 30.05.2013.

⁵⁵ <http://www.bgskischool.com/index.php?action=article&id=4>

⁵⁶ Filipov, G. Skiing federation gave a procurement for BGN/thousands 550 to close to Tseko Minev company. Kapital Daily, 13.02.2012, c. 8.

single company – the already mentioned Balkan Holidays Services Ltd., run by the wife of the President of Ski Federation. State subsidies are again distributed to Federation management's related companies and revenues again go to the Federation's subsidiary company Bulgarian Ski Pool.

Bulgarian Volleyball Federation

The Bulgarian volleyball federation (BVF), similarly to the Ski Federation, is a nonprofit organization in public benefit. Again similarly to the Ski Federation, it is run by the same president (Dancho Lazarov, re-elected for a fourth term in 2012), despite the scandals surrounding his administration, public disapproval and the confirmed law violations. At the end of his term, Lazarov will have lead the Federation for 15 years.

Unlike Ski Federation's President Minev, Lazarov faces internal opposition by several of the clubs – members of the Federation, the former national men's team coach Radostin Stoychev and one of Bulgaria's best players Matey Kaziiski.

The Federation's management works in complete lack of transparency. There is not an active web page to inform on the Federation's activities, nor on documents and reports.

Similarly to the Ski Federation, the Public Financial Inspection Agency found that as an entity under the *Public Procurement Act* (PPA) and as a public entity funded by the state by over 50 % of its total budget, the Federation has not run public procurement procedures for contracts worth BGN 1,465,247 (some €733,000) in 2011 and in the first half of 2012, and issued 14 acts for violations – 4 to the Federation and 10 personally to the President.⁵⁷ The most striking violation is lack of documents for spending BGN 700,000 (€ 350,000) envisaged for bonuses of players and coaches for their participation in the 2011 Volleyball World League. These violations are sufficient grounds for termination of the Federation's license in accordance with Art. 17c of the *Law on Physical Education and Sports*.

Similarly to the Ski Federation, the Bulgarian Volleyball Federation subsidizes the clubs by less than 10 % of its revenues, and less than its expenses for advertising services, paid to external contactors.⁵⁸ Even the scarce funds that the Federation sets aside for clubs are distributed unfairly in favor of close to the Chairman clubs. These clubs have fewer teams and often have not achieved particularly good results. An example of such an allocation based on the 2010/2011 season is VK Victoria Volley (6 teams) which gets BGN 25,700 (some €13,000 a year) while CSKA (running 12 teams) gets BGN 19,628 (some €10,000). Despite the signals of volleyball supporters' organizations, for years, state institutions refuse to audit the state subsidies that the Federation allocates to the clubs using arguments of the White Paper on Sport.⁵⁹

⁵⁷ The PFIA report is available at: <http://www.adfi.minfin.bg/document/176>

⁵⁸ Under PFIA report data.

⁵⁹ COM(2007) 391 final. White Paper on Sport, http://ec.europa.eu/sport/documents/wp_on_sport_en.pdf

Conclusions and recommendations on the management of sports federations

- The relevant state institutions (the Sports Ministry, the Ministry of Finance and the Ministry of Justice) should implement effective mechanisms for licensing, financing and auditing of sports federations to oblige them to follow the public procurement rules, to pursue transparent governance and to work towards development of sports activities instead of using the state subsidy for feeding in related companies and their interests.
- The Commission for prevention and ascertainment of conflict of interests and the Commission for Protection of Competition should actively monitor the work of sports federations and politicians to prevent the abuse of state property and public positions in favor of interests other than the public.
- The system of state support for sports activities should be reformed to introduce a large-scale project-based financing directly to sports clubs rather than the intermediation of the federations. The principles of competitiveness in project selection, clear benchmarks for expected results, effective cost control, and adequate penalties for violators are some of the measures that the Sports Ministry should take in order to reform its assistance for sports activities.

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