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## SOCIAL MANAGEMENT AND SOCIAL ENTREPRENEURSHIP IN BULGARIA AND GERMANY

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***Abstract.** This article aims to compare social entrepreneurship regarding theory and practice in Bulgaria and Germany. In particular, the concept of social entrepreneurship and its legal framework in both countries are discussed, as well the questions regarding requirements and funding of social enterprises. Good practices examples from Bulgaria and Germany are presented. In conclusion, the similarities, and differences of social entrepreneurship in both countries are summarized.*

***Keywords:** social management, social entrepreneurship, comparative research*

### **Overview of social services and social protection systems in Bulgaria and Germany**

An international comparison of social enterprises and their fields of action is a challenge. This is especially true because of country-specific traditions in which social enterprises are embedded, their institutional contexts and the rapidly evolving political framework. The concept of social enterprises is also closely linked to the theory and practice of social services and in particular with the national social

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security systems. This contribution provides a brief overview of social services in Bulgaria and Germany and elaborates on the conditions for social enterprises in these two countries.

### ***Overview of social services system in Bulgaria***

The main legal document regulating the provision of social services in Bulgaria is *the Social Services Act* (2020). It introduced a big change in the system, as prior to that social services were considered part of the social protection system and regulated by the Social Assistance Act (1998), addressing mainly different types of social benefits.

According to the Social Services Act (2020) *right to social services* has any person who needs support for prevention and/or overcoming social exclusion, realization of rights or improvement of his quality of life, regardless of his age, health status, education, income, social and property status (art. 7).

This Act defines two main *types of social services*:

1) Publicly available social services – 1. information, consultation, and training for the realization of social rights and for the development of skills that are provided for a period not exceeding two months; 2. mobile preventive community work.

2) specialized social services – are the services provided in: 1. the occurrence of a certain risk to the life, health, quality of life or development of the person; 2. the need to satisfy a specific need of a particular group of persons (Social Services Act, art. 12).

Depending on their function, social services are: 1. preventive – social services that are provided to all persons or to a certain group of persons without a previously identified specific risk; 2. supportive – social services that are provided as a result of an identified risk or to satisfy a specific need; 3. restorative – social services that offer highly specialized support for persons with special needs (Social Services Act, 2020, art. 13).

Depending on the main *groups of activities*, the types of social services outlined in the Act are: 1. information and consultation; 2. advocacy and mediation; 3. community work; 4. therapy and rehabilitation; 5. skill training; 6. support for the acquisition of labour skills; 7. day care; 8. residential care; 9. provision of shelter; 10. assistant support (Ibid, art. 15).

The use of social services may be: 1. short-term – for a period of up to six months; 2. medium-term – for a period of up to one year; 3. long-term – for a period of one to three years. Depending on the method of use, social services can be: 1. hourly; 2. half-day; 3. all-day; 4. Diurnal (Ibid, art. 16).

According to the Social Services Act (2020) a *social service provider* is a per

son responsible for the provision of social services (art. 28). There are two main

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providers of social services in Bulgaria – municipalities and private sector (including NGOs).

*Municipalities* may provide all social services and are responsible for the provision of the social services, financed from the state and municipal budget. Municipalities provide social services through (art. 29 (1):

1. independent organization and implementation of all activities related to the direct provision of social services;

2. legal entities specially established by the municipality for the provision of social services;

3. outsourcing the provision of social services to private social service providers. *Private social service providers* can be (Social Services Act, art. 30): 1. Bulgarian natural persons registered under the Commerce Act and legal entities.

2. Natural persons carrying out commercial activity and legal entities registered under the legislation of another Member State of the European Union or of another State party to the Agreement on the European Economic Area.

Social services providers are *licensed* by The *Agency for the Quality of Social Services* for duration of 5 years. (Social Service Act, art. 31). This agency keeps a register of licensed social service providers (art. 162).

Social services in Bulgaria are *financed* by 3 main sources: the state budget; municipal budgets; 3. private providers of social services (Social Service Act, art. 41 (1). The long-term planning of the financing of social services from the state budget is carried out on the basis of the National Map of Social Services (art. 42). It is a strategic document, developed by the Ministry of Labour and Social Policy on the basis of year analysis of the needs of social services of the local communities made by each municipality.

*The use of social services is paid* (Ibid, art. 102 (1). On the basis of the developed standards for the social services, which are financed by the state budget, the Agency for Social Assistance prepares a proposal for the amount of the fee for using each of these services. The amounts of the fees for use of social services, financed by the state budget, is determined by a tariff approved by the Council of Ministers on a proposal from the Minister of Labour and Social Policy (Ibid, art. 46 (1).

The use of social services, which are financed from the state budget, is not paid by: 1. persons up to 18 years of age and until the completion of secondary education; 2. young people from 18 to 21 years of age who, until reaching the age of majority, have used residential care under the Child Protection Act; 3. persons who have no income and deposits (Ibid, art. 103 (1).

Private providers of social services finance the social services they provide, including fees paid by the services users (the amount of the fee is determined by the private provider). In case the provision of social services has been assigned by the municipality to private providers of social services, the financing of the provision

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of these services by the private providers is funded from the state and/or municipal budget. (Ibid, art. 48).

### ***Social work in the social security system in Germany***

In Germany, life is generally characterized by personal responsibility and independence. However, people can also find themselves in difficult life situations that they are unable to cope with independently for various reasons (Falterbaum, 2020, p. 16ff.). Article 1 of the Constitutional Law obliges the state to respect and protect human dignity. In addition, Article 20 of the same stipulates the principle of the welfare state. This results in the obligation of the state to actively work towards the establishment of social justice. This is to be realised through the comprehensive system of social security. The design and details of the system depend on changing societal values and economic opportunities as well as social and political developments.

Social work thus takes place in the context of social policy, is integrated into the legal framework and is embedded in various sections of the law. These are the so called obligatory or compulsory benefits (Pflichtleistungen), which are based on a legal claim. The voluntary social services (freiwillige Leistungen) are not included in this description. Law defines the details of these obligatory social services, according to this law social services are also financed and institutionalised (Falterbaum, 2022, p. 16ff.). Social work services are provided in accordance with social assistance law (Sozialgesetzbuch Nr. 7 – SGBXII), child and youth welfare law (SGBVIII) and integration assistance law (second part of the law for rehabilitation and participation of disabled people SGBIX) (Gerlach & Hinrichs, 2018, p. 159ff.; Röh, 2022: 237ff.). The fields of social work cover all age groups and phases of life and the associated problems (Bieker & Niemeyer, 2022, p. 64). Social assistance services differ in type and scope depending on the needs of the individual (Niemeyer & Schwarzwälder, 2022: 237ff.) and are provided in the form of cash, in-kind and services and are often combined (Falterbaum, 2020: 147). At this point, we will only give an overview of selected fields of work that are particularly relevant for social work in the context of the Social Code. One of the most important fields of social work here is child and youth welfare, in which social workers promote and protect children, young people and their families by educational measures on

behalf of the state. Young people are to be supported in their individual and social development. At the same time, the family is to be strengthened and respected as the primary place of upbringing and support. This can be traced back to Article 6 of the Constitutional Law (GG), according to which the family is under the special protection of the state order and care and upbringing of children is the natural right and duty of parents. Accordingly, social work is only ever active in a supplementary and subordinate capacity to the family. At the same time, social work has a guardianship and protection mandate within the framework of its state

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mandate. This means that social work has to work towards the fulfilment of the rights of children and young people and protect them from dangers to their well-being. In this context, it may be necessary to intervene in parental rights and enforce coercive measures. Although this is not decided by social workers but by the family

court, it is practically implemented by social workers (Falterbaum, 2020:137ff.). Furthermore, social work makes a significant contribution to helping people with disabilities. Integration assistance plays a central role in this differentiated system of assistance. In this area, social workers provide assistance services in the living quarters of recipients of benefits, work as social service employees in work shops for people with disabilities, work assistants and job coaches in companies and counselling centres (Röh, 2022, p. 237ff.). These services are intended to work towards a self-determined lifestyle for people with disabilities (Falterbaum, 2020: 151). According to § 2 paragraph 1 SGBIX, persons with disabilities are “...People who have physical, mental, intellectual or sensory impairments, which, in interaction with attitudinal and environmental barriers, are likely to prevent them from participating equally in society for longer than six months...”. Since social workers have a profound knowledge of the interrelationships between people and their environments, they are particularly suited to dealing with the interactions mentioned here (Röh, 2022: 235ff.).

Other important fields of social work are related to help to overcome special social difficulties according to the Social Code Book XII. These include, for example, help for those released from prison, help in housing emergencies and help for women affected by violence. In contrast to other benefits under SGBXII, these benefits are provided regardless of the income and assets of the recipients and without regard to dependants (Falterbaum, 2020: 169).

## **The concept of social entrepreneurship**

Our joint understanding of a *social enterprise* takes reference to the European Commission. Here it is an undertaking whose primary objective is to achieve

social impact rather than generating profit for owners and shareholders. It uses its surpluses mainly to achieve these social goals and is managed in an accountable, transparent and innovative way, in particular by involving workers, customers and stakeholders affected by its business activity (European Commission, 2020).

### ***The concept of social entrepreneurship in Bulgaria***

According to the *Social and Solidarity Economy Enterprises Act* (2019) a *social and solidarity-based economy* is a “form of entrepreneurship aimed at one or more social activities and/or social objectives carried out by social enterprise, including

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through the production of various goods or the provision of services, in cooperation with state or local authorities or independently” (art. 3).

In this definition the *social activity* is understood as “any activity that produces social added value, determined according to the methodology” developed by the Minister of Labour and Social Policy, “and is aimed at achieving a social goal in support of” specific groups of persons, “and their social inclusion, raising their standard of living, improving their access to the labor market and education and the protection of their rights, as well as improving the living environment through the protection of the environment and biodiversity and in support of ecological balance (Social and Solidarity Economy Enterprises Act, Additional provisions, 4).

In the same definition, *social added value* means “the social effect achieved for the target group as a result of the activity carried out by the social enterprise, taking into account both positive and negative changes and accompanying effects resulting from other actions or lack of action by the social enterprise (Ibid, Additional provisions, 7).

In the same legal document *social entrepreneurship* is defined as “a form of entrepreneurship that combines economic activity with the pursuit of social goals, as a result of which social added value is produced, determined according to the methodology” issued by the minister of labour and social policy (Ibid, Additional provisions, 6).

In the Social and Solidarity Economy Enterprises Act (2019) *social enterprise* is defined as “an enterprise which, regardless of its legal form, has as its object the production of goods or the provision of services, combining economic results with social goals, achieving measurable, positive social added value, managed transparently with the participation of members, employees in making management decisions, carries out its economic activity, as part of the average number of staff are persons” from specifically defined groups “and/or as the profit is predominantly

spent on the implementation of social activity and/or social purpose according to the founding contract or statutes” (Additional provisions, 5). These specifically defined groups – beneficiaries of social enterprises activities are (art. 7 (4):

- people with disabilities

- long-term unemployed people, receiving monthly social benefits
- people up to 29 years of age without previous working experience
- children placed outside their families (in foster families or residential care)
- registered unemployed people above 55 years of age
- people raising children with disabilities and receiving family benefits
- persons who have served a prison sentence
- persons with alcohol or drug addiction who have successfully passed a treatment or psychosocial rehabilitation program
- homeless people

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- foreigners granted protection in the Republic of Bulgaria under the Asylum and Refugees Act
- persons granted the status of special protection under the Combating Human Trafficking Act
- persons victims of domestic violence under the Protection against Domestic Violence Act.

In Bulgaria, there are generally *three models of social enterprise*, which distinguish its subject of activity (Compendium of Good Practices, 2012):

1. The model of employment creation and workforce development - the specific stems from the opportunities for opening new jobs to which people from vulnerable groups can be employed. The model is directly linked to sheltered employment, i.e. the social enterprise becomes an employer for disadvantaged people. Here, the clients of the social service produce goods or provide services, the social enterprise provides a market, and the money earned is injected into the social activity.
2. An entrepreneurial model where the social enterprise acts as an intermediary between the disadvantaged and the market. What is specific about this model is that the social enterprise acts as an intermediary between the vulnerable groups that offer a service or produce a good and the market. It engages only in marketing and promotion of the service/good.

3. Direct service model – this model is most directly related to social services providers. It implies the provision of social services for a fee to external, to it, clients (psychological counselling, social counselling, etc.). Payment is made through the municipality or the state. An example of this is the referrals provided by the Agency for Social Assistance and the State Agency for Child Protection for counselling with a specialist working on an employment contract for a social service.

These funds generated from specialist services are used to provide services/pay for the labour of internal, to the organisation, users.

In Bulgaria, *the most common practice is for social enterprises to be established within social work organizations that provide social services and operate under the Social Services Act (2020)*. This is because the social service delivery model has undergone major changes in recent years. Whereas years ago the focus was on a social services to help an individual to overcome a particular crisis period or to meet their basic needs – food, clothing and financial support, in recent years it has shifted to a self-help model. The social service should assist the client in the direction of reintegration and inclusion in a work activity that ensures a more sustainable development of the individual.

There are companies on the Bulgarian market that implement the principle of supported employment. In recent years, there is such a programme under the EU funds for Human Resources Development, which aims at employing disadvantaged people, whose salary and social security contributions are covered by the funds for a period of 1 year (the amount of the salary is the minimum wage for the country),

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but the mandatory condition is that after the expiry of the funding period, the company must retain the worker for at least 6 months. This programme is not proving to be very effective, as people from vulnerable groups, due to the nature of their illnesses and deficits, have to be absent frequently (due to doctor's appointments, longer illnesses, single mothers – sick children, etc.) and this affects the whole work process. Employers report that they are not as efficient as the rest of the team and work slows down and becomes inefficient. Few firms retain employees in vulnerable groups after the six-month mandatory period is over.

### ***The concept of social entrepreneurship in Germany***

Providers of social services can be public institutions or public enterprises, profit-oriented enterprises, i.e. goal-oriented enterprises, or social enterprises, i.e. objective-oriented enterprises. In Germany, a distinction is also made between non-profit and public providers. Non-profit providers are the so-called providers of free welfare care, which include the religious communities under public law (Geest, 2013: 647). In social work, the provision of services is primarily carried out by these independent providers in accordance with the principle of subsidiarity. The subsidiarity principle organizes the welfare state. According to this principle, the activities of state levels take precedence over those of independent agencies. Matters that the individual can accomplish on his or her own initiative and with his or her own strength are not taken away from him or her and may not be assigned to state activities (Horcher, 2013: 1005). The principle of subsidiarity is outlined in



detail in the Child and Youth Welfare Act as well as in the law on integration assistance and the law on social assistance. Section 4 of Book VIII of the Social Code and Section 5 of Book XII of the Social Code explicitly prescribe cooperation between public and independent providers for the benefit of those entitled to services. In this context, the public agencies are to act only as subordinates and respect the independence of the independent agencies (non-profit or for-profit, the latter is also called private commercial) in setting objectives and carrying out their tasks.

Public agencies are divided into the federal government, the federal states and the municipalities, whereby the municipalities have a special significance for the local guarantee of social work due to their right to self-administration. Social service providers are established at the municipal level to perform their tasks. Private and non-profit providers have only been placed on an equal footing since the reforms of social legislation in the 1990s, which meant that non-profit providers lost their former monopoly position in the provision of services. Since then, there has been an increase in private commercial providers, which varies greatly depending on the field of work and have market shares of 3 to 65 percent. Nevertheless, non-profit organizations are still the most important service providers in social work in terms of numbers. The majority of non-profit providers are the leading non-statutory welfare

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organizations, which include the Workers' Welfare Association (AWO), the German Caritas Association (DCV), the German Parity Welfare Association (DPWV), the German Red Cross (DRK), the Diaconal Work (DW) and the Central Welfare Office of the Jews in Germany (ZWSt). Among them, various independent social enterprises have joined together under one roof (Zimmer&Paul, 2018: 107ff.). They are referred to as the above-mentioned voluntary welfare organizations. Free welfare care is understood to include all services and facilities operated by non-profit organizations and being active in an organized form in the social and health sector.

Focusing on the single units of social enterprises itself, in Germany these have developed on the basis of the outlined structures and traditions. The outlined free welfare organizations are organized in form of incorporated associations. Many of the existing social service providers are spin-offs of these and are usually small units with a low turnover, a small number of employees and a local radius of action. This corresponds to the pattern of the usual business enterprises in Germany (Scheuerle et al., 2015: 504). Additionally, the welfare system, the cooperative movement, the tradition of mutual societies, philanthropic traditions, self-help associations with municipal or even general political references further

structure the social services provider landscape (European Union 2018: 18).

## **Legal and fiscal framework for social entrepreneurship**

From a comparative perspective, two groups of countries can be identified: those that have introduced legislation specifically for social enterprises in order to promote their development and those countries where social enterprises are not exclusively regulated in one legal form. Bulgaria belongs to the first group, Germany to the second (European Union 2020: 57).

### ***Legal and fiscal framework of social entrepreneurship in Bulgaria***

In Bulgaria the main legal document regulating social entrepreneurship and social enterprises is the *Social and Solidarity Economy Enterprises Act* (2019). Before the adoption of the new Law, there was no legal term “social enterprise” in Bulgarian legislation, nor a clear and defined regulatory framework for such enterprises. Social enterprises had different legal forms, the most common being:

- non-profit legal entities - associations, foundations;
- cooperatives for people with disabilities;
- specialized enterprises for people with disabilities.

Non-profit organizations are entitled to carry out business activities under the Non-Profit Legal Entities Act (2001), provided that such activity:

- is complementary to the main non-profit activity;

- is related to the non-profit objectives of the enterprise;

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- its scope is explicitly stated in its statute;
- specified in the constitution/by-laws;
- is not limited to that legal form by any other legal act;
- the income from the business activity is reinvested for the achievement of the non-profit objectives of the non-profit legal entity and may not be otherwise distributed (Ibid).

This regulation made the non-profit legal entity the most appropriate legal form (until 2019) for the development of social entrepreneurship in Bulgaria, as its specific features are established by the legal framework and determine the potential of non-profit legal entities for the development of social entrepreneurship (fits the concept of social entrepreneurship).

Broadly speaking, it may be that only economic activity that has a very distinctive social impact and involves certain target groups – disadvantaged people in the broadest sense – can be called social entrepreneurship. Therefore, social enterprises and business activities developed by non-profit entities can only be

recognized as such if they have a social impact on people from vulnerable groups by improving their standard of living, providing employment, services and/or other forms of direct support to overcome their social exclusion.

*The Social and Solidarity Economy Enterprises Act*, adopted in May 2019 aims to regulate the current situation in relation to the social and solidarity economy, as well as the conditions, organisation and rules under which social enterprises operate and interact with the state and municipalities, including measures for promotion. Thus, the law provides a clear definition of the social enterprise and the scope of its activities.

It clearly introduces, for the first time, the legal term social entrepreneurship (cited in paragraph – 1.1). The law further aims to achieve the construction, development and promotion of a distinct business sector that is predominantly socially oriented and whose main objective is to generate positive social added value in terms of employment, living standards and social inclusion of vulnerable populations.

As enterprises in the social and solidarity economy operate differently from all other forms of business partnerships, specific regulation is required. The main characteristic of these enterprises is that they attach importance to social rather than economic objectives – especially in the selection of staff and the distribution of positive financial results. Social enterprises have a hybrid character that combines public contribution and business initiative.

By developing social enterprises and improving the environment for the social economy, the new law aims to: improving access to employment and training; improving vocational qualifications to raise the living standards of people from vulnerable groups; creating conditions to support people from vulnerable groups for social inclusion and independent living; reducing social inequalities and sustainable territorial development.

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Under the new law, social enterprises are divided into two groups – Class A and Class A+ (see more in paragraph 4.1). The Act eliminates confusion and difficulty in identifying the object of the social enterprise and its objectives. This differentiation and regulation of social enterprises helps to resolve another important issue, namely who and how can benefit from state aid, as well as from available EU funding (e.g. Human Resources Development and Competitiveness OP; European Funds for Social Entrepreneurship; EU Employment and Social Innovation Program).

Another step towards improving the development of the social economy envisaged in this law is the establishment of a National Register of Social Enterprises in the Republic of Bulgaria, as well as a distinctive brand for social enterprises and the goods and services they offer. The National Register of Social Enterprises

contributes to their promotion and development, increasing the confidence and awareness of citizens, consumers and investors. There are no registration fees or other financial burdens on businesses.

The legal and statistical recognition of social economy enterprises and organizations is an important condition for clear and fair interactions between the state and social enterprises, between social enterprises themselves as well as citizens, investors, and stakeholders. The law regulates the mandatory participation of disadvantaged people in the management of the social enterprise. It is compulsory to employ 30% of the people from the target group, which is met with great dissatisfaction from most managers and employees, as a large part of the people employed in social enterprises are people who do not have established work habits or are people who find it difficult to stay at work, have no motivation to work, suffer from mental or chronic illnesses, that are often exacerbated and they have to go on sick leave or be placed in medical facilities. It would be difficult to carry out a production process when 30 out of 100 staff are regularly absent or insufficiently involved in the activities of the enterprise.

According to the new Law, the employment of people should be regulated by a permanent employment contract, and a fixed salary of at least the minimum wage for the country (780 BGN in 2023, equivalent to 390 EUR). This poses another funding problem, as the salaries of most professionals working in social services (social workers, psychologists, speech therapists, rehabilitation workers, occupational therapists) are provided by the (municipalities through state funding) or by partial donors and are hired for their education and qualifications, and in most cases the funds from economic activity are not enough to cover the costs of supplies and materials, let alone salaries.

The inadequacy of the Act is evidenced by the establishment of the Social Enterprise Register. As of June 2023, only 33 social enterprises are registered in it.

On the other hand, according to the National Statistical Institute, 4391 organizations self-identify as social enterprises and according to the 2019 report, 3674 of them

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are registered as NGO – foundations, associations, etc. This trend clearly shows that the existing law on social enterprises is not adequate to the actual situation in the country. Many social entrepreneurs share that the criteria set for registration are difficult to achieve.

### ***Legal and fiscal framework of social entrepreneurship in Germany***

A specific legal form for social enterprises is not prescribed by law in Germany. The definition of the German Bundestag states that the legal form of social

enterprises is irrelevant. What is important, according to the outline, are the requirements that must be fulfilled depending on the social service offered (see criteria Social Code – SGB and German Bundestag, 2012). According to Network Germany (Netzwerk Deutschland), “the primary goal of social entrepreneurship is the solution of social challenges, which is achieved through the continuous use of entrepreneurial resources and leads to new and innovative solutions, whereby steering and control mechanisms ensure that the social goals are lived out internally and externally” (SEN 2019). This definition also does not take into account the legal form.

As there is not specific legal form for social enterprises, organisations have the option to choose from all legal forms known to the German legal system. However, the choice of legal form plays a significant role regarding tax benefits and with this the recognition as a social enterprise. As a rule, tax benefits are only granted if the social enterprise is a corporation, an association or an asset within the meaning of the Corporation Tax Act (Deutscher Bundestag, 2016). Commercial Code (Handelsgesetzbuch) allows for different types of corporations, but a legal form explicitly geared towards social enterprises is not provided for by law. There is the form of the limited liability company (GmbH), which cannot be listed on the stock exchange, and the public limited company (AG), which can be listed on the stock exchange. In addition to these two forms of company, Germany also has registered cooperatives, registered associations and foundations for the promotion of common or social interests (Spindler, 2022: 585). In practice, the associative forms represent important players in the social economy in Germany. Foundations and registered associations regularly set-up limited liability social enterprises for providing their different social services in separate legal entities. Having a foundation and/or a registered association as the owner or shareholder, the assets use is indirectly subject to indirect democratic control.

In Germany, company law (see above) imposes different requirements on companies depending on their size. Social enterprises also have to follow these different size categories with typical characteristics regarding the details of information provided in the public register (see § 267 and §267a Commercial Code). Large organizations are usually financed through the payment of services by the state (state con-

tractors or public service providers). Secondly, there are small and medium-sized enterprises (SMEs) that are refinanced by customers or stakeholders through market offers (“market entrepreneurs”). And thirdly, micro-enterprises that refinance themselves through donations, sponsoring rings, etc. (“non-entrepreneurs”).

The tax benefits for corporations in Germany and their recognition by the tax

authorities are based on the pursuit of specific purposes (Gemeinnützigkeit) which are described as charitable, benevolent or ecclesiastical (paragraphs 51 to 68 of the tax code, being the Abgabenordnung). Not all non-profit organizations pursue the status of specific purposes, but if organizations would like to obtain this status, meeting the specific purposes outlined by the tax code is required.

Within the next paragraph (4.2), an outline regarding the requirements for specific purposes for social enterprises in Germany is provided.

The following exhibit compares the different tax benefits in Bulgaria and Germany. It is based on a survey of the European Union, which provides a comparison of social enterprises in all countries within the European Union; the information on Bulgaria and Germany are drawn from this (European Union 2020: 93).

Table 1. Fiscal Benefits in Bulgaria and Germany

Type of fiscal benefit	Yes, without limitations	Yes, with limitations	None available
Corporate tax exemption on retained profits	Germany	Bulgaria	-
VAT exemption or reduced rate	Germany	-	Bulgaria
Tax reductions granted to private and/or institutional donors	-	Bulgaria, Germany	-

Reference: European Union (2020), p. 93

## Social enterprises in Bulgaria and Germany

This paragraph outlines the requirements of social enterprises in the two countries. The challenge here is the difference of how social enterprises are recognized. In Bulgaria, this is conducted via the legal status of an organization. In Germany, it is the “pursuit of specific purposes” via the mentioned corporate tax exemption (outlined above), which leads enterprises to obtain the non-profit dedication. The details are outlined below.

### *Social enterprises in Bulgaria*

Under the Social and Solidarity Economy Enterprises Act (2019) social enter

prises are divided into two groups - Class A and Class A+.

A *class A social enterprise* is any social enterprise, regardless of its legal form, which:

- carries out a social activity that produces social added value, determined in accordance with a methodology issued by the Minister of Labor and Social Policy;
- is managed in a transparent manner with the participation of the members, employees or workers in decision-making according to a procedure laid down in the memorandum, articles of association or other constituent document;
- the positive accounting financial result of the enterprise after taxation for the last accounting period is spent more than 50 per cent and not less than BGN 7500 for the implementation of a social activity or purpose;
- not less than 30 per cent and not less than three persons of the persons employed by the enterprise must be disadvantaged persons.

A *Class A+* social enterprise is any enterprise, regardless of its legal or organizational form, which meets all the conditions for a Class A social enterprise and one of the additional conditions:

- the social added value takes place entirely within the administrative boundaries of municipalities which, in the previous year, had an unemployment rate equal to or higher than the national average according to the statistics available at the date of the application;
- more than 50 % and not less than BGN 75000 of the enterprise's positive accounting result after tax is spent on social activities;
- at least 30 of the employees are persons belonging to the group of disadvantaged persons and have worked continuously in the enterprise for the last 6 months.

### ***Social enterprises in Germany***

As outlined in section 3.2, the tax benefits for organizations in Germany and their recognition by the tax authorities are based on the pursuit of specific purposes (Gemeinnützigkeit). The recognition of this specific status is linked to the notice of exemption from the corporation tax. The organization might be for example an association or a limited liability companies. Various legal forms are eligible for this status and need to meet the requirements of §5 (1) no. 9 of the Corporation Tax Act (KStG) and § 3 no. 6 of the Trade Tax Act (GewSt) in order to receive a so-called "notice of exemption" (recognition of non-profit status) different requirements

have to be met. The consequence of the recognition is the exempt from corporation and trade tax. The organization is also entitled to issue donation receipts, provided it pursues purposes that benefit (charitable, benevolent or ecclesiastical).

An organization pursues *charitable purposes* (AO §52 Gemeinnützige Zwecke) if its activities are aimed at selflessly promoting the public in a material, spiritual or moral sphere in an altruistic manner. This for example includes the promotion of youth and old people's welfare.

An organization pursues *benevolent purposes* (AO §53 Mildtätige Zwecke) if its activities are aimed at selflessly supporting individuals, for example if they need support as a result of their physical, mental or spiritual condition. Alternatively, if individuals are dependent on the help of others or whose income does not exceed four times the standard rate of social assistance within the meaning of section 28 of XII book of the Social Code; in the case of single persons or single parents, five times the standard rate shall apply instead of four times the standard rate.

An organization pursues *ecclesiastical purposes* (AO §54 Kirchliche Zwecke) if its activities are aimed at selflessly promoting a religious community, which is a public corporation.

The requirement selflessly is also defined by law (AO §55 Selbstlosigkeit). A promotion or support is selfless if it does not primarily pursue its own economic purposes - for example, commercial purposes or other profit-making purposes, then laws outlines specific conditions which need to be met (see AO §55 Selbstlosigkeit).

The recognition of the status "pursuing specific purposes" allows organization to label themselves as being a non-profit with the specific status of being recognized by the tax code; these organizations are eligible to put a "g" for "gemeinnützig" in front of the legal form they are registered for. There is the limited liability company "Gesellschaft mit beschränkter Haftung" (GmbH) for example, which becomes a "gGmbH" or the publicly listed company "Aktiengesellschaft" (AG) now being listed as the "gAG".

The German Parliament defined social entrepreneurs are individuals "who, out of their individual civic engagement, establish social organizations that solve societal challenges with innovative and entrepreneurial approaches. Organizations founded or operated by such persons and with this objective are social enterprises according to this definition (Deutscher Bundestag 2012). In addition to founding organizations, this definition also explicitly includes the operating of organizations, therefore the "entrepreneurial activities" of established social organizations that result in an overall realignment or spin-off of legally independent ventures from the non-profit organizations, also having obtained the status of "pursuing special purposes" (Spiess-Knafl, 2013).



## **Financing of social enterprises**

Access to financial resources is crucial for social enterprises, as for all other enterprises. Financial resources are needed for the creation and continuation of an enterprise. They guarantee the continuity and growth of social enterprises. In contrast to for-profit enterprises, social enterprises can additionally draw on resources such as volunteers and financial resources such as donations, but also on public subsidies and tax benefits (EU 2020: 19).

### ***Financing of social enterprises in Bulgaria***

As a member of the European Union, Bulgaria accepts and follows EU policies in the field of social entrepreneurship. More and more funds from the EU budget are spent on specific measures to support social entrepreneurship and the development of social enterprises in Bulgaria. As pointed out in the study “Mapping social enterprises and their ecosystem in Europe, National Report: Bulgaria” (2014), the development of the social economy sector in Bulgaria depends on the introduction of measures such as: a variety of public financial sources, i.e. access to credit and social funds; state subsidies eligible under the so-called State Aid Block Exemption Regulations; grant schemes for the creation and development of social enterprises; promotion of donations to the social economy through tax breaks.

On the other hand, EU programs to finance social enterprises and provide wages for people in the target groups have one major drawback – the overly complicated application and reporting procedure and the temporary nature of the programs.

In Bulgaria, social entrepreneurship is not yet at the level of Western countries and it does not enjoy great popularity and trust. For that reason, the income of a social enterprise (self-supporting) could hardly reach the necessary income for salaries, supplies and materials for production. It is by no means assumed that a social enterprise could compete with a private company or production where many persons are employed and production is mechanized.

The most common practice for financing social enterprises in Bulgaria is the so-called hybrid form. Many enterprises are partly financed by EU and Ministry of Labor and Social Policy programs, and partly by their own revenues (from the sale of products or the provision of services). Quite a few also rely on private donations, but in most cases, these are one-off or insufficient to sustain them.

## ***Financing of social enterprises in Germany***

Social enterprises place the pursuit of a social goal at the forefront of their entrepreneurial activities. This has far-reaching consequences for their financing options. Classically, we differentiate between internal and external financing of companies. In the case of social enterprises in Germany, this looks different for the

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case of for-profit company pursuing the profit-maximizing goal. Internal financing of social enterprises include income streams available to these like service fees and subsidies from the public sector, sales from the public sector, sales in general, sponsorship contributions, membership fees and other sources of income from a target group or beneficiaries. External financing comprises of financing instruments that are made available to the company on a long-term basis by external capital providers. These are provided for example, to finance buildings or to cover start-up costs. These include both the instruments of equity, debt and the mixture between, the mezzanine capital from the for-profit sector as well as donations (Achleitner, et al 2011: 272).

For an important share of the internal financing the social services itself plays a dominant role. These are financed primarily by employers' and employees' contributions to the legally regulated social insurance schemes and a co-financing through taxes takes. In addition to the social insurance funds, the most important payers within the social economy are the municipalities as the main contributors to youth welfare and social assistance. The municipalities are financed by tax revenues and public allocations (Kohlhoff, 2019, p. 156). For social work institutions in Germany, it is of particular strategic importance as it has a significant influence on the possibilities of service provision and can restrict them under certain circumstances (Schellberg, 2018: 506).

In social work, public funding represents the predominant share. It is divided into direct and indirect or object and subject financing. Object funding is usually a proportionate subsidy for facilities and services on a voluntary basis. Subject funding is provided on a case-by-case basis, i.e. according to the number of service recipients and the scope of the services actually provided (Schellberg, 2017: 41). This is refinancing of the service, as payment is only made after the service has been provided (Schellberg, 2018: 505ff.). In contrast to object financing, subject financing does not take place voluntarily, but on the basis of a legal right of a person entitled to benefits to have the costs of a benefit assumed by the social service provider. It is therefore based on social legislation. The funding of social work institutions is regulated by a service fee or service remuneration agreements between social service providers and service providers, especially in the areas of SGBVIII, SGBIX and SGBXII. Due to social law provisions, it is usually not the

providers, but the beneficiaries who are entitled to benefits. The social economy is predominantly (indirectly) financed by service fees, which are paid by the payers within the framework of the triangular relationship under social law. The exhibit below outlines this framework showing that the social economy replaces payment by the beneficiaries (Kolhoff, 2019).

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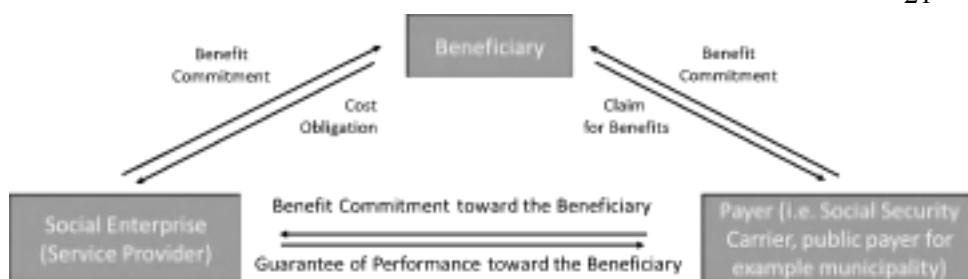


Fig. 1. Triangular Relationship under Social Law

Reference: Kolhoff, 2019, p. 161

For social work organizations, a total funding share of approximately 80 per cent comes through service fees or service remuneration (subject funding), roughly 10 per cent through public grants (object funding) and about 10 per cent through own funding. Accordingly, social work is highly dependent on public funding (Schellberg, 2017: 41).

Until the 1990s, social work was financed according to the full cost recovery principle. This means that the costs of a social enterprise were fully covered by the state. The economic responsibility of social enterprises was thus low, as was the incentive to save costs. Due to the continuing scarcity of public funds, changes in welfare state policy were implemented. The previous financing was replaced by the introduction of fee-for-service financing and a client-contractor relationship was created between the public social service providers and the social enterprises. This was intended to strengthen the economic responsibility of the social enterprises as well as the incentive to save costs. Furthermore, one of the target was an increasing pluralization of social work providers by opening up the social market to private commercial providers. At the same time, the autonomy of the recipients of social services was to be promoted by giving the beneficiaries a right of choice. This was the commencement of a politically initiated competition between the providers of social work. The aim was to reduce overall social costs and at the same time an increase the quality of services (Schellberg, 2017: 190ff.).

## **Challenges for social entrepreneurship**

The challenges outlined represent an excerpt of the overall challenges discussed in each country. The outline does not assume to be a complete picture of the current debate.

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### ***Challenges for social entrepreneurship in Bulgaria***

The main challenges for social entrepreneurship in Bulgaria could be summarized into the following areas (Todorova, 2014):

1. *Resourcing*: lack of appropriate funding models to support social enterprises.

This is a problem that affects practically all social enterprises and refers to the initial and working capital financing of social enterprises; lack of resources to start a business; lack of managerial and marketing experience. Existing EU programmes are short term and require upfront capital to be provided by the social enterprise. The main drawbacks of the project approach mostly affect enterprises with a dominant social cause. The motivation of these enterprises that are candidates for project funding is different from that of independent entrepreneurs.

It could be said that the latter are more adequately business-oriented, while the former often lack managerial skills and vision for development. The project finance model suffers from a chronic lack of sustainability – there are slow, cumbersome procedures in project administration.

2. *Problems with the environment*: lack of a systematic and targeted policy at national level; a regulatory framework that is demonstrably inadequate to the needs of social enterprises; problems with institutions – no real understanding of the role of social enterprises, lack of cooperation from the institutions involved.

3. *Personnel problems*: existing entrepreneurial-type enterprises (most often specialised enterprises for people with disabilities) often have problems related to finding and training suitable personnel, because of their attitude to have high expectations of the employer to provide them with a job, without being motivated to defend their job position with appropriate qualifications and willingness to work.

The challenges for Bulgaria in terms of the development of social entrepreneurship could be outlined as follows (Roadmap 2015–2020: Promotion and Development of Social Enterprises in Bulgaria):

- A broad understanding of social enterprise: Bulgaria currently has a broad legal framework, or rather lacks an explicit one, and this allows for free self-definition. At the same time, it should be noted that the broad

definitional criteria do not offer a real opportunity for a results-oriented incentive policy.

This challenge is addressed with the adoption of the Social and Solidarity Economy Enterprises Act (2019). But there are still challenges with its implementation in practice, outlined in paragraph 3.1.

- Need for sectoral reforms: social enterprises in Bulgaria have traditionally operated and developed as a means of providing employment in the social services and, in rare cases, education, health and culture sectors. Therefore, a key factor for their future development is building on reforms in these areas, liberalizing the market and ensuring quick and easy access to services for users.

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- Prioritization of one target group: the only more serious preferences are targeted at one specific group of social enterprises – cooperatives and specialized enterprises of people with disabilities which are social enterprises par excellence. There are two reasons for this: (a) the target group, people with disabilities, for whom there are the most systematic and consistent integration policies are active self-advocates, and b) historical reasons.

Therefore, in order to use social enterprise as a tool to overcome social problems for other vulnerable groups that are difficult to represent and self-advocate for their own initiatives (e.g. refugees), leadership from the state and cross-sectoral policy planning need to develop even more adequate promotion policies for social enterprise.

- Capacity building opportunities: there is a lack of adequate and coherent publicly funded capacity building programs to develop social enterprises as such. The allocation of funds for the development of social enterprises under various national initiatives and mechanisms leads to the conclusion that substantial financial resources are allocated, but at the same time the social enterprises that have received support fail to achieve financial sustainability and remain project oriented. This prevents, on the one hand, social enterprises from building their own image in the business environment and becoming recognizable among society, and, on the other hand, from establishing themselves as successful an instrument for achieving national social policy objectives.
- There is a lack of financial incentives for the initial start-up of social enterprises; investments in small and medium-sized enterprises are significantly more targeted and consistent, including through the provision of specific financial instruments to help the business enterprise develop as such.

## ***Challenges for social entrepreneurship in Germany***

There are several debates regarding social enterprises and their challenges in today's environment. The following outline concentrates on three of the debates, being the *digitalization* in the social economy, the *shortage of skilled labor force* and third *financing of social enterprises*.

### **1. Digitalization**

The digital transformation is decisively shaping society and also the social economy. This is not just the case since the Covid-19 pandemic. As early as 2018, Rock formulated the challenge proposed by digitalization to social work and the welfare organizations. This is not less challenging than for classic industrial companies, but greater. Social services are provided in co-production between the service providers and the clients (Rock, 2018). In Germany, digital technology in the social economy is already used for the integrated design and documentation of work processes.

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Digitally renewed service delivery to clients is less common. In 2017, Becka et al analyzed the literature on digitalization in social services. By then, the authors found no evidence that digitalization in the social economy had substituted tasks or lead to large staff reductions (Becka et al 2017). The impact the pandemic on social services and the introduction of Artificial Intelligence might have changed this in the mean

time. As digitalization fundamentally changes people's behaviors, new technologies can potentially enable more autonomy for people in need of help. Nevertheless, at the same time, new business models are emerging in the social economy and new market participants are entering the market. The established structures of independent welfare work in Germany are under pressure to change. Large social enterprises, often with several thousand employees, may be able to meet this with the necessary resources. Smaller social enterprises, on the other hand, may be more quickly overwhelmed by the challenges (Kreidenweis, 2018: 16ff).

2. Skilled labor shortage

The general labor shortage in Germany is the largest labor shortage since the shortage during the economic recovery after World War II. With the demographic change and the retirement of the baby boomers, this situation will even accelerate. Without any adjustment, such as migration and higher labor force participation, the labor force potential will be down by seven million in 2035, purely of demographic reasons (Hellwagner et al., 2022).

Social enterprises of course are also hit by this development. The consequenc

es for social enterprises are obvious as seventy to eighty percent of the total costs of these organizations are caused by personnel expenses. Social services are provided in co-production with the clients. The number and motivation of skilled employees drives the quality of the services. If the resource of staff is only insufficiently available from a quantitative and qualitative point of view, there is a danger that the quality of the social services will decline or can no longer be provided. The top two areas with the largest labor shortage in 2022 were Social work and pedagogy with 20,578 vacancies, childcare and education with 20,466 and elderly care with 18,279 reported open positions (Regniete, 2023). But besides these three specific areas, labor shortage is a challenge to all areas of social services (Mehler, 2022: 1ff).

### 3. Financial Challenges

Social entrepreneurs are also facing several challenges linked to financing their organizations. The fourth Monitor for German social enterprises 2021/2022 (SEN 2022) outlined three main challenges to social enterprises: 1. Too little targeted follow-up funding (33,1%), difficult to assess and evaluate the allocation of public funding (30.9%) and too less usable forms of start-up funding (28,4%). The percentages in the brackets provide the share of social entrepreneurs interviewed, finding this point to be a financial challenge. The DSEM demands a more tailor made financing for social enterprises and support services developing social enterprises and its level of market orientation. Mehler additionally mentions the insufficient

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financial resources, which need a more solid protection by structural financing tools (Mehler, 2022: 2).

## **Good practices examples of social enterprises from Bulgaria and Germany**

The examples for good practice of social entrepreneurship start with Bulgaria. The German examples then to outline one similar example and its set-up for Germany and a typical foundation with details regarding to the structural embeddedness of the organization.

### ***Bulgaria***

#### ***Rojdestvo Hristovo Foundation***

The Nativity of Christ Social Centre has been working in Sofia since 1998. The project for it was developed in the Catholic Apostolic Exarchate – Sofia on the initiative of the Pontifical Council “Cor Unum” as part of Pope John Paul II’s pre-Jubilee program “100 projects of the Holy Father”. The meaning of the

project is the unconditional support and protection of human life through moral and material assistance to single mothers who, despite many serious difficulties, have made the right decision to keep their children and raise them alone. Over the years, the need not only for social, psychological and material support for women, but also for the involvement of this vulnerable group in work, has become increasingly clear. At the very beginning, women learned to sew bed linen, which sold with great success. In 2010, the foundation was set up and has the right to operate a business. A souvenir workshop was set up using natural materials – wool and textiles. The mothers were successful in making the souvenirs and it was not long before, thanks to sponsors from Switzerland, the souvenirs began to be sold abroad. Today, the Foundation's social enterprise is a success both at home and in Western Europe and the USA. The souvenirs are also very popular with the staff of the American and German Embas-

sies. They are sold in shops and restaurants all year round. Mothers are taught to do certain activities, to make parts, to assemble a whole item, etc. During the initial training, each client is taught to make the basic parts of an item. Working in the social enterprise enables women to acquire certain work habits, skills and dexterity. The work they make gives them the self-confidence of creators, the special experi-

ence of having made something useful and beautiful with their own hands (Kisiova, 2020). In the beginning, the funding of the enterprise was secured from sponsors/donors from Caritas Switzerland. Since 2015 the social enterprise has been self-funded from the sales of the souvenirs produced. 1/3 of the profits are given to the women (social service users) who produce the souvenirs. 15% is provided to other vulnerable women (<https://www.darpazar.bg/bg/node/133>).

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### *Maria's World Foundation*

There are 46 000 people with intellectual disabilities in Bulgaria. Of these, approximately 8000 people live in the capital Sofia. People with intellectual disabilities in Bulgaria constitute one of the most discriminated and isolated groups in society. The mission of Maria's World Foundation is to improve the quality of life of people with intellectual disabilities and their families, and to support their personal fulfilment by providing access to quality services, developmental training and appropriate employment. "Maria's World is a foundation established in February 2012 in Sofia by the family of Maria, a young woman with an intellectual disability. We believe that every person is a valuable community resource and deserves the chance to develop their potential and live with hope for the future. People with disabilities should be free and equal with everyone else – free to make their own choices and equal in the opportunities provided to make them." The Ministry of Labour and Social Policy awarded the project "Protected



Café” of Maria’s World Foundation with the first prize in the competition “Annual Awards for Social Innovation in Support of the Social Economy”. The Protected Café offers catering services for different formats of seminars, workshops, lunches or dinners, coffee breaks, cocktails, corporate parties. The food is prepared and served by the clients of the Day Centre. The income from the catering services is invested in vocational training for people with intellectual disabilities in culinary skills and support to enter the labor market (<https://mariasworld.org/bg/>).

### *Betel Bulgaria*

It is International Christian Association to help persons suffering from all kinds of addictions. Betel’s aim is to reach out to the most in need, rejected by the society addicts. The center in Bulgaria was established in 2004. So far, it has helped more than 2800 addicts start a new life and re-enter society. People who have joined the program so far have been addicts, drug dealers, ex-convicts, etc. For at least 18 months, they live permanently in a sheltered housing, and participate in a treatment and resocialization program. Occupational therapy is an essential element of the program, through which participants feel productive, work gives them meaning and purpose, and they acquire vocational and social skills. Along with individual and group therapy, program participants maintain the house, grow vegetables, and cook. After completing training to repair old, donated furniture, they participate in a workplace rehabilitation program. It helps them feel productive; develop work habits, job skills, teamwork, mutual trust and respect, and skills for reintegration into society. The center is self-supporting by offering services – wooden furniture repair, transport, construction, office and house cleaning, handyman services, second-hand furniture and clothing shop, gardening, etc. Results such as the reduction in the number of homeless and drug addicts, the reduction in criminal activities, the restoration of families of former drug addicts and the return of hundreds of useful

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and resourceful young people to the community, are indeed in evidence following the work of the organization. In 2012, Bethel’s business plan was awarded second prize in a social enterprise competition (<https://betelbulgaria.org/bg/>).

### *Germany*

#### *Mutter-Kind-Haus Jörg Sommerlath*

The following introduces two comparable examples from Germany. The first one is the “*Mutter-Kind-Haus Jörg Sommerlath*”, in English “*Mother-Child-House*

*Jörg Sommerlath*”. Admission takes place in accordance with § 19 SGB VIII and is intended for mothers and pregnant women who need comprehensive support due to their life situation. It is also open to fathers with their children. Offered is a safe place and structured day routine for mothers/fathers with their children, it is resource- and needs-oriented support with individual support planning. It also offers support in coping with psychological, social and economic emergencies or crises and support in coping with psychological, social and economic emergencies and crises (for additional services offered please see <https://www.ejf.de/einrichtungen/kinder-und-jugendhilfe/mutter-kind-haus-joerg-sommerlath.html>). The “*Mutter-Kind-Haus “Jörg Sommerlath”*” is a subunit of the “Evangelisches Jugend- und Fürsorgewerk gAG (Protestant Youth and Welfare Organisation), which is a limited liability company and recognized for the pursuit of specific purposes and therefore tax benefits. The legal form of the entity is a publicly listed company „Aktiengesellschaft“, called EJF gAG (Evangelisches Jugend- und Fürsorgewerk gemeinnützige Aktiengesellschaft). As a non-profit AG, the EJF is tax-privileged and at the same time obliged to reinvest its surpluses for charitable purposes. The organization is also member of the Diakonisches Werk (an organisation of the protestant church in Germany) and a signatory of the Transparent Civil Society initiative. Their social work is guided by principles of Christian ethics and above all by the conviction that human dignity is inviolable. The split of revenues for accounting year 2021 was the following: 95,23% was financed via subject funding by payers like social security or communities (service fees), 4,69% were subsidies for staff and material cost and other income of 4,4%, 0,08 % came from donations. Taking this into more details outlines a very typical set-up of a large non-profit organization in Germany. The EJF gAG has one shareholder, being the association EJF e.V. (Evangelisches Jugend- und Fürsorgewerk eingetragener Verein). The aim of the association is to give people of different ages and different life situations opportunities for development, to promote and support them, in particular by providing free and welfare assistance for people of all ages in christian responsibility.

Bethel is a city district of the city Bielefeld and at the same time a synonym for the non-profit organization correctly called v. Bodelschwingh Foundations Bethel. It goes back to a nursing home for people suffering from epilepsy, which was founded by the Inner Mission in Bielefeld in 1867. Today, the v. Bodelschwinghschen Stiftung Bethel are committed to helping disabled, sick, elderly or disadvantaged

people in all over Germany. Bethel is additionally one of the largest diaconal institutions in Europe. In over 150 years, a network of support has been created. It includes assistance and care services in people's own homes, special forms of housing, care facilities, clinics and hospices, offers for participation in education, rehabilitation and work as well as schools, training centers and universities (see [www.bethel.de](http://www.bethel.de)). The various services are provided via social enterprises founded by the Bodelschwingschen Stiftungen Bethel. In total 36 organizations, set-up as gGmbHs and registered

foundations (e.V.) are listed for 2021 (Annual report 2020/2021). The v. Bodelschwingschen Stiftungen Bethel are an association of the five legally independent foundations. In the statutes of the foundation (paragraph 2 Purpose of the Foundation) the following is outlined: "(1) The purpose of the Foundation, in accordance with its Christian diaconal responsibility, is to support persons in need, to promote welfare, public health, youth and old people's welfare, education and training, science and research, (2) The Foundation shall exclusively and directly pursue charitable, benevolent and ecclesiastical purposes within the meaning of the section "Tax-privileged purposes" of the German Tax Code. Furthermore under paragraph 3 of the statutes "Assets and Income of the Foundation" one of the mentioning is "The Foundation shall act selflessly; it shall not primarily pursue its own economic purposes". The foundation belongs to the protestant church of Westfalia (Evangelischen Kirche von Westfalen). The v. Bodelschwingschen Stiftungen Bethel have 20 000 employees and are the largest social entrepreneur in Europe.

### *Lotsenstelle für Alleinerziehende Bielefeld*

In 2021, a new offer of the Diakonie für Bielefeld gGmbH and the City of Bielefeld was initiated in cooperation with HSBI Hochschule Bielefeld, Department of Social Work. It emerged from experiences of the social enterprise Diakonie für Bielefeld in working with single parents from a two-year research project with the university of applied sciences. The project was founded by the Diakonie Bielefeld in cooperation with the city of Bielefeld. Financial support was obtained from external foundations and the city of Bielefeld.

The background was the need of many single parents for exchange and net working with other single parents. It is about these social aspects, but also about exchanging tips and insider knowledge about all aspects of life as a single parent.

There are also open meeting places for single parents and their children, weekly

meetings or monthly Sunday breakfasts in two different locations in Bielefeld. In addition, the project would like to support single parents in the self-determined establishment and organization of meeting places, e.g. through the joint search for

suitable rooms.

The project is an example of a social enterprise (in this case in cooperation with academia), offering innovative social counselling as a result of experience detecting the need of single parents for support with individual concerns and problems  
(<https://www.diakonie-fuer-bielefeld.de/neuigkeiten/detail/lotsenstelle-fuer-allein-erziehende.html>).

### Conclusion

The following table shows an excerpt of the findings described in the comparison. In Bulgaria, the structure of social security has been changed as part of the political developments of the last decades and new legal forms have been created for social enterprises. In Germany, there have been minor adjustments, but the system is still fundamentally based on the historical structures that have evolved over the past century.

Table 2: Comparison Bulgaria and Germany

<b>Concept of social entrepreneurship</b>	enterprise, providing goods or services that produce social added value	individual civic engagement and with the aim of solving societal challenges with innovative and entrepreneurial approaches (Bundestag 2016).
Entrepreneurship aimed at social activities carried out by social	Organizations founded or run by individuals out of their	
<b>Legal Forms</b>	Social and Solidarity Economy	No legal form specifically defined for use by social enterprises. All legal forms possible, see for example BGB (Civil Code), HGB (Commercial Codes), different laws on legal forms (Aktiengesetz, GmbH-Gesetz, Vereinsgesetz, Cooperatives Societies Act (Genossenschaftsgesetz). The choice of legal form plays a significant role with regard to tax benefits in the sense of the German Fiscal Code (Abgabenordnung).
Enterprises Act (2019), Non-Profit Legal Entities Act (2000)		
<b>Social enterprises</b>	Enterprises registered in National register of social enterprises, Class A and Class A+ social enterprises	Social enterprises register for all German and European legal forms. No specific registration, except general registration in the public register for all enterprises.

<b>Requirements</b>	The enterprise carries out a social activity that produces social added value	and spent more than 50% of the budget to carry out a social activity. At least 30% employed disadvantaged
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persons.

**Financing** Hybrid form Financing from programs of the European Union, the Ministry of Labor and Social Policy, from its own turnover and, to a lesser extent from donations.

Reference: Self-created exhibit

Different requirements depending on the size of the enterprise, possibly additional requirements

depending on the social services offered (for example, if operating a care facility or a day care center).

Corporate financing by providing capital for investments, social financing, being object or subject linked financing (financing within the framework of the triangular relationship under social law), through donations and tax exemptions.

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