
Policies for Encouraging Social Enterprises and Improving Skills for Social Entrepreneurship Development in Rural Regions

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Политики за насърчаване на социалните предприятия и подобряване на уменията за развитие на социалното предприемачество в селските райони

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Резюме

Устойчивото развитие на селските райони все по-тясно се свързва с подкрепата за стартиране на нови дейности, насочени към развитието на социалното предприемачество. Чрез него се цели насърчаване на разнообразяването на икономиката в селските райони чрез увеличаване на броя на микропредприятията, разкриване на нови и запазване на съществуващи работни места, разширяване и подобряване на социалните услуги в тези райони.

Целта на статията е да се оцени въздействието на предприемаческите умения за стартиране на предприемачески инициативи в сферата на социалните дейности в селските райони. За постигане на целта е проучено становището и нагласите на представители от различни структури в публичния и частния сектор, заемащи експертни и управленски длъжности. Оценката е направена на базата на анализирани емпирични данни, получени от анкетно проучване, включващо измерване на мненията по скала от 1 до 5.

Резултатите от изследването показват, че предприемаческите умения играят значителна роля и са ключов фактор за развиване на социални предприемачески намерения и инициативи в селските райони. Най-високо са оценени (средни стойности в диапазона 4,58–4,67) комуникационните умения, проявата на инициативност, способността да се работи в екип и мениджърските способности и умения.

Ключови думи: социално предприемачество, социално предприятие, предприемачески умения

Introduction

The promotion of innovative ideas in public policy is crucial to support the values of an active-oriented problem solving social system. These views underlie the ongoing social reforms in various countries and focus on the development of social entrepreneurship and the role of social entrepreneurs. An understanding is underlined that namely social entrepreneurs have the capability through localization of usable resources – human capital, buildings and equipment, to find flexible approaches to satisfy unmet social needs [15].

Social entrepreneurship is identified at European Union (EU) as a key instrument for regional cohesion and overcoming the problems of poverty and social exclusion. As part of its policy to promote the social economy and social innovation, social entrepreneurship contribute to achieving the strategic goals set in 2020 [3].

Legally binding definition for social enterprise at EU level has not been introduced. However, in the last 5 years we have seen that the leading strategic and normative documents define uniformly key elements in the definition [4]:

- *Social enterprises pursue profit (socially significant) goals*

Social enterprises are created to achieve social objectives (overcoming social injustice and social inequalities of vulnerable groups of people or achieve important public goals in the fields of ecology and sustainable development) and subject its economic activity. Social enterprises pursue a direct leading goal to create social benefits in the public interest or for their members.

- *Reinvestment of profits from economic activity*

All or at least most of the profit of the enterprise is reinvested back into the activity itself (for its expansion or construction fund that also achieves social purpose and which cannot be distributed among individual owners of social businesses or during its existence, or by reason of termination) and not being distributed to private shareholders or owners.

- *Institutional independence and inner self-governance*

Social enterprises are institutionally independent of the state authorities at central and local level (state institutions and municipalities do not have the ability to influence in inner decision-making social enterprises neither by law nor by virtue of its founding documents). Internal management of social enterprises include mechanisms for participation in the decision-making of representatives of vulnerable groups (such as its employees, users, members) for which it exists or the basis of the mechanism of control laid down the principle of social justice. Internal control is based on the principles of representativeness and transparency.

The social economy develops through various organizational – legal forms of entrepreneurship as cooperatives, mutual societies, associations, social enterprises and organizations, foundations and other existing in different EU member countries entities.

National concept of social economy [9] considers the following legal forms through which social entrepreneurship develops:

- 1) Social enterprises – legal non-profit organizations doing business with a strong social effect towards members of vulnerable groups in the broadest sense: to improve their standards of living, employment, provision of services and/or other forms of direct support, the end result is their active social inclusion.

- 2) Social enterprises – companies (LTD) owned by non-profit organizations as the “income from operations of the company is used for social purposes”.

- 3) Social enterprises according to the Law of Integration of People with Disabilities [8] – cooperatives or specialized enterprises (companies) of and for people with disabilities – “transparent and democratic governance principles make them particularly suitable form of entrepreneurship in the field of social integration”.

- 4) Social enterprises – cooperatives, but only if they “meet the indicators of social enterprises”.

However, Operational Programme “Development of Human Resources” (OP “HRD”) consid-

ers social enterprises along with specialized enterprises and cooperatives for people with disabilities as a tool for creating supported employment for people “who have difficulties with their integration into the labor market” [6]. It leads to the conclusion that 1) social enterprises are regarded as a separate group of specialized enterprises and cooperatives for people with disabilities and 2) namely by supporting social enterprises addressing social problems of persons who do not fall within the vulnerable group of people disabilities is promoted. Overs social enterprises are mentioned as some of the beneficiaries types of support among NGOs, cooperatives, providers of social, health or educational services.

Bulgaria has not introduced a legal definition of social enterprise, nor has a clear and explicitly defined regulatory framework. Strategic documents in the field distinguish between “social economy enterprises” and “social enterprises”; the intention is the first group to cover a wider range of persons, some of which are social enterprises [6, 9]. Moreover, from 2012 onwards statistical information is collect for existing social enterprises in Bulgaria. In 2013, NSI includes guiding criteria for respondents with regard to whether they identify themselves as social enterprise or not. As main features of social enterprise are included:

- Achieving social purpose;
- Predominantly reinvestment of profits back into the business than distribution among individual partners, shareholders, founders / members.

In terms of the types of legal and organizational forms through which one can develop social enterprise, inconsistencies and discrepancies are observed between different strategic documents and programs [6, 9]. There is no unified framework and general binding characteristics of social enterprises.

The challenge for Bulgaria regarding the development of social entrepreneurship can be formulated as follows [4]:

- ***Broad understanding of the social enterprise***

Bulgaria at that time has a broad legal framework, or rather lack of explicit one, and this allows free self-determination. At the same time, it

should be noted that the broad criteria for the definition does not offer a real opportunity for encouraging policy oriented towards concrete results.

- ***Need for sectoral reforms***

Social enterprises operate in Bulgaria and develop traditionally as a means of providing employment in the fields of education, social services and in rare cases, health and culture. Therefore, key factors for their future development are upgraders reforms in these areas, market liberalization and provision of a quick and easy access to services for consumers.

- ***Prioritizing a target group***

The only more serious preferences are targeted at a particular group of social enterprises - cooperatives and specialized enterprises for people with disabilities that are par excellence social enterprises. The reasons for this are twofold: a) the target group – people with disabilities, which has the most systematic and consistent integration policies are active self-advocates, and b) historical reasons. Cooperatives were traditional forms of solving social problems of vulnerable groups with an emphasis on employment, but remain unreformed since the 90s to date to reflect modern trends in the development of similar enterprises in other countries. Therefore, to use social enterprise as a tool to tackle social problems and other vulnerable groups that are difficult to represent and self-defend own initiatives (such as refugees) need leadership from the government and cross-sectoral planning policies to develop incentive policy for social entrepreneurship.

- ***Opportunities for capacity building***

There are no adequate and consistent programs funded with public funds for capacity building for the development of social enterprises as such. Especially it is important for social enterprises NGOs, as even par excellence recognized their business is social enterprise, to upgrade their entrepreneurial skills and visibility in the market. The implications on the funds allocated for the development of social enterprises in various national initiatives and mechanisms leads to the conclusion that substantial financial resources are allocated, but at the same time social enterprises received support fail to achieve

financial sustainability and remain project-oriented. This prevents, on the one hand, social enterprises to build their own image in the business environment and become recognizable in society, and on the other – to establish themselves as a successful tools for achieving the objectives of national social policies.

• ***Opportunities for startup funding available***

There are no financial incentives for initial start-up social enterprises; investments in small and medium-sized enterprises are much more focused and consistent, including by providing specific financial instruments to help business enterprise to develop as such.

Based on the identified problems a series of recommendations can be formulated to improve the environment for social entrepreneurship in the country [13]:

1. The resources to support social enterprises are not enough effectively spent. Moreover, the lack of entrepreneurial skills and culture among the representatives of the NGO sector that still give the main human resource of social entrepreneurs requires a new, modern approach to finance emerging or existing businesses that provision of funds does not exhaust the commitment of donor and is accompanied by a long-term assistance and monitoring on the development of the enterprise.

2. Mobilization of available internal and external resources (opportunities of alternative forms of tourism, attracting young and enterprising Bulgarians from home and abroad for the cause of social entrepreneurship), can provide a much broader basis for development of the sector. Active work with local businesses to promote social entrepreneurship and social enterprises also is a step in that direction.

3. In practice, the possibilities of an integrated European market and developed practices in the leading economies in Europe are a resource that can be used much more effectively.

4. Optimizing the legislation and creating flexible legal environment is a prerequisite for development of the sector.

5. As the European practice shows, a verified solution to support social entrepreneurship is to

create a civic organization that acts as a body that defends the interests of the sector “social entrepreneurship”, generates and maintains a database of social enterprises, lobbying at the political level, promote social entrepreneurship as an activity for the benefit of society, trace and monitor procurement and funding schemes.

Action Plan “Entrepreneurship 2020 – Bulgaria” [1] was adopted by Protocol № 46 of November 11, 2015 the Council of Ministers with a concrete 31 measures in accordance with the adopted by the Commission - Action Plan “Entrepreneurship 2020 – Revival of the entrepreneurial spirit in Europe” (COM / 2012/0795 final) [2]. With the adoption of the Action Plan “Entrepreneurship 2020 Bulgaria” and proposed measures to implement the recommendations of the Commission by 2020, the country is committed in the long term conducted by the Ministry of Economy policy to promote and create new businesses. The measures of the Action Plan for Entrepreneurship 2020 – Bulgaria.

Field of action № 1 – “Education and training in entrepreneurship to support growth and new business creation”. This includes 15 measures. They are related to the introduction of programs for the formation of entrepreneurial skills in schools, updating entrepreneurship programs in vocational education, universities, secondary schools, promote entrepreneurship among young people, training of entrepreneurs in the field of agriculture and forestry etc.

Field of action № 2 – “Better administrative and legislative environment for entrepreneurs and support the crucial stage of the life cycle”. This includes 10 measures. They are connected with programs to fund start-up entrepreneurs – young farmers in agriculture, support for pilot projects to develop new products through clusters in agriculture, support for start-up entrepreneurs students, support the growth of businesses by promoting the use of ICT and support through financial instruments. In this column included a measure to reduce the time needed to get licenses and permits.

Field of action № 3 – “Strengthening the entrepreneurial culture in Europe for the growth of a new generation of entrepreneurs”. This includes

6 measures. They are related to encouraging and promoting entrepreneurship in Bulgaria, developing a strategy to promote women's entrepreneurship, supporting a network of women entrepreneurs, support for the employment of people who care for children and other dependent family members, establishing a mechanism for exchange of experience and skills of older entrepreneurs to new entrepreneurs and promote entrepreneurship for unemployed young people under 29 years.

The Rural Development Programme 2014–2020 [14] accepts that weak entrepreneurial activity in rural areas is an obstacle to the utilization of internal resources of the local economy (tourism, processing of agricultural and forestry production, *social entrepreneurship*, disposal) and to strengthen the vertical and horizontal links in the economy. It is therefore necessary to support the development of entrepreneurial skills to promote business initiatives by local residents and to improve the business environment in rural areas. Entrepreneurship development is also a successful method for increasing women's employment and integration of people at risk of marginalization. It is also a priority of the National strategy for encouragement of development of small and medium-sized enterprises 2014–2020 [12]. It can be considered that social enterprises can find their application and development in rural areas. There are two main options identified taking into account existing conditions in rural areas, which can lead to a positive economic impact for a social enterprise. Tourism and agriculture have great potential for development in Bulgaria and social entrepreneurship has a place in the development of these sectors [7]. This means there is a potential for development of *training and consulting services in the field of social entrepreneurship* in these areas, which implies the need for capacity building oriented towards acquisition of specific entrepreneurial skills.

Facts and Figures on Social Enterprises in Bulgaria

Due to the weak development of its subject, the statistics for social enterprises in the coun-

try is not well developed. Best data is in terms of specialized enterprises for people with disabilities. Overall the society does not create sufficient and adequate opportunities for social inclusion of vulnerable groups [13]. There is lack of understanding and appropriate responses to the disadvantaged. The activities of social enterprises in Bulgaria are usually not particularly attractive to business areas due to lower earnings and slower return on investment. The most common areas of activity of social enterprises in Bulgaria are the services most often social and educational. Production and trade are less developed, such as production of clothes, food (bread, honey), souvenirs, postcards, carpentry goods.

National statistical institute (NSI) [11] provides information on the methodology for the statistical survey of social enterprises in Bulgaria, as well as specific information about those which self-identify as social enterprises on certain indicators. The survey was launched in January 2013 as the first reference year is 2012, and it is conducted with annual periodicity. The scope of the study includes all non-financial corporations and non-profit organizations in the country that have developed activities during the reporting year. The main source of information are the annual accounts of non-financial enterprises, compiling and compiling balance sheet and annual report of the non-profit enterprises. To obtain information about the number of social enterprises in Bulgaria, NSI include the following question in the annual activity reports of enterprises (AAR) in "Information for the enterprise".

Ministry of Labour and Social Policy and its partners National Statistics Institute, the Central Cooperative Union and the Social Assistance Agency for 14 months realized project "Creation of a national database of MLSP for social enterprises in Bulgaria" (Fig. 1–5) [10]. The project includes technology for the entry and processing of information for social enterprises by structured forms. The main purpose of the statistical survey of social enterprises in Bulgaria is to identify enterprises in the social economy and to provide information on certain indicators of social enterprises in the country.

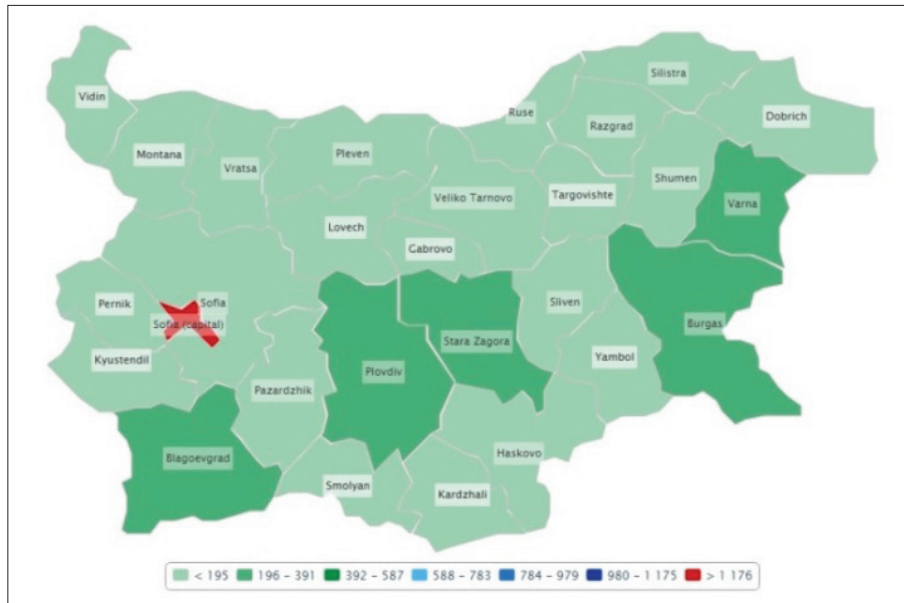
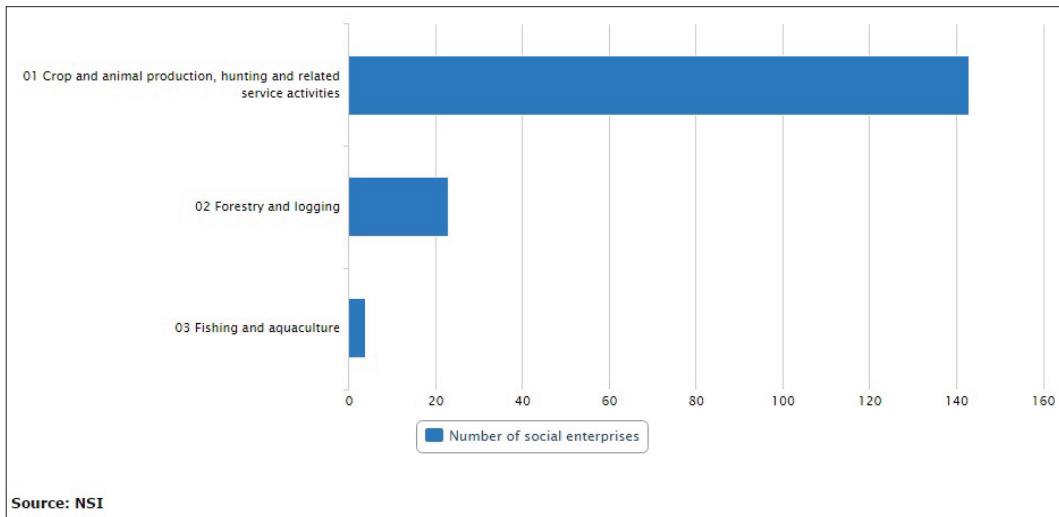
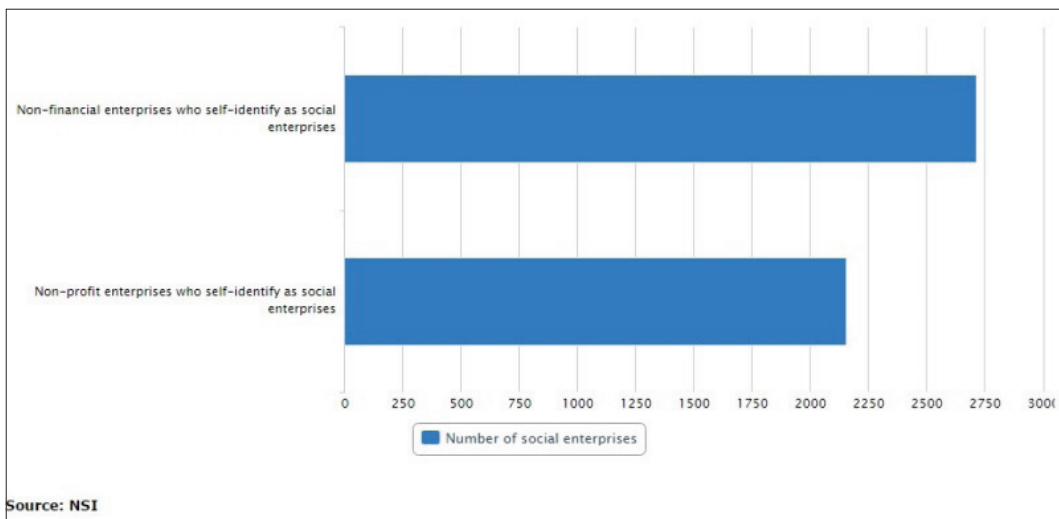


Fig. 1. Number of social enterprises by region



Source: NSI

Fig. 2. Number of social enterprises by main economic activity (NACE rev.2)



Source: NSI

Fig. 3. Number of social enterprises by legal form

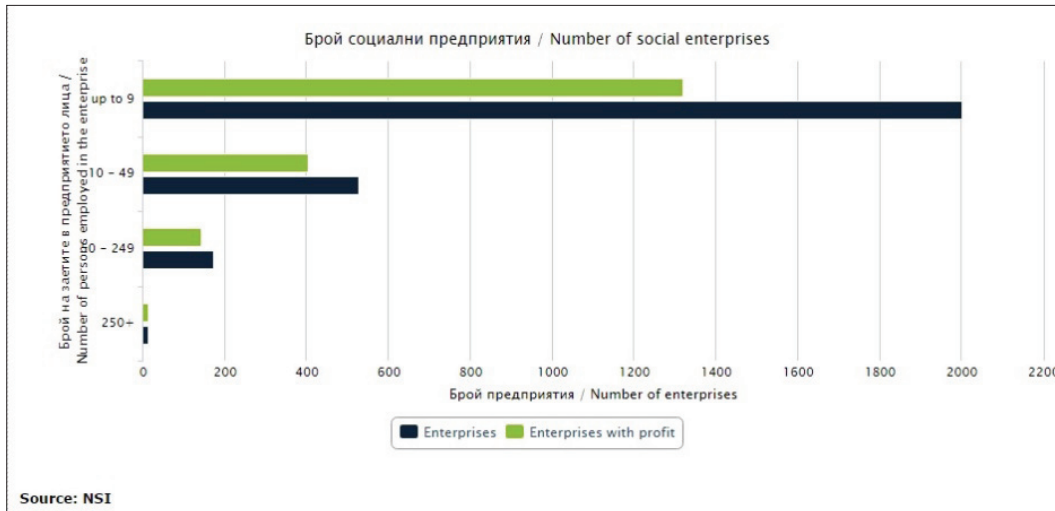


Fig. 4. Non-financial enterprises, which identified themselves as social, by number of employees

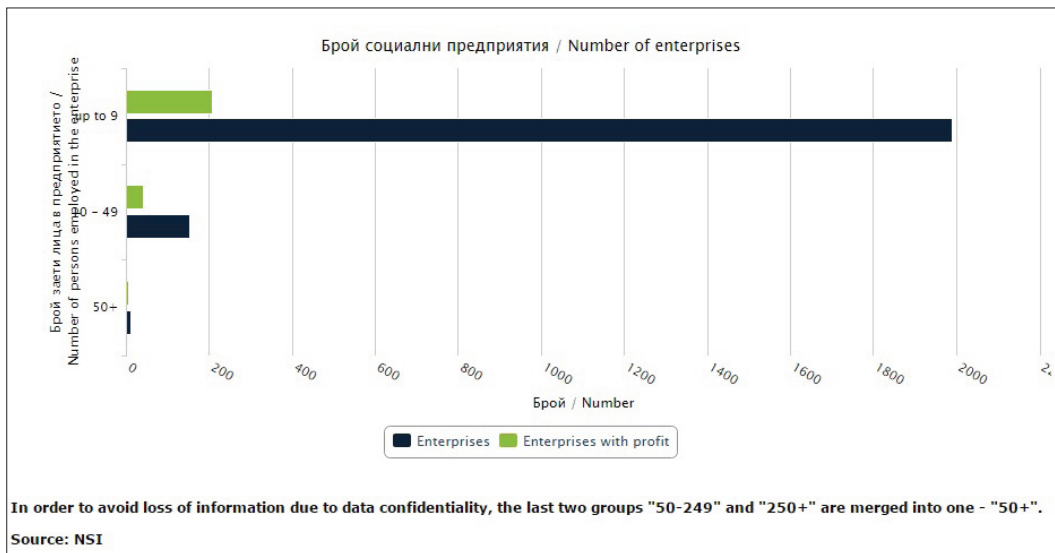


Fig. 5. Not for profit enterprises, which identified themselves as social, by number of employees

According to the summary data for 2012 of the National Statistical Institute (NSI) 4872 enterprises have identified themselves as “social”. 2717 of them are registered as commercial companies and cooperatives. Social enterprises as commercial companies / cooperatives have generated a total of 3,597,289 BGN income and made 3,419,789 BGN operating expenses. Economic areas where there are most social enterprises – companies and cooperatives are trade and repair of motor vehicles and motorcycles (964) and

manufacturing (395). 2155 by those which define themselves as social enterprises are registered as NGOs with only 253 of them have generated profit from their business.

In 2013, the number of those which define themselves as social enterprises is smaller – 3612. Of these, 2046 are registered as commercial companies and cooperatives. Areas of economic activity of social enterprises - companies/cooperatives remain unchanged. 1381 social enterprises – companies/cooperatives gain. 1566 of

self-identified social enterprises are registered as NGOs with only 197 of them have generated profit by business (totaling 22,116 BGN). These same NGOs have generated revenues from non-profit activities totaling 179,675 BGN.

NSI data [11] for 2012 and 2013 show that the number of companies identified themselves as social enterprises decreased. It should be borne in mind that taking into account the activity for 2012 NSI for the first time includes a question about whether respondents identify themselves as social enterprise, without specifying the guiding criteria for self-determination. For reporting purposes in 2013 guiding criteria were introduced. Next, it must be recognized that in 2013 completed schemes of OP “HRD” aimed at supporting social enterprises and a study in the summer of 2014 shows that the majority of funded enterprises no longer operate [4]. This is a clear indicator that the presence only of project financing is not a good way to achieve financial sustainability of social enterprises, as well as the need for such programs to strengthen requirements to the viability of social enterprises.

According to the Agency for Persons with Disabilities (APD) and the National Association of Employers of People with Disabilities at the end of 2012 131 specialized enterprises for people with disabilities are registered. Of these, 67 are SMEs and 64 – microenterprises. The total number of their employees amounted to about 1,200 people, 30% of them are people with disabilities. Only 12% of the total of 465 000 persons with disabilities in the country work (according to the National Association of Employers of People with Disabilities). In August 2015 in the register of the Agency for Persons with Disabilities there are 281 registered specialized enterprises and cooperatives of people with disabilities. They employ 3364 people with disabilities. Two of the schemes of the OP “Human Resources Development” 2007–2013 [5] were aimed at social enterprises: “Social entrepreneurship – promoting and supporting social enterprises (Pilot phase)” and “New Opportunities”. They provided support to 77 new enterprises in the social economy and 87 existing ones. As of 09.03.2013, 3681 persons have be-

gun work in the social economy under the program.

The data also show that social enterprises created in the form of commercial companies and cooperatives are more like a number of NGOs. The reasons may be sought in the fact that employment programs and support agency for people with disabilities, directly related to the development of social enterprises, are mainly aimed at companies and cooperatives.

Material and methods

Presented study was implemented by a survey conducted by specific research tools designed for the collection of the primary data – questionnaires elaborated to collect information on the status of social entrepreneurship, ways of encouragement and needs of advice through personal opinions of different categories stakeholders making that way an investigation of the extent of “penetration” of the concept of social enterprising in society, entrepreneurial sector, training institutions, advisory organizations, state and regional authorities and making conclusions on the needs and ways of capacity development in the sector. The questionnaire is made to embracing different groups of interviewees with the goal to collect information on topics according to the specific profiles [16]. A scale from 1 to 5 is used for the assessment of the respondents (1 – Strongly disagree, 2 – Disagree, 3 – Neither agree, nor disagree, 4 – Agree, 5 – Strongly agree).

Results and discussion

The experience referred to the following areas: work in cooperatives, incl. agricultural; work in the social sphere; work with children, individuals and families at risk; work with people from nursing homes; work as a volunteer; work as a teacher, incl. training of children with special educational needs; work as an accountant, incl. social enterprises; experience abroad, incl. observations on the development of social entrepreneurship; human resource management in the enterprise; working in NGOs; work in municipal structures.

Respondents indicate strongly that in the functioning of organizations the striving must be responsibility and profit, followed by social values and professional relationships, communication with the external environment and career development (Fig. 6). The question of personal relationships shows greater variation than the other and in averaging the marks it awarded last ranks. Placing responsibility before profit is indicative of the consensus on the need to change to new business models driven by something that is more by

profit, particularly linking the activities of organizations with significant social goals. Answers to questions regarding motivation to work in an organization show that for the respondents it is particularly important to work for organizations with social objectives and targets for environmental protection.

Among the needs and opportunities to support social enterprises the survey emphasizes on training, funding, legal framework, consulting and entrepreneurial orientation (Fig. 7).

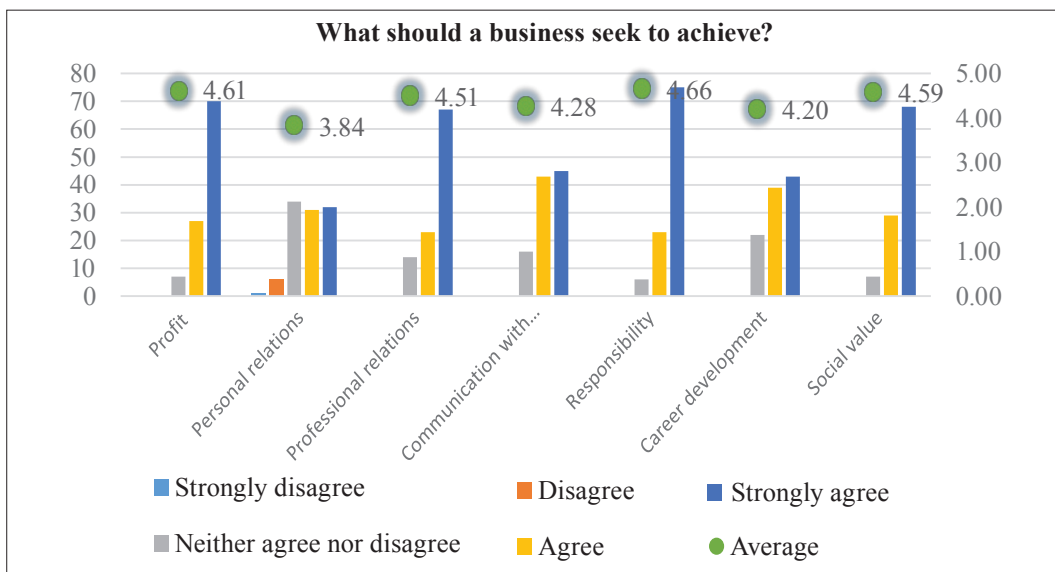


Fig. 6. Answers to the question concerning the importance of business goals

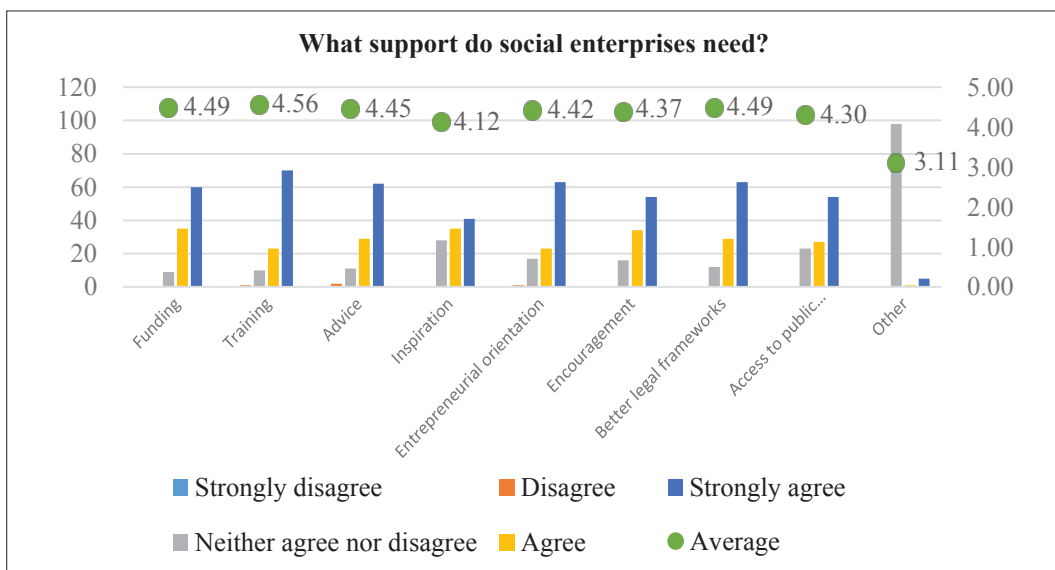


Fig. 7. Support needed by social enterprises

Good results are also acquired in terms of promoting access to public procurement and inspiration. Among the additions made possible options are those associated with public interest and support, public awareness and change of thinking.

Among respondents there is a consensus that specialized training is needed in the field of social entrepreneurship. Vocational training is proving the most appropriate according to the average estimates given by respondents, followed by formal

and informal learning (Fig. 8). In terms of higher and secondary education fluctuations are larger. The additions made point to the dual education, individual training programs, primary school education.

Assessing the need for training in different areas the respondents' answers emphasize management, strategic management, business planning, participation in funding programs, finances, fundraising, legal services and access to markets (Fig. 9). The need for training in the field of

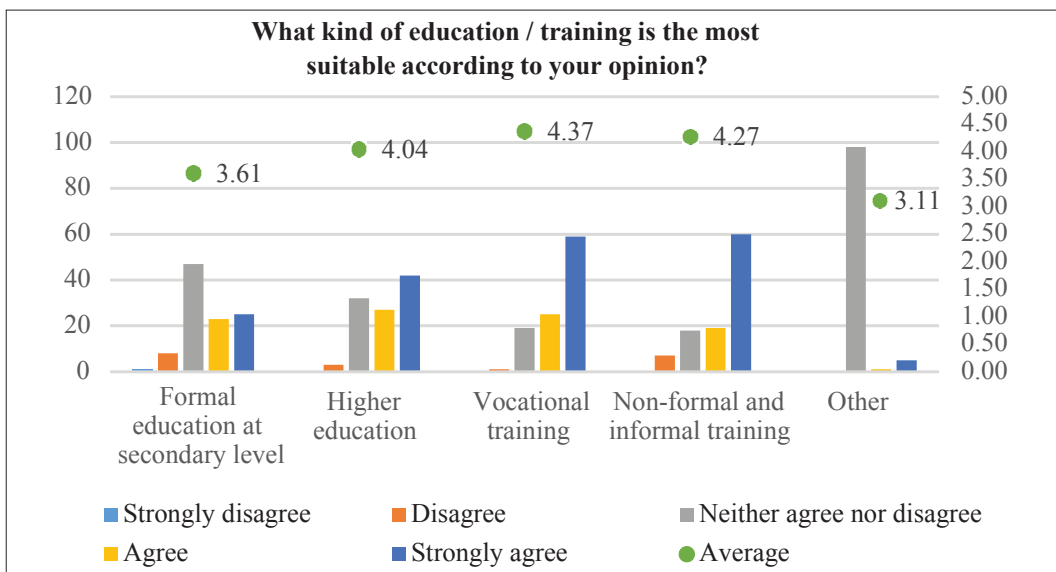


Fig. 8. Training in the field of social entrepreneurship

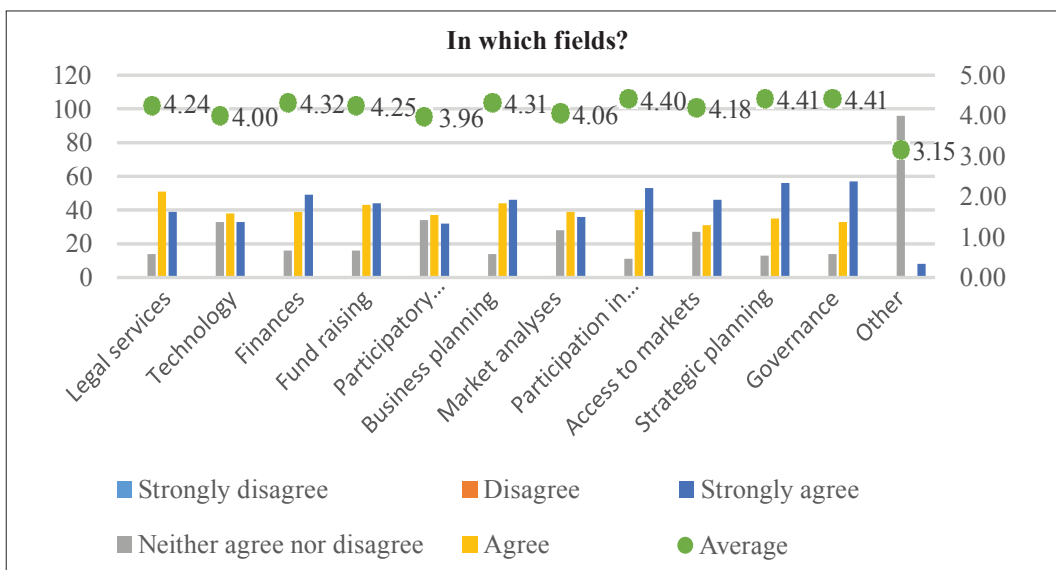


Fig. 9. Fields of training in social entrepreneurship

marketing analysis, technology and participatory leadership is valued lower by respondents. The additions are oriented towards the need of training on the very essence of social entrepreneurship, social services, soft skills, ICT and communication skills, psychological trainings.

On the type of institutions that should provide specialized training in the field of social entrepreneurship the focus in assessing by the respondents falls on organizations offering specialized consulting services and vocation-

al training centers (Fig. 10). Higher schools, vocational schools and colleges and secondary schools receive less support, which is in line with the answers to the previous question about the type of education /training. Specific addition to which there are serious grounds are NGOs, primary schools (as already noted in some of the previous issues) and training within the organizations themselves.

The above estimates made by respondents give reason to make an important point about the

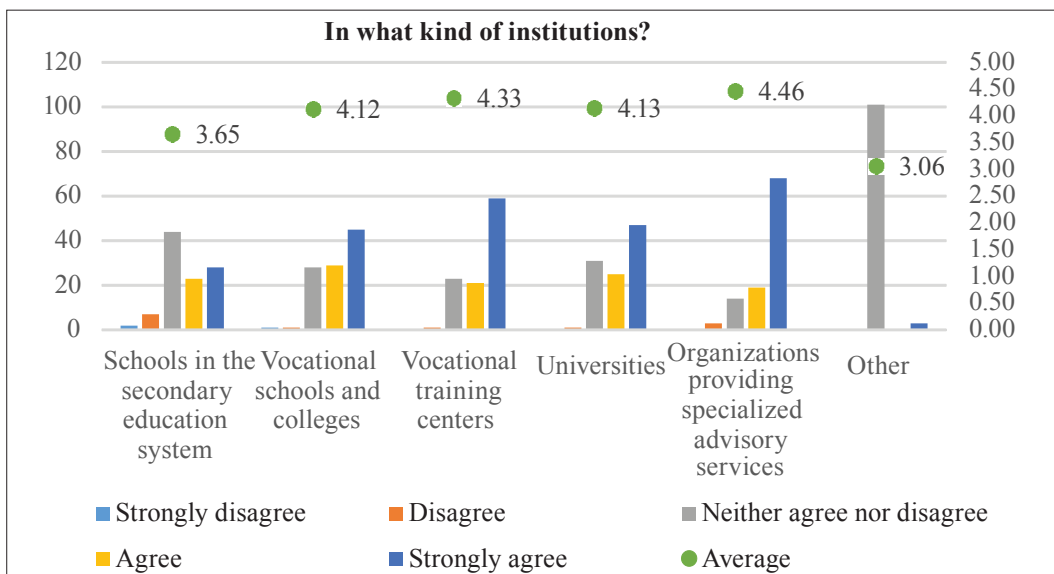


Fig. 10. Institutions providing training in social entrepreneurship

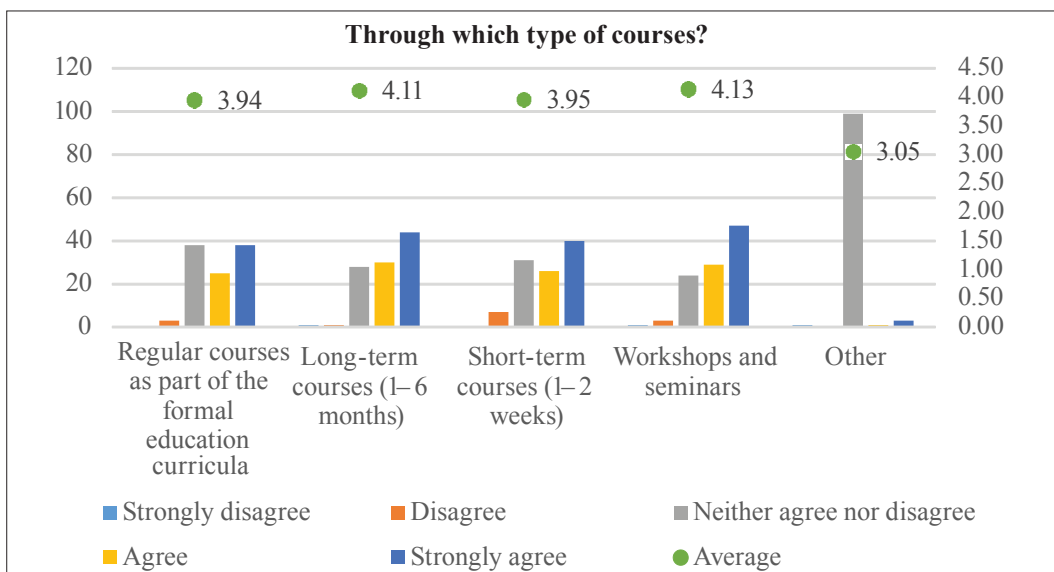


Fig. 11. Types of courses in social entrepreneurship

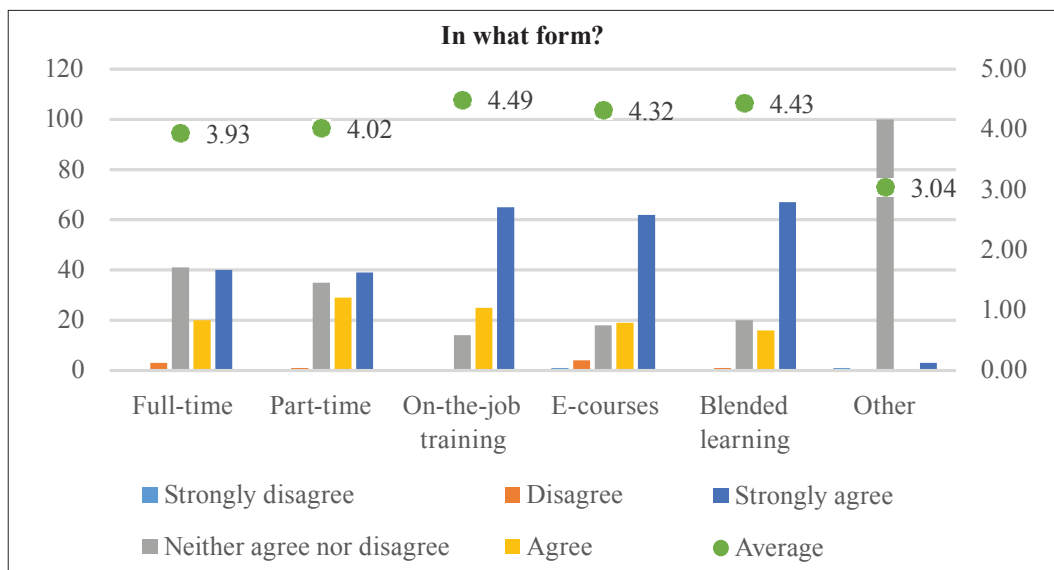


Fig. 12. Forms of training in social entrepreneurship

importance of vocational training, formal and informal learning, incl. by organizations outside / with main activities outside the formal education system (in particular consultancies) and training in the workplace (Fig. 10–12).

The importance of informal learning stressed in the answers to the above questions is confirmed and given the highest average score for the workshop and seminars, followed by long-term courses, short courses and regular subjects / disciplines part of the curricula of formal education. In additions it is again underlined the dual education and training in the workplace.

Estimates of the form of training are again oriented towards training in the workplace, as well as blended learning, e-learning, which replace traditional full-time and part-time, providing high availability and flexibility. The additional remarks referred to the compulsory subjects in social entrepreneurship in formal education, but also to self-learning, stressing once again the importance of activities to increase motivation for developing social entrepreneurship and personal motivation for training and development.

Answers to questions about the skills required of social entrepreneurs showed very good and good grades all listed in the following descend-

ing gradation: management; teamwork; initiative; communication skills; openness to change; innovativeness; organizational structure and culture; independent decision-making; identify new business opportunities; proactivity; volunteer management; assessment and risk management; understanding of the motivations and views of the stakeholders; connection with local communities; cooperation with local authorities and institutions; networking; adaptability; creative thinking in vague problems; defining the problems, opportunities and solutions to create value; participatory leadership; resistance and learning through mistakes; action after analysis; democratic governance; obtaining legitimacy; pursuit of personal fulfillment as a member of a profession that creates value.

Conclusions

Social entrepreneurship is one of the most innovative ways to achieve a better quality of life, independence and inclusion in society of persons from vulnerable groups. There is a need key legislative changes to be taken in order the measures set in strategic and political national documents to become real mechanisms to support social entrepreneurship in Bulgaria. The success-

ful development of social enterprises requires the creation of sustainable partnerships between business, NGOs and the public sector – partnerships in which each of these actors recognizes its role to achieve socially important objectives and is willing to invest resources in that. The study conducted an analysis on what extent the concept of social entrepreneurship and the role of social enterprises for socio-economic development of Bulgaria are developed and adopted by exploring opportunities to promote social entrepreneurship in the country through government policy, NGOs, business initiative, training and counseling. The accent is put on the needed skills for entrepreneurial initiatives in rural areas, the main characteristics and impacts of their functioning on social and economic development. The results provide evidence that entrepreneurial skills play a significant role and are a key factor to the development of social entrepreneurial intentions and initiatives in rural areas, particularly communication skills, expression of initiative, ability to work in a team and managerial abilities and skills which opens fields of further improvement of training and capacity building activities targeted to sustainable rural development.

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Policies for Encouraging Social Enterprises and Improving Skills for Social Entrepreneurship Development in Rural Regions

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(Summary)

Sustainable rural development is becoming more closely associated with the support to start activities aimed at developing social enterprises. Through social entrepreneurship opportunities are sought to promote diversification of rural economy by increasing the number of microenterprises, creating new and retaining existing jobs, expanding and improving social services in these areas.

The purpose of this article is to assess the impact of entrepreneurial skills on the start of social entrepreneurial initiatives in rural areas. To achieve that the opinion and attitudes of representatives of various structures in public and private sectors occupying expert and managerial positions are studied. The assessment is based on analyzed empirical data obtained from the survey, including measuring the opinions using a scale from 1 to 5.

The results show that entrepreneurial skills play a significant role and are a key factor to the development of social entrepreneurial intentions and initiatives in rural areas. The highest rated (averages ranging from 4.58 to 4.67) are communication skills, expression of initiative, ability to work in a team and managerial abilities and skills.

Key words: social entrepreneurship, social enterprise, entrepreneurial skills

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