

WORKING PAPER

*The Third Sector importance:
General perspectives and analysis for Bulgaria*

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*The Third Sector importance:
General perspectives and analysis for Bulgaria*

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Working paper CIRIEC N° 2013/01

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Abstract

This paper is purposeful towards assessing the significance, state and development of the third sector in Bulgaria. Its first part deals with the theoretical background and specific characteristics of the sector that distinguish and define it as a successful way whereby social problems are addressed and appropriate solutions are proposed. Economic crisis in Bulgaria and its social impact are traced in the second part of the paper, while in the third part is focused on how the third sector organizations in Bulgaria contribute to overcoming crucial societal problems emerging in the recent years. Cooperative development and its importance are presented as traditional and effective strategy when dealing with the abovementioned social instability. Drawing on the information and the analysis provided, conclusions and recommendations are prepared in the last part; as well as possible directions in terms of expanding its role for the social economy will be proposed. The set of data sources that are employed includes statistical and other reported data for the NGOs and systemized analysis and results regarding their development in Bulgaria.

Keywords: economic and social crisis, third sector, NGO, cooperatives, Bulgaria

Introduction

Bulgaria is the poorest country in the European Union – statistics are definitive towards its lowest GDP, poverty line and minimum wage. Financial crisis and the following economic downturn additionally put pressure to the country's fragile economy and weakened markets. Acceleration of the European integration and the convergence of living standards remain priority and an overarching focus in the National Reform Programme (2010-2015) – nevertheless achieving sustainable and inclusive development seems like a difficult task to achieve in view of the recent institutional and policy instability and civil tension. And the problems vary from the financial downturn, inflation pressure and unemployment to social instability and tensions. Bulgaria has entered the European Union with a per capita income at only 73 percent of the European average and the general trend of poverty indices impose a serious risk of its ability to reproduce as a social phenomenon for the next generations. Crisis has also reduced spending on health, education and social safety nets, such as insurance and thus endangers society stability and well-being. The problem of drawing a reasonable line between the action to counteract to these serious problems and the action to sustain society is clearly one that needs satisfactory solution to be given.

The country is searching for a path to a sustained recovery and the way to accomplish this is not only through national reforms and advancing economy, but also through collective responsibility and society awareness of the problems today. The third sector has been recently acknowledged for its capacity and contribution to mitigate the loss of vital economic and social positions. Although hardly recognized as a significant component of the Bulgarian economy, the organizational profile of the third sector has rapidly changed in the recent years and its growth is partially influenced by its increased role in the delivery of community-based services.

The third sector – theoretical nature and limits

The term civil society is generally used to classify persons, institutions, and organizations that have the goal of advancing or expressing a common purpose through ideas, actions, and demands on governments (Cohen and Arato, 1992). In the broadest sense, civil society has been characterized as a sphere of social life that is public but excludes government activities (Meidinger, 2001). As Van Rooy (1998) has shown, the concept of civil society easily becomes an 'analytical hat stand' on which many different arguments are opportunistically placed. There has been a tendency among development policy makers to pick and choose among the many different understandings of civil society in order to operationalize the concept, with the result that 'a simplified set of arguments has been imported into Northern aid policy'.

Michael Bratton describes civil society as social interaction between the household and the state characterized by community cooperation, structures of voluntary association, and networks of public communication (Bratton, 1994).

Civil society is usually addressed as a realm or space within the boundaries of which exists a set of organizational actors, which are not part of the household, the state or the market. These organizations form a wide-ranging group which includes associations, people's movements, citizens' groups, consumer associations, small producer associations and cooperatives, women's organizations, indigenous peoples' organizations – and of course the groups which we are calling NGOs.

The concept of the 'third sector' has its roots in Etzioni's (1961) work on the theorization of organizational difference. Etzioni analysed different types of the power relationships at the heart of organizations that determine a range of organizational forms and developed a conceptual framework of three basic organizational types. People can be integrated into organizations through the exercise of power towards three different possible kinds of compliance: coercive, which is the application or threat of physical sanctions; remunerative, which is based on control over material resources and rewards; and normative, which is based on the manipulation of symbolic rewards and deprivations, the power of persuasion and on appeals to shared values and idealism. While the main forms of compliance may all be found in many organizations, Etzioni suggests that in any single organization, one form tends to dominate. The dominance of each type of power relation can therefore be equated with government, business and 'third sector' organization respectively. Third sector organizations mainly use degrees of normative power to achieve compliance because they build the commitment of their workers, volunteers and members and compensate them mainly through symbolic reward, and not primarily through financial remuneration based on profit making.

Emerging from long-term traditions of philanthropy and self-help (Lewis and Kanji, 2009), NGOs vary widely in origin and levels of formality. While terms such as 'NGOs' and 'third sector' are classificatory devices that help understand a diverse set of organizations, they can also obscure: in presuming the institutionalised status of NGOs, for example, one potentially ignores a large number of unregistered organizations seeking to further the public good (Srinivas, 2009).

Some definitions of 'NGO' have been suggested by legal status, economic and/or financial considerations, functional areas, and their organizational features – that NGOs are both non-state and self-governing (Vakil, 1997). Frequently, too, NGOs have been classified by their differences to and distance from the state and private sectors, which have yet to meet the interests of poor and disadvantaged groups (White, 1999). One classification is 'Development NGOs', but even this masks an extremely diverse set of organizations, ranging from small, informal, community-based organizations to large, high-profile,

international NGOs working through local partners across the developing world (Banks and Hulme, 2012).

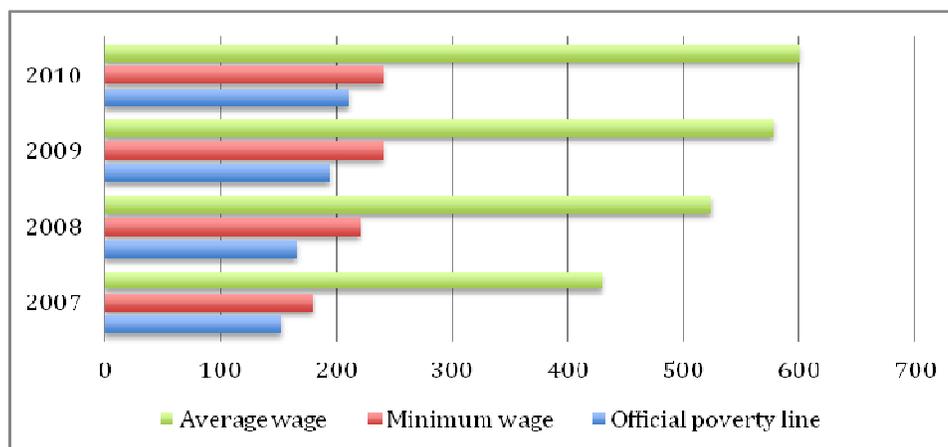
Lewis D., (2003) argue that development NGOs draw their distinctiveness from two dimensions. First is their identity as ‘third sector’ organizations, which, despite the blurred boundaries of institutional life, can be shown to set NGOs apart from government agencies and for-profit businesses. In general terms, third sector organizations can be viewed as separate from businesses because they do not make a profit, and as distinct from government agencies since their authority is not derived from political process. Second, NGOs are distinctive in the sense that they are third sector organizations which are focused on ‘development’ tasks and purposes (which can broadly be taken to mean efforts towards poverty reduction) as opposed to the wide range of other value driven activities undertaken in the third sector – such as heritage conservation, professional associational life, arts and culture or recreation. Although definitions and understandings of ‘development’ are vigorously debated in the literature – and range from narrower, income-centred understandings of poverty to broader conceptions inclusive of non-income factors such as access to rights and justice, environmental sustainability and freedom from violence – it is argued here that development purposes form a distinctive organizational agenda.

Given these classificatory difficulties, definitions and justifications for the emergence of NGOs have centred on their ability to offer a ‘development alternative’, making a set of claims about the more effective approaches necessary for addressing poverty and challenging unequal relationships (Bebbington et al., 2008; Lewis and Kanji, 2009) and justifying a role for NGOs in filling the gaps caused by inefficient state provision of services. The grassroots linkages they offer are the major strength of NGOs, enabling them to design services and programmes using innovative and experimental approaches centred around community participation (Bebbington et al., 2008), and through their programmes, to empower disadvantaged groups and help them gain voice in the governance spaces from which they have so far been excluded. The adoption of ‘empowerment’ as a bottom line is their greatest asset: not only do NGOs strive to meet the needs of the poor, they aim to assist them in articulating those needs themselves through participatory, people-centred, and rights-based approaches.

Tracking the social impact of the economic crisis in Bulgaria

What has begun as a crisis in financial markets grew rapidly and deepened irreversibly its negative consequences in various economic sectors and social life in Bulgaria. Evidence for these can be found in the majority of enterprises, mainly in the form of decreased efficiency, increased shutdowns, weakened investment confidence and reduced resources. Ventures fail despite the presence of government interventions and varied actions to address current economic and social downturn. When in 2011 the European Commission has declared that the European Union is experiencing “the worst global recession for decades”³, additional pressure was imposed by the lack of systematic monitoring of the social impact of the crisis and the emerging problems in society (Hanan, R., 2012). The Trade Union Advisory Council (TUAC) warned that: “*In the summer of 2011, the global economy entered a dangerous new phase as growth slowed down in virtually all countries, the recovery stalled in advanced countries and new financial risks emerged, particularly in Europe.*” Measuring efficiency of public spending has become an important factor for maintaining fiscal discipline, but as one of the most significant constraints appears the public sector management, in particular regional and local capacity for regulation, planning and budgeting; linkages with the civil society; and dynamic participation of private organizations in providing social services. Considering the contribution and importance of the abovementioned enterprises, their development and entrepreneurial dynamics have initiated active political and scientific debating (Graph 1).

Graph 1: Minimum wage, poverty line and average wage 2007-2010



³ Social Europe, EU Employment and Social Situation, *Quarterly Review*, June, 2011, p. 37 (Brussels: European Commission, Employment, Social Affairs and Equal Opportunities).

Assessing the efficiency and social impact of its social initiatives has become even more than necessary, in view of the fact that the gap between the incomes of the richest and poorest has widened, and even more – a group of a “new poor” has been identified to mark the people, previously economically stable, who fall into poverty because of the reduced employment incomes, tax increases, flat income taxes, pension changes.

Another striking fact is provided by the statistics of the “working poor” in Bulgaria, as the average salary they receive is below the level of the national average. For the year 2011 22.3% or namely one fifth of the population is viewed as being at-risk-of-poverty, while one out of three people or 62% lives in poverty.

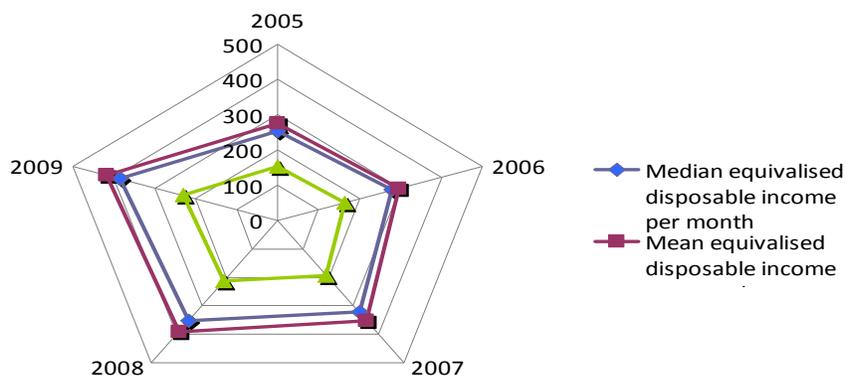
The results of the Crisis Monitoring Survey (World Bank and Open Society Institute, 2010) pointed at serious problems and the crucial effect of the economic downturn to Bulgarian society (Table 1). The main findings reflect the negative trend of declining household income, salary cuts, unemployment and reduced consumption.

Table 1: At risk of poverty rate according to different factors in Bulgaria

Factor	2005	2006	2007	2008	2009
Age					
0-15	17.8	15.1	18.8	17.1	21.4
16-64	12.4	12.3	12	12.5	13.4
65+	17.5	18	17.7	17.8	14.9
Gender					
Male	12.8	11.8	11.3	12.7	12.8
Female	15.4	15.7	16.6	15.8	16.4
At work					
Employed	5.6	5.7	4.9	4.5	5.3
Self-employed	8.7	2.8	5.9	10	9.8

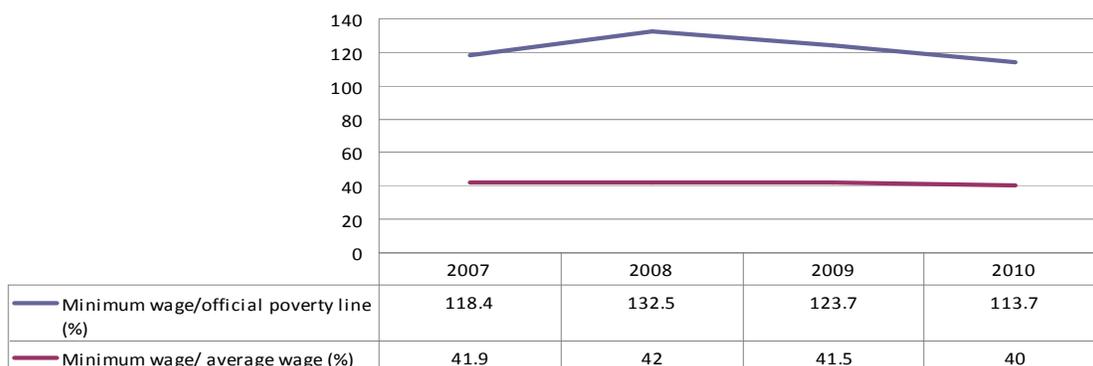
The official poverty line in Bulgaria is 2.8 times lower than the average for the newly acceded countries and 13 times lower than the average for the EU-15. With the recent unfavorable and unstable economic situation, job loses are concentrated in particular sectors, such as construction and manufacturing, while salary cuts and reduced working hours were reported to be close to 16% (Graph 2).

Graph 2: Disposable income per month and risk of poverty



Approximately 30% of the households have experienced sharp decline in their household income due to the overall decline in business, social security benefits and increased mortgage payments (Graph 3). As part of the government policy and social priorities, pensions remain the social transfer payment with a key role with relatively higher share in the household income – 22.1% against 47.7% of the labor incomes. The effect of pensions paid results in lowering the poverty from 40.5% to 17.2%, while the rest social payments lower the poverty level only by 3.1%. Statistics show that for 2009 pension payments were raised by 17%, while the compulsory pension contribution rate was lowered by 4%, which combined with the economic downturn has reduced pension contribution to 11% (NSSI, 2009).

Graph 3: Correlation between minimum and average wage, and official poverty time



Along with these negative consequences, the economic downturn in Bulgaria caused the inefficiency of the institutional and administrative environment; decreased number of released projects with strategic importance at national level; limiting a significant part of the expenditure meant for social services,

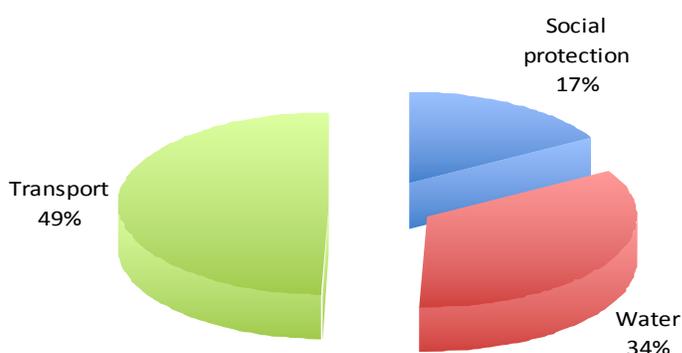
such as health care and education; and the last but not the least the weakened relationship and collaboration with the EU structures (Table 2).

Table 2: Increase of the bank credits in the real sector (%) – particular sectors

Sector	II quarter 2009	III quarter 2009	IV quarter 2009	I quarter 2010	Average
Education	-4.7 (3.5)	0.9 (-0.4)	16.9 (-0.9)	3 (-0.9)	4 (0.3)
Health and social work	-11.9 (-1.4)	1.7 (-1.2)	0.7 (4.3)	-3.8 (-4.9)	-3.7 (-0.8)

One of the short-term measures to define national challenges and priorities is bringing together the legal norms in the field of social economy into a single statutory law. The success of this measure could provide for the efficiency of the medium-term measure to establish new and to support already existing enterprises in the third sector (Graph 4).

Graph 4: Bulgaria net commitment by sectors



These policy attempts are supported by the important fact that social services cannot be organized entirely on the market principle, although the role of social organizations, NGOs, private suppliers, and even the CSR initiatives possess the potential to match the needs of the community and the free choice of the customer with the quality and accessibility of the services provided. Thus development of stable third sector is to bring services closer to the local needs and to improve its accountability.

Third sector development in Bulgaria

Not until recently there has been a very little data on the size, scope and economic impact of the third sector and its representative organizations in Bulgaria. The “third sector” itself is a relatively new concept for an activity that appears to have a long tradition in the country, encompassing diversity of organizations with different legal definitions. Its functional profile to a certain degree remains isolated in respect to the on-going social processes and turbulent changes. Since 1989 the civic sector undergone several positive changes and gained experience, although one of the major problems remains the financial support as part of the development of the sectoral enterprises and “...its ability to raise funds domestically is very limited. The situation has not changed with the country’s EU membership, since the withdrawal of the previous donors was substituted by funds from the EU programs. This dependence continued to impede the emergence of feedback and grassroots links between nongovernmental organizations and local communities”⁴.

Besides, the lack of reliable statistics imposes difficulties in analyzing and assessing the progress in the civic sector.

Table 3: Civic sector coefficient⁵

Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Coefficient	3.50	3.25	3.25	3.00	2.75	2.75	2.50	2.50	2.50	2.50

The major formally institutionalized link between the government and the NGOs is the Tripartite Commission, which mediates the relationship and the negotiation processes with the trade unions and business organizations. This triangular collaboration provides for the legitimacy and the pro-active position of the civil society; creates new incentives for establishing and sustaining horizontal ties and interaction at national level; develops the entrepreneurial organizations in the sector and facilitates their recognition as community support.

⁴ Freedom house, 2010, “Nations in transit 2010: Democratization from Central Europe to Eurasia” available on:

<http://books.google.bg/books?id=6MRO3uRyXxkC&pg=PA143&dq=third+sector+in+Bulgaria&hl=en&sa=X&ei=IW8PUousO8KYtAbp9YHAAg&ved=0CEcQ6AEwBQ#v=onepage&q=third%20sector%20in%20Bulgaria&f=false>

⁵ Freedom house, 2010, “Nations in transit 2010: Democratization from Central Europe to Eurasia” available on:

<http://books.google.bg/books?id=6MRO3uRyXxkC&pg=PA143&dq=third+sector+in+Bulgaria&hl=en&sa=X&ei=IW8PUousO8KYtAbp9YHAAg&ved=0CEcQ6AEwBQ#v=onepage&q=third%20sector%20in%20Bulgaria&f=false>

Back from the very start, there are four periods that could be distinguished in the development of the third sector in Bulgaria, mainly defined by the changes in legal framework and the current political situation. The *first period* is the one of the transition, led by the Constitution of Bulgaria (1991) and the proclamation that the civil associations may be established to pursue different goals related to society best interests, including safeguard of human rights, education, and social integrity. The Non-Profit Legal Entities Acts has raised the accountability and performance of nonprofit organizations and imposed a new dynamic drawing on their capacity to fill the gap in society and establishment of strong civic relationships. In the period between 1990-1994 were established some of the currently largest NGOs in Bulgaria working on different projects and causes – Open Society Foundation, the Center for the Study of Democracy, the Applied Research and Communication Fund, etc. (Graph 5).

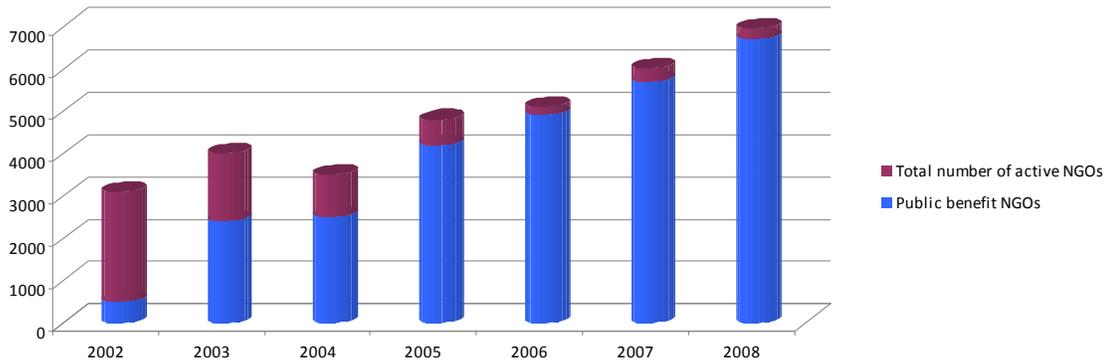
Graph 5: Financial Inclusion project



This is also refers to as a period of institutionalization of the civil sector and development of appropriate legal framework to map the relationships within and control the activity performed by the nonprofit organizations.

The *second* (1994-1998) and the *third* (1998-2005) periods have been influenced by the strong presence of international donors and their programmes to support third sector development. In 2003 the amendments of the Social Services Act for the first time allowed NGOs to provide social services and to apply funding from the state and municipal budgets through tenders. By the end of 2005 there were roughly 4000 registered NGOs and a breakthrough was the emergence of national sources for their funding (Graph 6).

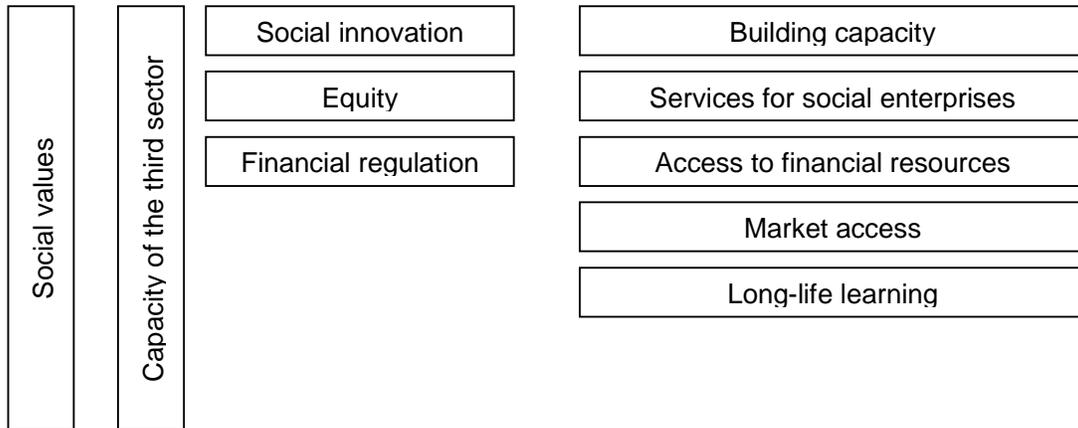
Graph 6: NGOs in Bulgaria



The *fourth period* started in 2005, but the significant changes appeared after 2007 when the European membership of Bulgaria has become a fact. By this time the Bulgaria Country Partnership Strategy (CPS) identified three strategic priorities: productivity and employment; fiscal sustainability and EU funds absorption; and social inclusion. Structural reforms undertaken in the context of the EU Lisbon Agenda and Growth Strategy resulted in update of the National Program to address improvement of administrative capacity and business environment, as well as synergy with Health Sector Reform Project (2000-2008) and the Social Inclusion Project (2008-2010).

The endeavor to provide a shared concept and distinct profile of the third sector organizations still faces difficulties when merging the blurred boundaries into a comprehensive interpretation. The main components of a purposeful policy framework and strategy towards thirds sector development and creating stimuli for entrepreneurial activity may be comprehensively summarized in the following Figure 1.

Figure 1: Main components of a purposeful policy framework and strategy towards third sector development



Meanwhile the sector is growing and changing despite the legal contradiction in the organizational status and the activity performed. According to a research⁶ conducted in 2012, 66.7% of the social enterprises are well-aware of the context and priorities of the National concept of social economy, and 94.4% acknowledge their activity as activity with clear social effect, basically addressed to the social services provided, creation of new jobs, improvement of professional quality and competences and in general increase of the quality of life. Majority of the respondents (78.8%) states that this social effect could be measured through purposeful methodology; quantitative indicators, such as the number of the new job opportunities; qualitative indicators and feedback from the direct consumers of their services. The results obtained through these potential opportunities to measure the created and sustained social effect could be of great benefit not only for the social enterprises themselves, but also for the investors, future customers of their services and the government position and support orientation.

Another survey, performed by the CSD classified four types of NGOs that could be outlined in respect to their size, type of operation, location and other characteristics (Table 4).

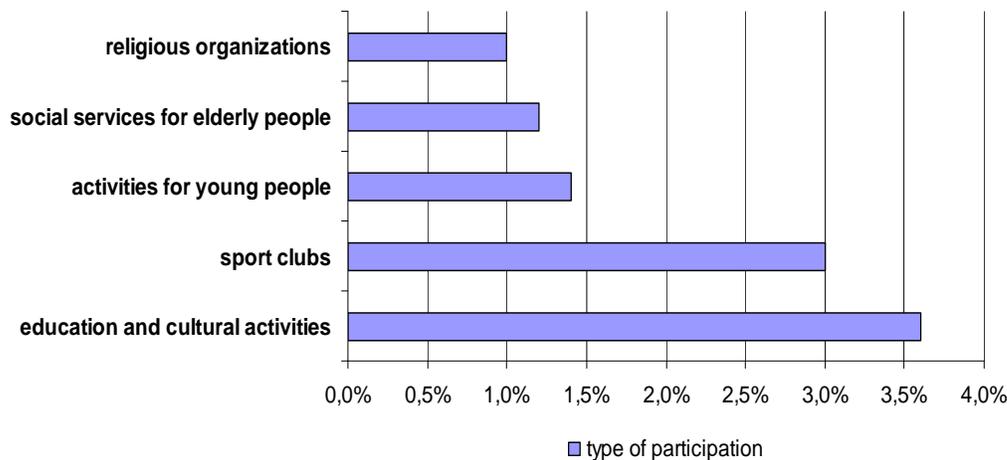
⁶ Department “Life standard, demographic development, policy and strategies”, 22-24.04.2012, available on: <http://seconomy.mlsp.government.bg/page.php?c=32>

Table 4: Types of NGOs in Bulgaria

Group	Region	Number	Employees
Group 1	Sofia location	20-35	Over 20 full-time
Group 2	Urban regions	50-75	With 10 or more full-time
Group 3	Regional centers	200-300	Less than 10 full-time
Group 4	Small municipalities	600-800	Only 1 employee, working intermittently

Close to 19% of the organizations are operating within their community, while 46% perform their activity at regional level. The percentage of the national NGOs is 24 and 11% operationalize at international level. These organizations vary in between in terms of set priorities and objectives, specifying from a wide range of civil and professional objectives, to a more specific focus towards economic support and support to local authorities, research and work with particular target groups.

Graph 7: Civic activities of NGOs



Given the legal opportunity to perform commercial activities under compliance with the law requirements, the commercial turnover of the NGOs has increased almost twelve times for the period of 2001-2008. The average turnover of a non-profit organization is reported to be close to 25,000 euros. Another indicator is their profit margin, which for 2008 is 35%, which is far beyond the average for the rest economic sectors. One possible explanation is the fact that some of the costs of the NGOs are charged to project grants.

For 2009 the total number of registered NGOs is 30,000, of which 22.6% have status as organizations pursuing public benefit. The prevailing number has associations – 24,465, while foundations represent 17% or 5,177. The so-called “chitalishta” are 3,779. The rest are religious organizations and syndicate associations. Unfortunately from the abovementioned statistics as active NGOs are appointed 6,000, which fact seriously questions their sustainability. More recent analysis reports that the number of active associations and foundations is 9,009 with 1,723,000 members, of which 102,000 are legal entities and the rest, are physical members.

In 2012 there were over 35,000 NGOs registered in Bulgaria, an increase of 1,850 since 2011 (The 2012 CSO Sustainability Index).

Important part of the NGOs work is the volunteer contribution. In 2005 84% of the non-profit organizations used the help of volunteers, of which 27% reported to work with more than 20 volunteers⁷. Volunteers are 60,000 and their work is equivalent to 2,232,000 hours for the year 2011 (Demireva, Mancheva, 2012). World Giving Index 2011 presents more positive results since the report states that 5% of the population claims to volunteer time.

Cooperative contribution to the third sector development

Cooperative legal form in Bulgaria has always been a subject of special considerations and efforts towards its promotion as a reliable organizational form in the economic sector. Being part of the European Union provides for sufficient incentives for Bulgaria to restore its cooperative movement basing on the positive examples in the other member states. Nevertheless, the contradictory experience in the remote past is still envisaged as significant obstacle for this step forward. One of the main reasons for the negative ideological image of cooperatives in the early post-socialist years stems from the direct relation of cooperative concept to the socialist concept, which basically disregards leading cooperative principles.

Despite this past ideology, cooperative structures provide, assist and maintain a wide spectrum of economic, social, ethical demands and necessities, and for that reason their significance and role have received broad interest both from public and private authorities. This interest has also been supported by several theories in the economic and social field, which aim at explanation of cooperative structural characteristics and membership incentives. None of them has managed to capture thoroughly cooperatives' nature for the most obvious reason that during the years they have revealed as quite dynamic structures, which evolve progressively over time. These trends provide for larger perspective and opportunity to explore gradual changes and structural transformations in

⁷ Study on the practices in the governance of NPOs in Bulgaria, 2005, available on: http://ec.europa.eu/citizenship/pdf/national_report_bg_en.pdf

cooperative characteristics in Bulgaria. Probably one of the most unique characteristics of cooperative development considers the balance achieved between the process of interaction and involvement in different economic, social and political scenarios, and preserving the initial cooperative principles and values at the same time. Already acknowledged as socially innovative model, cooperatives emerge as alternative solution that creates better solutions for particular social and community needs.

Although it might be too ideological, the simple fact that could not be neglected is that the strength of the cooperatives is in their members. Cooperatives are the people and the people hold the idea for cooperatives. Cooperative members explore economic benefits and increase their social standard by doing what they do for living in the best possible way. This additionally includes more rational use of market gaps and creation of competitive advantage based on specific regional priorities. Cooperatives undertake production activities and provide for social services in niches where corporate systems have failed or do not have appropriate resources and financial interest to deal with. Predominant part of cooperative initiatives has arisen from the spontaneous incentives of rural groups to fulfill particular social need through economic undertakings - *“non-profits have turned to organizing social enterprises to fulfill social equity missions. Communities and governments have turned to them for economic development”*. Nowadays their expansion in terms of influence and functions has provoked interest of the broader society, which resulted in organization, coordination, and back up of cooperative activity by the government, the local authorities and the community.

Cooperatives in Bulgaria highlight pro-social motives and emphasize social outcomes operating as a business model towards sustainability. Considering cooperative principles and identity, which integrate and balance economic and social requirements for social responsibility and civic awareness, cooperatives in Bulgaria reasonably also fall into the category that is subject of social economy. And this as a process and respectfully as result took a long time to be operationalized. In the recent years government policy and action were expected to bring about immediate changes and visible results in the process of economic and social integration. Nevertheless in view of the most recent turbulent situation the government stability is the key for sustainable development and its three fundamental aspects – social, economical and environmental are simply missing as a the basic criteria to be followed along with the key priorities, such as: efficient management and sustainable development, secured work places, business ethics and cooperative social responsibility, social integrity and active mechanisms for inclusion of all social groups.

In Bulgaria are registered and function close to 2,000 cooperatives with 0.5 million members and 50,000 employees. In these organizations are working almost 50% of the people with disabilities in Bulgaria. Cooperatives, regional

cooperative unions and cooperative companies are organized in four national cooperative unions (Table 5).

Table 5: Cooperative network in Bulgaria

Cooperative Union	Number of cooperatives	Cooperative members	Employees
Central Cooperative Union	808	155,000	10,300
National union of agricultural cooperatives	903	240,000	16,000
National union of worker cooperatives	251	20,000	15,000
National union of cooperatives for people with disabilities	124	-	5,000

One of the main problems in building a functioning framework for cooperative organizations can be pointed to the trivial lack of transparency, resource constraints and insufficient control (Table 6).

Table 6: Contents plan of main problems in the social sphere

Problem	Source of problem	Consequence
Absence of long-term policy at company level	Resource constraints - time, expertise, resources, human resources	Absence of sustainability of actions and decisions taken
People are reluctant to deal with a one decisive center	Centralized management is not considered to meet the different needs and possibilities to solve them	Lack of authority and sufficient legitimacy of cooperatives as SE
Insufficient financial support	Centralized organization and planning is considered ambiguous, and even sceptically	Lack of focus in the allocation of funds generated
Inadequate public and community support	Lack of coordination between different participants and stakeholders.	Local nature of initiatives taken

In the time of crisis, cooperatives tend to be more resilient than the conventional enterprises, even “innovative” as qualified by the EC Employment. While the creation of enterprises (micro-enterprises included) has dropped by 11.6% in 2011, cooperatives display healthy, almost defiant state, with regard to the deterioration in the economic context observed since autumn 2008. According to the CECOP, cooperative resilience rests on the following *key elements*:

- Participation of the members in the management of the cooperatives;
- Reserve funds;
- Close connection with regional and territorial characteristics and specific needs;
- Community involvement;
- Capacity to organize and follow-up business transfers to employees.

Thanks to the pro-active policy and participation of these national cooperative unions in the economic and social life in Bulgaria, the negative impact of the crisis has slightly spared their employees and members. The registered unemployment rate in cooperatives is 3.5% annually, while the country's average rate is 4.5%. Additionally should be mentioned that the number of employed people with disabilities has remained relatively stable – 2,000 people. Bulgarian member NUWPC commissioned a research from the University of National and World Economy to develop a pilot project for the development of a retail network for the cooperative system. The investigation, which started at the end of 2010, showed the need to develop the retail network in order to facilitate the sale of cooperative products. Following this project, the Professional Education Centre of NUWPC has launched a specific training programme in May 2012 addressed to sales managers of all cooperatives belonging to the Union system.

In Bulgaria, while statistics indicate for job losses and instability, most of the cooperatives show stable employment rate and viability. Increase has been reported in sartorial sector (11%), in non-food industry (53%). Investment activity also registers increase of 31% for 2012. It's been acknowledged that the cooperative model is a very successful method for achieving financial inclusion and for responsible microfinance. The founders of the Central cooperative bank were Central Cooperative Union, the regional cooperative unions and more than 1,100 cooperative organizations. In the beginning its mission was to contribute to the development of the cooperative system in Bulgaria. Passing through different development periods, the Bank established itself as a universal commercial bank nowadays. In terms of total assets Central Cooperative Bank is on the 10th place in the classification of BNB for 2011.

Most recently, specialized cooperatives are active partners in the projects of the Agency of people with disabilities, estimated with an average value of 1,027,125 euros. Even more – cooperative business model reveals with highly potential, as statistics for 2011 show that COOP retail chain possess 4.03% market share. What is important in these numbers is the number of villages with population below 500 people that are serviced by COOP retail chain – 1,733.

Being part of the dynamic environment means also complying with government policy and regulations, consumers' demand, and environmental requirements. Cooperative adaptation towards environmental constraints, provided through: internal structural differentiation; strategic contracts and long-term arrangements

for gaining market access; competitive possession of key production resources; and social oriented and environmental responsible policy, considerably changes the general perspective of cooperatives as organizations with limited strategies and capacity for their fulfilment. The specific cooperative features that have contributed to cooperative stability also have positive impact over their environment (Table 7):

Table 7: Cooperatives specific effects

Level of impact	Specific effects
Micro level	<ul style="list-style-type: none"> • Mobilization of members' participation; • Involvement of wider stakeholders and community.
Meso level	<ul style="list-style-type: none"> • Business support entities for training, consulting and financing owned by the national cooperative unions/ alliances; • Consortia organizations.
Macro level	<ul style="list-style-type: none"> • Indivisible reserve funds are compulsory; • Establishing non-banking financial instruments.

The bottom line is that what defines cooperatives could not be just generalized as the typical functions of “*rational*” or “*natural*” systems. It is true that cooperatives emerge at local level and initially have limited strategic options, which could define them as rational systems. But the effect of their initiatives has a broader strategic impact and at this point characteristics of the natural systems are also recognized.

Conclusions and recommendations

NGOs engage in a number of intersectoral partnerships. Both the government and business view NGOs as partners, particularly at the national level. At the local level, businesses tend to work more closely with local authorities or institutions, such as state-owned kindergartens, than with CSOs. In several areas, government programs and policies encourage a partnership approach. For example, local action groups in rural areas bring together all three sectors to solve community problems.

The lack of financial support for institutional development is the main reasons that NGOs work from project to project, often depending on the availability of funding. It is difficult to have a professional career in the sector, as even large organizations are no longer hiring people. Especially in smaller towns, experienced people are leaving the NGOs sector for jobs in the business sector or state administration. On the other hand, NGOs increasingly recognize the potential value of volunteers and are working to develop their organizational capacity in that area. In addition, several websites have been created in recent

years that link volunteers to volunteer opportunities (The 2012 CSO Sustainability Index).

In 2012, the government adopted the first-ever Strategy for Support to NGOs Development in Bulgaria. The Strategy outlines the measures the government will take to improve partnership with NGOs, financial sustainability, and civic engagement. *The first measure* is aimed at building a working partnership between the state and civil society organizations. Its provisions are based on the formulation and application of the fundamental principles of partnership with state and local governments to provide for the establishment of the Council for Development of Civil Society to the Prime Minister and the establishment of a working group of representatives of civil society organizations and government institutions to analyze the Law on NGOs purpose and activities of the Central register. There is also a need to improve the regulation of accounting and statistics for civil society organizations.

The second measure is aimed at achieving financial sustainability of civil society organizations in Bulgaria. For its implementation is provided support and promoted philanthropy, as well as steps to create and implement a mechanism for financing the civil sector in Bulgaria are foreseen. It is expected to expand the funding opportunities for NGOs, in addition to the existing provisions of the law. Special attention will be paid to the information and analysis of obstacles to NGOs for application and implementation of projects under EU programs administered by state and local governments, and analysis capabilities for the creation of a fund for bridge financing of NGOs in the implementation of projects under the Operational and international programs.

Efforts to be made are also towards the development of the common principles and funding criteria valid for all delegated budget to fund civil society organizations and their adoption of a legislative act. For this purpose, it is appropriate to evaluate alternative forms of financing NGOs from public funds, practiced in the EU.

The third and final measure is defined as “the creation of conditions for citizen activity.” It suggests establishment of clear rules and procedural opportunities for civic participation, incl. at the local level; determination of adequate time to submit comments, suggestions etc., by citizens and civil society organizations on projects, documents, decisions and more, state and local governments; support volunteering as an expression of active citizenship through adoption of the Law on Volunteering, support volunteer initiatives, including internship opportunities for students and others.; and creation the conditions for the inclusion of civic education program in schools and universities, as well as support for formal education initiatives.

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